

Report On
“Shariah Practices of Shahjalal Islami Bank Limited”

By

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18104261

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration.

BRAC Business School
Brac University
June 12, 2022

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Declaration

It is hereby declared that

1. The internship report submitted is my 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 have acknowledged all main sources of help.

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Letter of Transmittal

Md. Shezanur Rahman

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Subject: Submission of internship report on Shariah Practice of Shahjalal Islami Bank Limited.

Respected Sir,

This is my pleasure to display my internship report on Shahjalal Islami Bank Ltd', which is a mandatory for the BBA program. It was a great experience for me to work under your supervision. I have prepared my internship report on the Shariah practice of Shahjalal Islami Bank Limited. I got the opportunity to work as an intern in the bank for three months and I am privileged to learn and work in the organization. This internship has helped me to gather vast knowledge about banking industry and how a bank operates. I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

May I, therefore, I believe that you would be kind enough to grant my internship report and give your valuable opinions. I hope that the report will meet the respective desires.

Sincerely yours,

Nadia Mehezabin

ID: 18104261

BRAC Business School

BRAC University

12 June, Sunday, 2022

Non-Disclosure Agreement

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between Shahjalal Islami Bank Limited and the undersigned student at BRAC University Nadia Mehezabin, ID: 18104261

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Acknowledgement

I am thankful to “**Shahjalal Islami Bank Limited**” for guiding me with all the necessary data and information to make the internship report.

I would like to give gratitude towards my academic supervisor Md. Shezanur Rahman for guiding me and instruct me how to make my internship project throughout my internship journey. He was cordial enough to respond my every queries via emails and WhatsApp.

Executive Summary

Shahjalal Islamic Bank Limited has established itself as a thriving Islamic bank in Bangladesh. Despite fierce competition in Bangladesh, the bank has made significant growth in all aspects of its operations, both domestically and abroad. The title of this report is a significant analysis of the Shariah practices of Shahjalal Islamic Bank Limited.

Under the Bank Companies Act of 1991, Shahjalal Islamic Bank Limited (SJIBL) began commercial operations on May 10, 2001, in conformity with Islamic Shariah principles. Shahjalal Islamic Bank Limited has been following and maintaining Islamic Shariah rules and regulations over the years.

The bank has successfully running their bank and generating profit and competing with other banks. In this study, I have described all the Shariah rules of Islamic banks and the way SJIBL is maintaining them. I have used the both primary and secondary data. The primary information are received from the manager, bank, employees and practical experiences. As a secondary sources, I have used the annual reports of the bank from 2017 to 2021. General performance analysis on deposits, assets, investment etc. have also been done. The ROA, ROE, ROI have been calculated too.

To assess SJIBL's performance, I used ratios to analyse their performance. Then, while assessing this bank's risk, I compared its performance to that of IBBL by analyzing total deposits, total investments and operating profit. As both the banks are Islamic bank so I have shown comparison to give an overview of two Islamic bank.

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List of Acronyms

SJIBL	Shahjalal Islami Bank Limited
RTGS	Real Time Gross Settlement
IBBI	Islami Bank Bangladesh Limited

Chapter 1: Overview of Internship

1.1 Student Information:

Name: Nadia Mehezabin

ID: 18104261

Program: Bachelor of Business Administration (BBA)

Major: Finance

Minor: Human Resource Management (HRM)

1.2 Internship Information

1.2.1 Period, Company name, Department, Address:

Period: 90 days.

Company Name: SHAHJALAL ISLAMIC BANK LIMITED.

Department: Every Department

Address: Confidence Center 01 Bayzid Road, Progati Sarani Rd. Badda, and Dhaka.

1.2.2 Internship Company Supervisors:

Name of my supervisor: Md. Muzaffar Habib

Designation: AVP & Deputy Manager

1.2.3 Job Scope & Job Responsibilities:

The duties and responsibilities that were given during my internship are described below:

- Fill out account and deposit forms, NID verification and complete a form.
- Documentation of loan proposal and charge documents, file them with sequence.
- Check balance from system of clients
- Manage clients with their issues and guide them
- Check of clearing cheque and payment order

- Receive, check and make of RTGS and EFT
- Assisting all the officers and work accordingly
- Making calls to clients
- Follow and assist deputy manager and other officers

1.3 Internship Outcome

1.3.1 Contribution to my bank (Shahjalal Islami Bank Limited):

In my internship journey, I strongly believe that I made strong contribution to the bank. I did my internship as if it was a place where performance is everything. I performed every tasks diligently. Mostly, I did not just sit idle but worked really hard. In general, interns are not given so much difficult tasks in organizations. But, I urged and seek tasks and work which made me noticeable in the bank.

First of all, I worked in the general banking department for first 1.5 months. I worked literally very hard here. I was able to fill out all the account form accurately. I did everything so fast and didn't leave anything pending. At my first day, I almost completed 25 to forms. I also handled clients. I have given clients their cheque books and debit cards and also registered them with sign. I also rearranged every form in order. I also follow every instructions from the GB officers and brought important signatures and files from manager and deputy manager. All of the above, I called 300 clients to inform them about their dormant accounts. It was a challenge to convince them to make their account active or close and come to branch. Surprisingly, I was successful as many clients responded and I also received impressive feedback from the bank officers. The forms I have filled out are-

1. Savings Account
2. Mudaraba Term deposit / Mudaraba Scheme Deposit
3. Institutional Account

After that, I worked in the investment, loan, remittance and clearing department. Here, every work was more detailed and creative. Most of the work was sensitive and more conceptual. It was a privilege that I got an opportunity to work in the most sensitive clearing department.

I got the opportunity to vigil audit of the bank also. I also assisted the audit as well. The officer of audit highly appreciated my motivation towards works and praised my performance. I also observed how audit works and the impact of the auditing in a bank and its employees.

The environment is very impactful for any workplace. I observed every work manner and tried to maintain every rules and regulation. I managed to cope up with everyone working in the bank.

1.3.2 Benefits to the student:

The journey of my internship at Shahjalal Islami Bank Limited was like a roller coaster. It was nonetheless a wonderful journey that I will cherish as it was my first experience of work life. Internship is more like a demo for a student of workplace. It is an idea that inspire a student for the work and aim for it. Moreover, it is a way to learn the norms of an office environment which will be beneficial for a student in the future. A little experience will help a lot when we will actually start working in an organization. In internship, a student also learns how to be professional and behave at workplace. By this, I learnt how to cope up with co-workers and not to react over silly matters. There is an important thing that we learnt in our academic life that is the importance of customer. I learnt how to deal with customers and helped many customers. In the banking, every details is sensitive and confidential. In that case, I learnt how to be conscious about work. Because, my one mistake can lead a massacre and hence, cross check is very important for any kind of work. I learnt about the Bank Ultimus where all the necessary information and authorization are done. It is a basic banking software and very essential and also confidential. Every employee has their individual id and password so that nobody can use the banking details. All of the steps are taken for the safety purpose of the clients' information and privacy.

The lifestyle of working individual are quite different. I observed that every employee is punctual and passionate about their work. No matter how stressed one is due to family situation or other things they are giving their best shot at work. Everyone is punctual and also diligent at the workplace. I observed one female employee struggling about her health and kid's health and took an off day. But the next day, she didn't miss and was working very professional. Not but least, I realized work life balance is important and maintaining that might be challenge.

1.3.3 Problems and difficulties faced during the internship

My internship journey was very flexible but still I faced some challenges in the organization. As a business graduate, it was an opportunity to reflect my skills and ability to accept different tasks. Firstly, as there were no particular desk or computer for interns, it was difficult to cope up. But later, I seek tasks from my supervisor and received positive feedbacks. For the first month, while working on the general banking I had no opportunity to swap or go to other departments of the bank. As an intern, it was required to work at every different functional areas. As I was working very efficiently, the general bank department also didn't want me to swap. Then I had to face challenges to get the opportunity to work in other sections at bank. As I had no work experience before this, so it was a very challenging situation for me. As a result, I couldn't learn effective things and also was fully unaware of the digital banking system. But, later I got the opportunity to work in every department in the bank for the betterment of my report.

1.3.4 Suggestions for my bank on future internship

Internship is a great opportunity for every student in the undergraduate. I would like to give some suggestions for the future internship programs. Firstly, students should be given challenging tasks and work. There should have an individual desk and computer. All the university students are aware of the confidentiality of the bank so there should be no concern about it. Employees of the bank should motivate and teach the students for learning new things. Senior officers should inspire and assist the interns in terms of every work. Most importantly, interns should be given the opportunity to work in every functional department of the bank. So that, they get the thorough idea of banking for the betterment of their future.

Chapter 2

Organization Part

2.1 Introduction

2.1.1 Overview of the Company

Under the Bank Companies Act of 1991, Shahjalal Islami Bank Limited (SJIBL) began commercial operations on May 10, 2001, in conformity with Islamic Shariah principles. In the early 2000s, Shahjalal Islami Bank Limited was one of the few banks licensed by the Bangladesh Bank. Service coverage has been expanded by SJIBL by launching 132 branches in key strategic areas around the country, offering a variety of investment and deposit options. Islamic Banking is not only an INTEREST-FREE banking business, but also a deal-wise commercial product that generates actual money and consequently boosts the economy's GDP. The Board of Directors has a good reputation in the country's business community, and the Management Team is strong and supportive, with great professional experience, led by the managing director Mr. Muhammed Shahidul Islam.

Shahjalal Islami Bank Limited has its own board of shariah practice. The strictly follow the shariah management and audit in the bank. Although, Shahjalal Islami Bank Limited has its own shariah board but it is bound to follow the central bank of Bangladesh's shariah rules and regulations. There are some important shariah principles that are strictly followed in the bank. The deposit rate fluctuates due to the demand and supply in the islami banks. The bank doesn't provide loans in the haram things such as, club, bar, cinema, etc. Whenever, the bank provides loan it strictly maintains its shariah restrictions and continuously monitors the investment. Shariah practices believes in the business in a halal way. Whenever, the bank gives loan to a businessman they buy the products for the client and thus, let him to run the business and make profit. The profit hence is given to the depositors who keeps their money.

2.1.2 Vision

An elegant name in the sector of shariah banking and investment in Bangladesh making sure that our stakeholders with the intention to contribute in moral and ethical human development gets a justifiable value from us. (SJIBL, 2022)

2.1.3 Mission

- Positive quality assistance and client care.
- Supportable incentive for all stakeholders.
- Having high integrity standards.
- Banking that is inclusive and creative
- Automation and digitization of cutting-edge technologies for ensuring a rapid, foolproof and precise customer care.
- Constantly upgrading professional development and system upgrades to meet the challenges and strive for excellence.
- Moral and ethical development of human resources. (SIJBL, 2022)

2.1.4 Organizational Objectives

- To be Bangladesh's single most effective shariah-based bank.
- Encourage fair trade across the market.
- Emphasizing on both wholesale banking and retail banking sector.
- Giving more focus to ensure the needs of our customers instead of desiring for a quick return on investments.
- Making the organization conservative and disciplined in the grounds of capital management, liquidity and risk management.
- Building a distinctive culture among the employees to create exemplary teamwork and co-ordination for establishing a major advantage in the market.

(SIJBL, 2022)

2.3. Management Practices

2.3.1 Corporate Governance & Board of Directors' Commitments

Corporate governance is a set of laws, regulations, and procedures that regulate how a company's board of directors controls and monitors its operations; concepts of openness, accountability, and security are all part of corporate governance. (CFI, 2022) The management and direction of the Bank highly rely on the decision of the board committee. The board of directors are highly committed to ensure the policies that will generate the best performance of the bank.

2.3.3 Designation Hierarchy of the Organization

Chairman	
Board of Directors	Chief Advisor
Managing Director & CEO	
Assistant Managing Director (AMD)	Deputy Managing Director (DMD)
Senior Executive Vice President (SEVP)	
Executive Vice President (EVP)	
Senior Vice President (SVP)	
Vice President (VP)	
Senior Assistant Vice President (SAVP)	
Assistant Vice President (AVP)	
First Assistant Vice President (FAVP)	
Junior Assistant Vice President (JAVP)	
Senior Executive Officer (SEO)	
Executive Officer (EO)	
First Executive Officer (FEO)	
Officer	
Probationary Officer (PO)	

Table 1: Designation Hierarchy (SJIBL, 2022)

2.3.4 Leadership Styles

Leadership style is an essential part of management practices in every organization. A leader's typical characteristics while leading, inspiring, guiding, and managing groups of people are referred to as their leadership style. Any individual with a great leadership quality can inspire others to create, invent, and perform. (Cherry, 2021)

There are different leadership styles. They are autocratic, democratic, participative and laissez faire. SJIBL also follows a leadership style to make their performance effective.

- ✓ **Participative or Democratic:** In this leadership style the group members have more active role in decision-making. Researchers have discovered that this learning method is often one of the most successful, leading to increased productivity, contributions and improved group morale. Managers and employees gather to discuss and resolve issues with everyone and having an opportunity to participate in decision-making.

Shahjalal Islami Bank Limited is highly focused at the betterment of the bank. The environment of the SJIBL bank is overwhelming and cheerful. The chairman, board of directors and employees can put their views, opinion and decisions. Every issues are discussed and the solutions from every individuals is taken seriously. The bank highly appreciate the involvement of every individual who can add value to the organization. The participative attitude is highly preferred and there are rewards for this kind of attitude as well.

2.3.5 Recruitment and selection process

Recruitment and selection process is an important part of human resource management.

The career opportunity at Shahjalal Islami Bank Limited is highly competitive. Candidates are required to hunt the job circular and apply through online. Then the shortlist process is being done based on the qualifications and requirements of the job description. Then candidates are required to seat in the written examinations which is completely done by the department of IBA of Dhaka University. This makes the fairest selections of the candidates. Then the selected candidates give their viva and hence, selected in the organization.

SJIBL follows two types of recruitment process that is internal and external. Internal employees have more preference for the executive level of recruitment process. There is an opportunity resides for every employees of promotion that comes after every three years. Entry level is always preferred for the external recruitment. The TSO or MTO candidates are always selected through the external process. They are hired by their qualifications and competition of the job.

Personal Observation: In my internship period, I saw my supervisors and other employees getting the call for promotions. But, all the candidates must have to go through viva to get promoted. It was quite interesting for me to watch my supervisor and other employees studying and getting stressed for the viva. Because, this will give them promotion as well as salary increment.

2.3.6 Compensation System

SJIBL always care about their employees. Their compensation and rewards system has been always specific for every individual working in the organization.

- Financial & Non-financial
- Salary
- Incentives
- Bonus
- Insurance
- Transportation
- Provident fund
- Profit incentive
- Yearly increment

SJIBL gets the festival bonus on every festivals. The most prominent festivals are Eid-UI-Fitr and Eid-UI-Adha that is the 20% of the basic of salary of every employee is given. SJIBL employees also enjoys the Boishakhi Bonus on 14th April every year. The employees who are still on their probation period doesn't get the festival bonus. They are able to enjoy this kinds of facilities after their confirmation as per their joining date.

Casual Leave with Payment:

- **Maternity leave:** As per the rule of Bangladesh Government rule, every woman employee is allowed to take maternal leave for 6 months. As per the Bangladesh Bank rules, every bank is liable to make sure that every female employee get all the facilities while on the maternity leave. Banks also allows maternity honorarium for employees. SJIBL also ensures all this matters.
- **Sick leave:** There is a 15 days sick leave for every employee per year. This is a government rule. This leave period doesn't count on the leave for employees.
- **Weekly holidays:** SJIBL employees enjoys every government holidays and also security guards gets a leave.
- **Situation based leave:** SJIBL considers every situation for their employees. Every accidental case is taken seriously and considerate as they provide the best service for their employees as well. If any employee's family member faces any kind accident he/she can also take leave by the permission of the manager. In general, the authority gives the privilege of 21 days leave without any salary deduction.

Benefits:

- **Gratuity:** Gratuity fund is given when an employee takes retirement or leaves the organization. The employees who are serving the organization for at least 5 to 10 years are provided with gratuity.
- **Provident Fund:** Provident fund is provided to every employees in SJIBL. 10% of the basic salary directly goes to the provident fund. Employees can withdraw this money any time and also it is given in the retirement of an employee.

2.3.7 Training and Development

Training and development is very significant for every organization to achieve its ultimate goals. SJIBL strongly believes that training adds value to human resource development and helps to keep the organization updated with the modern era. Shahjalal Islami Bank Training Academy founded in January 20, 2015. The training office is located at Nurur Chala, Badda. There are selective courses of training such as, Foundation Training course, General Banking, Investment Operations & International Trade Financing, Banking Laws and Practices, Documentation, Shariah Compliance in Islamic Banking Operations, etc. (SJIBL, 2022)

2.3.8 Performance Appraisal System

The bank thinks that an effective compensation system has a positive influence on performance by fostering a feeling of ownership among workers, facilitating long-term focus with continuous development, promoting teamwork, minimizing employee unhappiness, and improving employee performance.

Given the strategic relevance of performance assessment in employee reward and recognition, the previous appraisal system has been updated, and the BARS system, together with KPI, has been implemented, with recognition being closely tied to performance result. The revamped method would transparently evaluate employees' work over the reporting year and foster communication on performance and development comments between appraiser and appraisee.

Throughout the year, Shahjalal Islami Bank recognized the contributions of outstanding Branch Managers by inviting them to a special business gathering at Hotel Palace Luxury Resort in Habiganj.

2.4 Marketing Practices

Marketing is an essential tool for every organization. Marketing is a way by which organizations are able to reach their customer and provide services. Banks of Bangladesh also follows marketing tactics to reach customers, to generate profit and to compete with other banks. SJIBL also has marketing specialization which makes them renowned and trustworthy amongst people.

2.4.1 Marketing Strategies, Vision, Mission

Strategies

SJBIL follows below strategies for marketing.

Liability Marketing Strategy –

- The bank will drive its branch managers to collect large funds for term deposits that the bank can use for long-term investments.
- Introduce and update deposit goods as needed by the business.
- The Marketing Division will publish circulars to all branches from time to time with instructions on deposit trends.

- Communicate with significant deposit clients to ensure their participation in the bank's programs.
- Branch could also look into government collecting accounts such as DESCO, TITAS, and others that offer large deposits at cheap or no cost.

(SJIBL, 2022)

Asset Marketing Strategy-

- Distribute investment products or advise relevant branches to do so in order to achieve investment diversification and reducing risk.
- The banks are required to develop and modify investment products time to time considering the need of business.
- Consultation and recommendations to the Bank's Public Relations Division on emphasizing the bank's investment products in both print and digital media.
- Establish and deliver asset marketing MIS for banks.
- The bank will place a strong emphasis on societal/social marketing by refusing to invest in enterprises that are harmful to the environment or human health.

(SJIBL, 2022)

Vission

To be the market leader among Islami Banks in Bangladesh and to contribute significantly to market development via innovative financial services. (SJIBL, 2022)

Mission

- Increasing customer base by providing Shariah based services to consumers.
- Providing quality services, setting high standards amongst customers.
- Creating high investments in various industry categories.
- Ensuring sustainable growth, yearly profit target, maximization of Shareholders' wealth and increasing customer's innovative services acquiring state-of-the-art technology blended with Islamic principles.

(SJIBL, 2022)

2.4.2 Market Segmentation, Targeting and Positioning:

SJIBL, like many other traditional banks, initially seeks geographic segmentation. The majority of its branches are in the Dhaka zone. The issue of demographic segmentation arises when SJIBL, like many other Islamic banks, prefers Shariah banking to attract the additional attention of religious clients in the Muslim-dominated country. The banks have recently gone into psychographic segmentation by establishing premier banking for Bangladesh's high class privilege group. As a Shariah-compliant bank, SJIBL is the market leader among Islamic banks. (SJIBL, 2022)

SJIBL bank is working for the welfare of the people. As an Islami Shariah based bank of Bangladesh, the main targeted people are Muslims who are strictly against interest. But as for the welfare for the bank, the bank also respects and provides services to other religions people by maintaining shariah rules.

SJIBL has been maintaining their position in the market as best quality service provider. In terms of positioning, SJIBL is the market leader in terms of shariah-compliant banks among Islamic banks.

2.4.3 Marketing Related To Branding & Product Development

- Review and modify bank deposit products on a regular basis.
- Keeping pace with the dynamic business environment, develop and maintain the bank's investment product manual and the operating manual.
- Marketing positioning, segmentation, and targeting for various banking products.
- Coordination with PRD about the Bank's branding as a whole.
- Presentation of the four Ps of marketing, meaning the product, price, location, and promotion, to the management and the board of directors in regards of a banking product.

(SJIBL, 2022)

2.4.4 Marketing Channels

Nowadays, banking industry has changed a lot with the advancement of modern technology. For example-

1. Mobile Banking- Android app service, Message alert
2. Internet Banking- Balance check, Remote transfer,
3. ATM- Deposit, Withdraw, Transfer, Payments
4. Agent Banking
5. Mobile Wallet etc.

These services has brought effective changes in the banking operations. However, SJIBL is trying their best to cope up with the changing technology. Their banking app is getting updated on a day to day basis and clients are getting immense facilities through the app. (SJIBL, 2022)

2.4.4 Products and Services

Deposit Products	Investment Products
SJIBL School Banking	Small and Medium Enterprise Investment
Mudaraba Monthly Income	Small Business Investment
Mudaraba Double Money	Housing Investment
Mudaraba Monthly Deposit	Household Durable
Mudaraba Millionaire	Car Investment
Mudaraba Haji Deposit	CNG Conversion Investment
Mudaraba Cash Waqf Deposit	Overseas Employment Invest
Al- Wadiah Current Deposit	Scheme for Doctors, Executives, Marriage, Education

Table 2: Products of SJIBL

OTHER BANKING SERVICES	SUSTAINABLE INVESTMENT PRODUCTS
ATM Services	Biological or combination of Biological and Chemical
Remittance Services	ETP

Locker Services	Solar Grid
Online Banking	Machineries (Energy Auditor Certified)
SMS Push-Pull	Zigzag Brick Field (other than coal-based)
SJIBL Student File	Green Featured Building
Evening Banking Services	Organic Farming
Internet Banking Services (SJIBL NET)	Rooftop/ Vertical Agriculture
Utility Bill Payment Services	Cottage Industry
Priority Banking Services	Financing in Green/Clean Transport Projects
E-Account Opening Service	PET Bottle, Plastic and Battery Recycling Plant
E-GP Services	
QR Teller Services	

Table 3: Services of SJIBL

SME INVESTMENT PRODUCTS
• Cottage & Micro Enterprise Investment Program
• Small Business Investment Program
• Medium Enterprise Investment Program
• Women Entrepreneur Investment Program
AGRICULTURE INVESTMENT SECTORS (THROUGH OWN NETWORK AND NGO LINKAGE)
➤ Crops
➤ Fisheries
➤ Live Stocks
➤ Poverty Alleviation

Source: SJIBL, 2022

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance Analysis

2.5.1.1 ROA (RETURN ON ASSET)

Return on Asset or ROA is a financial ratio that indicates the profit a company makes in respect to its asset. An ROA of 5% is considered good for a company and 20% is considered an outstanding ROA. (Investopedia, 2022)

In case of Shahjalal Islami Bank Limited, from the graph, we can see that the ROA is more than 5% in years 2017 to 2021. So, we can say that the bank has a good return on its assets.

Return on Assets (ROA) = (Net income/ Average total assets) × 100

Year	2021	2020	2019	2018	2017
Return On Asset (ROA)	0.85	0.68	0.67	0.65	0.64

Table 4: Return on Asset of SJIBL

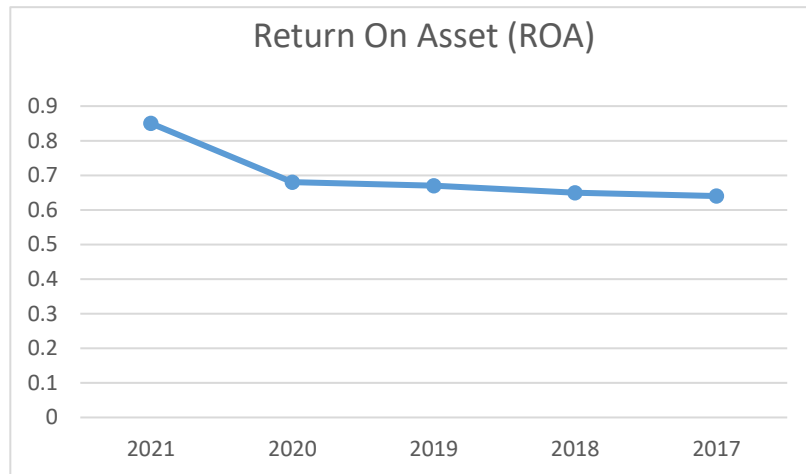


Fig 3: Return on Asset

(SJIBL,2021)

2.5.1.2 Return on Equity (ROE)

The return on equity or ROE shows us a stockholders' dividends that he/she earns from his/her investment. It is calculated by dividing the total net income with common shareholders' equity. If the bank maintains an ROE of 15-20%, it is considered good for them. The more the percentage is, the better it is for both bank and its stakeholders. The upward trend for the ROE graph shows that the dividend a stockholder gets is increasing and though the stock price is lower, it is gradually increasing.

Return on Equity (ROE) = (Net Income ÷ average stockholders' equity) × 100

Table 5: Return on Equity

Year	2021	2020	2019	2018	2017
Return On Equity (ROE)	13.70	11.08	10.98	10.47	9.14

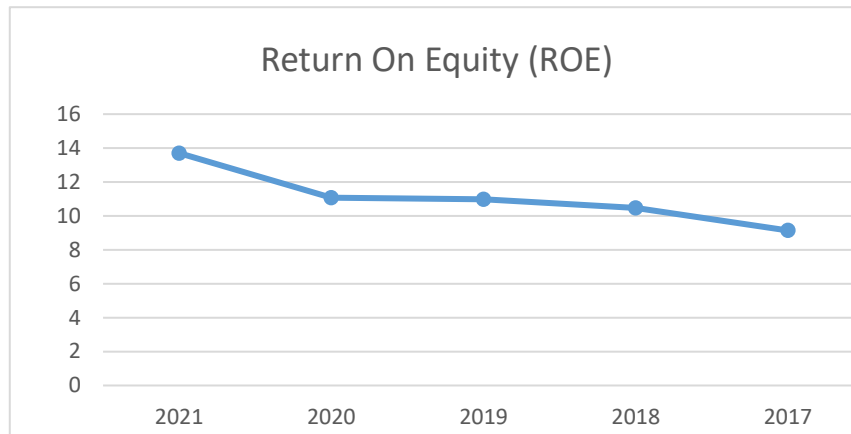


Fig 4: Return on Equity

(SJIBL, 2021)

2.5.1.3 Net Profit Margin (NPM)

Net Profit Margin or NPM refers to the profit or net income generated in respect to revenue. It shows the operating performance since it measures the profit gained from revenue. It also shows us the information about the cost structure, pricing, and manufacturing efficiency of a company. It varies depending on the industries. But on average a 5% is low, 10% is good and 15% is excellent.

Net Profit Margin = (Net Income ÷ Total Revenue) × 100

Year	2021	2020	2019	2018	2017
Net Profit Margin (NPM)	2.52	2.42	3.40	3.08	2.93

Table 6: Net Profit Margin

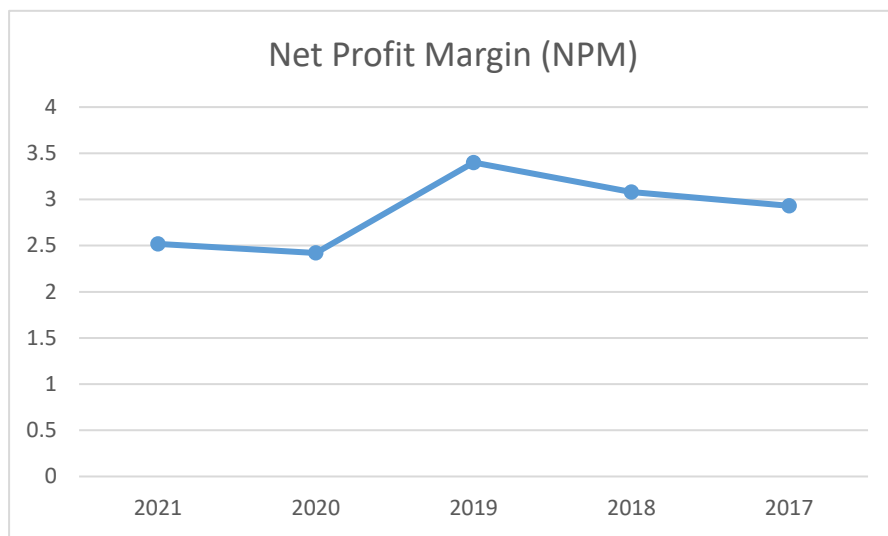


Fig 5: Net Profit Margin

(SJIBL,2021)

2.5.1.4 Earnings per Share

Earnings per share is a financial ratio, which shows the capability of a company in producing net profit from the common shareholders outstanding. We can calculate it by dividing net earnings available to common shareholders by the average outstanding shares over a certain period of time.

When a company or organization is having a constant eps growth, it can be considered a good EPS for the company. In our case, SIBL is showing a constant growth in EPS from 2017 to 2021. So, we can say that the bank has a good Earnings per share ratio. The EPS formula indicates a company's ability to produce net profits for common shareholders.

Earnings per share (EPS) = (Net Income – Preferred Dividends) / Weighted Average Shares Outstanding

Table 7: Earnings per share (EPS)

Year	2021	2020	2019	2018	2017
EPS	2.51	1.85	1.75	1.58	1.41

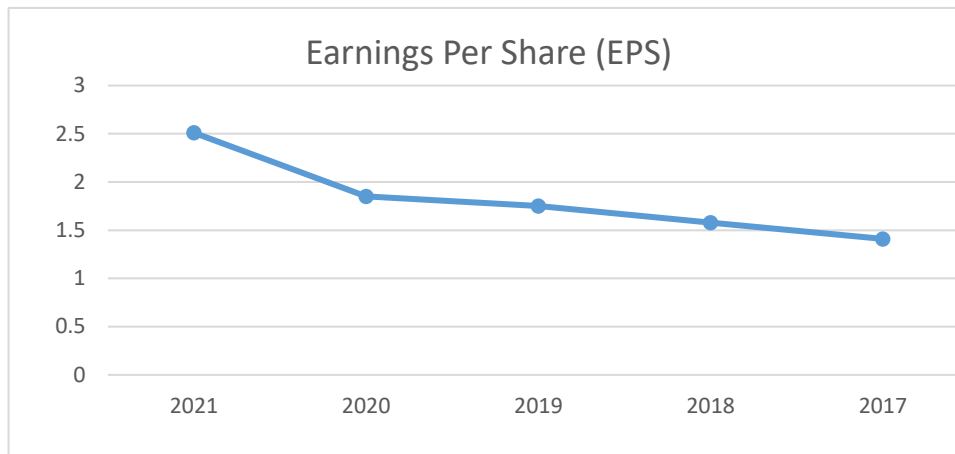


Fig 6: Earnings per share (EPS)

(SJIBL,2021)

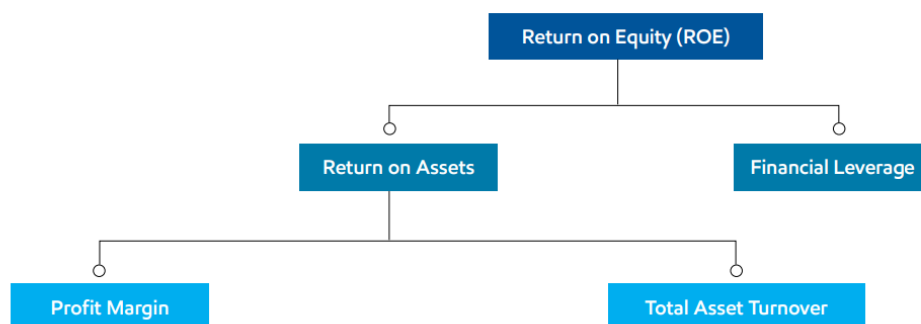
2.5.2 Accounting Practices

The accounting section of the bank covers the following critical points:

- Provides each branch of the bank with proper accounting process for preparing a reconciliation report and assists them in the month-end closing
- Ensures a high level of accuracy of the accounting services.
- Making every transactions accounted and reconciled.
- Shariah audit team also provides their guidance.
- Forecasting of profit in every month
- Make sure of completing annual reports, quarterly reports on time.

2.5.3 DU Pont Analysis

DuPont analysis is a method for examining a company's Return on Equity (ROE) in depth, including Net Profit Margin, Asset Turnover, and Financial Leverage. DuPont Analysis provides a more comprehensive perspective of the company's profits return on equity. As a result of this study, management is better able to make different strategic and operational choices. (SJIBL, 2021)

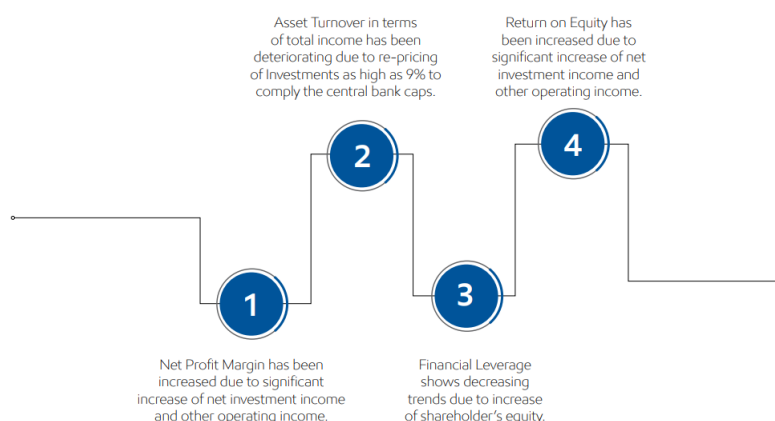


(SJIBL, 2021)

Particulars	2017	2018	2019	2020	2021
Net Profit Margin (PAT/Total Income)	7.82%	7.38%	7.28%	9.44%	14.14%
Total Asset Turnover (Total Income/Average Assets)	8.15%	8.84%	9.27%	7.23%	6.02%
Return on Asset (PAT/ Average Assets)	0.64%	0.65%	0.67%	0.68%	0.85%
Financial Leverage (Average Assets/Average Equity)(Times)	14.33	16.07	16.29	16.24	16.09
Return on Equity (PAT/Average Equity)	9.14%	10.47%	10.98%	11.08%	13.70%

Table 8: DU Pont Analysis of SJIBL for five years

(SJIBL, 2021) (SJIBL, 2019) (SJIBL, 2017)



(SJIBL, 2021)

The greater the value of all DuPont analysis components, the greater the positive effect on Return on Equity. Let's discuss the significant insights from the DU Pont analysis are-

1. Due to a large decline in provision expenses on investments and income tax expenses, Net Profit Margin has improved.

2. Due to re-pricing of investments as high as 9% to accordance with central bank restrictions, asset turnover in terms of overall income has been worsening. (EIU, 2020)
3. Increasing trends in Financial Leverage is being driven by the rising growth of assets.

2.6 Operation Management & Information System

2.6.1 Operation Management

Operation management is a key to run effectively for every organization. The top management of a bank is liable for the operation management in the bank. There are some regulations which are significant for the bank's operations and its overall outcome. This is the easiest way to find out all the lacking of a bank and to resolve all the issues. SJIBL is highly concerned about its operations management amongst all the branches of the bank. In 2021, there were 16 branches of SJIBL where the bank had to bear losses. It was easily tracked because of the operations management of SJIBL.

2.6.2 Information System Practices

SJIBL is updated with all the advanced technology. There are data management and database system and also router system is available in the head office. There is a special IT management department of SJIBL which is located in head office. Any problem related to server and bank website is informed and resolved immediately via email or by calls.

Shahjalal islami Bank Limited use the Bank Ultimous as their banking software. All the system oriented works are done with this software.

In my internship period while I was working on the clearing section, I could actually know how strong their IT system works. Once, there was a server problem in the EFT transaction, but the head office immediately mailed and also called their employee to report the issue. Secondly, I witnessed a delay while giving authorization to a RTGS and the clearing in charge officer immediately received a call that there was pending and advised to deal it urgently.

2.7 Industry and Competitive Analysis

To do industry and competitive analysis, the evaluation of SJIBL's financial performance is needed. SJIBL offers shares, bonds, mutual bonds and other investments. SJIBL strongly follows the rules and regulation of Islamic banking laws.

SJIBL deposit rate has an up and down rates according to the demand. The deposit rate is based on the investment profit according to Islamic rule. SJIBL changes its terms and rates accordingly and maintains it.

2.7.1 Porter's Five Forces Analysis of SJIBL

Porter's Five Forces is a strategy for determining an industry's vulnerabilities and strengths by identifying and analyzing five competitive forces that define every business. (Scott, 2020)

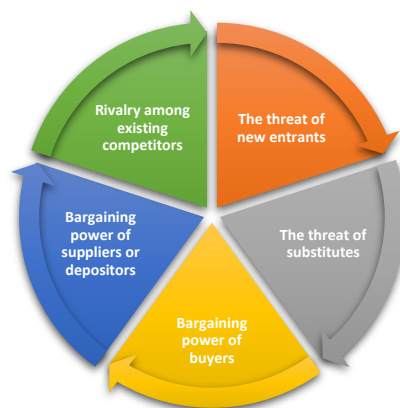


Fig 7: Porters Five Forces

- 1. The threat of new entrants:** Even though Bangladesh requires a large amount of capital and license, a number of new banks and Non-Bank Financial Institutions have recently entered into already developed and innovative industry. Competition will increase as a result of new banks entering the market. Due to higher capital requirements and regulatory barriers, the threat of new entrants is low.

SJIBL aims to attain economies of scale by implementing cutting-edge technology, hiring and training personnel, and continuously increasing efficiency and customer service.

- 2. The threat of substitutes:** Non-banking Financial Institutions' products and services are the primary substitutes for banking products. In addition, the bank's loan and investment products are replaced by subordinated bonds, perpetual bonds, Sukuk

bonds, and equity instruments. Deposits, on the other hand, are replaced by government securities and equity investments.

Considering the upcoming challenges and opportunities, SJIBL offers a vast selection of innovative items to its consumers.

- 3. Bargaining power of buyers:** The power of bargaining of consumers is high. In general, bank investment clients are referred as buyers and thus, have the power of bargaining. Buyers put pressure on businesses to reduce prices while improving service quality, lowering profit margins. Clients might be a little obnoxious when it comes to pressuring banks in this area. Banks are frequently prone to selling financial goods in order to protect their own interests.

SJIBL has always offered attractive rates for both deposit and investment products, taking into account the overall economic situation. Despite the fierce competition in the business, SJIBL continues to provide exceptional and vibrant services that set it apart from rival banks.

- 4. Bargaining power of suppliers or depositors:** Depositors are the primary source of funds. Customers have significant bargaining power due to the banking industry's lower switching costs. Recent deposit rate decreases, prompted by a highly competitive lending market, have had a direct impact on the number of deposit clients. The availability of funds, whether from individual customers or from borrowings from other financial institutions, is largely determined by market conditions. As a result, their power is frequently regarded as fluctuating, ranging from mild to high.

As a result, SJIBL is focused on retail deposits and obtaining a diversified deposit portfolio in order to limit its dependence on any one area. The "Shahjalal Islami Bank" is well-known to all potential customers because of the Bank's careful marketing approach.

- 5. Rivalry among existing competitors:** In recent years, bank competition in Bangladesh has increased significantly. There are 61 scheduled banks and 34 non-bank financial institutions competing with the banking sector. There has been an increase in competition among the 61 banks in the market, as well as an intense pricing war, which has resulted in fewer committed customers. Banking consumers in Bangladesh have relatively low switching costs; they can simply migrate from one bank to another, so there is zero or less customer loyalty. Rival products and services are remarkably similar. Brand recognition is about to develop in this sector. Conventional banks are

also competing as many of them has opened islami window to give and attract customers who are more inclined to shariah based banking.

The slogan of SJIBL, "Committed to Cordial Service," represents the bank's commitment to customer service. That is at the center of all the bank does. SJIBL's goal is to differentiate itself from the competition by providing products and services that are truly individual. One of the most effective ways to boost brand value is by implementing fresh and unique ideas with seamless services and the greatest attention to detail.

2.7.2 SWOT analysis of SJIBL

SWOT analysis is technique refers to strength, weaknesses, opportunities and threats of an organization. Let's discuss the SWOT analysis of SJIBL.



Strengths-

- ✓ The bank has a strong reputation in the industry as a forward-thinking Islamic bank in terms of Shariah compliance, financial products, and customer service.
- ✓ With a CRAR of 15.04 percent, the company has a solid capital basis.
- ✓ Strong compliance culture throughout all operational sectors.
- ✓ Good market share in the international trade industry.
- ✓ Competent and professional Board of Directors and mature diversified senior management team.
- ✓ Strong adherence to Corporate Governance.
- ✓ Comfortable liquidity situation.
- ✓ Featuring cutting-edge technologies
- ✓ High-quality credit rating over the years

Weaknesses -

- ✓ In terms of commitment, the bank is unduly dependent on the corporate business sector, which is particularly price sensitive.
- ✓ Little exposure in the rapidly developing retail investment category.
- ✓ Large investment emphasis in Dhaka Zone
- ✓ Limited branch network
- ✓ Limited product variety
- ✓ High focus on textile and apparel industry
- ✓ Limited supply of Islamic treasury items

Opportunities-

- ✓ There is a thriving market for Shariah-compliant goods and services as people become more aware of Islamic financial services.
- ✓ The Islamic banking industry is expanding its market share in Bangladesh, the world's third-largest Muslim nation.
- ✓ In the post-COVID economic recovery, there are chances to explore new business paths.
- ✓ The breadth of digital marketing and expenditures reduction.
- ✓ A chance to reach the large number of people in the country who don't have or don't use banks.
- ✓ The relationship between banks and FinTech companies is mutually beneficial.

Threats-

- ✓ Due to the long COVID-19 pandemic, there is economic uncertainty.
- ✓ The foreign exchange business may be in danger if the exchange rate isn't stable.
- ✓ After COVID, problems with investment recovery and the quality of assets are a threat to the banking sector.
- ✓ The market for Islamic banking is getting more and more crowded.
- ✓ When adjusted for inflation, deposit rates of 1% and investment rates of 1% put more pressure on Bangladesh's financial sectors.
- ✓ Fintech has plenty of competition.

2.8 Summary & Conclusions

Industry and the economy have entered another out-of-the-ordinary phase of what may be, typified by one word: Uncertainty. It originates from a variety of sources, including the economy, geopolitics, and technology. In certain essential fields, simultaneously usher and hope have appeared. SJIBL has handled all hurdles against this backdrop by effectively placing and leveraging assets to identify all opportunities. SJIBL is committed to fulfill the obligations of their shareholders. They are continuously working for the improvement of their quality of service. They are maintaining their situation in the competitive market with a great outcome. Through continual development in automation and product innovations, the bank plans to focus on establishing and maintaining a high-quality investment portfolio while also strengthening its focus on customer service quality and cost-cutting measures. The bank pays extra attention to extended deferral facility investments to guarantee asset quality.

2.9 Recommendations

In my observation, SJIBL must improve their few things which will bring a successful impact in the future. They are:

- SJIBL should bring some changes to their IT system. All of their technologies are upgraded but I have observed their server gets slow maximum time. They should come up a new way to fix their server down issue.
- Customers should be given more importance in terms of their need based query. As I saw due to work pressure clients have to wait several hours to get their job done which might create disappointments.
- The SMS service of SJIBL is very poor as I have seen many customers complaining about not received any message from the bank.
- The promotional activities should be done in more appropriate ways.

Chapter 3

Shariah Practices of SHAHJALAL ISLAMI Bank Limited

3.1 Introduction

3.1.1 Background

Shahjalal Islami Bank is prominently doing well in the banking industry as an Islamic bank. Shahjalal Islami Bank Limited has established a Shariah Supervisory Committee comprised of eminent Fuquaha/Islamic Scholars, Economists, Bankers, and Lawyers in compliance with the instructions of Bangladesh Bank's Islamic Banking Guideline-2009. Since the Bank's creation, the Committee has played a critical role in formulating and enforcing Shari'ah-compliant policies in all of the Bank's operational activities. Frequent meetings of the Shariah Supervisory Committee are conducted, at which diverse concerns, such as inspection report and its compliance, product composition, etc., are discussed, evaluated, and the members' opinions are given in light of the Holy Qur'an and Sunnah. (SJIBL, 2022)

3.1.2 Objectives of the study

1. To get an overview of Shariah Based Islamic banking and their operations
2. To discover the reasons of how following Shariah law is contributing to the better performance of the company
3. To know how SJIBL is competing with IBBL in terms of deposits, investment and operating profit.
4. To know the challenges and problems of Islamic Banking and SJIBL.

3.1.3 Significance

Readers will get an impactful idea on the Islamic banking practices of SJIBL by reading this report. Moreover, this will give an overall idea that how shariah practices are making SJIBL better and generating profit. It will also show the competition with other leading Islamic banks and the analysis hold the significance of the study.

3.1.4 Methodology

It is based on a wide range of sources including surveys and interviews, as well as observational research, analyzing pertinent information, and taking notes while watching and observing events. It was prepared using both primary and secondary data sources.

1. Primary Resources:

- The officials of Shahjalal Islami Bank Limited as well as my on-site supervisor.
- Practical experiences by working under supervision of the deputy manager and senior officer.
- Real life experiences and observation of the working activities.
- I was provided with many documents from the officials which is also my primary resources.

2. Secondary Resources:

- Official website of Shahjalal Islami Bank Limited
- Annual reports of SJIBL
- Website of Bangladesh Bank
- News, articles, journals, etc. of SJIBL
- Different types of research papers on SJIBL

3.1.5 Limitations

Time is very crucial thing for any kind of research. In my opinion, three months are not enough to know every detail and information of a bank. Moreover, banks are very confidential. There were strict restriction not to disclose any kind of confidential data about the bank. For this, the efficiency of the project lacks on some points.

3.2 Findings and Analysis

3.2.1 Shariah Banking & Significance of Islamic Banking

The religion Islam forbids any type of speculation or gambling, known as maisir. Taking interest on loans is likewise prohibited under Shariah. Any investments involving prohibited commodities or substances in the Quran, such as alcohol, gambling, or pork, are likewise prohibited. (Tarver, 2022) Islamic banking has seen tremendous development and expansion in Bangladesh, owing to significant public demand and support for the system, as well as its steadily expanding global appeal. (BB, 2009)

Bangladesh has 10 full-ledged Islamic bank that are running successfully by abiding the law of Shariah. They are-

1. ICB Islamic Bank.
2. Islami Bank Bangladesh Ltd.
3. Shahjalal Islami Bank.
4. Social Islami Bank Limited.
5. First Security Islami Bank Limited.
6. Exim Bank Limited.
7. Al-Arafah Islami Bank Limited.
8. Social Islami Bank Limited.
9. Standard Bank Limited
10. Union Bank Limited.

Islamic banking isn't just about making money; it's also about helping people. Money, income, and property belong to Allah, and this wealth is should be utilized for the betterment of society, according to Islam. Islamic banks follow Islamic profit-and-loss sharing principles while carefully avoiding interest, which is the foundation of all exploitation and causes widespread inflation and unemployment. In the profit-and-loss sharing (PLS) or participatory banking, a business enterprise or a person obtains capital from Islamic Bank as an investment. The provider of capital collects a percentage of profit or deducts if there are losses as financing is repaid with an agreement and principal of financing. There is no fixed rate of return that is taken in the conventional banks which is known as interest. The goal is to promote participation in a transaction supported by real assets, using funds at risk on a profit-and-loss-sharing basis.

Islamic banks are dedicated to eliminating inequity and establishing justice in the economy, trade, commerce, and industry, as well as to developing socioeconomic infrastructure and creating job opportunities.

3.2.2 Shariah Terms and Investment modes of Islamic Banking

- **Riba-** Interest is referred as Riba in the Quran, which means the money growth, increase of anything. Islamic law forbids only predetermined rate interest rises on loans. In banning riba, Islam seeks to establish a society based upon fairness and justice (Qur'an 2.239). The lender receives a set return regardless of the success or failure of the borrower's project. It is more equitable to divide the earnings and losses equally. It is important to note that fairness in this context has two dimensions: the capital provider has a right to compensation, but this compensation should be based on the return on the specific project for which funds are provided. As a result, premeditated return is banned in Islam. The Islamic Banking System has its roots in the acceptable practice of profit sharing.
- **MURABAHA-** "Murabaha" refers to a transaction in which the buyer and seller agree on a profit margin. As far as the law is concerned, it is a sales contract in which the seller discloses his costs and earnings.
- **MUDARABAH-** An agreement where one side provides the capital and the other offers the experience and administration of the venture. The Mudarib is the name given to the latter. On a pre-agreed basis, both parties participate in any profits that are generated, but the capital provider bears the brunt of any losses.
- **BAI SALAM-** Salam refers an advance payment is given in advance for items that will be supplied at a later date. If you make a Bai-Salam deal, you're agreeing to provide the customer with a certain commodity or product in return for an upfront payment that's completely made in cash in spot. Cash is accepted here, but the products are not delivered until a later date.
- **ZAKAT-** Every Islamic bank is required to create a zakat fund for the collection and exclusive distribution of zakat to the needy, either directly or via other religious organizations. This tax is levied on the bank's beginning capital, reserves, and earnings, as outlined in the Handbook of Islamic Banking.

3.2.3 Characteristics of Islamic Banking

- ❖ **Abolition of Interest (Riba)** - Quran has strictly prohibited Riba and hence, Islamic banking must be interest free.
- ❖ **Committed to Public Interest-** Due to commercial banks' primary focus on using public money, Islamic commercial banks are more suited to serve the public good than private interests.
- ❖ **Multi-Purpose Bank-** Islamic banks will be a mix of commercial and investment in which financing will be composed of projects and ventures. As there will be no borrow of short and lend long term investments this will make Islamic banks less crisis prone.
- ❖ **A motivator of development-** The ability of Islamic banks' is to share profits and losses with their clients develops stronger ties between banks and businesses.

3.2.4 Islamic Banking window in Conventional Banks

Interest on loans are strictly prohibited in Shariah. Borrowers should not be taken any advantage by their lenders in Islamic Banking. Interest-based lending results in some kind of unfairness hence, it is considered as injustice. Usury and speculation are strictly prohibited in Islamic banking, as opposed to conventional banking. Depositor-creditor relationships between depositors and banks and between borrowers and banks are the bedrock of conventional banking. The price of credit referred to as interest since it reflects the opportunity cost of cash. Financial intermediation is done in a relatively straightforward manner by conventional banking. They borrow and lend money. Lending include both assets and liabilities. Whereas, Shariah banking comes in more broad ways where innovations are spontaneous to satisfy clients.

Many of the conventional banks are opting Islamic window. The reason for making a special window based on the Shariah is to attract customers. Islamic banks are doing better despite of many facilities only because of clients. As the majority of the clients are Muslim and strongly believes in the interest free banking system, so the conventional banks always fails to impress those customers. But, the main strategy of the conventional bank is to attract and retain customers. For this reason, some commercial banks have Islamic window, where the banking

is profit based and interest free. However, this is actually working and many of clients are also started to believe in conventional banks and taking services from them. By doing so, conventional banks are giving a really tough competition to the Islamic banks.

For example, Jamuna Bank has a large window of shariah based Islamic window. City bank also inaugurated “City Islamic” showing devotion and respect to the Islamic Shariah for the welfare of the people. Bank Asia also offers numerous products and services of Shariah principle which has been successfully retaining and attracting customers to stay loyal to them.

3.2.5 The Reasons of how following Shariah law is contributing to the better Performance of SJIBL

Shahjalal Islami Bank Limited is based on Shariah compliance and fully conducts their operations following Islamic terms and laws. SJIBL has started their journey as an Islamic Bank and successfully following Shariah and also performing very well. Let’s discuss the reasons and contribution of Shariah in the performance of SJIBL.

❖ Having Own Shariah Board and Strong supervision

It is not mandatory to have an own Shariah Board of Islamic Banks as it is very difficult to make a committee as there is a lack of expert and knowledgeable Islamic finance scholars like Arab countries. Shahjalal Islami Bank Limited's Shari'ah Supervisory Committee is made up of Islamic Jurists, Shari'ah Scholars, well-known Islamic Bankers, Lawyers, and Financial Experts. Most of the time, the Shari'ah Supervisory Committee meets once a quarter to talk about different Shari'ah-related issues brought up by the Bank's Management. In 2021, there were four (4) meetings of the Committee. (SJIBL, 2021) It is the responsibility of Shahjalal Islami Bank Limited's management to ensure that the bank's banking activities are in compliance with Shari'ah rules and principles.

SJIBL's main goal is to promote, encourage, and expand the implementation of Islamic principles in the business world. SJIBL's is functioning in a great way and their practices are creating promising impact on the banking industry.

- SJIBL has been conducting a banking system where there is no interest as per the Shariah law.

- SJIBL is making deposits and investment under the law of Shariah.
- SJIBL is trying to create a banking system that prioritizes social welfare.
- SJIBL is providing assistance to the poor, vulnerable, and low-income people in order to help them improve their economic situation.
- SJIBL is playing an important role in human development and job creation.
- SJIBL is contributing to the country's sustainable growth and development via investment activities, especially in less developed regions.
- SJIBL is trying to fill out the ultimate purpose of the Islamic economic system.

❖ **Monitoring and Maintaining of Shariah at SJIBL**

Under the Bank Companies Act of 1991, Shahjalal Islami Bank Limited (SJIBL) began commercial operations on May 10, 2001, in conformity with Islamic Shariah principles. Shahjalal Islami Bank Limited has its own board of Shariah practice. They strictly follow the Shariah management and audit in the bank. The bank doesn't provide investment in the haram things such as, club, bar, cinema, etc. Whenever, the bank provides investment it strictly maintains its Shariah restrictions and continuously monitors the investment. Shariah practices believes in the business in a halal way. Whenever, the bank invests in a businessman they buy the products for the client and thus, let him to run the business and make profit. The profit hence is given to the depositors who keeps their money. The way they monitor and maintain-

- Before any investment, SJIBL verifies all the necessary information and data about the client. Also, visits physically and check all the legal documents. Hence, any kind of deal is being confirmed.
- SJIBL continuously monitors the clients' activity. After giving investment for any kind of business, the bank officials visit and collects information about the investment.
- If any fault or haram is found at the investment, they strictly take action towards the client.

Personal Observation: In my internship period, I observed a case of a renowned five start hotel who took investment to build their hotel from the bank. After some time, they built a bar at their place. SJIBL monitored the situation and filed a case against the hotel. As bar, club, cinema, etc. is strictly haram in Shariah. Also, the credit or debit card of the bank doesn't work at cinema halls, any kind purchase of haram things such as alcohol at super markets, and gym also.

❖ **Customer Relationship**

The majority of the people of Bangladesh is Muslims. There are many people who blindly trusts Islamic Banks and consider other banks haram as they take interests. So, their prime choice is Islamic banks where they can find reliability for the banking operations. SJIBL is able to build a customer relationship since it has started its journey. The motto of the bank is to provide quality of services to its clients. SJIBL clearly points out the benefits of Shariah deposits and investments to their clients. SJIBL hunts for clients and tries to reach every client. The bank offers numerous opportunities to the Madrasa Board and huge investment in this sector. This has clearly impact on the net profit of the bank.

❖ **Focusing more on Business operations**

The bank works for the welfare of the people. In our country, businessmen and industrialist persons are getting very much interested towards Islamic banking. SJIBL is focusing on the communication, export, import, working capital, small and medium investment to expand their business operations. To avoid risky investments the branch managers and officials should make their customer relationship even stronger and have to create a database. Bank officials are bound to make business persons be aware of the benefits of Islamic Banking.

❖ **Digital Services**

Modern banking industry has upgraded a lot with the modern technologies. SJIBL has introduced many digital instruments which has changed their operations. They have started to provide services through online as well. Some of their launched products are E-account opening services, QR code Banking services, automated challan system, miss call alert balance enquires service, etc. These digital services are creating positive impact on the clients. Non-Muslims clients are also getting benefitted and attracted to take services from the bank.

❖ **The Shariah base of SJIBL Islamic Credit Card**

In 2019, the Bank introduced a Shariah-compliant EMV Chip-based Islamic Credit Card. The credit card operations of SJIBL have been run in accordance with the "Wakalah" philosophy. In "Wakalah", the cardholder is charged commission for every transaction by the bank and then given a Quard facility to preserve the amount as "Amanat" to the bank. The cardholder can use

card to make purchase and bank will pay the amount of transaction to providers and will charge and it is referred as ‘Uzrat of Wakalah’.

❖ Bank Reputation

SJIBL is highly concern about their reputation in the banking industry. The bank maintains strict rules and regulations of Shariah guidelines. SJIBL doesn’t provide investments for any kind of haram activities such as, drinking, establishment of bar, cinema halls, casino activity, etc. The bank officials personally visits every operations of their investments and maintains dignity in every terms. The reputation of the bank is one of the main reason for which the bank is performing very well. Their profit and clients are increasing day by day because of the good reputation. People are finding it reliable and trustworthy to keep their money in the bank so that their money can be invested in halal activities. It is one of the reason for which the bank is flourishing.

3.2.6 Comparative Analysis of IBBL & SJIBL

➤ Total Deposits

Let’s discuss the trend of total deposits of SJIBL and IBBL from 2017 to 2021. The graphs of two banks are given below.

Deposits and Other Accounts (BDT million)

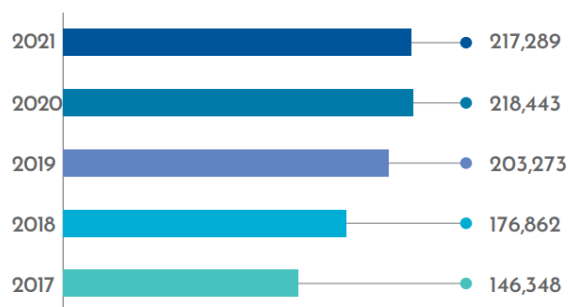


Fig 1: Total Deposits of SJIBL (SJIBL, 2021)

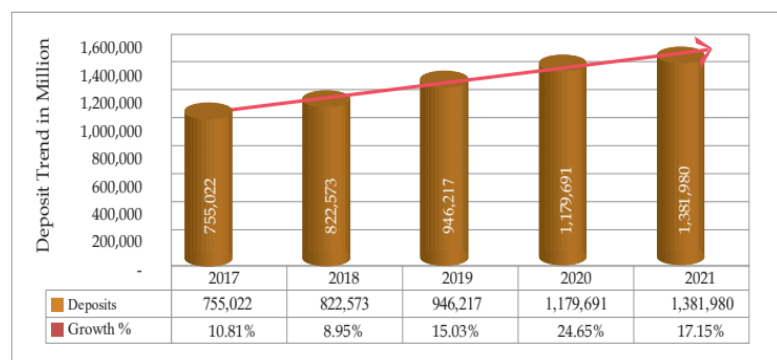


Fig 2: Total Deposits of IBBL (IBBL, 2021)

SJIBL-

From the above Fig 1, we see the trend of total deposits and other accounts given from 2017 to 2021. We can observe an upward trend which shows the rise in total deposits from 2017 to 2021. The total deposit increased from Tk. 146,348 million in 2017 to Tk. 176,862 million in 2018 and also increased in 2019 Tk. 203,23. As of December 31, 2021, the bank's total deposit was Tk. 217,288.99 million, decreased from Tk. 218,442.95 million as of December 31, 2020, a loss of Tk. 1,153.96 million. The decrease of 0.53% in total deposits occurred due to the bank's fund management strategy. They canceled many corporate deposits and high cost deposits which resulted the decrease from 2020 to 2021. To overcome this situation, the bank concentrated on individual deposits in 2021, and as a consequence, individual deposits climbed dramatically. (SJIBL, 2021)

IBBL-

From the above Fig 2, we can observe an upward trend of total deposits from 2017 to 2021 of IBBL. The banks saw a rise in total deposit from Tk. 755,022 million in 2017 to Tk. 822,573 million in 2018 and consecutively in 2019 to Tk. 946,217. IBBL managed to increase their deposits from Tk. 1179,691 in 2020 to Tk. 1,381,980 in 2021. IBBL is showing a positive growth in their total deposits which also depicts that they are successful to achieve their target. The main reason for the growth in terms of total deposit is their larger number of loyal customers. Among the Islamic shariah based banks in Bangladesh, IBBL has the largest customer base. Their larger number of branches and outlets have also contributed in it as people are more familiar with IBBL than other Islamic shariah based banks. These factors are helping IBBL in increasing their total deposit in the market.

Comparison: We see, IBBL is better than SJIBL in terms of the growth of total deposits of five years trend. One of the main reason is that, IBBL has 350 branches and SJIBL has 132 branches all over Bangladesh. IBBL is more efficient than SJIBL in terms of creating more deposits income from the past five years. SJIBL is also upgrading their ways to reach customers to make more income from deposits. Also, SJIBL can impose strong importance on deposit mobilization, can offer unique and famous products. Mobilized deposits should be reinvested to economy in the form of successful and safe initiatives.

➤ Total Investment

Let's discuss the trend of total Investment of SJIBL and IBBL from 2017 to 2021. The graphs of two banks are given below.

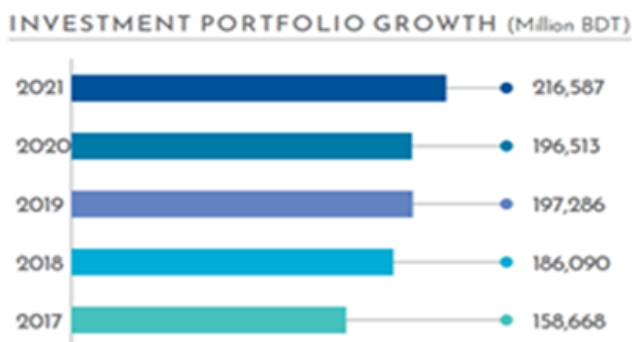


Fig 3: Investment Portfolio Growth of SJIBL (SJIBL, 2021)

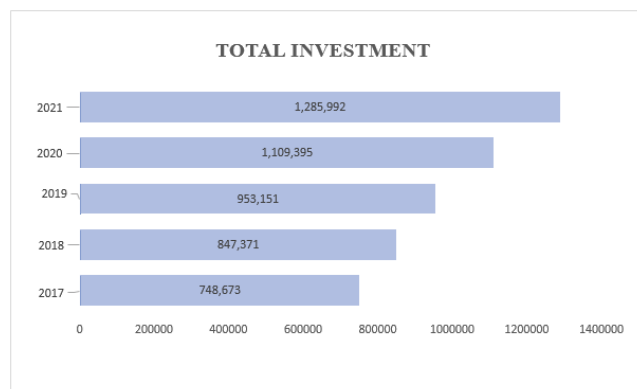


Fig 4: Total Investment of IBBL (IBBL, 2021)

SJIBL-

From the above Fig 3, we see an increase in the total investments from Tk. 158,668 million in 2017 to Tk. 186,090 million in 2018 and in 2019 it rose up to Tk. 197,286 million. But, we see a fall from Tk. 197,286 million in 2019 to Tk. 196,513 million in 2020. In 2020, there was a huge impact on the banking industry due to the outbreak of COVID-19. The total investment rise from Tk. 196,512.65 million in 2020 to Tk. 216,586.58 million in 2021. The bank has gained an increase of Tk. 20,073.93 million, which is 10.22% of 2019. During the pandemic, bank focused on the disbursement of the investments that caused a slower investment growth. But, SJIBL managed to get an overall increase by following the government's instructions and implementing stimulus packages such as, liquidity support from Bangladesh Bank.

IBBL-

From the above Fig 4, we see an upward trend of total investments from 2017 to 2021. IBBL consecutively improved their situation from 2017 to 2021. Consecutively, in 2017 the total investment was Tk. 748,673 million, in 2018 it increase to Tk. 847,371 million and in 2019 it increased to Tk. 953,151 million and in 2020 total investment rose up to Tk. 1,109,395 million. But in 2020, the outbreak of Covid-19 has impacted on the economy of our country. The growth of the industrial development of the country, SME investments, export oriented textiles and garment industries, housing & construction helped IBBL to achieve an increase during the

pandemic. In 2021, the bank achieved about Tk. 1,285,992 million which shows an increase from 2020.

Comparison: In terms of total investments, IBBL has performed very well and constantly improving their investments. As their total deposit is high and have a large customer base, they have more opportunity for investment. However, the total investments of SJIBL has seen an overall slower growth but trying to keep the improving trend.

➤ Operating Performance

Let's discuss the operating performance of SJIBL and IBBL from 2017 to 2021. We will be able to find out how the banks are turning their assets into earnings and using their resources effectively. Operating performance result will help to determine

SJIBL-

The table below shows the operating performance of SJIBL for five years from 2017 to 2021.

Table 10 : Operating Performance of SJIBL from 2017 to 2021

Particulars	2017	2018	2019	2020	2021
Income in total	15,288.77	19,947.84	23,618.31	20,223.92	18,282.37
Less: total expenditure	11,960.85	15,371.50	17,753.18	16,129.11	12,278.67
Net profit before provision and taxation	3,327.92	4,576.33	5865.13	4094.81	6,003.69
Less: provisions for investment, off balance sheets items, shares and others	1,249.40	1,410.86	1970.98	451.39	1,167.03
Net profit before taxation	2,078.52	3,165.47	3894.15	3643.42	4,836.67
Less: provision for taxation	882.62	1,694.29	2175.85	1735.22	2,251.43
Net profit after tax	1,195.90	1,471.18	1718.3	1908.2	2,585.24

(SJIBL,2021)

The below given graph shows the trend of operating performance of SJIBL for the five years.



Fig 5: Operating performance of SJIBL (SJIBL,2021)

From the table and graph we see, there is a significant increase in the operating result from 2017 to 2021. In 2021, the profit was only Tk. 3328 million and significantly rises in 2018 and 2019 as well. SJIBL's operational profit climbed by 46.62 percent in 2021 despite the protracted effects of the COVID-19 pandemic, the investment rate limit of 9 percent, and the inflation-adjusted deposit rate. There is rise to Taka 600369 million in 2021 from Taka 409481 million in 2020, and net profit after taxes up to Taka 258524 million in 2021 from Taka 1,908.20 million in 2020. Due to an acceptable deposit mix, remarkable capital market operations, a vibrant foreign exchange business, and efficient management of excess funds, the bank's operational performance has greatly improved in 2021. (SJIBL, 2021)

IBBL- The operating performance in the table given below shows the operating profit of the past five years for the bank.

Table 11 : Operating performance of IBBL

Operating Performance (Income Statement)	2021	2020	2019	2018	2017
Total Revenue	88,257	84,493	88,131	77,596	66,939
Operating Profit	16,554	14,798	21,914	20,240	16,805
Profit Before Tax	11,441	10,689	14,100	13,701	12,113
Profit after Taxes	4,639	4,521	5,328	6,075	4,693
EPS	2.88	2.81	3.31	3.77	2.91

(IBBL, 2021)

The below given graph shows the trend of operating performance of IBBL for the five years.

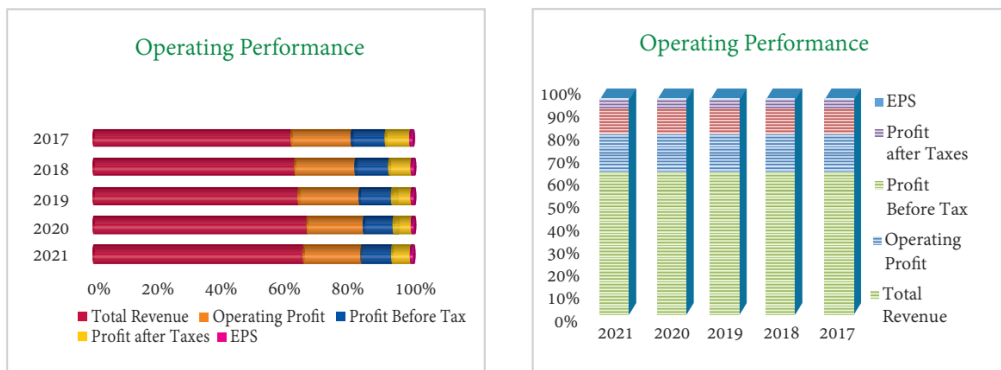


Fig 6: Operating Performance trend of IBBL (IBBL, 2021)

From the above table and graph, we see a positive rise in the operating performance from 2017 to 2021. The operating profit of IBBL has been increased from Tk. 16,805 million in 2017 to Tk. 20,240 million in 2018 and also increased to Tk. 21,914 million in 2019. However, the bank saw a massive fall in the year 2020 nearly Tk. 7116 million. It clearly depicts the impact of Covid-19 and lockdown affected the total operating profit of the bank. But again, we see the bank managed to rise its operating profit from Tk. 14,798 million in 2020 to Tk. 16,554 million in 2021. The government has given many stimulus packages and many instructions which helped all the banks to overcome the pandemic situation.

Comparison: From the analysis of both banks, we see, SJIBL and IBBL suffered from the impact of Covid-19. The operating performance of the two banks saw a major fall in their operating profit in 2020. But both banks have managed to overcome their situation by increasing the operating profit in 2021. Because of the different initiatives taken by government to increase profit, giving liquidity support, the bank's performance in the capital market, as well as in the foreign investment despite the downfall during Covid-19, their innovative and efficient ideas for managing their existing funds have helped them in efficient use of their asset, which resulted in a good operating performance or both the banks.

3.2.7 Challenges and Problems of Islamic Banking

There are numerous challenges and problems of Islamic Banking. Let's discuss the challenges of Islamic banks.

- **Lack of proper guidelines:** Bangladesh Bank has provided guidelines for Islamic Banks in 2009. However, BB does not have any Shariah board to supervise the Islamic banks in Bangladesh and also there is no mandatory rule to have an individual Shariah board for every Islamic banks. There is a Central Sharia Board for Islamic Banks of Bangladesh (CSBIB) works as private non-corporate body for the Islamic banks and almost all Islamic banks are member of this. However, the Islamic banks are not bound to oblige CSBIB as CSBIB has no formal recognition. The main challenge for Islamic banks is that there is no proper guidelines and qualified scholars who will instruct to grow more in the banking sectors. In Arab countries, Islamic banking are conducted with educated and qualified Islamic Scholars who have vast knowledge about Shariah and gives proper guidance to the Shariah banking. The main challenge to find qualified Islamic scholars who will conduct the Shariah Committee of a bank and also lacks the proper knowledge of Islamic finance and banking.
- **Wrong Assumptions:** Islamic banks faces false assumptions about the terrorist activities. This is very crucial challenge for Islamic banks as this propaganda states that Islamic banks finance in the terrorist activities. To overcome this challenge, the government and law must be enforced.
- **Diversification:** There is a difference between Islamic banking and conventional banking. Islamic Banks faces challenges to meet the global standards of banking industry. The capital structure also differs from one another where in the Islamic banking, the interest is prohibited. Shari'a-compliant instruments and contracts are used by Islamic banks to mobilize and utilize funds, so the majority of Islamic banks' capital structure consists of Tier 1 capital, while just a few Islamic banks have Tier 2 capital. Conventional banks can offers many schemes, products, loan facilities, etc. and many services without any restrictions. But, the products and services of Islamic banks are not diversified. As per Shariah, Islamic banks can't offer any products or services that is strictly haram or restricted. For this reason, conventional banks are growing rapidly than the Islamic banks. Conventional banks can attract customers easily with multiple products and services and this might also be convenient to customer. To overcome this, Islamic banks should let their

customers know about their products and services and make themselves known about the differences between conventional and Islamic banks.

- **Gap with customers:** The gap between customers and Islamic Banks is a challenge for the Islamic banking sector in Bangladesh. People have just one common concept about Islamic Bank that is the bank is interest free. However, there is a lot differences in the offers and operations of conventional banks and Islamic banks. Islamic Banks works for the welfare of the people and believes in business based banking system. The idea and knowledge about Islamic banks is very less amongst customers which actually becoming a significant challenge for the banks.
- **Lack of Expert and Trained Manpower:** In most cases, the Islamic banks doesn't have qualified experts and trained employees who have vast knowledge about the core Islamic banking knowledge. This eventually leads them stay behind even after having financial liquidity. The proper guidelines, evaluations and audit can lead a bank towards its goals. However, there are many employees in the banks who are just working for money and doesn't actually care about what is happening or not. The lack of efficient employees has become a challenge for the Islamic banks. The service of bank officials is very crucial as they are the ones who can gives the customer proper knowledge and explain the benefits of Islamic Banks. There is huge lack in the training and developments of the employees in the banks which needs to be improved.

Islamic banks also faces difficulties in the implementation of interest-free banking. Islamic banks faces a number of questions and issues when it tries to follow the rules and regulation of Shariah.

- **Liquidity Problem-** Islamic Banks face liquidity problems because of the availability of the liquidity instruments such as treasury bills, securities which are used to cover liquidity shortages or managing excess liquidity. As the operational procedures of Islamic banks are different so this liquidity management faces difficulties from getting support from the central bank. This problems should be mitigated so that the Islamic banks should not face liquidity risk management.
- **Lack of Positive Response to the Requirement of Government Financing-** The need of funds and resources to make beneficial initiatives like building schools, roads, electricity, etc. are very significant in the modern era. Conventional banks get the benefits from

government by issuing the treasure bills where Islamic banks are not indulge in this field. Islamic bank can enter into this field by using investment modes to serve the states for the financing.

- **Failure of Islamic Banks to Establish Co-operation among Themselves-** Islamic banks works for the welfare of the society and people. But, there is still lack of co-operation amongst the banks running in Bangladesh. The international association of Islamic banks couldn't united every Islamic banks and unable to build the unity amongst them. To put it another way, the Islamic finance system has entirely immobilized trade between nations of the Muslim world since it follows the previous trend of funding foreign imports without providing any priority to Muslim-produced commodities. (IBBL, 2022)
- **Relationship with Foreign Banks-** Islamic banks are facing problems in building relationships with foreign banks. The problem is related to the financial instruments where foreign banks are interest based and Islamic banks has no other alternative option to finance in their operation.

To overcome this challenges, Islamic banks should opt necessary steps. They can take examples and relevant steps of other Islamic county where the banks are running their operations successfully. Abolishment of interest by providing welfare options will make Islamic banks successful. Islamic banks need to train their employees in project evaluation, monitoring, and performance audits in order to strengthen their management capabilities.

3.2.8 Problems faced Specifically by SJIBL

As an Islamic bank SJIBL also face above mentioned challenges and problems. There are some other significant problems that are SJIBL is facing and trying to mitigate described below.

1. **Customer service and Charges -** The preferences of customers are high for SJIBL. But, there are still some issues comes from customers. For example, customers have to wait to make accounts or to get any service. It might create dissatisfaction. The charges for any services is comparatively high. For example, to get any cheque book, the customer has to pay fee and also pay vat. There is also a closing charge for any account.
2. **Deposit related issues-** The rate of deposit has an up and down rate which depends on the supply and demand policy. Comparatively, the rates of SJIBL is lower than other Islamic

Banks. The procedure of making a deposit is way much lengthier. There is also a deduction of charges on the maturity dates in which customers are dissatisfied. The big issue is that the deposit schemes of the bank is not so popular and this creates issues.

- 3. Poor ATM Services-** The ATM service of SJIBL is not as good as per the customer reviews. There are a lot of complaints about not working and other bank's card getting stuck in the ATM machines. SJIBL should mitigate this issue so that customers not get annoyed by this service.
- 4. Compensation Problem-** Earning profit is a big problem for the Islamic banks because of overdue issue. As per the Shariah rule, if the profit is gained after the period of deal it directly goes into the compensation. In 2019 & 2020, SJIBL's large amount of profit directly transferred into compensation. As a result, SJIBL has faced problems and hopefully they are overcoming this problem as they are getting more vigil to face this.
- 5. Internal Clash amongst employees-** Every workplace has internal problems. The bank officials should work more diligently and accept the volatility of workplace. The internal clash or misguidance to clients may create confusion and this might cause in losing customers. Bank officials should behave more professionally and they need proper training and vast Knowledge about the workplace.

Shahjalal Islami Bank Limited started their journey as an Islamic bank and thus, facing challenges as well. The Shariah board and audit team is continuously working for the betterment of the bank. The board of directors of SJIBL is aware of every challenges and finding alternative options to make themselves better. The bank is continuously trying to develop their profit-sharing, rent-sharing, short term financing, etc. to overcome every challenges. One of the most important thing that SJIBL is concerned about their clients. The bank always tries to stay firm and clear about their strict Shariah policy which has created a trusted customer relationship.

Chapter 4

Conclusion

Shahjalal Islami Bank Limited has completed their 21st birthday on this May10, 2022. The bank has been conducting their services maintaining the rules and regulations of Islamic Shariah. As an Islamic banking, overdue is a big issue to overcome. But, the bank is prominently doing well and giving a competition to other banks.

Shahjalal Islami Bank Limited has gained about 717.67 crore in 2021 where in 2020, the gain was 481.44. In 2021, the bank was able to gain 236.23 crore extra which percentage is nearly 49% extra. The bank entered into the 700-crore category for the first time since it started its journey which is an excellent performance. The year 2021 was more crucial because of the rising threat of the new variant of Covid-19 called omicron. Undoubtedly, the coronavirus pandemic has given the banking sector a tough time. In 2021, the total deposit of the bank was 21,760 crore taka compared to 2020 where the amount was only 21,740 crore taka. The amount of deposit only increased about 20 crore taka. Although, the bank gives a less profit to the depositors compared to other banks but still the number deposits has increased. The investment has increased about 2,007 crore taka in 2021 compared to 2020. At present, Shahjalal Islami Bank Limited has 1.75% in the global banking investment market and in the Islami bank only at 6.25%.

The Shahjalal Islami Bank Limited is named after the saint Hajrat Shahjalal, who served mankind and devoted his life to promoting peace in this world and the next. The primary mission of Shahjalal Islami Bank is to assist individuals in achieving their economic objectives and achieving happiness in this life and the next. Shahjalal Islami Bank is committed not just to the monetary prosperity of its clients, but also to their moral growth.

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Appendix A.



PROFITABILITY AND BUSINESS RATIO

Profitability/Dividends/Performance and Liquidity Ratios

SL	Items	2021	2020	2019	2018	2017
1	A) Net Investment Income Ratio					
2	Net Income Ratio (%)	14.14	9.44	7.28	7.38	7.82
3	Net Profit (Interest) Income Ratio (%)	2.52	2.42	3.40	3.08	2.93
4	Net Profit (Interest) Income as a percentage of Working Funds (%)	2.12	2.01	2.82	2.58	2.44
	B) Profit Before Provisions and Tax					
1	Profit Before Provisions and Tax (in million)	6,004	4,095	5,865	4,576	3,328
2	Cost/Income ratio (%)	44.92	53.50	44.17	47.11	51.56
	C) Price Earnings Ratio					
1	Price Earning Ratio	8.69	12.38	13.37	17.47	23.40
	D) Capital Adequacy Ratio					
1	Tier I Capital Ratio (%)	10.92	9.15	9.03	7.45	8.38
2	Tier II Capital Ratio (%)	4.12	5.28	6.55	7.05	3.81
3	Total Capital Adequacy Ratio (Basel-III/II) (%)	15.04	14.43	15.58	14.50	12.19
	E) Return on Capital Employed					
1	Return on Capital Employed (ROCE) (%)	8.74	7.11	6.70	6.99	7.93
2	Return on Equity (%)	13.70	11.08	10.98	10.47	9.14
3	Return on Assets (ROA) (%)	0.85	0.68	0.67	0.65	0.64
	F) Debt Equity Ratio					
1	Debt Equity Ratio (Times)	14.84	15.35	15.11	15.48	14.61
2	Investment to Total Deposit Ratio (%)	84.48	79.62	87.47	90.32	90.17
3	Net Asset Value per Share (Taka)	19.24	17.44	16.84	15.84	15.69

Business Ratio/Information

SL	Items	2021	2020	2019	2018	2017
1	Statutory Liquidity Ratio (SLR)	14.73	11.50	7.43	7.21	8.23
2	Net profit income as a percentage of working funds/ Operating cost-efficiency ratio	2.12	2.01	2.82	2.58	2.44
3	Return on Average Asset	0.85	0.68	0.67	0.65	0.64
4	Cost/Income ratio	44.92	53.50	44.17	47.11	51.56
5	Net Asset Value per Share	19.24	17.44	16.84	15.84	15.69
6	Profit per Employee (in million)	2.19	1.54	2.21	1.91	1.39
7	Capital to Risk Weighted Assets/Capital Adequacy Ratio	15.04	14.43	15.58	14.50	12.19
8	Cost of Fund	5.28	7.39	8.42	8.31	7.83
9	Operating profit as a percentage of working funds	1.98	1.46	2.30	2.03	1.77
10	Cash Reserve Ratio/Liquid Asset Ratio	4.58	4.74	5.94	6.92	8.09
11	Dividend Coverage Ratio	1.67	1.63	1.84	1.73	1.55
12	Gross Non-Performing Assets to Gross Investment (Advances)/Non-Performing Investment (Advances) (Assets) to Total Investment (Advances) (Assets)	4.42	4.57	4.91	6.84	3.97

FIVE YEARS FINANCIAL SUMMARY

Figures in million Taka unless otherwise specified

SL	Items	2021	2020	2019	2018	2017
A. Financial Position						
1	Authorized Capital	15,000	15,000	10,000	10,000	10,000
2	Paid up Capital	10,291	9,801	9,334	8,486	7,714
3	Reserve and Surplus	9,512	8,148	7,173	6,303	5,604
4	Total Shareholders' Equity	19,803	17,949	16,507	14,789	13,318
5	Total Deposits	217,289	218,443	203,273	176,862	146,348
6	Total Investment	216,587	196,513	197,286	186,090	158,668
7	Investment in Share and Securities	36,268	27,610	15,639	12,321	10,526
8	Fixed Assets	5,077	4,741	4,504	3,995	3,957
9	Total Assets (including off-balance sheet items)	313,731	293,518	265,993	243,660	207,886
10	Total Contingent Liabilities and Commitment	171,224	120,035	113,090	100,287	89,226
11	Profit Earning Assets	266,235	244,232	219,818	202,397	173,187
12	Non-profit Earning Assets	47,496	49,286	46,175	41,263	34,699
B. Operating Result						
1	Investment Income	13,805	17,034	20,291	17,122	12,996
2	Profit Paid on Deposit	7,382	11,418	13,112	11,295	8,419
3	Net Investment Income	6,424	5,615	7,179	5,827	4,577
4	Total Income	18,287	20,224	23,618	19,948	15,289
5	Total Expenditure	12,279	16,129	17,753	15,372	11,961
6	Operating Profit	6,004	4,095	5,865	4,576	3,328
7	Profit before Tax	4,837	3,643	3,894	3,165	2,079
8	Profit after Tax	2,596	1,908	1,718	1,471	1,196
C. Capital Adequacy						
1	Risk Weighted Assets	224,654	196,155	182,776	173,161	158,937
2	Capital Requirement	22,465	19,615	18,278	17,316	15,894
3	Tier I Capital	24,532	17,949	16,507	12,893	13,318
4	Tier II Capital	9,246	10,360	11,970	12,213	6,058
5	Total Equity (Tier I & Tier II)	33,778	28,308	28,477	25,106	19,376
6	Capital Surplus	11,313	8,693	10,200	7,790	3,482
7	Tier I Capital Ratio (%)	10.92	9.15	9.03	7.45	8.38
8	Tier II Capital Ratio (%)	4.12	5.28	6.55	7.05	3.81
9	Total Capital Adequacy Ratio (Basel-II) (%)	15.04	14.43	15.58	14.50	12.19
D. Investment Quality						
1	Volume of Non-performing Investment	9,569	8,973	9,687	12,723	6,301
2	Amount of Provision against classified Investment	3,075	3,440	3,258	2,445	1,415
3	Amount of Provision against unclassified Investment	2,419	2,224	1,901	1,375	1,166
4	Amount of Provision against OF Balance Sheets Exposures	1,356	935	869	837	892
5	Classified Investment as % of Total Investment	4.42	4.57	4.91	6.84	3.97
E. Foreign Exchange Business						
1	Import Business	248,934	148,469	157,060	140,382	129,244
2	Export Business	191,899	133,580	147,052	125,402	97,437
3	Inward Foreign Remittance	11,888	7,755	7,849	6,129	3,576

SL	Items	2021	2020	2019	2018	2017
F. Profitability, Performance and Liquidity Ratio						
1	Net Asset Value per Share (Taka)	19.24	17.44	16.84	15.84	15.69
2	Investment to Total Deposit Ratio (%)	84.48	79.62	87.47	90.32	90.17
3	Return on Assets (ROA) (%)	0.85	0.68	0.67	0.65	0.64
4	Return on Equity (ROE) (%)	13.70	11.08	10.98	10.47	9.14
5	Gross Income Ratio (%)	59.62	43.54	44.48	43.38	44.93
6	Net Income Ratio (%)	14.14	9.44	7.28	7.38	7.82
7	EBIT Ratio	36.06	24.45	31.66	31.69	24.37
8	Return on Capital Employed (ROCE) (%)	8.74	7.11	6.70	6.99	7.93
9	Cost/Income ratio (%)	44.92	53.50	44.17	47.11	51.56
10	Net Profit (Interest) Income Ratio (%)	2.52	2.42	3.40	3.08	2.93
11	Operating Income Ratio (%)	32.84	20.25	24.83	22.94	21.77
12	Net Profit (Interest) Income as a percentage of Working Funds (%)	2.12	2.01	2.82	2.58	2.44
13	Cost of Deposit (%)	3.19	4.98	6.05	6.05	5.60
14	Cost of Fund (%)	5.28	7.39	8.42	8.31	7.83
15	Return on General Investment (%)	6.76	8.34	10.07	9.81	9.12
16	Net operating Cash flow per Share (Taka)	0.61	16.15	9.09	(3.07)	2.50
17	Profit Per Employee	2.19	1.54	2.21	1.91	1.39
G. Leverage Ratio						
1	Debt Equity Ratio (Times)	14.84	15.35	15.11	15.48	14.61
2	Debt Ratio (%)	93.69	93.88	93.80	93.93	93.59
3	Interest Coverage Ratio (Times)	11.18	5.82	4.64	3.62	9.37
H. Dividend and Market Ratio						
1	Cash Dividend	10%*	7%	5%	-	-
2	Bonus Dividend	5%*	5%	5%	10%	10%
3	Dividend Cover Ratio (Times)	1.67	1.63	1.84	1.73	1.55
4	Dividend Yield (%)	6.88	5.24	4.27	3.62	3.03
5	Price Earning Ratio	8.68	12.35	13.35	17.51	21.29
6	Earnings Per Share (Taka)	2.51	1.85	1.75	1.58	1.41
7	Dividend Payout Ratio (%)	59.76	61.54	54.35	57.80	64.52
8	Market Capitalization	22,434	22,444	21,842	23,420	25,457
*Proposed by the Board of Directors						
I. Shareholders Information						
1	No. of Share Outstanding (million share)	1,029.10	980.09	933.42	848.56	771.42
2	Number of Shareholders	26,060	28,924	31,022	34,229	38,782
3	Market Value Per Share (Taka)	21.80	22.90	23.40	27.60	33.00
J. Other Information						
1	Number of Branches	132	132	132	122	113
2	Number of Brokerage House	8	8	8	8	8
3	Number of Employees	2,741	2,657	2,652	2,395	2,402
4	Number of foreign Correspondents	436	412	416	428	410

Shahjalal Islami Bank Limited and its Subsidiary
Consolidated Balance Sheet
As at 31 December 2021

	Note	31.12.2021 Taka	31.12.2020 Taka
Property and Assets			
Cash			
Cash in Hand (including Foreign Currencies)	3	1,943,331,636	1,814,745,636
Balance with Bangladesh Bank & Sonali Bank Ltd. (including Foreign Currencies)	4	12,087,735,744	13,351,033,150
		<u>14,031,067,380</u>	<u>15,165,778,786</u>
Balance with Other Banks and Financial Institutions			
Inside Bangladesh		2,067,998,849	2,983,335,984
Outside Bangladesh		1,029,495,149	4,759,516,675
	5	<u>3,097,493,998</u>	<u>7,742,852,659</u>
Placement with Other Banks & Financial Institutions			
	6	<u>18,514,593,291</u>	<u>23,646,670,016</u>
Investments in Shares & Securities			
Government		28,047,670,000	21,695,610,000
Others		10,290,056,403	7,700,804,301
	7	<u>38,337,726,403</u>	<u>29,396,414,301</u>
Investments			
General Investments etc.		201,220,993,015	184,095,800,600
Bills Purchased and Discounted		17,979,284,002	15,041,318,459
	8	<u>219,200,277,017</u>	<u>199,137,119,059</u>
Fixed Assets including Premises, Furniture and Fixtures			
	9	<u>5,226,775,920</u>	<u>4,872,812,072</u>
Other Assets			
	10	<u>18,061,545,248</u>	<u>15,917,222,101</u>
Non-Banking Assets			
	11	<u>88,909,355</u>	<u>88,909,355</u>
Total Property and Assets		<u><u>316,558,388,612</u></u>	<u><u>295,967,778,349</u></u>
Liabilities and Capital			
Liabilities			
Placement from Other Banks & Financial Institutions			
	12	<u>32,701,012,974</u>	<u>19,856,439,728</u>
Deposits and Other Accounts			
Mudaraba Savings Deposits		36,326,434,041	30,316,556,422
Mudaraba Term Deposits		74,469,380,080	81,508,507,043
Other Mudaraba Deposits		62,818,504,170	67,907,231,368
Al-Wadeeah Current & Other Deposit Accounts		39,179,649,922	34,433,455,394
Bills Payable		4,016,969,162	3,889,060,291

Shahjalal Islami Bank Limited and its Subsidiary
Consolidated Off-balance Sheet Items
As at 31 December 2021

	Note	31.12.2021 Taka	31.12.2020 Taka
Contingent Liabilities			
Acceptances & endorsements		52,969,323,781	37,961,567,205
Letters of guarantee	20	31,904,128,585	31,092,059,818
Irrevocable letters of credit	21	64,074,742,941	34,857,199,890
Bills for collection		22,275,433,922	16,124,209,575
Other contingent liabilities		-	-
Total		<u>171,223,629,229</u>	<u>120,035,036,488</u>
Other Commitments			
Documentary credits, short-term and trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance, revolving and underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total		<u>-</u>	<u>-</u>
Total off-balance sheet items including contingent liabilities		<u><u>171,223,629,229</u></u>	<u><u>120,035,036,488</u></u>
Consolidated Net Asset Value per Share [previous year's figure restated]	42(i)	<u>19.27</u>	<u>17.46</u>

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



HORIZONTAL & VERTICAL ANALYSIS

HORIZONTAL ANALYSIS FOR THE LAST FIVE YEARS

	2021	2020	2019	2018	2017
PROPERTY AND ASSETS					
Cash	106%	115%	135%	103%	100%
Cash in hand (Including Foreign Currencies)	127%	119%	144%	128%	100%
Balance with Bangladesh Bank & Sonali Bank Ltd (Including Foreign Currencies)	104%	115%	133%	100%	100%
Balance with other Banks and Financial Institutions	302%	774%	238%	175%	100%
Inside Bangladesh	348%	520%	310%	240%	100%
Outside Bangladesh	241%	1114%	142%	87%	100%
Placement with other Banks & Financial Institutions	278%	355%	186%	173%	100%
Investments in Shares & Securities	345%	262%	149%	117%	100%
Government	390%	301%	163%	125%	100%
Others	247%	178%	117%	100%	100%
Investments	137%	124%	124%	117%	100%
General Investment etc.	134%	122%	123%	118%	100%
Bills Purchased and Discounted	174%	146%	142%	112%	100%
Fixed Assets Including Premises	128%	120%	114%	101%	100%
Other Assets	146%	131%	116%	104%	100%
Non Banking Assets	100%	100%	100%	100%	100%
Total Assets	151%	141%	128%	117%	100%
LIABILITIES AND CAPITAL					
Liabilities					
Placement from other Banks & Financial Institutions	110%	67%	38%	79%	100%
Deposits and Other Accounts	148%	149%	139%	121%	100%
Mudaraba Savings Deposits	199%	166%	136%	114%	100%
Mudaraba Term Deposits	116%	127%	129%	124%	100%
Other Mudaraba Deposits	150%	162%	150%	122%	100%
Al-Wadeeah Current & Other Deposit Accounts	204%	179%	148%	116%	100%
Bills Payable	161%	156%	174%	114%	100%
Mudaraba Subordinated Bond	305%	230%	250%	250%	100%
Other Liabilities	220%	193%	170%	127%	100%
Deferred Tax Liabilities	172%	188%	136%	103%	100%
Total Liabilities	151%	142%	128%	118%	100%
Capital/Shareholders' Equity					
Paid-up Capital	133%	127%	121%	110%	100%
Statutory Reserve	164%	144%	129%	113%	100%
Retained Earnings	202%	151%	120%	109%	100%
Total Shareholders' Equity	148%	125%	124%	111%	100%

HORIZONTAL ANALYSIS FOR THE LAST FIVE YEARS

	2021	2020	2019	2018	2017
Investment Income	106%	131%	156%	132%	100%
Less: Profit paid on Deposits	88%	136%	156%	134%	100%
Net Investment Income	140%	123%	157%	127%	100%
Income from Investment in Shares/securities	398%	209%	160%	125%	100%
Commission, Exchange and Brokerage	151%	119%	139%	125%	100%
Other Operating Income	203%	158%	154%	117%	100%
Total Operating Income	159%	128%	153%	126%	100%
Salaries and Allowances	135%	135%	132%	119%	100%
Rent, Taxes, Insurances, Electricity etc.	74%	95%	101%	101%	100%
Legal Expenses	70%	86%	80%	103%	100%
Postage, Stamps, Telecommunication etc.	104%	115%	103%	110%	100%
Stationery, Printings, Advertisements etc.	116%	98%	140%	122%	100%
Chief Executive's Salary & Fees	161%	152%	140%	112%	100%
Directors' Fees & Expenses	88%	92%	101%	85%	100%
Shariah Supervisory Committee's Fees & Expenses	90%	36%	159%	62%	100%
Auditors' Fees	122%	111%	111%	111%	100%
Depreciation & Repairs of Bank's Assets	355%	259%	198%	130%	100%
Zakat Expenses	158%	142%	124%	110%	100%
Other Expenses	150%	128%	139%	105%	100%
Total Operating Expenses	138%	133%	131%	115%	100%
Profit before Provision	180%	123%	176%	138%	100%
Specific provision for Classified Investment	81%	24%	175%	168%	100%
General Provision for Unclassified Investment	72%	85%	195%	78%	100%
General Provision for Off-Balance Sheet Items	163%	25%	12%	0%	100%
Provision for diminution in value of Investments in Shares	0%	0%	675%	232%	100%
Provision for Other Assets	54%	0%	0%	0%	100%
Total Provision	93%	36%	158%	113%	100%
Profit before Provisions for Taxation	233%	175%	187%	152%	100%
Deferred Tax Expenses	-52%	167%	107%	10%	100%
Current Tax Expenses	271%	198%	254%	201%	100%
Net Profit after Taxation	216%	160%	144%	123%	100%