

An Internship report on General Banking of

SOCIAL ISLAMI BANK LIMITED



B U S 4 0 0

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Date: 18th September, 2014

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Subject: Submission of Internship Report.

Dear Madam,

I am hereby submitting my Internship Report, which is a part of the BBA Program curriculum. It is a great achievement to work under your active supervision.

This report is based on over all banking activities of Social Islami bank Limited. I have got the opportunity to work in Social Islami Bank Limited for twelve weeks, under the supervision of Md. GolamAmbia (Officer) in Babubazar branch.

This project gave me both academic and practical exposures. First of all I learned about the organizational culture of a prominent bank of the country. Secondly, the project gave me the opportunity to develop a network with the corporate environment.

I shall be highly obliged if you are kind enough to receive this report and provide yourvaluable judgment. It would be my immense pleasure if you find this report useful and informative to have an apparent perspective on the issue.

Sincerely Yours,

Mohammad Mostafa Ismail
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Executive Summary

The report represents the three-month working experience on Social Islami Bank Limited (SIBL). I was assigned in the Babubazar Branch of SIBL. This report gives a clear idea of the activities and the operation strategies of the Bank.

SIBL incorporated in 5th July 1995 and being into its commercial operation on 22nd November with a view to provide exclusive service facilities to its client and accordingly meet the demand of banking service all over Bangladesh. During the short span of its operation the bank had been widely acclaimed by the business community from small business persons to industrial conglomerates for forward looking business outlook and innovative financial solution.

It is argued however, that any study of Islamic Banking in the 21st Century should make dispassionate interpretation of history of achievement and failures of past generations and take cognizance of rising expectations and signs of re-discovering Islam in the contemporary period. This will set the stage for in-depth understanding of historical context and socio-economic setting for the operations of Islamic Banking in the 21st century.

The whole report is based on the operations of SIBL and the services it provides. My overall experience had been very fascinating and I believe internship period at Social Islami Bank Limited will definitely help me a lot in building my future career.

Acknowledgement

First of all, I wish to express my thanks to the almighty Allah for giving me the strength to perform my responsibilities as an intern and complete the report within the stipulated time.

I am deeply indebted to my Faculty Supervisor SohanaWadud Ahmad for whole-hearted supervision during my organizational attachment period. I would like to extend my gratitude to Mr. Md. GolamAmbia, Officer (my organizational supervisor) and my colleague who helped me by providing informative instructions. I am also grateful to all employees –Md. AnwarulHaque (Senior Executive Officer & GB In Charge), Md. AsadurRahaman (Officer), Shaikh Abdul Motin (Executive Officer), Ananta Kumar Paul (Probationary Officer), Md. for their valuable co-operation, guidance, direction, and continuous support throughout the internship period. I was closely attached with them during my internship tenure. Without them this project would have been very difficult.

I must mention the wonderful working environment and group commitment of this organization that has enabled me to deal with a lot of things. And finally I express my sincere gratitude to all those participated to prepare the report. Most of them were busy employees of Social Islami Bank Limited.

Finally, I would like to acknowledge my deepest gratitude to the honorable supervisor SohanaWadud Ahmad again who has given me suggestions regarding the writing of the report and to go through the process, which has become an excellent way of understanding the topic of my internship.

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Chapter 1

INTRODUCTION

Background of the study . . .

Social Islami Bank Limited (SIBL) is a private owned bank. SIBL is a second generation Islami bank operating since November 22, 1955 based on Shariah Principles. Now SIBL has 95 branches all over the country with two subsidiary companies- SIBL securities Ltd. and SIBL investment Ltd. The bank opened 10 branches in 2013 to bring more people under the coverage of banking service. SIBL is a capitalized new generating bank with an authorized capital of Taka 10,000,000,000 in 2013 and paid up capital of Taka 7,031,415,640 in 2013 and also Taka 6,393,925,700 respectively as of December 2012.

For coordinating my internship I have been placed in SIBL, Babubazar Branch, Dhaka. There are three sections in Babubazar branch. They are General Banking (GB), Investment Department (ID) and Foreign Exchange Department (FED). I worked mainly in GB section. I devoted my utmost effort and attention to learn bank's operations. After completing my internship, I will render my all knowledge to present the report on Overall Banking System of SIBL- A special focus on general banking. In the organizational part will briefly describe overview of the organization's historical background, functions, business philosophy, ownership pattern, foreign correspondents and overseas operations and benefits provided to customers by the organization. Branch operation part will describe the product and service provided to the customers by a branch.

Origin of the report . . .

As a part of the Bachelor of Business Administration (BBA) course requirement, it is a 12 weeks long internship program to introduce the students with the real life business administration. I took the internship with Social Islami Bank Limited which stands a prominent name in Banking industry. I am proud to work as an internee with SIBL and this experience will surely help me in my future career. This advance working report has been prepared as a part of the Internship Program. Being an intern the main challenge was to translate the theoretical concepts into real life experience. The internship program and the study have following purposes:

- ✦ To get and organize detail knowledge on the job responsibility.
- ✦ To compare the real scenario with the lessons learned at BRAC University.
- ✦ To fulfill the requirement of BBA Program.

Scope of the study

In my internship period, the scope of the work was as vast as I was assigned to work in every departments of the bank in Mohakhali Branch, I have tried to observe and understand the all

banking activities especially General Banking activities and other day to day functions perform in this branch. I also tried to understand different topic from the bank personnel.

Objectives of the report . . .

The board objective of this report is to complete my BBA program and to acquire knowledge of banking sector. To achieve the main objectives, I also try to understand some specific objectives. Those objectives are pointed out as follows:

- ✦ To gather knowledge about the functions and transactions of different departments of the bank.
- ✦ To be acquainted with how a bank perform its operation.
- ✦ To get ideas on the activities of GB.
- ✦ To get ideas of FED.
- ✦ To understand the difference between previous and present banking system of SIBL.
- ✦ To find out the financial performance of the bank.
- ✦ To know the difference between Islamic banking and conventional banking system.

Sources of data . . .

I have collected the data/ Information from the following sources which helped me to make this report. The source is divided in two parts:

1. Primary Source
2. Secondary Source

Primary Source

Data collected for the first time is called primary data. The methods used to collect such data include:

- ✦ Face-to-face conversation with the respective officers and staffs of the branch.
- ✦ Informal conversation with the clients.
- ✦ Practical work exposures from the different desks of the department of Branch covered.

Secondary Source

The secondary data sources are annual reports, manuals, brochures of Social Islami Bank limited and different publications of Bank and internet. To identify the implementation, supervision, monitoring and repayment practice- interview with the employee and extensive study of the existing files.

Limitations . . .

It is obvious that every study has some limitations. The study I have made is of great importance and required me huge work. Those limiting factors that hampered my smooth workings in bank and finally in preparing this report are as following:

- ✦ The organization maintain strict confidentiality about their financial and other information. They are afraid of any type of information leakage to their competitors. So there was always difficulty to have appropriate information from them.
- ✦ Large scale analysis is not possible due to constraints and restrictions posted by the banking authority.
- ✦ Duration of the study was too short to have a sound understanding of the overall banking.
- ✦ This study completely depended on official records and annual reports.
- ✦ Lack of sufficient books, papers and journals etc.
- ✦ In many cases, up to date information may not be available.

Chapter 2

Bank & Banking

History of Banking and Bank . . .

The History of Banking begins with the first prototype banks of merchants of the ancient world, which made grain loans to farmers and traders who carried goods between cities. This began around 2000 BC in Assyria and Babylonia. Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans and added two important innovations: they accepted deposits and changed money. Archaeology from this period in ancient China and India also shows evidence of money lending activity.

Banking, in the modern sense of the word, can be traced to medieval and early Renaissance Italy, to the rich cities in the north such as Florence, Venice and Genoa. The Bardi and Peruzzi families dominated banking in 14th century Florence, establishing branches in many other parts of Europe. Perhaps the most famous Italian bank was the Medici bank, established by Giovanni Medici in 1397.

The development of banking spread from northern Italy through Europe and a number of important innovations took place in Amsterdam during the Dutch Republic in the 16th century and in London in the 17th century. During the 20th century, developments in telecommunications and computing caused major changes to banks operations and let banks dramatically increase in size and geographic spread.

History of Banking in Bangladesh . . .

Bangladesh inherited its banking structure from the British regime and had 49 banks and other financial institutions before the Partition of India in 1947. The Dhaka Bank established in 1806 was the first commercial bank in the Bangladesh region of British India. Bengal Bank, the first British-Patronized modern bank established in India in 1784, had opened its two branches in 1873 in Sirajganj and Chittagong of Bangladesh region. Later in 1862, the Bengal Bank Purchased the Dhaka Bank and opened its first branch in Dhaka in the same year by reconstituting and merging the Dhaka Bank. Thereafter, another branch of Bengal Bank was opened in Chandpur in 1900. A number of other branches of Bengal Bank were opened in this region and some branches had been closed in Course of time. There were six other branches of Bengal Bank in operation in the territory of Bangladesh until the Partition of British-India in 1947 and these branches were at Chittagong (1906), Mymensing (1922), Rangpur (1923), Chandpur (1924), and Narayanganj (1926).

Following the emergence of Pakistan in 1947, Stat Bank of Pakistan, the Central Bank of the country, came into being in July 1948. Later, the National bank of Pakistan, a strong commercial bank was set up in 1949. In all, 36 scheduled commercial banks were in operation in the whole Pakistan until 1971. Pakistanis owned most of these banks and only three of them namely, National Bank of Pakistan, Habib Bank Ltd. and the Australasia Bank Ltd, had one branch of each in East Pakistan in 1949. During 1950-58, there other Pakistani-owned banks, Premier

Bank Ltd., Bank of Bhowalpur Ltd. and Muslim Commercial Bank, had Opened their branch in East Pakistan. Four Pakistan-owned banks, the United Bank Ltd., Union Bank Ltd., Standard Bank Ltd. and the commerce Bank Ltd. Conducted banking business in the Province during 1959-1965. But all of them Had their headquarters in west Pakistan. East Pakistan had only two banks Owned by local business groups white headquarters in Dhaka. These were the Eastern Mercantile Bank Ltd. (Presently Pubali Bank Ltd.) and Eastern Banking Corporation Ltd. (Presently Uttara Bank Ltd.) established in 1959 and 1965 respectively.

In the beginning of 1971, there were 1130 branches of 12 banks in operation in East Pakistan. The foundation of independent banking system in Bangladesh was laid through the establishment of the Bangladesh Bank in 1972 by the Presidential Order No. 127 of 1972 (which took effect on 16th December, 1971). Through the Order, the eastern branch of the former State Bank of Pakistan at Dhaka was renamed as the Bangladesh Bank as a full-fledged office of the central bank of Bangladesh and the entire undertaking of the State Bank of Pakistan in, and in relation to Bangladesh has been delivered to the Bank.

Bangladesh Bank has been entrusted with all of the traditional central banking functions including the sole responsibilities of issuing currency, Keeping the reserves, formulating and managing the monetary and credit policy, regulating the banking system, stabilizing domestic and external monetary value, preserving the par value of Bangladesh Taka, fostering economic growth and development and the development of the country's market.

The Bangladesh Banks (Nationalization) Order enacted in 1972 nationalized all banks except foreign ones. Six nationalized banks were formed through merging the existing banks of the period.

The rate of growth and development of banking sector in the country was extremely slow until 1983 when the government allowed to establish private banks and started denationalization process: initially, the Uttara Bank in the same year and thereafter, the Pubali Bank, and the Rupali Bank in 1986.

Growth pattern of banks in 1973 - 1983 . . .

Economic history shows that development has started everywhere with the banking system and its contribution towards financial development of a country is the highest in the initial stage. Schumpeter (1933) regarded the banking system as one of the two main agents (other being entrepreneurship) in the whole process of development. Keynes also emphasized the role of banking services in the process of economic development of a country, while SHE was addressing the House of Lords regarding International and Monetary System (quoted in Sharma 1985). Moreover Alexander Gerashchenko (1962) in his popularly known "Gerschenkron's Hypothesis" explained the banking system as the key role player at certain stage of the industrialization process.

Modern banking system plays a vital role for a nation's economic development. Over the last few years the banking world has been undergoing a lot of changes due to deregulation, technological innovations, globalization etc. These changes in the banking system also brought revolutionary changes in a country's economy. Present world is changing rapidly to face the challenge of competitive free market economy. It is well recognized that there is an urgent need for better, qualified management and better-trained staff in the dynamic global financial market. Bangladesh is no exceptions of this trend. Banking Sector in Bangladesh is facing challenges from different angles though its prospect is bright in the future.

History of Private Banks in Bangladesh . . .

There were no domestic private commercial banks in Bangladesh until 1982; When the Arab-Bangladesh Bank Ltd. commenced private commercial banking in the country. Five more commercial banks came up in 1983 and initiated a moderate growth in banking financial institutions. Despite slow growth in number of individual banks, there had been a relatively higher growth of branches of nationalized commercial banks (NCBs) during 1973-83. Their number had increased from 1512 in 1973-74 to 4603 in 1982-83.

Financial sector reforms to strengthen the regulatory and supervisory framework for banks made headway in 2006 although at a slower than expected pace. Overall health of the banking system showed improvement since 2002 as the gross Non-performing Loans (NPL) declined from 28 percent to 14 percent while net NPL (less Provision) reduced to 8 percent from 21 percent. This led significant improvement in the profitability ratios. Although the Private Commercial Banks (PCB) NPL ratio registered a record low of 6 percent, the four Nationalized Commercial Banks (NCB) position are still weak and showed very high NPL at 25 percent. The NCBs have large capital shortfalls with a risk weighted capital asset ratio of just 0.5 percent (June 2006) as against the required 9 percent. For the PCBs risk-weighted capital asset ratio stood at 10 percent. Bangladesh Bank issued a good number of prudential guidelines during the year 2006 and the first quarter of 2007 which among others relate to:

- ✦ Rationalization of prudential norms for loan classification and provisioning
- ✦ Policy for rescheduling of loans
- ✦ Designing and enforcing an "integrated credit risk grading manual".
- ✦ Credit rating of the banks
- ✦ Revisions to the make-up of Tier-2 capital.

Besides, recent decision of the Government to corporative the remaining three NCBs along with the initiative to sale the Rupali Bank are bound to usher in changes in the banking sector competitiveness aspect. Bangladesh Bank has also taken up the task of implementing the Basel II capital accord. Further, the recent enactment of the Micro-credit Regulatory Authority Act (MRAA) for the regulation of the Micro Finance Institutions (MFI) has been a major development in the year 2006. Since 1998 CAMEL rating of banks gradually improved and in

2006 Bangladesh Bank updated this rating model by incorporating the market risk and the new Model is known as CAMELS.

Modern banks play an important part in promoting economic development of a country. Banks provide necessary funds for executing various programs underway in the process of economic development. They collect savings of large masses of people scattered throughout the country, which in the absence of banks would have remained idle and unproductive. These scattered amounts are collected, pooled together and made available to commerce and industry for meeting the requirements. Economy of Bangladesh is in the group of world's most underdeveloped economics. One of the reasons may be its underdeveloped banking system. Government as well as different international organizations have also identified that underdeveloped banking system causes some obstacles to the process of economic development. So they have highly recommended for reforming financial sector. Since, 1990, Bangladesh government has taken a lot of financial sector reform measurements for making financial sector as well as banking sector more transparent formulation and implementation of these reform activities has also been participated by different international organization like world Bank, IMF etc.

Current Structure of Banks in Bangladesh . . .

Bangladesh Bank (BB) has been working as the central bank since the country's independence. Its prime jobs include issuing of currency, maintaining foreign exchange reserve and providing transaction facilities of all public monetary matters. BB is also responsible for planning the government's monetary policy and implementing it thereby.

The BB has a governing body comprising of nine members with the Governor as its chief. Apart from the head office in Dhaka, it has nine more branches, of which two in Dhaka and one each in Chittagong, Rajshahi, Khulna, Bogura, Sylhet, Rangpur and Barisal. Following is the country's banking system as on 29th April, 2010.

Islamic/ Shariah Banking Concept . . .

Social Islami Bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operation. For millions of Muslims, banks were institution to be avoided. Islam is a religion, which keeps Believers from the tellers' window. Their Islamic beliefs prevent them from dealings that involve usury or interest (Riba). Yet Muslim needs banking services as much as anyone and for many purposes: to finance new business ventures, to buy a house, to facilitate capital investment to undertake trading activities and to offer safe place for saving. Muslims are not averse to legitimate profit as Islam encourages people to use money in Islamic ally legitimate ventures not just to keep their funds idle.

However in this fast moving world more than 1400 years after the Prophet (S.A.W) can Muslims find room for the principles of their religion? The answer comes with the fact that a global network of Islamic banks investment house and other financial institution have started to take shape based on the principals of Islamic finance laid down in the Quran and the Prophet's traditions some 14 centuries ago. Islamic banking based on the Quranic prohibition of changing interest has moved from a theoretical concept to embrace more than 100 banks operating in 40 countries with multibillion-dollar deposits worldwide. Islamic banking is widely regarded as the fastest growing sector in the Middle Eastern financial services market. Exploding onto the financial scene barely thirty years ago an estimated \$US100 billion worth of funds are now managed according to Shariah.

The best-known feature of Islamic Banking is the prohibition on interest. The Holy Quran forbids the charging of 'Riba' on money lent. It is important to understand certain principles of Islam that underpin Islamic finance. Muslim scholars accepted the word 'Riba' to mean any fixed or guaranteed interest payment on cash advances or on deposits.

The rules regarding Islamic finance are quite simple and can be summed up as follows:

- ✦ The predetermined payment over and above the actual amount of principal is prohibited.
- ✦ The lender must share in the profits or losses arising out of the enterprise for which the money was lent.
- ✦ Making money from is not Islamic ally acceptable
- ✦ Gharar (Uncertainty, Risk or Speculation) is also prohibited.
- ✦ Investment should only support practices or products that are not forbidden.

What is Islamic Banking ? ? ?

Islamic banking has been defined in a number of ways. The definition of Islamic bank approved by the General Secretarial of OIC is stated in the following manner, "An Islamic bank is a financial institution whose status, rules and procedure expressly state commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any its operations."

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of Islamic law (Shariah) and its practical application through the development of Islamic economics. Shariah prohibits the payment of fees for the renting of money (Riba, Usury) for specific terms as well as investing in businesses that provide goods or services considered contrary to its principles (Haram, Forbidden).

The World Islamic Banking Conference held annually in Bahrain since 1994 is the unique platform internationally recognized as the largest and most significant gathering of Islamic banking and finance leaders in the world.

According to Islamic Banking Act of Malaysia, “An Islamic Bank is a company which carries on Islamic banking business. Islamic banking means banking business whose aims and operations do not involve any element which is not approved by the religion Islam.”

Dr. Ziauddin Ahmed says, “Islamic banking is essentially a normative concept and could be defined as conduct of banking in consonance with the ethos of the value system of Islam.”

From the above definitions we can say that Islamic banking system is one that avoids receipts and payments of interest in its transactions and conduct its operations in a way that it helps achieve the objectives of an Islamic economy.

Islamic banking system is based on Principles of which profit and loss sharing is major feature, ensuring justice and equity in the economy. For this Islamic Banks are known as Profit and Loss sharing bank.

Objectives of Islamic Banking . . .

The objective of Islamic Banking is not only to earn profit but also to do good and welfare to the people. Islam upholds the concept that money, income and property belong to ALLAH and this wealth is to be used for the good of the society. The main objectives of Islamic Banking are as follows:

- ✦ To conduct interest free banking.
- ✦ To establish participatory Banking instead of Banking on debtor-creditor relationship.
- ✦ To invest through different modes permitted under Islamic Shariah.
- ✦ To accept deposits on profit-loss sharing basis.
- ✦ To establish welfare oriented Banking System.
- ✦ To extend operation to the poor, helpless and low income group for their economic enlistment.
- ✦ To contribute in achieving the ultimate goal of Islamic economic system.
- ✦ To facilitate the Islamic banking system in the country.
- ✦ To create new entrepreneurs and to arrange required finance them.

Evolution of Islamic Banking . . .

Islamic Banking comes into reality through a long theoretical exercise of several renowned Islamic scholars and economists. The first attempt to establish an Islamic financial institution took place in Pakistan in 1950. In the modern world, the pioneering role in establishing the first Islamic Bank in 1963 named ‘Mit- Ghamar’ Saving Bank in Egypt at rural area of Nile Delta. Now

there are many Islamic financial institutions operating throughout the world covering both Muslim and non-Muslim countries of various socio-economic environment.

The first Islamic bank in Malaysia was established in 1983. In 1993, commercial banks, merchant banks and finance companies were allowed to offer Islamic banking products and services under the Islamic Banking Scheme (IBS). These institutions however, are required to separate the funds and activities of Islamic banking transactions from that of the conventional banking business to ensure that there would not be any co-mingling of funds.

In Malaysia, the National Shariah Advisory Council additionally set up at Bank Negara Malaysia (BNM) advises BNM on the Shariah aspects of the operations of these institutions, as well as on their products and services.

Legitimate Business Contracts for Islamic Banks . . .

The modes of mobilization in Islamic banks have derived from the overall permissible contracts in Islam. In what follows we first describe the concept of Aqd or contract from business perspective and then discuss the legitimate forms contracts that can be used in Islamic banks for both deposit collection and their profitable employment.

A business contract can be defined as the exchange of a thing of value by another thing of value with mutual consent. There are four elements of an Aqd or contract:

- ✦ Contract (Aqd).
- ✦ Subject Matter (Mabe'e).
- ✦ Price (Thaman).
- ✦ Possession of delivery (Qabdh).

Chapter 3

Overview of SIBL

About Social Islami Bank Limited (SIBL) . . .

Social Islami Bank Limited (SIBL) was incorporated on 5th July, 1995 as a result of dedicated effort of a group of established Bangladeshi entrepreneurs and internationally important personalities. The bank started commercial operation on 22nd November, 1995 with a clear manifesto to demonstrate the operational meaning of particularly economy, banking and financial activities as an integrated part of Islamic code of life. Targeting poverty, SIBL is indeed a concept of 21st Century participatory several sector banking mode. The formal corporate sector, this Bank would, among others, offer the most up-to date banking services through opening of various types of deposit and investment accounts, financing trade, providing letters of guarantee, opening letters of credit, collection of bills effecting domestic and international transfer, leasing of equipment and consumer durables, hire purchase and installment sale for capital goods, investment in low-cost housing and management of real estates, participatory investment in various industrial, agricultural, transport, educational and health projects and so on. In the Non-formal non-corporate sector, it would, among others, involve in cash Waqf Certificate and development and management of WAQF and MOSQUE properties, and Trust funds.

History of SIBL . . .

Social Islami Bank Limited (SIBL) is a banking company registered under the companies Act 1994 with its head office in 15 Dilkusha C/A, Dhaka-1000. The bank operates as a scheduled bank under a banking license issued by the Bangladesh Bank, Central Bank of the country. The Bank started its operation from 22, November 1995. SIBL is a capitalized new generating Bank with an authorized capital and paid up capital of Taka 585 million in 2007 and also 585 million respectively as of December 2006. Currently the bank has 95 branches in all over the Bangladesh. The bank under takes all types of banking transaction to support the development of trade and commerce in the country. SIBL services are also available for the entrepreneurs to set up new venture and BMRE of industrial units. To provide clientele services in respect of international trade it has established wide corresponded banking relationship with local and foreign bank stride and financial interest home and abroad. Since the very inception, Social Islami Bank Ltd. is working with the philosophy of serving the nationals as an ideal and unique financial house. Every organization has some objectives of its own. The prime objective of Social Islami Bank Ltd. is to earn profit throw undertaking the responsibility of providing financial help for the development of the country's commercial and industrial sector. Year 2012 is envisaged

as a golden year of SIBL. Adopting new strategic Business Policy, SIBL will leave no stone unturned to boost business in all areas of operation to achieve its corporate goals.

Journey with new logo . . .

SIBL has changed its brand logo through a colorful function at Cox's Bazar sea beach. Bank has passed a successful year 2011 through generating highest business growth in terms of profit amidst unfavorable market conditions and also set superior service delivery for its customers through implementation of real time on line state of-the-art banking technology. In its journey towards continuous excellence the bank has decided to change its logo, the new logo depicts bird's wing, 9(nine) feathers, to represent its comfortable and safe flying in the economic sky by passing the territorial Boundary. The wings are colored in red in a green background. Red symbolizes the vigor and enthusiasm of youth and the green symbolizes love for the dear motherland, Bangladesh is a country of greenery.



Moreover 9(nine) feathers represent- Honesty, Transparency, Efficiency, Accountability, Reliability, Innovation, Flexibility, Security, and technology flying towards continuous excellence. In SIBL journey towards Continuous Excellence it takes pride in their new Logo.

Mission, Vision, Goal, Objectives & Functions . . .

Mission

- ✦ High quality financial services with the latest technology.
- ✦ Fast, accurate and satisfactory customer service.
- ✦ Balanced and sustainable growth strategy.
- ✦ Optimum return on shareholder's equity.
- ✦ Introducing innovative Islamic banking products.
- ✦ Attract and retain high quality human resource.
- ✦ Empowering real poor families and create local income opportunities.
- ✦ Providing support for social benefit organizations-by way of mobilizing funds and social services.

Vision

In SIBL journey towards continuous excellence it is striving to become the Country's leading Islamic Bank offering one-step service of an wide range of value added products and services meeting the needs of its customers; conducting its business ethically in accordance with the

laws of Shariah while optimizing best utilization of the most modern state-of-the-art technological solutions through creation of a pro-active organizational culture based on sound team spirit, fairness, mutual understanding and pragmatic leadership always remain open to new ideas and adaptable to the best practices in the market ensuring recognition and quality banking experience to its customers and deliver best value to all its stakeholders as well.

Goal

- ✦ Empowering the family of the poor by creating income opportunities as well as strengthening the family of the rich for better future generation.
- ✦ Achieving sustainable participatory economy, Social Security and peace for a society.

Objectives

- ✦ To humanize corporate finance in the formal sector through participatory market mechanism with collateral.
- ✦ To monetize voluntary sector through participatory financing mainly on joint ownership basis.
- ✦ To integrate these sector's operational activities of the Bank to various will-conceived and well-planned "Social Assignment and Investment Schemes" or "Social Fund" for making them economically and ethically "transparent" and "revealed".


Functions

- ✦ Mobilization of idle resources of the country by accepting Deposits from the general public.
- ✦ Granting Loans and Advances to the individual firms and companies for activating and developing trade, commerce and industries and other productive activities in the country.
- ✦ To give facilities to the client and shareholders in a systematic way.
- ✦ To give encouragement to the people for saving.
- ✦ To increase investment.
- ✦ To make easy transfer of foreign currency.
- ✦ To identify consumer's demand and fulfill their demand by supplying money.
- ✦ To improve economy by borrowing financial facility.
- ✦ To assist capital market.

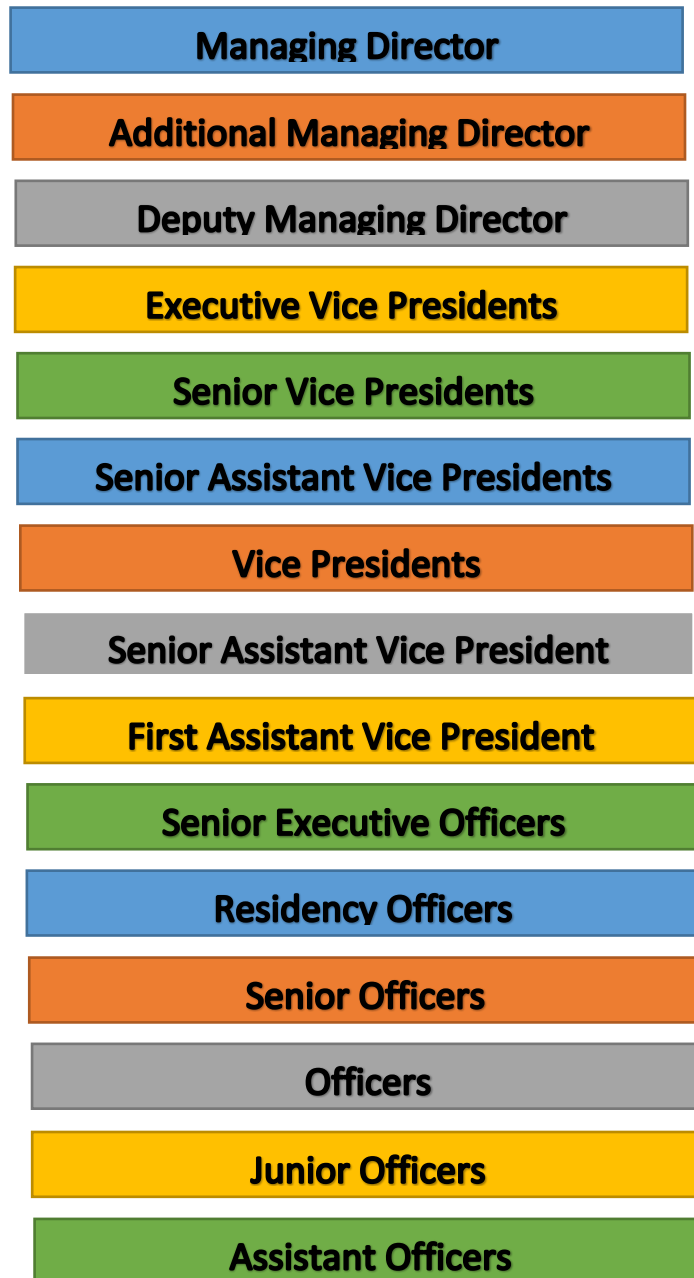
Products and Services . . .

- ✦ Mudaraba Term Deposit.
- ✦ Mudaraba Savings Deposit.
- ✦ Al-Wadiah Current Account
- ✦ Mudaraba Notice Deposit
- ✦ Mudaraba Scheme Deposit
- ✦ Mudaraba Hajj Saving Deposit
- ✦ Mudaraba Monthly Savings Scheme
- ✦ Mudaraba Special Deposit Pension Scheme
- ✦ Mudaraba Education Deposit Scheme
- ✦ Mudaraba Home Saving Scheme
- ✦ Mudaraba Millionaire Deposit Scheme
- ✦ ATM Service
- ✦ Locker Service

 Online Banking

 Mudaraba Monthly Profit Deposit Scheme

Corporate Structure . . .



Chapter 4

Job Description

Internship at SIBL . . .

Internship is offered for 12 weeks and since July 1, 2014. I have been working in Social Islami Bank Limited and deal with lots of issues. I was under the supervision of Mr. Md. Golam Ambia (Officer) of Social Islami Bank Limited, Babubazar Branch. My association with this bank is being a part of the General Banking Section (GB). Particularly being a student of Accounting (ACT) it is necessary for me to get practical knowledge of General Banking (GB). So, I have tried my level best to learn a lot about the environment of GB.

Description of my job at SIBL . . .

The nature of work was quite basic as an intern; nevertheless I got to see what practical life is. Below, the duties I have performed are given.

- ✦ Account Opening
- ✦ Cheque/ Debit Card Requisition
- ✦ Cheque/ Debit Card Delivery
- ✦ Cheque/ Debit Card Issue
- ✦ Cheque/ Debit Card Blocking
- ✦ Client Account Statement
- ✦ Scanning of different documents
- ✦ Client data entry or edit
- ✦ Balance enquiry
- ✦ Posting the return check
- ✦ Applying charge and other deduction
- ✦ Operating online information
- ✦ Activating mobile SMS service along with Bank account

Account Opening

People need bank account for different purposes. Some people need personal accounts, some need different. Each and every account has a different purpose. Generally, there are four types of accounts.

- ✦ Mudaraba Savings Deposit (Saving Account)
- ✦ Al-Wadiah Current Deposit (Current Account)
- ✦ Mudaraba Term Deposit (Fixed Deposit)
- ✦ Mudaraba Short Term Deposit (Short-term Fixed Deposit)
- ✦ Mudaraba Special Deposit Pension Scheme 3/5/10 years (DPS)
- ✦ Al-Waqf (Deposit Scheme)

Cheque/ Debit Card Requisition

Savings and current account holders need cheque book and Debit Card as well. Because those account holders deposit and withdraw their money frequently. Without cheque book or debit card they cannot withdraw their money. So realistically those account holders need cheque book or debit card for their transaction, for business and personal purpose. When they open their account there is a separate form for cheque book requisition and debit card. Account holders need to fill out those form for their account activation. Through banking software (Ababil) I give entry cheque and debit card requisition.

Cheque/ Debit Card Delivery

After giving cheque and debit card requisition customers need to wait for their cheque book and debit card. After cheque and debit card requisition normally it takes couple of working days to delivery cheque book and debit card to respective customers. After that customers need to collect their cheque book and debit card from our branch.

Cheque/ Debit Card Issue

When customers come to our premises for collecting their cheque book or debit card, they need to sign it in different register books. After that I issued their cheque book or debit card and give it to them. After issuing cheque book and debit card they can use them at any time when they wish. But for cheque book it has to be in between banking transaction hour, which is 9am to 4pm.

Client Account Statement

Some customers ask for their bank account statement. According to their demand I gave bank account statement to our customers. Bank applies BDT 115 charge for bank account statement only for statement of more than 6 months.

Scanning of different Documents

When I open an account, I need to collect different documents from customers. Ex- National ID Card, Passport, driving License, Commissioner Certificate etc. So I need to scan those documents for banking purpose. After scanning those documents I print it and return the original copy to the customers.

Client data entry or edit

In the account opening form customers write the details according to what is asking for. After filling the form I need to cheque it. After that I need to entry those data in computer through banking software. In the banking software there are minimum two (2) pages that I need to fill out. In this software I can also edit the data if required.

Balance enquiry

Some customers want to know their account balance. According to their demand I gave bank account balance to our relevant customers.

Posting the return check

When a customer's cheque returned I used to posting that cheque by the customer's name. Like, sometimes for insufficient balance, cheque returns. For this I had to posting the cheque by its issuing date, name, cheque number and so on.

Applying charge and other deduction

For account statement more than 6 months or for cheque book, I used to apply charge. Like for account statement it was TK 115 (including VAT) and for cheque book, per leaf is TK 3.45 (including VAT).

Operating online information

Whenever clients from different branch come to know their balance or to get their account statement. . According to their demand I gave bank account statement or balance to the customers

Activating mobile SMS service along with Bank account

Basically customers having current account generally wants to get the notifications of their account balance such as when they or others deposits to their account or any withdrawal. For current account, it happens couple of times in a day. So for enquiry or confirmation they have to come several times. For this to get rid from this annoying task they request to activate this service.

Different aspects of job performance . . .

- ✦ Banking jobs are critical and also need lots of time to perform because bankers have to deal with every aspect in order to satisfy clients and also earn revenue for the bank.

- ✦ Manager or head of the branch is in total in charge of the bank to take any decision. Officers mainly follow his instruction to perform their job successfully.
- ✦ General banking is mostly responsible for doing different formulation of works such as preparing report, statements, salary sheets, discussing any reports and providing ideas. They also do some sensitive work related to provide money by receiving cheques, computerized account information, provide interest on deposit
- ✦ Foreign exchange department deals with opening Letter of Credit and providing support to client through bank guarantees and deal with other foreign banks and institutions from the client's point of views.

Critical observations and recommendations . . .

- ✦ The cash receive and collection booths are fewer in numbers than the clients. Before any festivals the clients need to wait lots of time in line which sometimes create frustrations among clients.
- ✦ The officers in charge remain always busy with their works for this they don't have enough time to provide information even to clients or interns even if they have the intension to do so.
- ✦ Slow internet connection often creates problems because the local broad band connection they use is not always speedy to perform tasks effectively.

SWOT Analysis . . .

Strengths



Customer Satisfaction

Rapid Growth

Pricing Effectiveness

Weakness



Market share

Lack of ATM Booth

Lack of Promotional Strategies

Opportunities Threats



Sales force effectiveness

New Competitors

Customer retention

Technological Advancement

Innovation effectiveness

Economic Recession

Chapter 5

General Banking

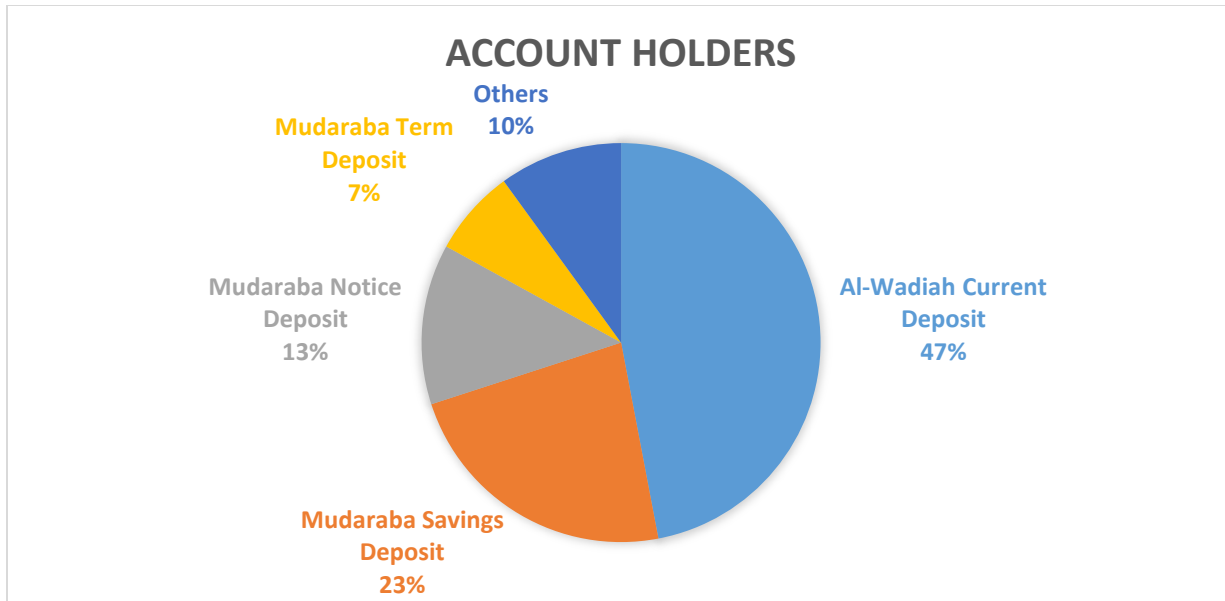
General Banking Area . . .

General banking is the starting point of all the banking operations. It is the department, which provides day-to-day services to the customers. It opens new accounts, remit funds, issue bank drafts and pay orders etc. Provide customer through quick and sincere services is the goal of the general banking department. It provides those customers who come frequently and those customers who come one time in banking for enjoying ancillary services. In some general banking activities, there is no relation between banker and customers who will take only one service form bank. On the other hand, there are some customers with who banks are doing its business frequently. SIBL General banking is divided into six sections.

1. Account opening section
2. Bills and clearing section
3. Remittance section
4. Cash section
5. Locker Service
6. Closing of an account

Account Opening Section . . .

Banker-customer relationship begins with the opening of an account by the customer. Opening of an account binds the same into a contractual relationship. But the selection of customer is very crucial. In fact, fraud and forgery of all kinds start by opening of an account by the customer(s). So, the bank takes extra care in its selection. SIBL officer opens different types of accounts on the request of clients. The procedure of opening account is given below:



Procedure and rules to open a new account:

Provisional Profit Rates on Mudaraba Term Deposit and Mudaraba Deposits Scheme

| | |
|--|--------|
| ✦ Mudaraba Monthly Profit Deposit Scheme: | |
| ○ Mudaraba Monthly Profit Deposit Scheme | 10.00% |
| ○ Shachanda Protidin | 10.00% |
| ○ Shuborno Lata | 10.00% |
| ○ Shobuj Chaya | 10.00% |
| ✦ Mudaraba Monthly Profit Deposit Scheme: | |
| ○ Mudaraba Monthly Profit Deposit Scheme | |
| ○ Sonali Din | 10.00% |
| ○ Shukher Thikana | 10.00% |
| ○ Shuborno Rekha | 10.00% |
| ○ Shobuj Shayanho | 10.00% |
| ✦ Mudaraba Double Benefit Scheme: | |
| ○ Mudaraba Double Benefit Scheme | 10.00% |
| ○ Shamridhir Shopan | 10.00% |
| ✦ Mudaraba Hajj Scheme | |
| ○ Kafela | 10.00% |
| ✦ Mudaraba Lakhopoti, Millionaire & Kotipototi Scheme: | |
| ○ Shopner Shiri (Lakhopoti) | 10.00% |
| ○ Shuborno Digonto | 10.00% |
| ○ Shorno Shikhor (Kotipototi) | 10.00% |
| ✦ Other Schemes | |
| ○ Cash Waqf Deposit Scheme | 10.25% |
| ○ Cash Waqf Savings A/C | 10.25% |

- *SIBL Young Star Account* 08.00%
- *Shanchita Special Deposit Scheme* 06.00%
- *Mudaraba Marriage Savings Scheme* 10.00%
- *Mudaraba Mohorana Savings A/C (10 years)* 10.00%
- *Mudaraba Mohorana Savings A/C (5 years)* 10.00%
- *Mudaraba Education Deposit Scheme* 10.00%
- *Mudaraba Bashsthan Savings Scheme* 10.00%

Mudaraba Savings Deposit– (Code No: 134; Bank Branch Code: 009)

Before opening of a savings Bank Account the following formalities must be completed by the customers:

- ✦ Account opening Form: To be filled in and signed by each account holder.
- ✦ Latest passport size photograph (2 copies) for each account holder attested by the introducer
- ✦ Account payee cheque in favor of the account holder or cash deposit.
- ✦ 1 Copy of National Identity card/ Ward Commissioner Certificate.
- ✦ Introduction of account holder: Must be signed by introducer with account ID & number.
- ✦ 1 (One) copy of nominee's photograph (attested by the account holder).
- ✦ 1 Copy of nominee's National Identity Card.
- ✦ Initial deposit TK. 1000 (One Thousand Taka Only)

After fulfilling above formalities, open an account for the client and provide the customer with a deposit book and a cheque book.

Al-Wadiah Current Deposit (Individual) – (Code No: 133; Bank Branch Code: 009)

- ✦ Account opening Form: To be filled in and signed by each account holder.
- ✦ Latest passport size photograph (2 copies) attested by the introducer's seal and sign.
- ✦ One copy of valid Trade license attested by introducer's seal and sign.
- ✦ One copy of National Identity Card attested by introducer's seal and sign.
- ✦ Company seal and TIN (Tax identification Number) Certificate.
- ✦ One copy of nominee's photograph (attested by the account holder's seal and sign).
- ✦ Introduction of account holder: Must be signed by introducer with seal, account ID & number.
- ✦ Initial deposit TK. 2500 (Two thousand and Five Hundred Taka only)

Mudaraba Special Notice Account (Code No: 136; Bank Branch Code: 009)

- ✦ Any company, business entity, debt of the govt. organization and trust or any person can open this account.
- ✦ This account is operated under Mudaraba principle.
- ✦ Any amount can be withdrawn or transferred to al Wadiah current account or any other accounts after placing a notice of seven days.

- ✦ Cheque books are provided for these accounts.
- ✦ The profit rate is comparatively lower.

Other Deposit Scheme (Code No: 134; Bank Branch Code: 009)

These are profit bearing deposit account. The drawings are restricted in respect of both the amount of withdrawal and the frequency there of so the payment of interest does not become any compensating for the banker. Some time the restrictions are ignored against the depositor's written confirmation to forgo his claim for interest on the total balance for the whole month of withdrawal. Some Special Saving Schemes are:

- ✦ Mudaraba Hajj Saving Scheme
- ✦ Mudaraba Education Scheme
- ✦ Mudaraba Millionaire Scheme

People of Bangladesh are the followers of Islam. They are mostly interested to make interest free deposits. Taking these facts into consideration SIBL a joint venture Islami bank introduced a monthly installment based "Mudaraba Millionaire Scheme".

Mudaraba Monthly Profit Deposit Scheme

The features of this scheme are as follows: Tk. 1, 00,000, 1,10,000, 1,20,000 or 1,25,000 or any amount multiple can be deposited under this scheme.

- ✦ The duration of the amount should be for Five years.
- ✦ Profits shall be distributed under this scheme as follows:
 - 1,00,000 Tk. 900 (Provisional)
 - 1,10,000 Tk. 1000 (Provisional)
 - 1,20,000 Tk. 1100 (Provisional)
 - 1,25,000 Tk. 1150 (Provisional)
- ✦ The payable profit will become due after 1 month of deposit. But the amount will be deposited to account in the last week of the month.
- ✦ Generally, a depositor cannot withdraw the amount before 5 years. But in unavoidable circumstance the depositor can withdraw the amount and in that case the depositor will have to submit the duly filled application form of the scheme.

SIBL Young Star Account:

Today's youngsters are going to be the future business personalities of the country. That's why SIBL Young Star account has been introduced with a view to raising savings tendency among school-going children from childhood.

- ✦ The beneficiaries are entitled to daily profit on daily balance, which directly adds to the account.
- ✦ There is no need to keep minimum balance to run this scheme.
- ✦ The scheme holders shall be provided annual charge free Debit Card and Credit Card of the bank.
- ✦ The account holders shall be given attractive gift hampers at the time of opening that account.
- ✦ With the help of school authority and the bank, the students can save the money at the institutions in presence of bank's executives.
- ✦ After opening Young Star account, the students can pay school-fees through balance transferring from their account.
- ✦ SIBL Young Star account holders desiring to achieve higher education in future would get investment facility from the bank.

Cash Waqf Certificate

In this case the waqf concept of Islam has been borrowed by the Islami bank for deposit mobilization purpose.

- ✦ The nature of account is donation type.
- ✦ The accountholder operate the account for benevolent purposes.
- ✦ He can withdraw any amount from the account for personal use or consumption
- ✦ Highest weight age is given to this account in distributing profit.

Bills and Clearing Section . . .

SIBL Local Office branch performs the bill clearing function through Local office. SIBL Local office acts as the agent of all SIBL branches for the clearing house of the Bangladesh Bank. There are two types of cheque which are:

- ✦ Inward clearing cheque
- ✦ Outward clearing cheque

Inward Cheque: Inward cheques are those ones drawn the respective branch which have been presented on other banks and will be cleared/honored through the clearing house of Bangladesh Bank. For example the cheque drawn on SIBL Local Office Branch then the cheque is called inward cheque of SIBL Local Office Branch.

Account Treatment:

| Dr. | | | Cr. | | |
|--------|----------------|--------|--------|------------------|--------|
| SL No. | Particular | Amount | SL No. | Particular | Amount |
| 1 | Customer's A/C | *** | 1 | SIBL General A/C | *** |

Outward Cheques: Outward cheques are those ones drawn on other bank branches which are presented on the concerned branch for collection through clearing house of Bangladesh Bank. These cheques are called outward cheques.

Outward bills for Collection (OBC): By OBC, we mean that those cheques drawn on other which are not within the same clearing house. Officer gives OBC seal on this type of cheques and later sends a letter to the manager of the branch of the some bank located in the branch on which cheque has been drawn. After collection of that bill branch advises the concerned branch in which cheques has been presented to credit the customer account through Inter Branch Credit Advice (IBCA).

In absence of the branch of the same bank, officer sends letter to manager of the bank on which the cheques is drawn. That bank will send pay order in the name of the branch. This is the procedure of OBC mechanism.

Clearing: The scheduled banks clear the cheques drawn upon one another through the clearing house. SIBL is a scheduled Bank. According to the Article 37 (2) of Bangladesh Bank Order, 1972, the banks which are the member of the clearinghouse are called as Scheduled Banks. This is an arrangement by the central bank where every day the representative of the member banks gathers to clear the cheques. The place where the banks meet and settle their dues is called the clearinghouse. The clearinghouse sits for two times a working day. The SIBL Local office Br. sends the instruments through Inter Branch Debit Advice (I.B.D.A). SIBL Local Office acts as an agent in this case. For this, Local Office branch gives the following entries, **Account treatment:** If the instrument is dishonored, the instrument is returned to the Local Office branch through I.B.D.A. along with the following entries:

| Dr. | | | Cr. | | |
|--------|------------------|--------|--------|----------------|--------|
| SL No. | Particular | Amount | SL No. | Particular | Amount |
| 1 | SIBL General A/C | *** | 1 | Customer's A/C | *** |

Account Treatment:

| Dr. | | | Cr. | | |
|--------|----------------|--------|--------|------------------|--------|
| SL No. | Particular | Amount | SL No. | Particular | Amount |
| 1 | Customer's A/C | *** | 1 | SIBL General A/C | *** |

Receiving Cheques for Collection: In SIBL, cheques of its customers are received for collection from other banks. In case of receiving cheques, following points should be checked very carefully.

- ✦ The cheques should not carry a date older than the receiving date for more than 6 months. In that case it will be a 'stale cheque' and it will not be allowed for collection. Again the date of the cheque should not be more than 1 day's forward than the receiving date.
- ✦ The amount in figures and words in both sides of the pay-in-slip should be same and it should also be same with the amount mentioned in figures and words in the cheque.
- ✦ The name mentioned in the cheque should be same in both slides of the pay-in-slip and it should be the same with the name mentioned in the cheque.
- ✦ The cheque must be crossed.

Cheque and Crossing: A "Cheque" is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand. (According to section-6, Negotiable Instrument Act, 1881).

A cheque may be classified into:

- ✦ An open cheque which can be presented for payment by the holder at the counter of the drawer's bank.
- ✦ A crossed cheque which cannot be paid only through a collection banker.

Crossing cheque: A cheque is said to be crossed when two transverse parallel lines with or without any words are drawn across the face. Crossing may be general, special or restrictive.

Remittance of Funds: Remittance of funds is ancillary services of SIBL. It aids to remit fund from one place to another place on behalf of its customers as well as non-customers of bank. SIBL has its branches in the major cities of the country and therefore, it serves as one of the best mediums for remittance of funds from one place to another. The main instruments used by SIBL, Local Office Branch for remittance of funds are:

- ✦ Pay Order/ Banker's check
- ✦ Demand Draft.
- ✦ Telegraphic Transfer.

Pay Order/ Banker's check: The pay order is an instrument issued by bank, instructing itself a certain amount of money mentioned in the instrument taking amount of money and commission when it is presented in bank. Only the branch of the bank that has issued it will make the payment of pay order. The banker's cheque must come to the branch for payment wherever it is presented.

Issuing of Pay Order: The procedures for issuing a Pay Order are as follows:

- ✦ Deposit money by the customer along with application form.
- ✦ Give necessary entry in the bills payable (Pay Order) register where payee's name, date, Po no, etc is mentioned.
- ✦ Prepared the instrument.
- ✦ After scrutinizing and approval of the instrument by the authority, it is delivered to customer. Signature of customer is taken on the counterpart.

Cancellation of a Pay Order: If a buyer wants to cancel Pay Order, he should submit a letter of instrument in this regard and also return the instrument.

Bank Draft: The person intending to remit the money through a pay order has to deposit the money to be remitted with the commission which the banker charges for its services. The amount of commission depends on the amount to be remitted. On issue of the pay order, the remitter does not remain a party to the instrument

- ✦ Drawer branch
- ✦ Drawer branch
- ✦ Payee

This is treated as the current liability of the bank as the banker on the presentation of the instrument should pay the money. The banker event on receiving instructions from the remitter cannot stop the payment of the instrument. Stop payment can be done in the following cases:

- ✦ Loss of draft before endorsement in this case, "Draft reported to be lost payee's endorsement requires verification" is marked.
- ✦ Loss of draft after endorsement: In this case, the branch first satisfies itself about the claimant and the endorsement in his favor.

Charges: A commission of 0.15% is taken on the draft value & Tk.50 is taken as postal charge.

Cash Section The cash section of any branch plays very significant role in general banking department. Because, it deals with most liquid assets the SIBL Local Office Branch has an equipped cash section. This section receives cash from depositors and pay cash against cheque, draft, PO and pay in slip over the counter.

Receiving Cash:

Any people who want to deposit money will fill up the deposit slip and give the form along with the money to the cash officer over the counter. The cash officer counts the cash and compares with the figure writer in the deposit slip. Then he put his signature on the slip along with the 'cash received' seal and records in the cash receive register book against A/C number. At the end of the procedure, the cash officer passes the deposit slip to the counter section for posting purpose and delivers the duplicate slip to the clients.

Account treatment:

| Dr. | | | Cr. | | |
|--------|------------|--------|--------|------------------|--------|
| SL No. | Particular | Amount | SL No. | Particular | Amount |
| 1 | Cash A/C | *** | 1 | SIBL General A/C | *** |

Disbursing Cash: The drawn who wants' to receive money against cheque to the payment counter and presents his cheque to the officer. He verifies the following information:

- ✦ Date of the cheque
- ✦ Signature of the A/C holder
- ✦ Material alteration
- ✦ Whether the cheque is crossed or not
- ✦ Whether the cheque is endorsed or not
- ✦ Whether the amount in figure and in word correspondent or not

Then he checks the cheque from computer for further verification. Here the following information is checked:

- ✦ Whether there is sufficient balance or not
- ✦ Whether there is stop payment instruction or not
- ✦ Whether there is any legal obstruction (Garnishee Order) or not

After checking everything, if all are in order the cash officer gives amount to the hold and records in the paid register.

Locker Service: SIBL Local Office Br is providing facility of locker service for the purpose of safeguarding the valuable property of customers. The person or the organization that has any account in bank branch can enjoy this service. They can keep their valuable assets in banker's custody. Customers have right to look after with a key of their individual locker provided by bank. SIBL maintains the following types of lockers:

- ✦ Large locker
- ✦ Medium locker
- ✦ Small locker

For enjoying this service, clients have to give charge yearly Tk. 1500, Tk. 1250 and Tk.700 for large, medium and small locker respectively.

Closing of an Account: For two reasons, one can be closed. One is by banker and other is by the customer.

By banker: If any customer doesn't maintain any transaction within six years and the A/C balance becomes lower than the minimum balance, banker has the right to close an A/C.

By customer: If the customer wants to close his A/C, he writes an application to the manager urging him to close his A/C. Different procedures are followed in cash of different types of A/C to close. Fixed deposit A/C is closed after the termination of the period. Closing process for current & savings A/C:

- ✦ After receiving customer's application the officer verifies the balance of the A/C.
- ✦ He then calculates interest and other charges accumulated on the A/C.
- ✦ If it bears a credit balance, the officer writes advice voucher. He gives necessary accounting entries post to accounts section.
- ✦ The balance is returned to the customer. And lastly the A/C is closed. But in practice, normally the customers don't close A/C willingly. At times, customers don't maintain any transaction for long time. In this situation at first, the A/C becomes dormant and ultimately it is closed by the bank

Chapter 6

Foreign Exchange

Foreign Exchange/ Foreign Trade . . .

Foreign trade constitutes a sizable portion of international transactions of a country. Payment received for exports and made for imports form a substantial part of its remittances from and to other countries. In our country a major share of the current balance of payments is made up of exports and imports of merchandise on private and government account. Thus, trade is the most important factor giving rise to payments between countries. Foreign trade is a type of specialization, which like other forms of specialization increases productive efficiency and standard of living of the people of the country concerned.

Necessity of Foreign Trade . . .

Foreign trade enables a country to have a much larger flow and much more diversified form of wealth than what is possible without it. The residents of a country are able to enjoy the use of commodities which otherwise may not be available to them at all. There is a wide difference in respect of the material and human resources, stage of technical and scientific progress, and possession of capital equipment in different countries. No country is in a position to produce everything in quantities large enough to provide its people a reasonably high standard of living. A country, therefore, enters into trade relations with other countries on account of certain basic differences due to topographical reasons in its economy from theirs. Commodities are imported because either they cannot be produced in the country at all or can be produced at a very high cost. Import of such commodities is a convenient and cheaper way of getting them. In exchange for imports, a country has to export certain articles because normally imports can be paid for only by exports. A country's exports usually comprise commodities the cost of

production of which is less than the cost of importing them. Thus the need of the people of a country for its scarce resources and in exchange the surplus of some of their resources constitute the import and export stimulate the foreign trade which is intern mobilized by foreign exchange proceedings.

Types of Foreign Trade Dealt in Banks . . .

Foreign trades are mainly of two types. These two are:

- ✦ Import Trade
- ✦ Export Trade

The import and export trade of Bangladeshis is controlled under the Import and Export Control Act, 1950. In normal sense the imports involve outward remittances and the export involves inward remittances. The terms and conditions of contracts between the importers and the exporters and the eventual remittances in foreign countries are subject to such restrictions and formalities as are laid down from time to time by the Import and Export Control and Exchange control in their respective jurisdiction which the importers and exporters must comply with.

Import Trade When a particular country wishes and does bring in some goods and services from another country, trade occurring between these two countries is called import trade. Import trade means procurement and purchase of goods and services from another country or countries. Therefore, purchasing function of international trade is called import trade.

Export Trade Selling of goods and services or other sales related function for the transfer of surplus goods or services for a value or just to merchandise them abroad trade occur between countries. Thus export or sale of additional goods and services or surplus goods and services is called export trade. There is another peculiar type of export trade named Re-Export Trade.

Import . . .

The bank defines import as to bring in, from abroad, something in kind of goods or services (to behave lawfully). It includes the following services:1. Letter of Credit (L/C) opening.2. Presentation/Retirement of import documents. The import mechanism first involves the issuing of a L/C as an instrument by a bank on behalf of one of its customers, authorizing an individual or a firm to draw draft on the bank or on one of its correspondents for its account under certain conditions stipulated in the credit. Secondly the bank import mechanism involves the retirement of import mechanism on receiving the payment or under certain conditions against the security of payments made by the importer in documents stipulating an advance payment date.

Import Operation

Actually the import procedure is a result of a two-party negotiation or contract. Once the importer has accepted the supplier's offer, he agrees to open a Letter of Credit in favor of the latter. Thus the import procedure of the bank starts with the opening of the credit. The entire import mechanism of this branch is enumerated below.

Terms of Credit

First of all the concerned banker asks the importer to present and show the terms of the credit that the importer wishes to issue. The terms of the letter of credit are based on the contract between the importer and the exporter and the import license or the authorization permits for import under free list as the case may be, issued in the name of the concerned importer. The terms of the credit specify importantly, amount of the credit, name and address of the beneficiary and the opener, particulars of the goods, their make, quantity and price basis, tenor of bill of exchange, period and mode of shipment, whether part shipment allowed, port of shipment and of destination, nature of credit, expiry date, names and number of sets of shipping and other documents.

Letter of Credit Application

For the purpose of the opening the credit the importer is required to fill up and sign as tamped Letter of Credit application, which, in addition to recording the full details of the credit including instruction for booking exchange, serves as an agreement between the banker and the opener.

Export . . .

Exports, for obvious reasons, are listed in the priority sector in all developing economies. There is no doubt in this fact that export trade constitutes the most substantial base for sustaining the long term development and prospect of a country's economy. Bangladeshis also now a developing country. So this fact is equally relevant to the concerned economic soundness of Bangladesh. We all know about the 'Balance of Payment'. If countries total import outweighs its total export, the country is called to be facing drastic negative (unfavorable) balance of payment. A continuous negative balance of payment of country makes it totally dependent on others. And thus the economic standing and structure of that country gradually collapse. On the other hand a positive (favorable) balance of payment shows the greater amount of export by a country against its total import and shows a sound economic motion. Thus export is a most import mechanism that helps a country to be dependent and to produce goods or merchandise either through its internal resource or through procuring resource from external sources. Whatever the source is the export helps a country to build its capital reserve more promisingly. Bangladesh is also now very much keen to boost up its export. But the most stumbles 'blocking the process is the non-availability of required finance. There is neither adequate capital in the

hands of the exporter to meet up their foreign trade requirements nor their exists an organized capital market to extend fair hand as help for the finance. In view of this, commercial banks of this country are the only real friendly base, which recently have started playing a challenging and pivot role in the business sector through extending both pre and post trade finance to the exporters and importers.

Bank Mechanism in Export

As stated earlier, the foreign trade plays a vital role in the economic advancement processor nation. So the trend or parameters of foreign trade i.e., import and export is of great concern to the government of a country. By the term 'Export' we mean carrying of anything from the country of origin to another country in return for a value. The bankers define 'Export' as the sending of visible things outside the country for sale. The export is important because with the export earnings we met our import bills. Normally a bank provides the following services as with the party in case of export needs.

Documents used in Foreign Trade relating to bills . . .

Every import and export involves documentary transaction of goods and services between or among the parties involved (or between or among their supporting banks). Most of the foreign trade and their exchanges are now held in the form of documentary Letter of Credit (*LC*)

Documentary letters of credit issued to finance the shipment of goods involve the drawing of bills of exchange, which have to be accompanied by what is known as "full set of shipping and non-shipping documents". The attachment of these documents to the bill is an essential obligation of the seller and the buyer so as to serve the purpose. These typical documents can be divided into two main parts. These documents are Shipping documents and Non-shipping documents. These documents are the followings:

Shipping Documents

Shipping documents are those documents, which are mainly given by the exporter to the importer after the shipment of the goods or services as been negotiated. It is impossible to release the goods or commodity from ship/port without these documents. These documents are described below:

Bills of lading

The bill of lading is one of the most important shipping documents, which accompany bills of exchange drawn under letters of credit. It is an evidence of the fact that the exporter has

dispatched the goods and gives the exporter title to the goods and enables Him To collect them on arrival at the destination. The bill of lading is more like a transferable debenture. It is a document signed and issued by the shipping company or its agent acknowledging the receipt of specified goods for carriage and embodying an undertaking that the goods will be delivered to a consignee named in the bill, or to his order or assigns, or merely to order. The document specifies the port of shipment, the destination, and the conditions under which the goods are received for carriage.

“Clean” and “Claused” Bill of Lading

A bill of lading that indicates that the goods are in apparent good condition without any without any qualification is known as a “clean” bill of lading. If, on the other hand, it bears some remark relating to a defect in packing, such as ‘three bags torn’, ‘some cases broken’, ‘received in dampened condition’, ‘goods not sufficiently packed’, etc., it is known as a “foul” or “dirty” bill of lading. It is also known as a “claused” bill of lading. A “claused” bill of lading is not an acceptable document, unless specifically provided florin the sale and purchase contract. Such remarks protect the carrier against any claim for losses attributable to bad packing. They also protect everyone else who comes in possession of the bill of lading for value.

“On Board” and “Received for Shipment” Bill of Lading

When shipping space is ample and sailings are regular this type of certificate is easy to get. An “on board” bill of lading is satisfactory from the viewpoint of the all the parties concerned. The consignor is assured that the goods have been loaded and will reach the destination. The consignee has equal assurance when he receives the documents that the goods will arrive in time and will be available to him on surrender of the documents. “Received for shipments” bills of lading have, therefore, vital lacunae and are not acceptable to buyers and bankers. The buyer receives the documents but may not be sure that he will get the goods in time. The merchandise may consist of perishable goods, which, if delayed in transit, may not remain saleable. Buyers and banks, therefore, ask for “on board” bills of lading.

“Through” Bills of Lading

Sometimes, when goods are carried overland and overseas, or during the sea voyage have to be transhipped at an intermediate port, the carrier that takes the goods first issued a “through” bill of lading. A railway company may issue a “through” bill of lading that serves both as a railway receipt and some kind of bill of lading for the sea voyage. Such document, however, lacks authority to bind the ship owner who undertakes the sea portion of the carriage. This kind of the bill does not provide any assurance that actual shipment on the named vessel took place. The banker has a right to reject such a bill in connection with a credit, which calls for delivery of a bill of lading, unless there is a specific authorization for its acceptance.

“Straight” and “Order” Bill of Lading

A “straight” bill of lading is one, which is made out in the name of a consignee. At the port of destination it is not necessary to present a straight bill of lading to take the delivery of goods, except where it is necessary for the purpose of identification. An “order” bill of lading is one, which is made out to the order of the consignor or supplier. It can be transferred by endorsement to other parties. Such a bill of lading usually contains condition directing the shipping company to notify the consignee when the goods arrive.

Charter Party Bills of Lading

This is a contract for the hire of whole ship or part of a ship setting forth in detail the rights and obligations of the owners and liners or charterers. Charters are usually arranged by “ship brokers”. They are for their services charging a small commission on the total amount agreed upon for hire.

Charters are divided into “time” charters and “voyage” charters. The former is for specified period of time, while the latter is for particular voyage. A charter party specifies, among other details, the particular ports to which the ship is to go, the cargo to be carried, and the freight to be paid for the hire of the ship.

Invoice

The invoice is the important document of the letter of credit. It is the seller’s bill for the merchandise. In other words, the invoice is a document containing the description of the goods shipped, their marks, make, quantity, and prices, charges for packing, freight, insurance etc. as are applicable as per terms of the contract as well as the name of the carrying vessel and the date of sailing. There are different types of invoices in use. Such as:

The Commercial Invoice

The commercial invoice is a statement of accounts drawn by the seller address to the buyer giving the details of the amount stated therein which is based on the terms of the contract entered into between the buyer and the seller. The exporter must duly sign a commercial invoice. Details found in a typical commercial invoice are name and address of the buyer and the seller, the vessel of shipment, port of discharge etc. Also the shipment import and export permit numbers, the number of contract and invoice and other essential details of the transaction are recorded on the invoice. The financial terms of the sale, such as whether under letter of credit, sight drafts etc., are given. The number of packages and the identifying mark and numbers of them are clearly indicated. The goods contained in the packages are detailed and prices are given item by item. The commercial invoice is neither a document of title, nor it is negotiable. Its main utility is that it acts as a book-device for both seller and buyer.

The Consular Invoice Another special type of invoice named consular invoices are required depending upon the trade regulations in importing country. It is made out in a prescribed format, certified and signed by an individual of the importer's country national working as a consulate in the exporter country. In some cases it is also seen that exporter's own invoice is authenticated by the embassy or consulate instead of issuing consular invoice. This type of invoice is called legalized invoice.

The Certified Invoice Certified invoice is an invoice, which bears a signed statement, by someone in the importer's country who have inspected the goods and found them in accordance with those specified in the contract.

The Certificate of Origin The regulations in force in some countries require a certificate of origin of imported goods to be produced before clearance of by customs and assessment of duty. The certificate is usually required where goods from certain countries receive preferential treatment, or the import of goods from some countries is partially or wholly prohibited. This is generally issued by the Chambers of Commerce of the exporting country and is arranged by the exporter. Sometimes, the certificate of origin is endorsed on the back of the relative invoice, in which case the whole document is known as a "certified invoice".

The Packing List A packing list serves to indicate the exact nature, quantity, and quality of the contents of each package in a shipment. The list helps the importer to identify the goods and check them against his order. Banks may require such a list when they have financial interest in the merchandise. Clearance of goods through customs is also facilitated by packing list.

The Other Certificates

Some other certificates are also required with of particular commodities. A "weight certificate", signed by a public agency, is often necessary with goods sold in bulk, such grains, oils and similar products. The importing country may insist on a "food inspection certificate" from an official inspecting service of the exporting country when certain foodstuffs of perishable nature such as meat, edible fats etc., are imported. A "non-dumping certificate" showing the comparative difference in the domestic and export selling prices, is sometimes required with imports in some countries to ensure that goods are not being sold at very much lower prices in the importing countries than the domestic markets of the exporting country.

Inspection Certificate

This is normally issued by an independent inspection company located in the exporting country certifying or describing the quality, specification or other aspects of the goods, as called for in the contract and/or the L/C.

Quality Control Certificate

Sometimes the sale contract may demand a certificate issued by a standards institute or quality control agency in the exporting country indicating the quality of the merchandise shipped. This is known as a quality control certificate.

GSP Certificate

When tariff concession is sought from those developing countries providing preferential treatment to exporters of the developing countries, a GSP certificate should be obtained from the Export Promotion Bureau (EPB). Besides the usual shipping documents required under the Letter of Credit or a contract entered into, the shipping documents in our country are incomplete without being supported by Exchange Control Forms.

Non-shipping Documents

There are a number of other documents, which have importance in dispatch of goods in foreign trade. A brief discussion on these documents is given below:

The Documentary Letter of Credit

A Letter of Credit is issued by a bank (Issuing Bank) at the request of an importer (applicant) in favor of an exporter (beneficiary) from whom the importer has contracted to purchase some commodity or commodities. The importer, the exporter, and the issuing bank are, thus, obviously parties to a Letter of Credit. There is, however, one or more than one bank that is involved in various capacities and at various stages to play an important role in the total operation of the credit.

The Ships Reports

In the ship's report the following information is found:

- ✦ The name of the ship
- ✦ The name of the registered port and the registration number
- ✦ Nationality of the ship owner or the name of the state belonging to the ship
- ✦ The name of the loading port
- ✦ The name of the captain of the ship or the principal of the ship
- ✦ Number of the employees and the officers of the ships
- ✦ Reports of things used by the employees, captain and officers of the ship
- ✦ Detail reports of the transported merchandise
- ✦ The name and address of the exporter

Post-Shipment Finance

The post-shipment finance is the financial facility extended by the banks after the goods have been shipped and against the submission of export documents evidencing the dispatch of

goods. Post-shipment finance portfolio is in existence since the day international trade has been known, but more precisely after the First World War. After that the international trade is ever increasing, and the shipping documents against which the exporters are getting financial facilities are well accepted.

Chapter 7

Investment

Products and Services . . .

Bai-Muazzal

Bai-Muajjal is a contract between Buyer and Seller under which the seller sells certain specific goods (permissible under Shariah and Law of the country), to the Buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installments. The seller may also sell the goods purchased by him as per order and specification of the Buyer. In Bank's perspective, Bai-Muajjal is treated as a contract between the Bank and the Client under which the bank sells to the Client certain specified goods, purchased as per order and specification of the Client at an agreed price payable within a fixed future date in lump sum or by fixed installments.

Hire Purchase under Shirkatul Melk (HPSM)

Hire Purchase (participatory ownership) mode both the Bank and the client supply equity in equal or unequal proportion for purchase of an asset like land, building, machinery, transport etc. Purchase the asset with that equity money, own the same jointly; share the benefit as per agreement and bear the loss in proportion to their respective equity. The share, part or portion of the asset owned by the Bank is hired out to the client partner for a fixed rent per unit of time for a fixed period. Lastly the Bank sells and transfers the ownership of it's share / part / portion to the client against payment of price fixed for that part either gradually part by part or in lump sum within the hired period after the expiry of the hire agreement.

Murabaha

Bai-Murabaha is a contract between a Buyer and Seller under which the Seller sells certain specific goods permissible under Islamic Shariah and Law of the land to the Buyer at a cost plus

agreed profit payable in cash on any fixed future date in lump sum or by installments. The profit marked-up may be fixed in lump-sum or in percentage of the cost price of the goods. In case of Bai-Murabaha Banks procure the goods as per indent of the customer, retain it in its custody and sell the same part by part or at a time to the client who gave indent for the goods.

Musharaka

Musharaka means partnership business. Every partner has to provide more or less equity funds in this partnership business. Both the Bank and the investment client reserve the right to share in the management of the business. But the Bank may opt to permit the investment client to operate the whole business. In practice, the investment client normally conducts the business. The profit is divided between the bank and the investment client at a predetermined ratio. Loss, if any, is to be borne by the bank and the investment client according to capital ratio.

Ijara

The mode under which any asset owned by the bank, by creation, acquirement or building-up is rented out is called HPSM (Ijara). In this mode, the client pays the Bank rents at a determined rate for using the assets/properties and returns the same to the Bank at the expiry of the agreement. The Bank retains absolute ownership of the assets/properties in such a case. However, at the end of the period of HPSM (Ijara), the asset may be sold to the client at an agreed price.

Bill Purchase

Bill Purchase, in trade finance, allows a seller to obtain financing and receive immediate funds in exchange for a sales document not drawn under a letter of credit. The bank will send the sales documents to the buyers bank on behalf of the seller.

Quard

It is a mode to provide financial assistance/ loan with the stipulation to return the principal amount in the future without any increase thereon.

Chapter 8

Online Banking

What is Online Banking ???

Information technology (I.T.) is a well known word, the developed countries of the world reached to the peak of information technology. SIBL have no alternative to expand of information technology. Tight now, SIBL are facing uneven competition with many foreign banks in the country. For this, SIBL will have to take necessary preparation form this moment. Information Technology and Flow of Information is become very important in the present world. Social Islami Bank needs to develop all their banking transaction with the help of this technology and need to introduce online banking.

Most people heard a lot about online banking but probably haven't tried it themselves. People still pay their bills and deposit checks at bank's branch, much the way their parents did. They might shop online for a loan, life insurance or a home mortgage, but when it comes time to commit, people can feel more comfortable working with his banker or an agent they know and trust. Online banking isn't out to change one's money habits. Instead, it uses today's computer technology to give people the option of bypassing the time-consuming, paper-based aspects of traditional banking in order to manage finances more quickly and efficiently.

Origin of Online Banking . . .

The advent of the Internet and the popularity of personal computers presented both an opportunity and a challenge for the banking industry. For years, financial institutions have used powerful computer networks to automate millions of daily transactions; today, often the only paper record is the customer's receipt at the point of sale. Now that its customers are connected to the Internet via personal computers, banks envision similar economic advantages by adapting those same internal electronic processes to home use.

Brick – to – Click Banks . . .

Today, most large national banks, many regional banks and even smaller banks and credit unions offer some form of online banking, variously known as PC banking, home banking, electronic banking or Internet banking. Those that do are sometimes referred to as "brick-to-click" banks, both to distinguish them from brick-and-mortar banks that have yet to offer online banking, as well as from online or "virtual" banks that have no physical branches or tellers whatsoever. The challenge for the banking industry has been to design this new service channel in such a way that its customers will readily learn to use and trust it. After all, banks have spent generations earning our trust; they aren't about to risk that on a Web site that is frustrating, confusing or less than secure. Most of the large banks now offer fully secure, fully functional online banking for free or for a small fee. Some smaller banks offer limited access or functionality; for instance, you may be able to view your account balance and history but not initiate transactions online. As more banks succeed online and more customers use their sites, fully functional online banking likely will become as commonplace as automated teller machines.

Virtual Banks . . .

If anybody don't mind foregoing the teller window, lobby cookie and kindly bank president, a "virtual" or e-bank may save very real money. Virtual banks are banks without bricks; from the customer's perspective, they exist entirely on the Internet, where they offer pretty much the same range of services and adhere to the same federal regulations as corner bank. Virtual banks pass the money they save on overhead like buildings and tellers along to you in the form of higher yields, lower fees and more generous account thresholds.

Advantages of SIBL from Online Banking . . .

- ✦ **Convenience:** Unlike a corner bank, online banking sites never close; they're available 24 hours a day, seven days a week and they're only a mouse click away.
- ✦ **Ubiquity:** If anybody out of state or even out of the country when a money problem arises, he can log on instantly to his online bank and take care of business, 24/7.
- ✦ **Transaction speed:** Online bank sites generally execute and confirm transactions at or quicker than ATM processing speeds.

- ✦ **Efficiency:** One can access and manage all of his bank accounts, including IRAs, CDs, even securities, from one secure site.
- ✦ **Effectiveness:** Many online banking sites now offer sophisticated tools, including account aggregation, stock quotes, rate alerts and portfolio managing programs helps to manage all of the assets more effectively. Most are also compatible with money managing programs such as Quicken.

Features of SIBL Online Banking . . .

- ✦ Making payments
- ✦ Tracking payments
- ✦ Stop payments by block cherub
- ✦ Review personal account details, including balances and transactions
- ✦ Pay bills online with the optional Online Bill Payment service
- ✦ View images (front and back) of cleared checks and deposit slips
- ✦ Receive e-mail notifications to alert to selected account activity
- ✦ Schedule single one-time transfers or multiple transfer
- ✦ Set up email notifications to be sent for balance amounts, specific checks cleared or maturity dates
- ✦ Transfer money
- ✦ Open Accounts
- ✦ Apply for loans
- ✦ Make loan payments

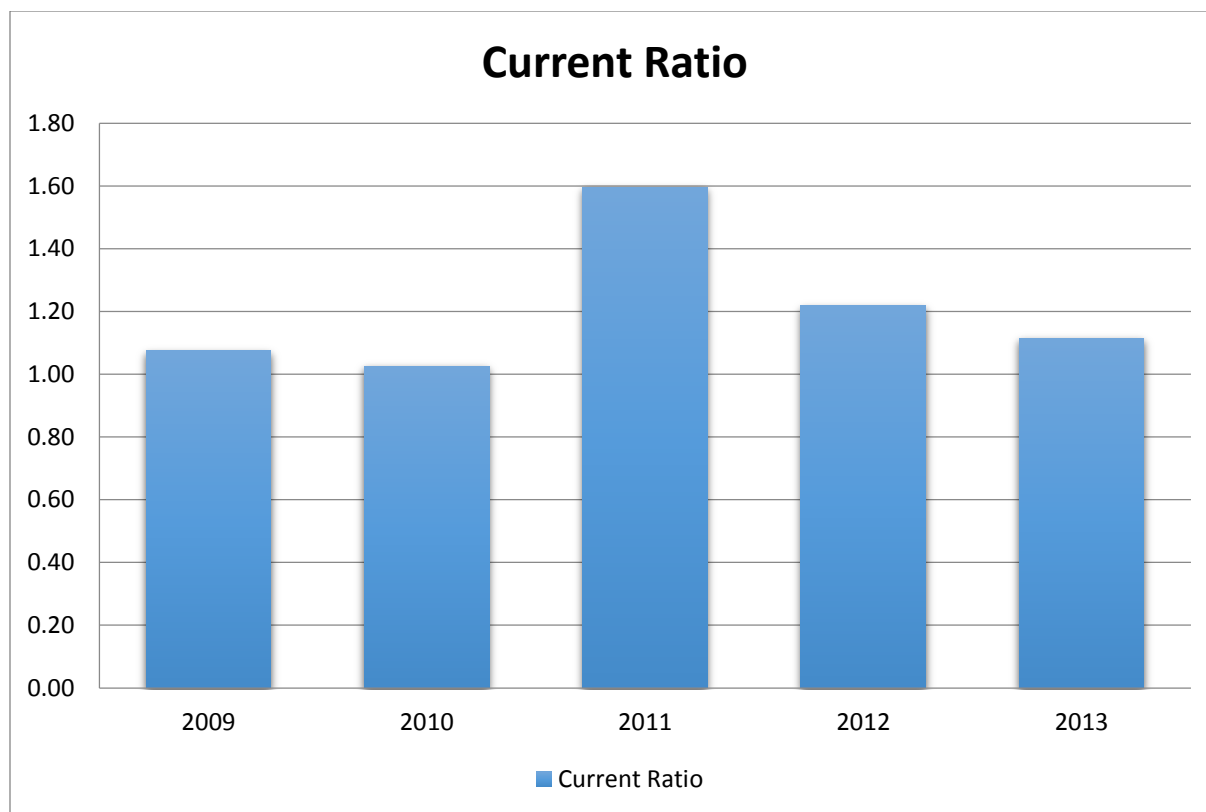
Chapter 9

Financial Data Analysis

Financial Ratios . . .

Current Ratio

| Current Ratio | | | |
|---------------|------------------------|------------------------------|---------------|
| Year | Current Asset (in mln) | Current Liabilities (in mln) | Current Ratio |
| 2009 | 2053.4 | 1909.6 | 1.08 |
| 2010 | 2917.3 | 2845.7 | 1.03 |
| 2011 | 7095.2 | 4446.7 | 1.60 |
| 2012 | 8165.8 | 6699.3 | 1.22 |
| 2013 | 9770.6 | 8765.4 | 1.11 |

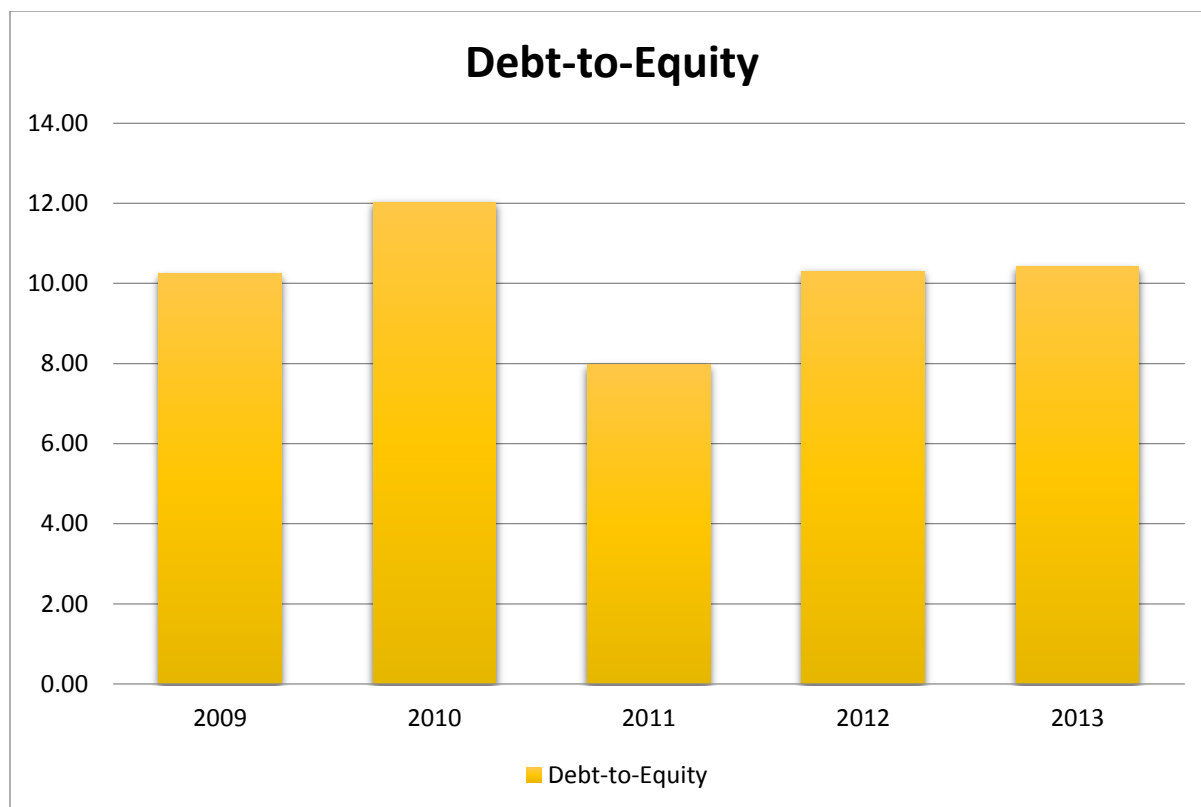


Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

Year wise current ratios of SIBL are fluctuating year by year. In 2009, the current ratio was 1.08:1. It was decreased in 2010. In the year of 2011, the current ratio was quite satisfactory rather than other years. But after 2011, it started decreasing gradually again. From the graph it is seen that current ratios from year 2009 to 2013 is fluctuating.

Debt-to-Equity

| Debt-To-Equity | | | |
|----------------|---------------------|-------------------------------|----------------|
| Year | Total Debt (in mln) | Shareholder's Equity (in mln) | Debt-To-Equity |
| 2009 | 36426.1 | 3555.8 | 10.24 |
| 2010 | 50470.1 | 4195.9 | 12.03 |
| 2011 | 74603.3 | 9358.3 | 7.97 |
| 2012 | 104984.1 | 10182.2 | 10.31 |
| 2013 | 115533.1 | 11083.4 | 10.42 |

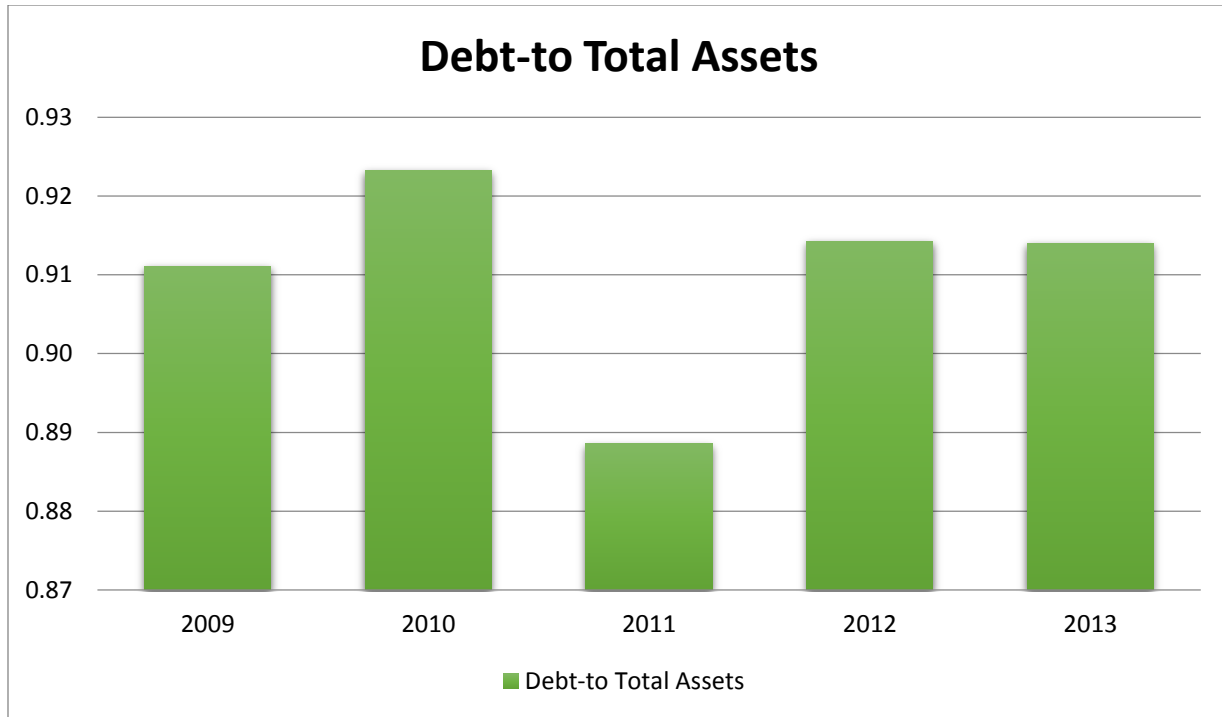


Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

Debt-to-Equity ratio generally used to assess the extent to which an organization is using borrowed money. In 2009, the ratio is telling that creditors are providing BDT 10.24 of financing for each BDT 1 being provided by shareholders. But we know the lower the ratio, the higher the level of the organizations financing that is being provided by the shareholders, and the larger the creditor cushion in the event of shrinking asset values or outright losses. Here, company's capital structure is not satisfactory. But among the years from 2009 to 2013, 2011 was better rather than others. But the whole structure was too risky for creditors as well as shareholders.

Debt-to-Total Asset

| Debt-To-Total Assets | | | |
|----------------------|---------------------|-----------------------|----------------------|
| Year | Total Debt (in mln) | Total Assets (in mln) | Debt-to-Total Assets |
| 2009 | 36426.1 | 39980.8 | 0.91 |
| 2010 | 50470.1 | 54665.8 | 0.92 |
| 2011 | 74603.3 | 83961.7 | 0.89 |
| 2012 | 104984.1 | 114829.1 | 0.91 |
| 2013 | 115533.1 | 126401.4 | 0.91 |

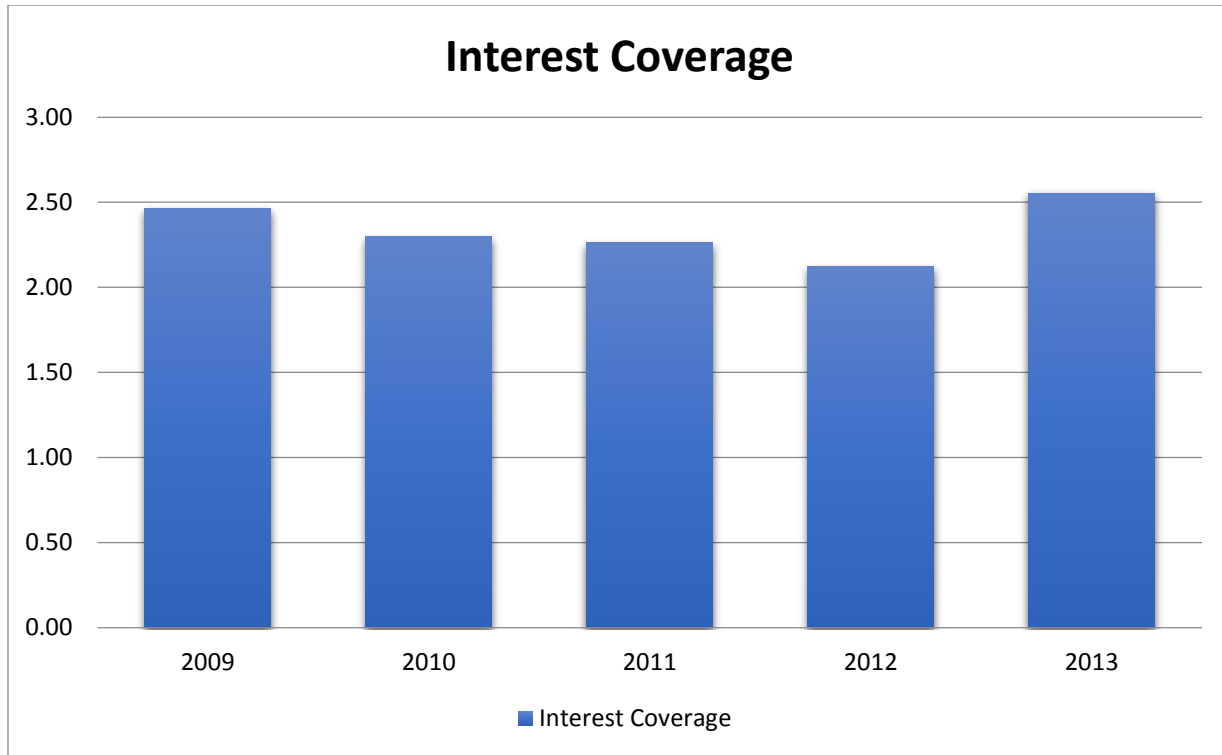


Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

Debt –to Total asset ratio shows the relative extent to which the firm is using borrowed money. It highlights the relative importance of debt financing to the organization by showing the percentage of the organization’s assets that is supported by debt financing. Here in 2009, 91 percent of the SIBL’s assets are financed with debt (of various types) and the remaining 9 percent of the financing comes from shareholder’s equity. And a few differences occurred in following year. Here, from the graph we can easily see that SIBL’s financial risk is too high.

Interest Coverage

| Interest Coverage | | | |
|-------------------|---------------|---------------------------|-------------------|
| Year | EBIT (in mln) | Interest Expense (in mln) | Interest Coverage |
| 2009 | 726.9 | 295.4 | 2.46 |
| 2010 | 1133.8 | 493.7 | 2.30 |
| 2011 | 1850.3 | 817.9 | 2.26 |
| 2012 | 2772.2 | 1307.1 | 2.12 |
| 2013 | 2059.1 | 806.8 | 2.55 |



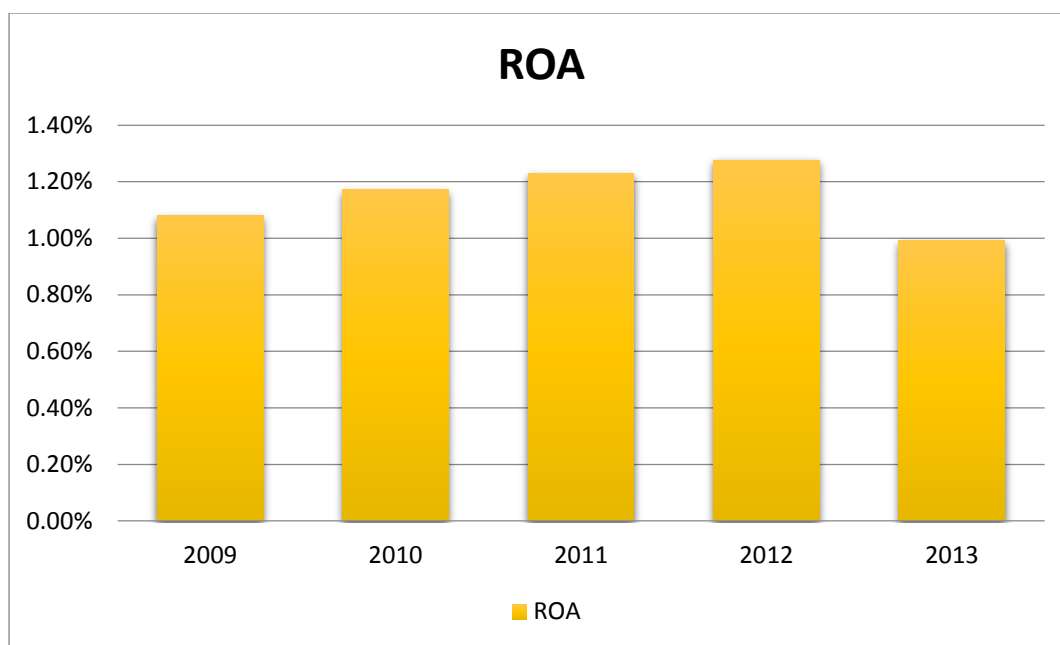
Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

Interest coverage ratio indicates ability to cover interest charges and tells number of times interest is earned. From the year 2009 to 2013, it was quietly same but fluctuates from year to year. And at the recent year 2013, interest coverage had highest times, and the previous year, 2012 it was the lowest among the five years.

Return on Asset (ROA)

Return on Assets (ROA)

| Year | Net Profit After Tax (in mln) | Total Assets (in mln) | ROA |
|------|-------------------------------|-----------------------|-------|
| 2009 | 431.5 | 39980.8 | 1.08% |
| 2010 | 640.1 | 54665.8 | 1.17% |
| 2011 | 1032.5 | 83961.7 | 1.23% |
| 2012 | 1465.2 | 114829.1 | 1.28% |
| 2013 | 1252.1 | 126401.4 | 0.99% |



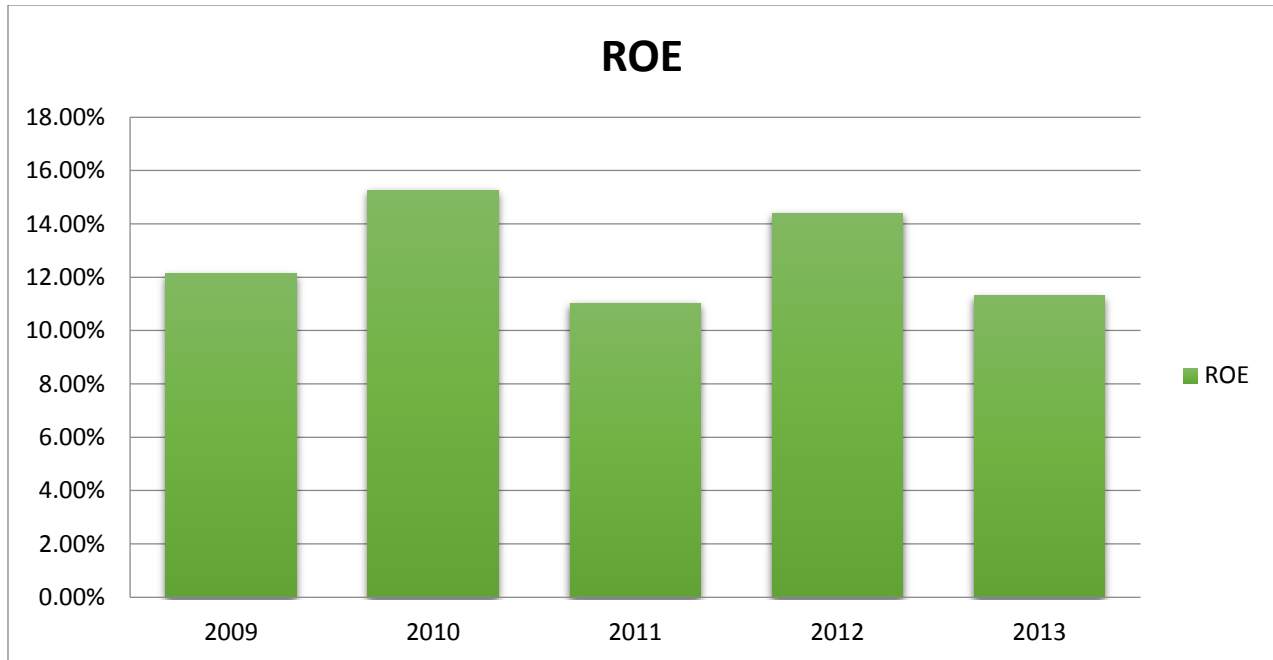
Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

Return of asset (ROA) basically measures that how much profit a bank can generate by utilize their assets. Here the more utilization of assets can create more profit which will be better for a bank. Here in this scenario, we can see that SIBL is utilizing their assets in proper way from 2009 to 2012. After 2012, in 2013 it was decreased. After 2012, the ROA was fallen. It shows that SIBL was unable to generate higher profit because of not utilizing their assets in a proper way.

Return on Equity (ROE)

Return on Equity (ROE)

| Year | Net Profit After Tax (in mln) | Shareholder's Equity (in mln) | ROE |
|------|-------------------------------|-------------------------------|--------|
| 2009 | 431.5 | 3555.8 | 12.14% |
| 2010 | 640.1 | 4195.9 | 15.26% |
| 2011 | 1032.5 | 9358.3 | 11.03% |
| 2012 | 1465.2 | 10182.2 | 14.39% |
| 2013 | 1252.1 | 11083.4 | 11.30% |



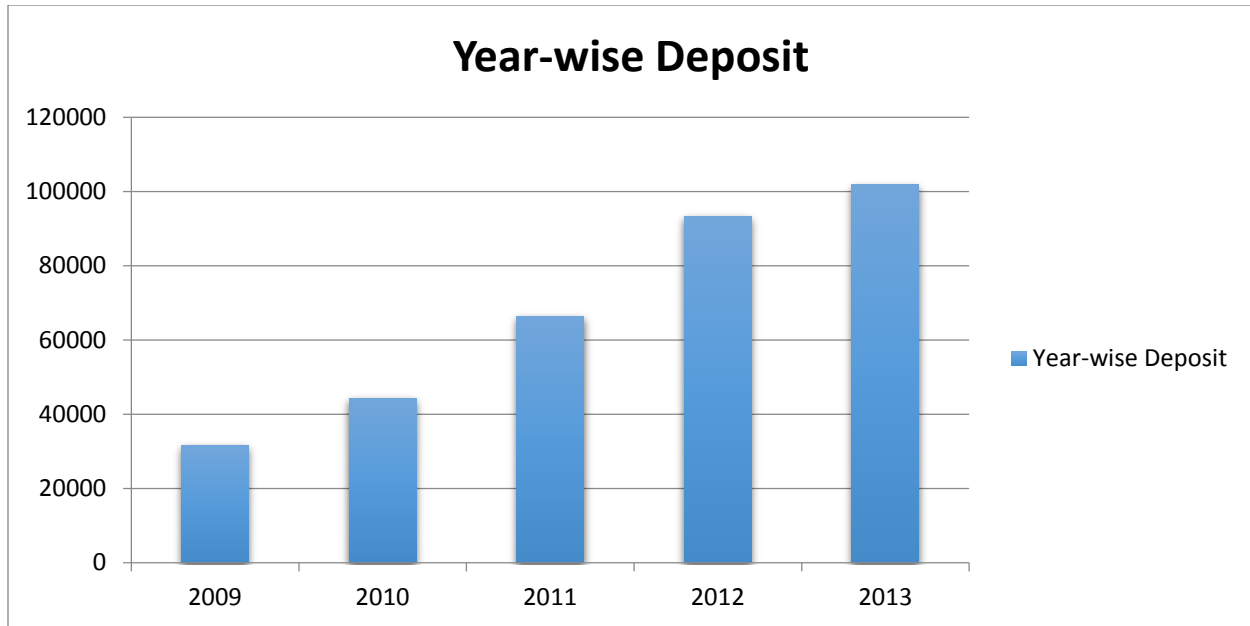
Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

Return on Equity (ROE) basically measures the earning power on shareholders book value investment. In 2010 and 2012, the ROE was quite satisfactory rather than other years.

Year-wise Deposit

Year wise Deposit

| Year | Total Deposit (in mln) |
|------|------------------------|
| 2009 | 31588.2 |
| 2010 | 44350.9 |
| 2011 | 66461.7 |
| 2012 | 93276.9 |
| 2013 | 101842.2 |



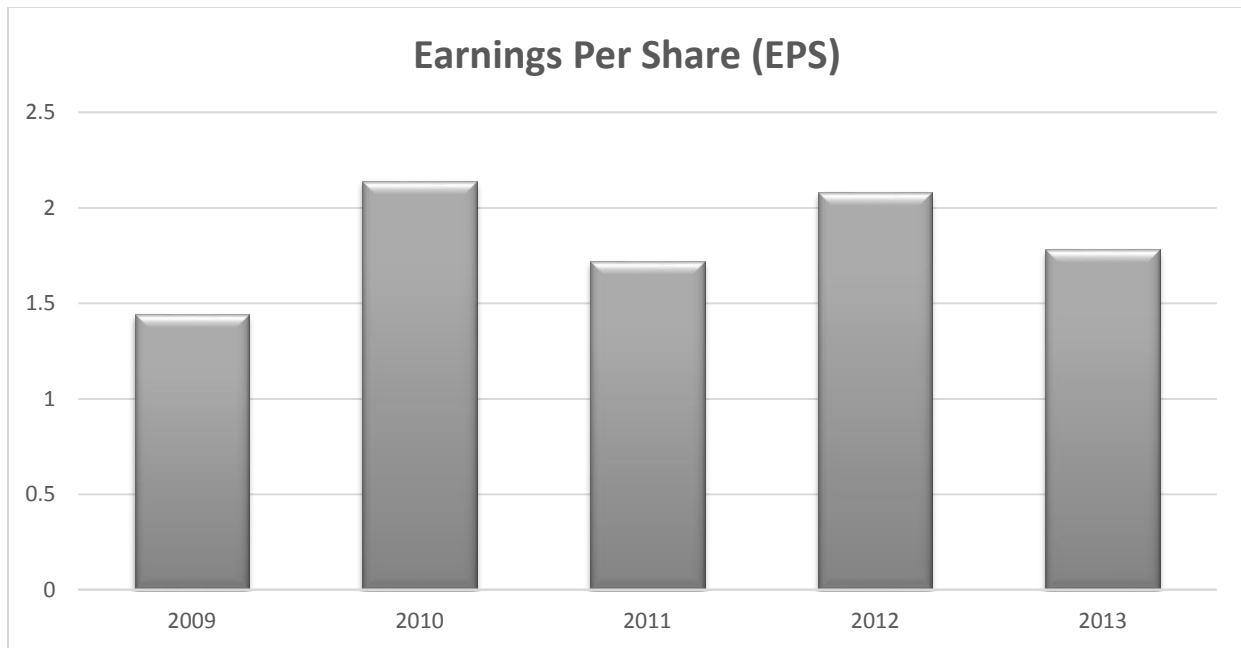
Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

Year wise deposits of SIBL are increasing year by year. In 2009, the total deposit was TK. 31588.2 million. It was increased to TK. 101842.2 million. From the graph it is seen that growth rate from year 2009 to 2013 indicates positive perception toward SIBL from client's point of view.

Year-wise EPS

Earnings Per Share (EPS)

| Year | EPS |
|------|------|
| 2009 | 1.44 |
| 2010 | 2.14 |
| 2011 | 1.72 |
| 2012 | 2.08 |
| 2013 | 1.78 |



Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

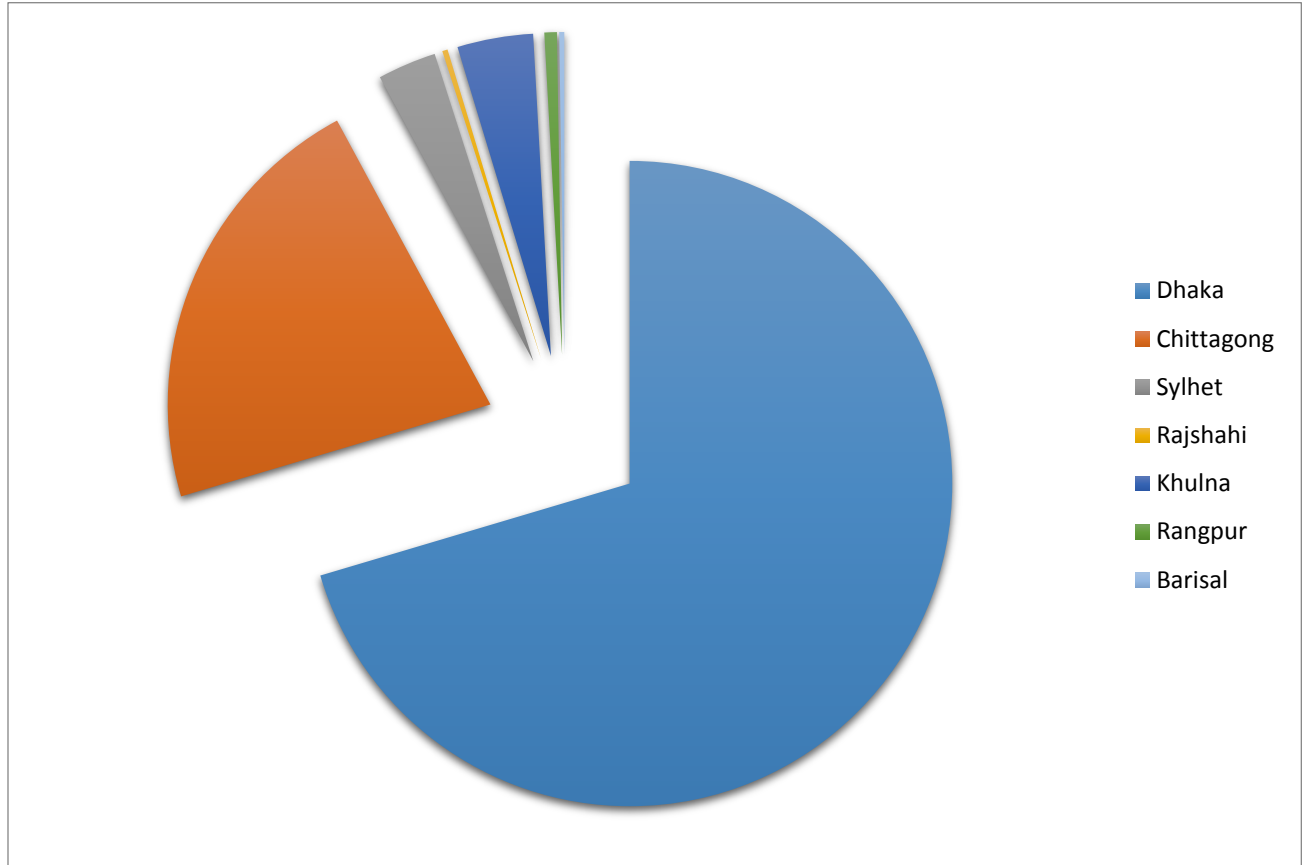
SIBL's EPS was much higher in 2010 and 2012. But in last year it went down because of the decreased earnings in 2013. From the year 2009, it was fluctuating.

Geographical Location-wise Investment

Geographical Location wise Investment

| Division | Amount (in mln) | Composition |
|------------|-----------------|-------------|
| Dhaka | 60489.7 | 70.40% |
| Chittagong | 18658.6 | 21.72% |
| Sylhet | 2526.1 | 2.94% |
| Rajshahi | 230.4 | 0.27% |
| Khulna | 3262.6 | 3.80% |

| | | |
|--------------|----------------|----------------|
| Rangpur | 537.9 | 0.63% |
| Barisal | 217.3 | 0.25% |
| Total | 85922.6 | 100.00% |



Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

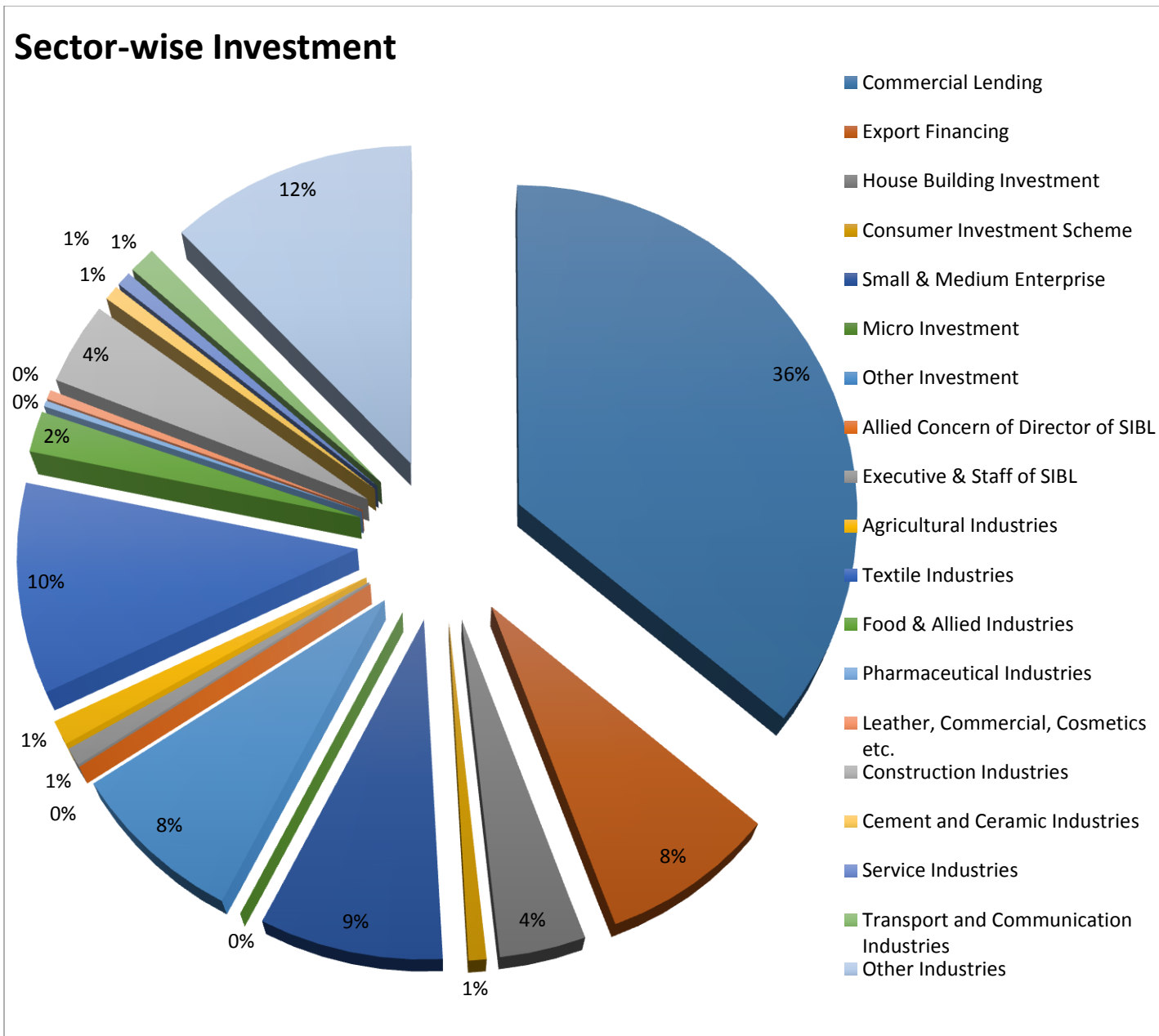
In above chart we can see that SIBL provide huge amount of loans and advances in Dhaka division. They provide 70.40% loans and advances in this particular division. SIBL also gives priority to Chittagong division. And rest of the divisions they provide fewer percentage of loans and advances.

Sector-wise Investment

Sector wise Investment (2012)

| Sector | Amount (in mln) | Composition |
|----------------------------|-----------------|-------------|
| Commercial Lending | 27465.6 | 36.13% |
| Export Financing | 6209.3 | 8.17% |
| House Building Investment | 3039.3 | 4.00% |
| Consumer Investment Scheme | 630.5 | 0.83% |
| Small & Medium Enterprise | 6469.1 | 8.51% |
| Micro Investment | 2.5 | 0.003% |

| | | |
|--|-----------------|----------------|
| Other Investment | 6225.3 | 8.19% |
| Allied Concern of Director of SIBL | 2.1 | 0.003% |
| Executive & Staff of SIBL | 669.3 | 0.88% |
| Agricultural Industries | 911.4 | 1.20% |
| Textile Industries | 7860.5 | 10.34% |
| Food & Allied Industries | 1533.4 | 2.02% |
| Pharmaceutical Industries | 222.7 | 0.29% |
| Leather, Commercial, Cosmetics etc. | 346.5 | 0.46% |
| Construction Industries | 3093.8 | 4.07% |
| Cement and Ceramic Industries | 561.2 | 0.74% |
| Service Industries | 543.02 | 0.71% |
| Transport and Communication Industries | 1007.3 | 1.32% |
| Other Industries | 9232.4 | 12.14% |
| Total | 76025.22 | 100.00% |



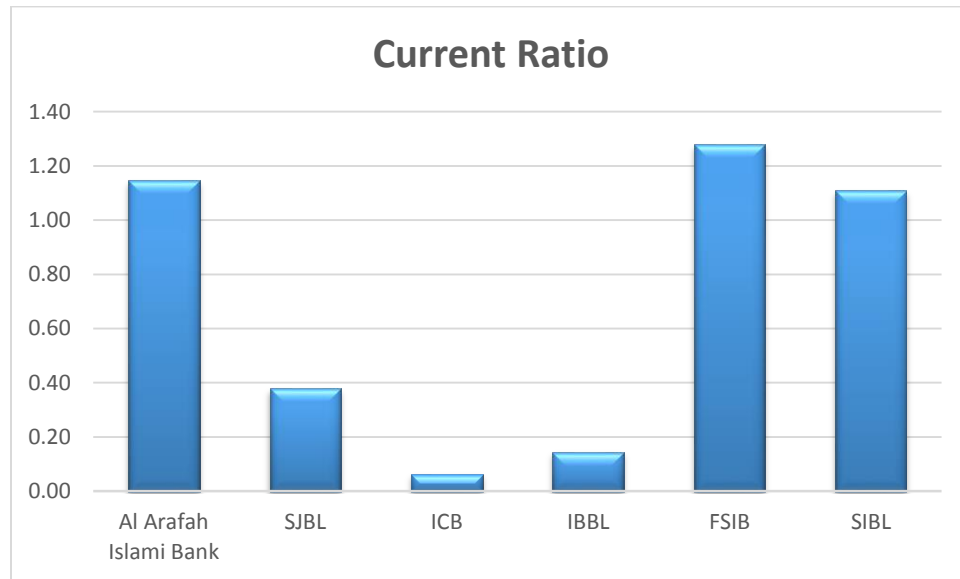
Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

From the figure it can easily be said that SIBL provides more loan in commercial sectors in 2012 that contains almost 36.13% of total investment. Rather than industries, they discourage to sanction the loan because they think these sectors are risky. Reasoning this, it reduces from the early years.

Chapter 10

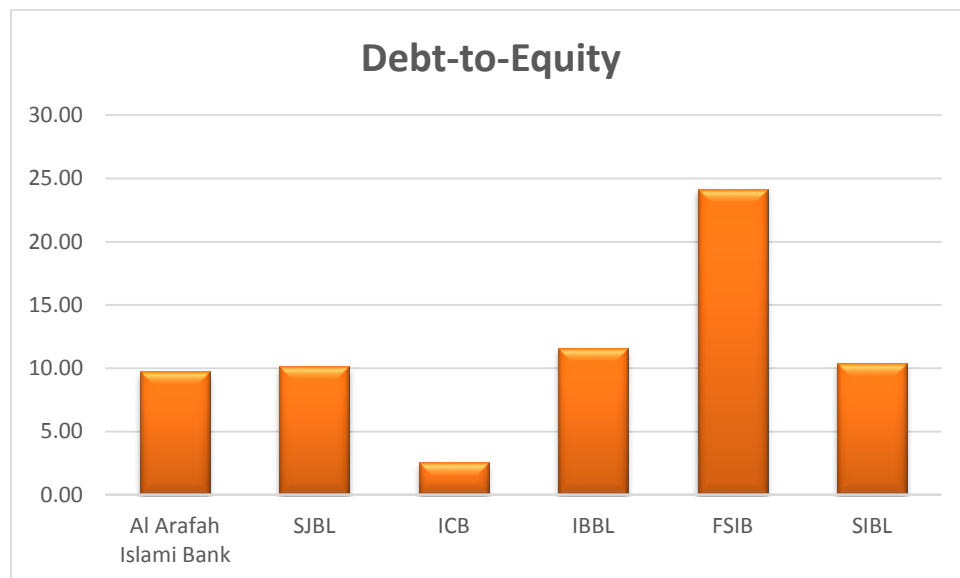
Comparison With Other Islamic Bank

Current Ratio (2013)



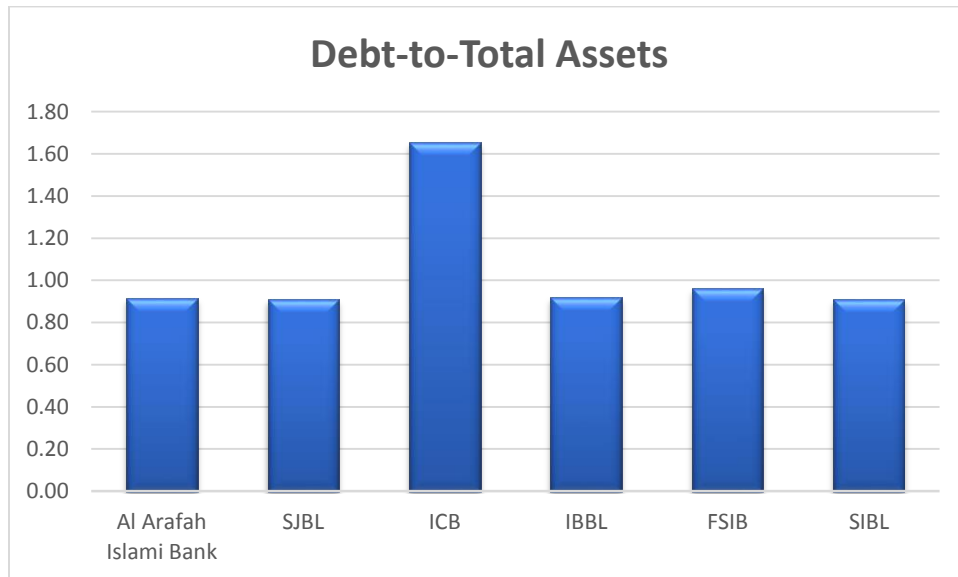
Explanation: Here we can see that SIBL's current ratio was quite same considering FSIB and AFIB. Whereas SJBL, ICB and IBBL's current ratio was lower.

Debt-to-Equity (2013)



Explanation: Here we can see that SIBL's Debt – to – Equity Ratio was average in 2013. Whereas ICB's Debt – to – Equity was lower on the other hand FSIB was higher than other banks.

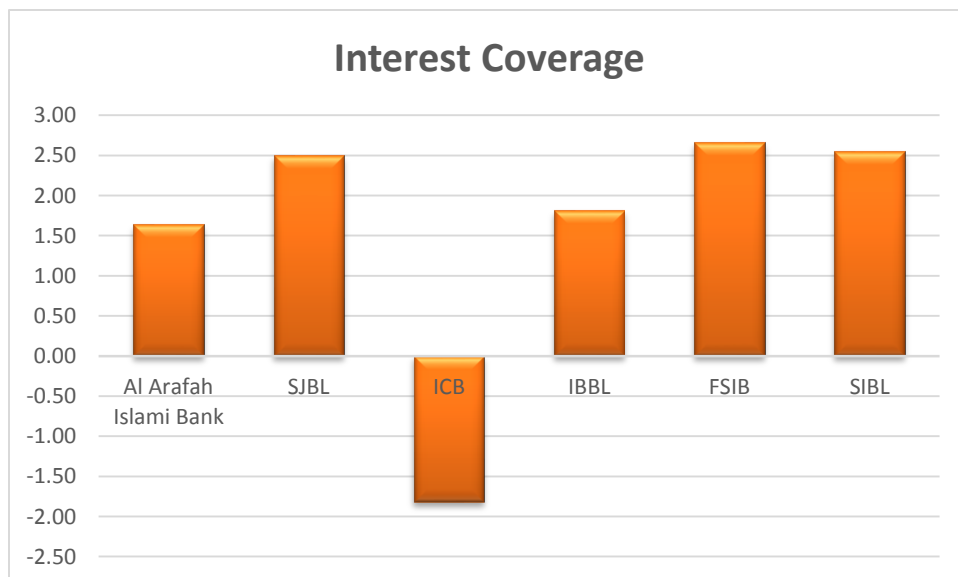
Debt-to-Total Asset (2013)



Source: Social Islami Bank Limited Annual Report 2013, Al-Arafah Islami Bank Limited Annual Report 2013, Far-East Islami Bank Limited Annual Report 2013, ICB Islami Bank Limited Annual Report 2013, Islami Bank Bangladesh Limited Annual Report 2013, Shahjalal Islami Bank Limited Annual Report 2013.

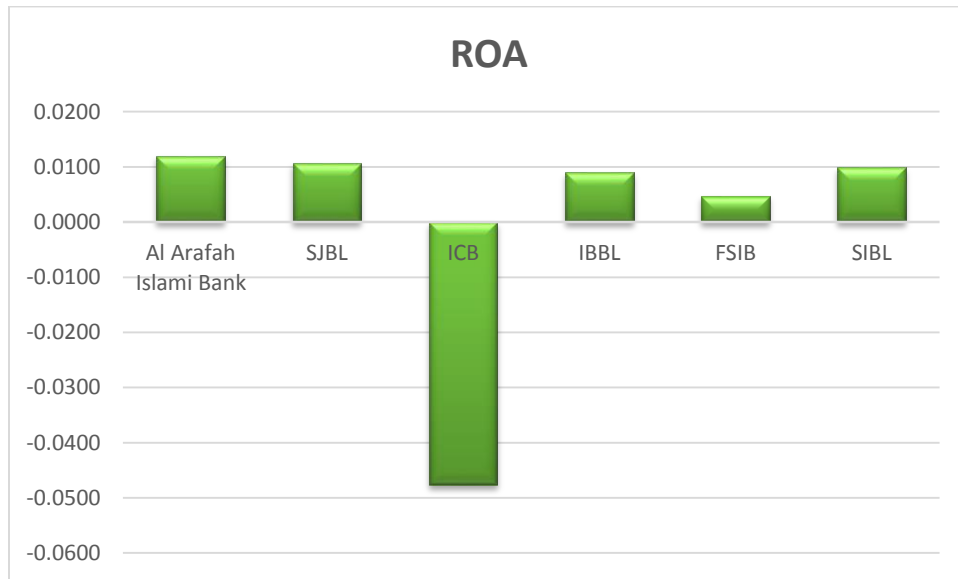
Explanation: Here we can see that SIBL's Debt – to – Total Asset Ratio was average in 2013 considering these banks. Whereas ICB's Debt – to – Total Asset was higher than other banks.

Interest Coverage (2013)



Explanation: Here we can see that SIBL's Interest Coverage Ratio was average in 2013 considering these banks. Whereas ICB's Interest Coverage Ratio was lower than other banks. In 2013, interest coverage ratio of ICB went to negative.

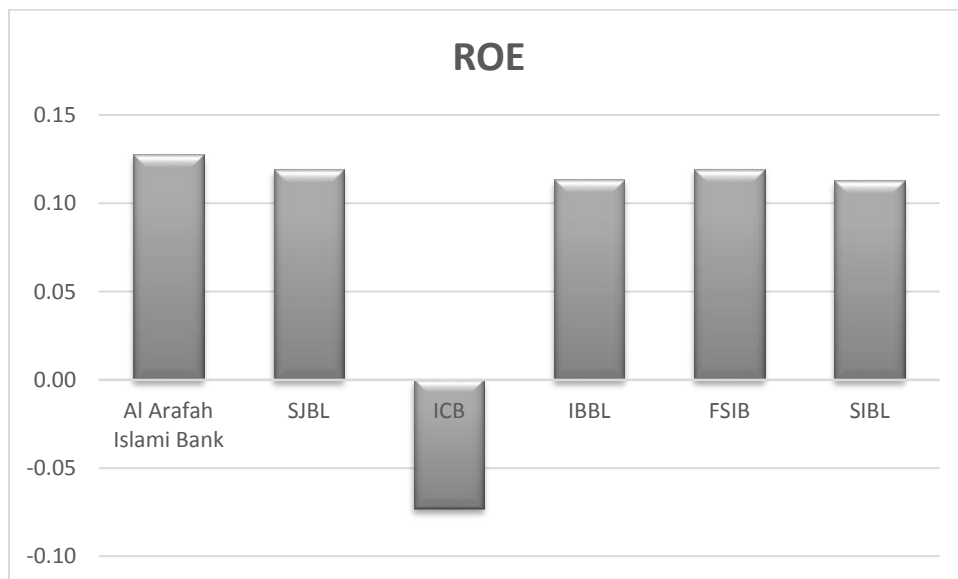
Return On Asset (ROA) (2013)



Source: Social Islami Bank Limited Annual Report 2013, Al-Arafah Islami Bank Limited Annual Report 2013, Far-East Islami Bank Limited Annual Report 2013, ICB Islami Bank Limited Annual Report 2013, Islami Bank Bangladesh Limited Annual Report 2013, Shahjalal Islami Bank Limited Annual Report 2013.

Explanation: Here we can see that SIBL's ROA was average in 2013 considering these banks. Whereas ICB's ROA was lower than other banks. In 2013, ROA of ICB went to negative.

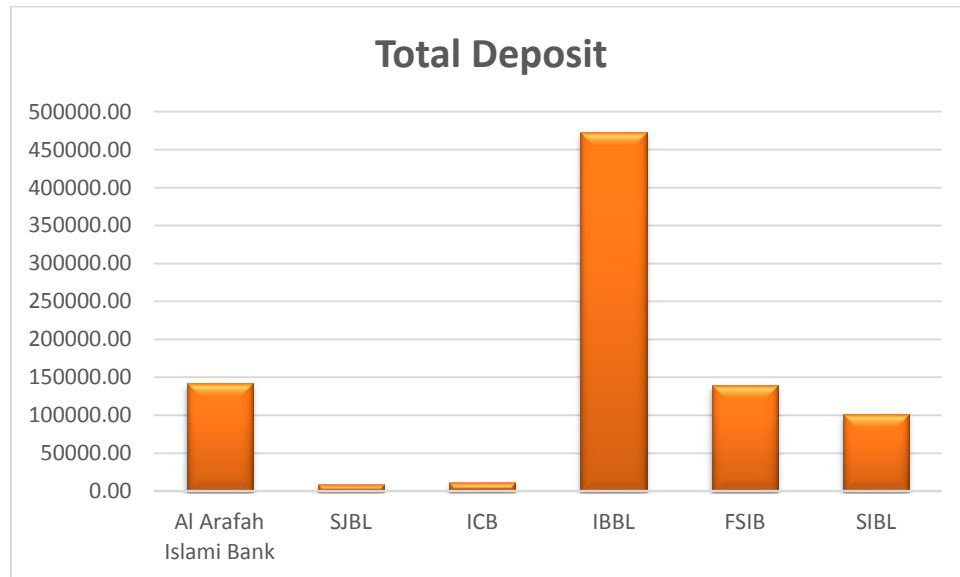
Return On Equity (ROE) (2013)



Source: Social Islami Bank Limited Annual Report 2013, Al-Arafah Islami Bank Limited Annual Report 2013, Far-East Islami Bank Limited Annual Report 2013, ICB Islami Bank Limited Annual Report 2013, Islami Bank Bangladesh Limited Annual Report 2013, Shahjalal Islami Bank Limited Annual Report 2013.

Explanation: Here we can see that SIBL's ROE was average in 2013 considering these banks. Whereas ICB's ROE was lower than other banks. In 2013, ROE of ICB went to negative.

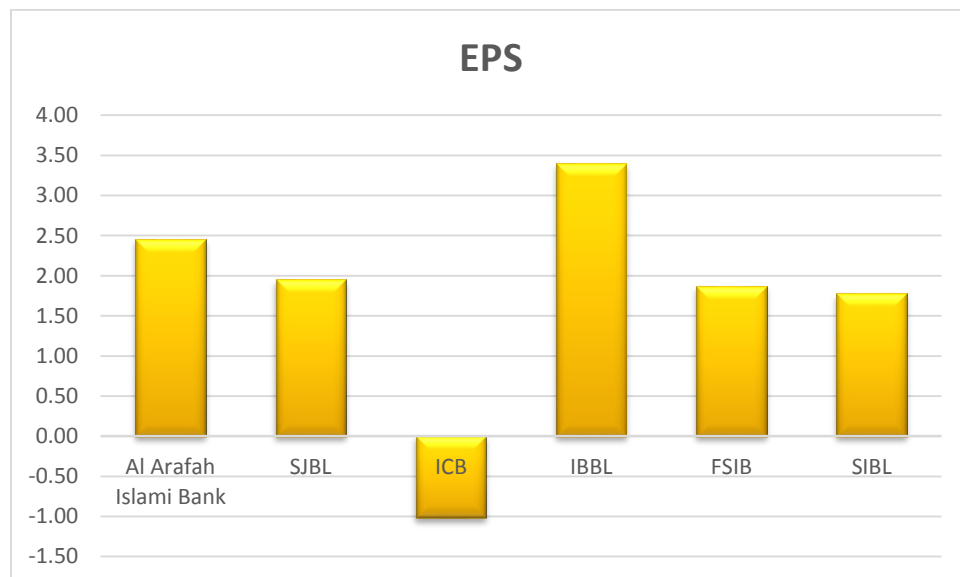
Total Deposit (2013)



Source: Social Islami Bank Limited Annual Report 2013, Al-Arafah Islami Bank Limited Annual Report 2013, Far-East Islami Bank Limited Annual Report 2013, ICB Islami Bank Limited Annual Report 2013, Islami Bank Bangladesh Limited Annual Report 2013, Shahjalal Islami Bank Limited Annual Report 2013.

Explanation: Here we can see that SIBL's Total Deposit was average in 2013 considering other general bank. Whereas ICB's and SJBL's Total Deposit was lower on the other hand IBBL was too much higher than other banks because of their huge number of clients.

Earnings Per Share (2013)



Explanation: Here we can see that SIBL's EPS was average in 2013 considering other general bank. Whereas ICB's EPS was lower and negative, on the other hand IBBL was too much higher than other banks because of their huge number of deposit and higher earnings.

Chapter 11

Findings

Recommendation

Conclusion

Findings . . .

Bank is a financial institution. The service of a bank is considered as its product. Bank is financial intermediary dealing in accepting surplus savings as deposits and extending funds to those who can approach the bank with bankable projects. Amount of funds can be increased or decreased depending on the professional skill of the bank executives. Efficiency of customer service is related with progression of operation. Social Islami Bank Ltd operations are increasing gradually. Each year deposits and investment growth indicates SIBL better movement in the banking field, which is satisfying clients. As a result, clients are increasing and ultimately equity is increasing. Gradually bank's operation is increasing. Investment is rising rapidly and a good response is getting from the clients is different investment scheme. SIBL rising movement is generating increasing profit. Client's satisfaction depends on the efficacy of customer service. All operational improvement with profit leads us to say that value of customer service of SIBL is in the positive situation.

General Banking Department

- ✦ In general banking department they follow the computerized banking system.
- ✦ They are using Data Base Networking in Information Technology (IT) Department. So they can transfer data from branch to branch and branch to head office by using one line.

Loans and Advance Departments

- ✦ Political influence is one of the major problems in Bangladesh. Due to political involvement the bank becomes bound to provide loans in some of the cases, which are rarely recovered. Bank has to face this in convenience situation almost every year and the percentage of such loans is about 20%
- ✦ The loans and advance department takes a short time to process a loan because the process of sanctioning loan is done by computerized system. It is in average 10 working days.
- ✦ CIB report is not readily available from Bangladesh Bank.

Foreign Exchange Department

- ✦ In foreign exchange department, it is required to communicate with foreign banks frequently and quickly. To make the process easily, Telecommunication Network is established in all branches.
- ✦ A scheme is operating in the name of Instant Cash Scheme. Through this scheme, on Residence Bangladeshi can send money from any parts of the world.

Recommendation . . .

The banks are actually service organizations. The main objectives of the world famous and successful banking organizations are to make profit through addressing the clients time to time with new pieces of service instruments. However my little experience earned through this internship program took me to customers' varying demands. I had several frank discussions with the clients and officials, which have helped me to know about the aforesaid findings and draw the following recommendation:

- ✦ As one of leading Banks in Bangladesh, SIBL Bank should provide equal emphasis in each department of banking service.
- ✦ SIBL may also indulge in Tele Marketing. This will smooth the progress of them to expand their sales.
- ✦ SIBL should pursue an aggressive marketing to come up into limelight. Campaign in order to build up a strong image reputation among the potential customers. Campaign such as ad in the newspaper & magazine, billboard, neon signs, publicity message. SIBL can pursue promotion campaign with its customers particularly the corporate clients to build up a strong report. TV ad is also a major method for attracting the potential customers. As it is an old bank, a strategy of exposing the bank to the public must be taken so that general people will aware about the emergence and growth of the bank. Sponsor in organization's picnic and arrange or sponsor in cricket match can be method of advertise.
- ✦ For monitoring and inspection of the current status of all the division for omitting there lacking.
- ✦ SIBL should appoint customer service officers in all branches. They solve customers' problem, answer inquiry of customers etc.
- ✦ SIBL should differentiate its services adopting the modern facilities and diversify products.
- ✦ To achieve the goal, a bank must establish and adhere to adequate policies, practices and procedures for evaluating the quality of asset and the adequacy of loan provision and reserve.

Conclusion . . .

Now a day banking organizations are one of most vital parts of an economy. Now banks provide various services for individual, different firms, companies even for cultivation. Banks offer a great accumulation of loans for personal and industrial purposes. SIBL is running successfully and for its good deposit performance the bank occupies 2nd positioning the Islamic Banking Sector. Taken all in all, it can be safely said that SIBL action program is directed towards development of an authentic participatory Economy beyond Market Economy. The family empowerment credit program of Social Islami Bank is gaining ground at the grass root field level in Bangladesh. Family Empowerment microcredit and micro enterprises program must be designed in a manner so as to make a) finance, b) production, c) marketing, d) trading, e) local specific survey and research as well as moral integrity in one package. In SIBL approach, credit conveys the totality in life and clearly linked to social context and cultural setting in conformity with Shariah. There is a better chance in provision for social subsidy. De-secularizing credit may lead to re-writing new economics. It is thus felt that the linking credit to social goals and assignments will have far-reaching theoretical implications for development of an alternative concept of new theories of income, output and employment. This bank expresses its sincere thanks to the government of the People's Republic of Bangladesh and Bangladesh Bank for their co-operation and valuable guidance to the bank. SIBL also takes this opportunity to their valued clients, patrons, well-wishers, correspondents and the shareholders for their support and patronization extended during the year under review. SIBL also records its appreciation for the services rendered by the executives and the members of the staff for the stability and growth of the bank. SIB needs further active support and continued cooperation of Bangladesh Bank, ministry of finance and other government agencies, executives and employees of the bank, valued partners, clients and the community at large in accomplishing difficult tasks ahead of it.

Chapter 12

Appendix Reference

Appendix . . .

1.

| Social Islami Bank Limited | | | | | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Description/Year | 2009 | 2010 | 2011 | 2012 | 2013 |
| | (in million) | (in million) | (in million) | (in million) | (in million) |
| Cash | 2217.7 | 4451.6 | 5687.5 | 11125.2 | 8895.1 |
| Current Assets | 2053.4 | 2917.3 | 7095.2 | 8165.8 | 9770.6 |
| Current Liabilities | 1909.6 | 2845.7 | 4446.7 | 6699.3 | 8765.4 |
| EBIT | 726.9 | 1133.8 | 1850.3 | 2772.2 | 2059.1 |
| EPS | 1.44 | 2.14 | 1.72 | 2.08 | 1.78 |
| Interest Expense | 295.4 | 493.7 | 817.9 | 1307.1 | 806.8 |
| Net Profit after Tax | 431.5 | 640.1 | 1032.5 | 1465.2 | 1252.1 |
| Share Holder's Equity | 3555.8 | 4195.9 | 9358.3 | 10182.2 | 11083.4 |
| Total Assets | 39980.82 | 54665.8 | 83961.7 | 114829.1 | 126401.4 |
| Total Debt | 36426.1 | 50470.1 | 74603.3 | 104984.1 | 115533.1 |
| Total Deposit | 31588.2 | 44350.9 | 66461.7 | 93276.9 | 101842.2 |

Source: Social Islami Bank Limited Annual Report 2009, 2010, 2011, 2012, 2013.

2.

| Description/Banks | Al-Arafah Islami Bank | Shahjalal Islamic Bank Limited | ICB Islamic Bank Limited | Islami Bank Bangladesh Limited | First Security Islami Bank Limited |
|-----------------------|-----------------------|--------------------------------|--------------------------|--------------------------------|------------------------------------|
| Cash | 17578596277 | 10207020138 | 1143973180 | 44291514939 | 11549381969 |
| Current Assets | 12941766116 | 2764109423 | 424864338 | 4471783137 | 11821069317 |
| Current Liabilities | 11288222271 | 7290925958 | 6628725693 | 30719007685 | 9238632656 |
| EBIT | 3737856011 | 2693826440 | -677018000 | 11074756426 | 2025719782 |
| EPS | 2.46 | 1.95 | -1.02 | 3.40 | 1.87 |
| Interest Expense | 2276680000 | 1078000000 | 373000000 | 6101570000 | 760000000 |
| Net Profit after Tax | 2052315743 | 1304961848 | -680751278 | 4973187928 | 769119782 |
| Share Holder's Equity | 16091170000 | 10951284057 | 9342685151 | 43785284650 | 6433599564 |
| Total Assets | 170935600596 | 121963432985 | 14302843598 | 550839381407 | 161822976845 |
| Total Debt | 156457541132 | 111012148928 | 23645528749 | 507054096757 | 155389377281 |
| Net Asset Value | 69855246343 | 10951000000 | 49385939087 | 43785284650 | 35872451369 |
| Total Deposit | 141704640623 | 9570000000 | 11970133194 | 473140955031 | 139520955783 |

Source: Social Islami Bank Limited Annual Report 2013, Al-Arafah Islami Bank Limited Annual Report 2013, Far-East Islami Bank Limited Annual Report 2013, ICB Islamic Bank Limited Annual Report 2013, Islami Bank Bangladesh Limited Annual Report 2013, Shahjalal Islami Bank Limited Annual Report 2013.

3.

| Description/Banks | Al-Arafah Islami Bank | Shahjalal Bank Ltd. | Islamic ICB Bank Limited | Islamic Islami Bank Bangladesh Ltd. | First Security Islami Bank Ltd | Social Islami Bank Limited |
|----------------------|--------------------------|------------------------|--------------------------------|--|-----------------------------------|-------------------------------|
| Current Ratio | 1.15 | 0.38 | 0.06 | 0.15 | 1.28 | 1.11 |
| Debt-to-Equity | 9.72 | 10.14 | 2.53 | 11.58 | 24.15 | 10.42 |
| Debt-to-Total Assets | 0.92 | 0.91 | 1.65 | 0.92 | 0.96 | 0.91 |
| Interest Coverage | 1.64 | 2.50 | -1.82 | 1.82 | 2.67 | 2.55 |
| ROA | 0.01 | 0.01 | -0.05 | 0.01 | 0.00475 | 99 |
| ROE | 0.13 | 0.12 | -0.07 | 0.11 | 0.12 | 11.3 |
| Total Deposit | 141704.64 | 9570.00 | 11970.13 | 473140.96 | 139520.96 | 101842.2 |
| EPS | 2.46 | 1.95 | -1.02 | 3.40 | 1.87 | 1.78 |

4.

অন্যান্য স্কীমসমূহ :

- মুদারাবা হজ্ব / ওমরাহ সেভিংস ডিপোজিট স্কীম
- মুদারাবা মিলিয়নিয়ার সেভিংস স্কীম
- মুদারাবা শিক্ষা ডিপোজিট স্কীম
- মুদারাবা মাসিক সেভিংস স্কীম
- মুদারাবা বাসস্থান সেভিংস স্কীম
- মুদারাবা বিশেষ সঞ্চয় পেনশন স্কীম

বিশেষ বিনিয়োগ সমূহ :

- এসএমই খাতে বিনিয়োগ
- কনজুমারস স্কীম
- মাইক্রো ক্রেডিট ও মাইক্রো এন্টারপ্রাইজ বিনিয়োগ
- শর্ট এন্ড লং টার্ম ইনভেস্টমেন্ট (বিনিয়োগ)

অন্যান্য সেবাসমূহ :

- অন-লাইন ব্যাংকিং
- এটিএম সার্ভিসেস
- লকার সার্ভিসেস

আমানত সংগ্রহ মাসে বিশেষ আকর্ষণ সমূহ

- ০১। এটিএম কার্ড ফ্রি
- ০২। বিভিন্ন প্রকার উপহার সামগ্রী

মুদারাবা

মাসিক মুনাফা

ডিপোজিট স্কীম
মাসিক মুনাফা লাখে (কমবেশী) ১০০০ টাকা

মুদারাবা

লাখোপতি

ডিপোজিট স্কীম
নির্দিষ্ট অংকের টাকা জমা দিয়ে ২ বছরে (কমবেশী) লাখোপতি হউন

মুদারাবা

দ্বিগুণ বৃদ্ধি

ডিপোজিট স্কীম
যে কোন পরিমাণ টাকা ৬ বছরে (কমবেশী) দ্বিগুণ বৃদ্ধির সুযোগ দিন

মুদারাবা

পেনশন

ডিপোজিট স্কীম
নির্দিষ্ট অংকের টাকা জমা দিয়ে মেয়াদান্তে অনেক টাকার মালিক হউন।

ক্যাশ ওয়াকফ

ডিপোজিট স্কীম

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