



Modes of Investment of Social Islami Bank limited

-A Study on Dewanhat Branch, Chittagong

[THE INTERNSHIP REPORT IS SUBMITTED FOR THE PARTIAL FULFILLMENT OF
THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION WITH A MAJOR IN
FINANCE]

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Inspiring Excellence

BRAC University



Letter of Submission

Date:

To The Head,

Department of Business Administration

BRAC University

Subject: Submission of Internship Report.

Dear Sir,

With due respect, I am very grateful to submit my internship report on “**Modes of Investment on Social Islami Bank limited (SIBL) Dewanhat Branch, Chittagong**”. I have got an opportunity to practically work in Social Islamic Bank Limited, Dewanhat branch as an internee. Thank you very much for the help & support in arranging the internship program. I have tried my best to collect sufficient information for preparing a complete report by following internship proposal.

I, therefore, would like to request you to accept my report and oblige me thereby.

Thanking you,

Sincerely yours,

Jahanara Begum

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Program: MBA

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Masters of Business Administration

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ACKNOWLEDGEMENT

I am expressing my gratitude to the Almighty Allah, the Merciful and the Benevolent for His special kindness to give me the opportunity to complete the Internship Report successfully. It is a great pleasure for me to express my sincere appreciation to the Department of Business Administration, International BRAC University for giving me the opportunity to do this report. I want to mention the contribution of all those who have inspired, influenced and guided me to complete this report successfully.

At the very outset I extended my heartiest gratitude to my teacher and supervisor , Md. Tamzidul Islam Assistant Professor & Internship Coordinator, Department of Business Administration, BRAC University, for his sincere advice, guidance and valuable suggestion in preparing and presenting and this report.

I, in this regard, would like to extend my sincere appreciation to all of my teachers for the valuable contribution and cooperation in advising this report and thereby completing my MBA program ultimately. I am grateful to different respondent important time.

I am particularly thankful to Md.Nazrul Anwar, AVP & OPERATION MANAGER Social Islami Bank Limited, Dewanhat Branch, Chittagong for their kind co-operation. I am really indebted to officers of investment section of SIBL Dewanhat Branch specially Sharmin Akter (SO) of investment section for her cordial behavior, heartiest cooperation and supervision during internship period in Social Islami Bank Limited, Dewanhat Branch, Chittagong. I would like to thank Sharmina Toyaba (AO), for their cordial behavior & magnanimity. Deep sense of gratitude and profound respect goes to all the staffs of Dewanhat Branch, SIBL for their magnanimity.

Executive Summary

SIBL is a commercial bank which is operated based on Islamic Shariah principles. 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.

This report gives a clear idea of Investment Mechanism of SIBL. In conventional bank the investors are assured of a predetermined rate of interest whereas SIBL promotes Risk & profit sharing between provider of capital (investors) and the user of funds (entrepreneur). SIBL invests its funds as per different modes of investment or financing by Islamic Shariah. The depositors of SIBL are business partners of it and they share the profit or loss of the business. For the better use of the depositor's fund the SIBL invests its fund as per different modes of investment or financing by Islamic Shariah. Most of the investments of SIBL are Bai Mode (Trading), Ijara Mode & Share Mode.

The objective of the Study is to analyze and discuss the various modes of investment and performance of SIBL. To do so I collected the information through secondary data such as- Brochures, Different text books and materials, Manuals of investment of SIBL and also got some information from employee by face to face conversation.

From the finding I have analyzed some of the reason that could have been an influence :

- ❖ The investment of 2012 of this branch decreased compared to the investment of 2011. But the investment income of 2013 (From January to November) has crossed the investment income of 2012. The investment on different modes of this branch is fluctuating. But in some modes its investment is zero. Such as- In 2013 (from January to November) its investment on HPSM-SME and IBP modes its investment is zero.
- ❖ In 2013, the total collection of this branch in trading sector, car import sector, other import sector (such as food, chemical etc) & real estate investment sector the total collection is 100%. In these sectors this branch has recovered lone successfully. But in ship breaking sector, Air ticket business and service sectors total due are 30% and 20% and 70% respectively. Although the percentage of unclassified investment of

this branch is very impressive but the percentage of the banks overall unclassified investment is very poor. The Bad & Loss investment of this branch is zero.

- ❖ In the banking sector, investment recovery process is systematic. We know that the most important modes of investment are Mudaraba & Musharaka, but the bank have no such strong application of that modes. But their application on Bai-Muajjal investment mode & Hire purchase under Shirkatul Melk is much better.

From the findings I have provided here some recommendation. These are:

1. SIBL will have to take effective steps to remove the MISCONCEPTIONS of mass people that they hold about Islamic banking system.
2. SIBL should contribute more in micro credit investment sector.
3. SIBL should take necessary steps to collect the due amounts from ship breaking sector, air ticket business and service sectors.
4. SIBL should take necessary steps to reduce the percentage of classified investment.
5. SIBL should invest more in HPSM-SME and IBP modes.
6. The most important modes of investment are Mudaraba & Musharaka, but the bank has no such strong application of that modes. SIBL should increase the application of share mechanism.

The bank must make a positive attempt to be more outward looking their goals and accept any failure on the other factors. the function that performs by this branch is very well and they give the better quality service. The characteristics of investment of Social Islami Bank Ltd are better than conventional banks. Social Islami Bank Ltd has both strengths and weaknesses. The major strength of SIBL is religious feelings of people and major weakness is absence of Islamic money market. This report starts with the background of the study & ends-up with some recommendations Social Islami Bank Ltd.

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A stylized, low-poly illustration in shades of gray and white. It depicts two businesswomen in professional attire shaking hands. The woman on the left is wearing a white blazer and a white skirt, holding a dark briefcase. The woman on the right is wearing a white blazer and a white skirt, also holding a dark briefcase. The background consists of a city skyline with various building shapes.

Chapter-01

Background of the study

1.1 Introduction

Banks are the most important financial institution in an economy. At present the modern business industrialization, foreign trade and investment depend on bank. It assists accelerate the pace of development by securing uninterrupted supply of financial resources to people engaged in numerous economic activities .Banks act as a financial intermediary between actual lenders and actual borrowers. For doing business, a bank has to face a lot of uncertainties or risk.

But now-a-days the banking sector of Bangladesh is suffering the disease of default culture, which is consequence or result of bad performance of most of the banks in Bangladesh. But SIBL plays an important role towards the growth and economic development of Bangladesh.SIBL receives its entire deposits from the investment of the clients on the basis of profit sharing places it to the actual entrepreneurs on the basis of the profit sharing. So it is clear that in case of traditional banking system, a fixed percentage of interest, banking functions of SIBL is an important aspect in our economy as it has broken the line of interest based traditional banking system through the introduction of Islamic Shariah based banking. It has already gained a good reputation among customers as well as the mass people of Bangladesh.

This report titled “**Modes of Investment of Social Islamic Bank Limited**” We cannot ignore the importance of investment. Through this investment poverty can be removed, we can generate more income and employment and it can be helpful for accelerating stable socio-economic growth and up liftmen of the society. However after reading this report any one will get a clear idea about the basic investment policy of this bank. It will also help to know that how the bank is different from other banks, how this bank makes effective its investment modes, what is the performance of the bank till now.

1.2 Objective of the study

The objective is to study the modes of investment at SIBL.

We have to divide our main objectives into different parts. The specific objectives given below:

- 1) To know about conceptual issues of Islamic banking
- 2) To know about SIBL.
- 3) To study different modes of investment of SIBL.
- 4) To study the Recovery Process.
- 5) To provide recommendation about the problems.

1.3 Methodology of the study

The data collection method of this study is consisted of both primary and secondary sources.

The primary sources of my information are as below:

- 1) Face to face conversation with employees and staff.
- 2) Direct observation.
- 3) File study.
- 4) Practical work experience.

The secondary sources of my information are as below:

- 1) Brochures.
- 2) Different text books and materials.
- 3) Manuals of investment of SIBL.
- 4) Annual report
- 5) Website of SIBL **www.sibl-bd.com**

Data are presented through the table and diagram

1.4 Scope of the study

I have been assigned in the Dewanhat branch of Social Islamic Bank Limited & this opportunity paved me the way to get myself familiarized with the banking environment for the first time indeed. However the area of concentration of this report is confined in investigating different modes of investment as well as problems and prospects and by this way an endeavor is made to give recommendation for removing this problem.

1.5 Limitations of the Study

The study will have the following limitations:

1. Since Banking Investments are of vast areas, it is not possible to go through the depth within this short period.
2. Some desired informations could not be collected due to confidentiality of business.
3. We know that the most important modes of investment are Mudaraba & Musharaka, but the bank have no such strong application of that modes. So sufficient information regarding these modes are not available.
4. Political unrest, stricks have disturbed me to collect proper information.



Chapter-02

An overview of SIBL

2.3 Values of SIBL

HEAT FIRST

H=Honesty

To be honest is ordained by the scripture as “we stick to this value in all our service provision.”

E=Efficiency

Efficiency implies perfection in any job done - we strive to render full satisfaction with it.

A=Accountability

To be accountable is to be responsible and above any suspicion - we are dutifully there.

T=Transparency

Remaining transparent in all acts is a virtue that's builds trust - we adhere to it.

F=Flexibility

Flexibility leads to better understanding and greater satisfaction - we pursue the quality.

I=Innovation

Our minds and eyes are open to the evolution in quality of life to innovate further benefits for the service takers.

R=Religiousness

SIBL enhances economic well being with regard to the bliss of religious ethics.

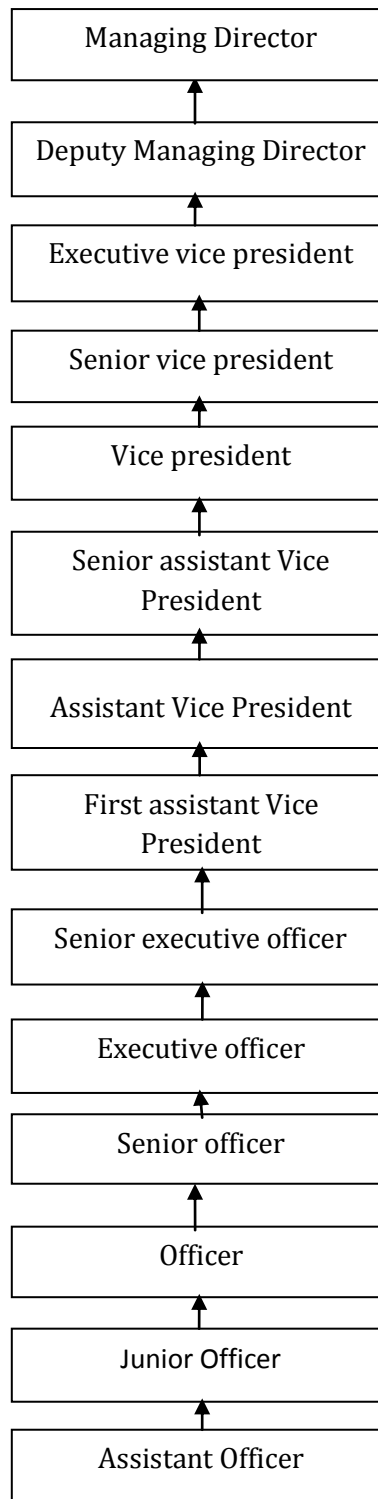
S=Security

Customers must feel secure with all our products and services - we keep on ensuring it.

T=Technology

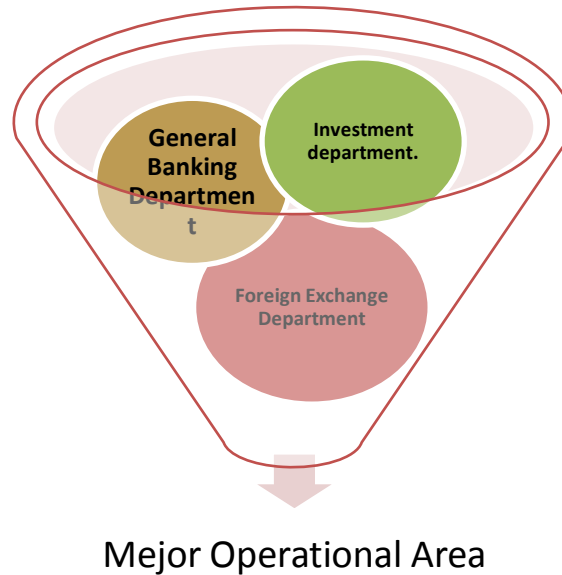
Modern life is technology dependent - we keep looking for the latest development to provide the best in ease to our clients.

2.5 Organizational Hierarchy of SIBL



2.7 Major Operational Area of the Bank:

Social Islami Bank Limited generally deals with three major departments as a corporate branch. Those departments are:-



Social Islami Bank Limited generally performs some core functions under three major departments. Those functions are –

2.7.1 GENERAL BANKING DEPARTMENT:

General banking department is very important department of Social Islami Bank Limited. It is linked with all other departments. So it is very important to have an efficient and sound management system in banking business.

Generally, this department is divided into these five sections:

- ✚ Accounts opening section & other services
- ✚ Cash section
- ✚ Remittance section
- ✚ Bills and clearing section
- ✚ Accounts section.

2.7.2 FOREIGN EXCHANGE DEPARTMENT:

The Foreign Exchange department is one of the most important departments of this bank. Foreign Exchange Department bridges between importers and exporters. This department mainly deals in foreign currency. This is why this department is called foreign exchange department (FED).

Foreign Exchange Department performs many functions .These are:

- ◆ Maintaining Foreign Currency Account
- ◆ Rate of Exchange
- ◆ Exchange Position
- ◆ Facilitating Import Trade
- ◆ Facilitating Export Trade

2.7.3 INVESTMENT DEPARTMENT:

The special feature of the investment policy of the bank is to invest on the basis of buy and selling and profit-loss sharing system in accordance with the tenets and principles of Islamic rather emphasis is given in attaining social good and in creating employment opportunities. Further in order to diversity investment portfolio, the bank engaged itself in investment operation through special scheme.

- ◆ Employment scheme,
- ◆ Apartment projects investment scheme,
- ◆ Household durable investment scheme etc.

2.8 Financial highlights of SIBL

Capital Management of the Bank

The bank started its journey in the year 1995 with a paid up capital of Taka 118.38 million and thereafter within 18 years it has built a total Capital of Taka 10,596.51 million using the external and internal sources. Given below table is the last 5 years history of SIBL towards its capital journey efforts:

(Amount in million Taka)

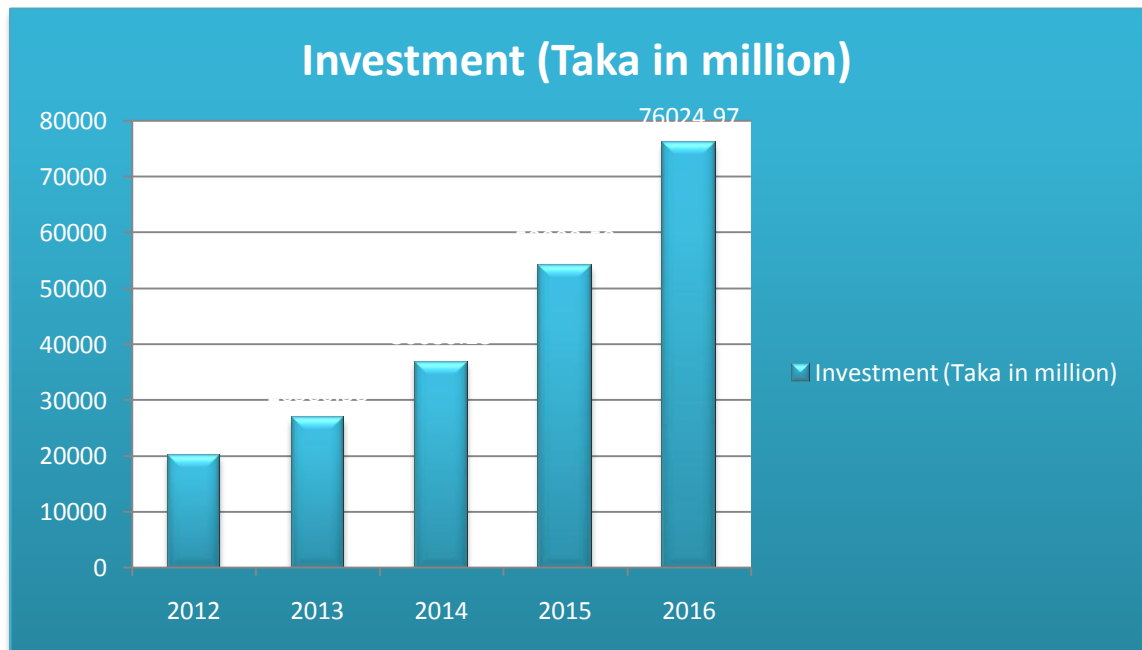
Years	Paid up capital	Total capital	Growth(over the previous year)	Source of capital
2012	1303.88	2168.22	15.89%	Internal generation
2013	2691.72	3194.62	80.55%	Internal & external (right issue) generation
2014	2987.81	4678.56	19.52%	Internal generation
2015	6393.93	9534.52	103.79%	Internal & external (right issue) generation
2016	6393.93	10596.51	11.13%	Internal generation

Paid up capital has been increased in 2015 to comply with Bangladesh Bank instruction of increasing paid up capital up to at least 4000 million.

Investment

There is very few standard form of organization that exists among banks as a whole. The organization depends upon various factors including the character and quality of landing officers, the size of investment portfolio, the type of investments made and attitude of the board of directors towards the degree and amount of authority delegated. SIBL has separate division for investment management. The following chart depicts the year wise position of investment since year 2008:

Figure 4: Bar diagram of investment of SIBL for the period 2012 to 2016



From the above diagram, we can see that the investment of SIBL is increasing .year wise position of investment is growing higher.

Composition of provision on investment of the bank as on 31.12.2016 has been given in this table:



Fig in million taka

Status	Provision Rate	2016		2015	
		Amount	Composition	Amount	Compositin
Unclassified investment	0.25%,1%,2%	969.18	49.97%	691.92	49.97%
Special Mention Account	5%	0.25	0.02%	0.28	0.02%
Sub-standard investment	20%	29.64	1.53%	10.21	0.74%
Doubtful Investment	50%	6.91	0.36%	35.80	2.59%
Bad/Loss investment	100%	933.59	48.12%	645.93	46.68%
Total		1939.66	100%	1383.51	100%

Foreign Exchange Business

Foreign exchange business stood at tk.126519.90 million in 2012 which is sharp increase of 16.81%.The break-up of this foreign exchange business is as under.

(Figure in million taka)

Particulars	2008	2009	2010	2011	2012	Growth Rate
Import	18343.80	22753.30	39459.50	68198.10	76985.60	12.88%
Export	12674.30	14433.20	21372.20	34975.00	42712.20	22.12%
Remittance	2341.10	1923.50	1099.40	5134.90	6822.10	32.86%
Total	33363.20	39110.00	61391.00	108308.30	126519.90	16.81%

Courtesy: www.siblbld.com

From the above graph we can see that in 2008 foreign exchange business stood at 33386.20 million. The amount is increasing day by day and in 2012 it stood at 126519.90 .so it can be said that foreign exchange business is progressing rapidly.

Year	Deposits	Investment	FX Business	Total Income	Total Expenses	Operating Profit	Profit after Tax
2013	24099.82	19951.30	33363.20	3363.08	2575.72	787.37	202.07
2014	31588.16	26580.58	39110.00	3781.26	2716.96	1064.31	431.52
2015	44850.77	36680.28	61931.00	5068.10	3429.47	1638.63	643.01
2016	66853.59	53908.57	105037.00	8512.22	5914.78	2597.43	1265.11

Capital Base (Tier-i & Tier-ii)

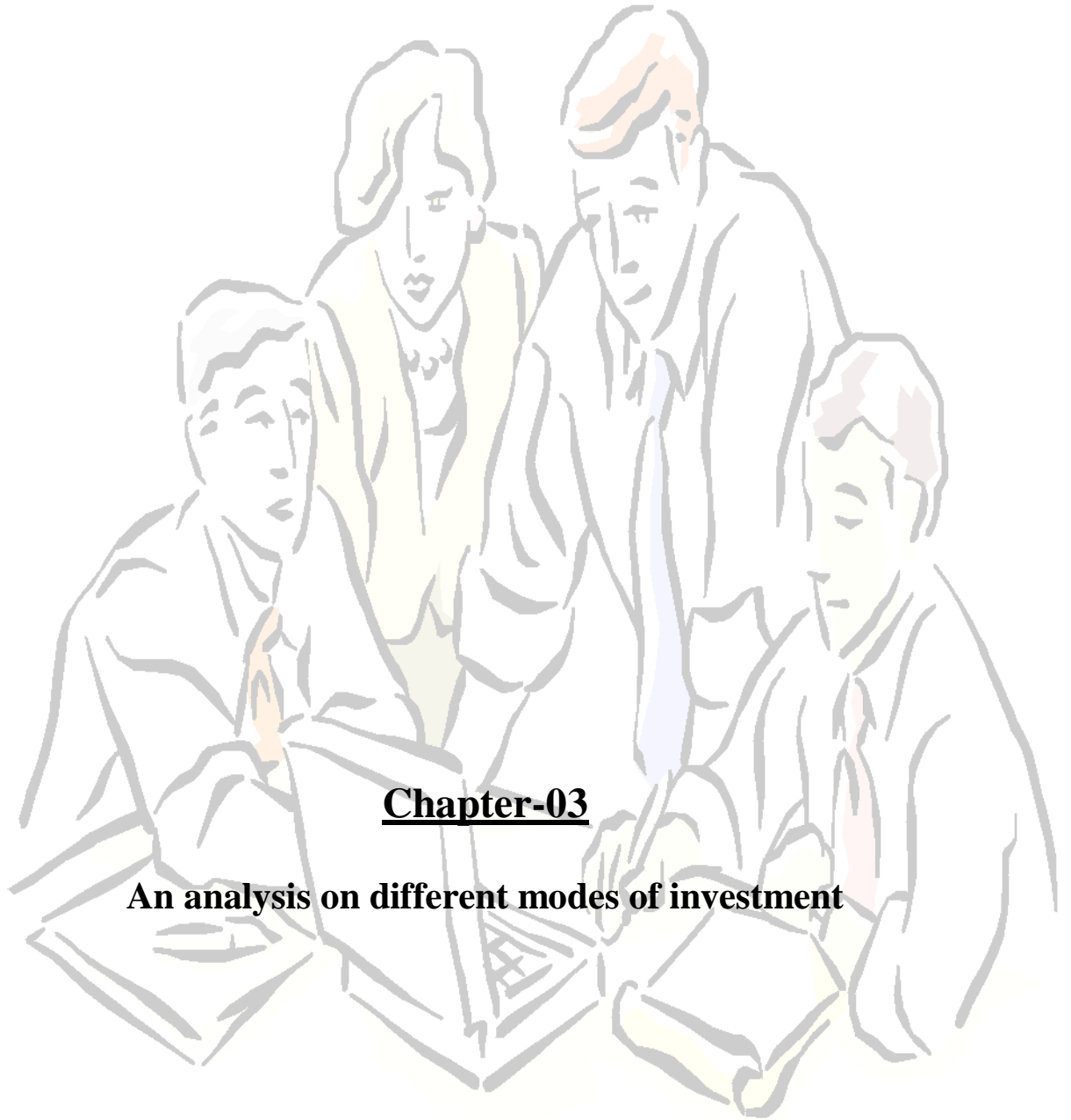
As per directives of Bangladesh Bank, all commercial banks are in the process of maintaining the minimum risk weighted capital to 10% dividing the total capital into Tier-I & II from 1st July 2015. Tier-I capital consists of (a) paid up capital (b) statutory reserves (c) retained earnings and Tier-II capital consists of (a) general provision on unclassified Investments (b) 50% of revaluation surplus on Fixed Assets. As per requirements of the capital, it is mandatory to maintain the Tier-I capital at minimum 5%. Comparative position of capital base of the year 2015 and 2016 .

Capital base consisting of tier I & II of the Bank as on 31st December 2016 stood at Tk 10,596.51 million as against Tk. 9,534.52 million as on 31st December 2011.

SIBL at a glance

Sl No.	Particulars	2005	2006	2007	2008	2009	2010	2011	2012
01	Authorized Capital	4000.00	4000.00	4000.00	4000.00	4000.00	10000.00	10000.00	10000.00
02	Paid-up Capital	585.00	585.00	1119.55	1309.88	2691.72	2987.81	6393.92	6393.92
03	Total Shareholders Equity	923.07	980.70	1665.29	1867.36	3555.75	4198.77	9412.21	10181.97
04	Capital Base (Tier I & II)	1065.42	1128.03	1870.94	2168.22	3914.62	4678.56	9534.52	10596.51
05	Total Deposits	16862.58	16170.51	19753.94	24099.82	31588.16	44850.77	66852.55	93594.29
06	Client Deposits	14341.95	16046.72	18706.54	22065.79	27663.62	39833.37	56661.16	81091.39
07	Investments (General)	15096.83	15312.90	16440.26	19951.30	26580.58	36680.28	53908.58	76024.97
08	Investments (Shares & Securities)	501.06	501.06	558.45	853.46	1310.66	3049.72	5241.36	6144.01
09	Foreign Exchange Business	17438.07	23280.00	23903.8	33363.20	39110.00	61931.00	108308.30	126519.90
10	Operating Profit	213.57	295.89	480.78	787.37	1064.31	1638.63	2768.80	3617.82
11	Profit before Tax	54.20	120.23	212.92	354.81	726.88	1136.69	1901.28	2747.89
12	Fixed Assets	153.80	137.48	132.03	443.28	649.61	914.74	2134.87	2249.95
13	Total Assets	20358.81	19691.53	24546.55	29808.88	39980.82	55168.54	84406.18	115165.95
14	Stock Dividend Cash Dividend	- -	- -	17% -	10% -	11% -	14% -	- 10.50%	10.00% 05.00%
15	Investments as a % of total deposits	89.53%	94.70%	83.23%	82.79%	84.15%	81.78%	80.63%	81.23%
16	Investments as a % of Client deposits	105.26%	95.43%	87.89%	90.42%	96.08%	92.08%	94.65%	89.19%
17	Risk Weighted Capital Adequacy Ratio	6.77%	7.19%	10.71%	10.87%	14.97%	9.33%	13.17%	11.52%
18	Ratio of Classified Investments to Total Investments	7.54%	4.92%	4.93%	4.38%	3.19%	4.76%	3.93%	3.33%
19	No. of Foreign Correspondents	3575	2366	2480	2200	2250	2250	2250	2230
20	Number of Employees	686	674	674	750	950	1252	1375	1625
21	Number of Branches	24	24	24	28	52	64	76	86
22	Book Value per Share	1000	1000	100	100	100	10	10	10
23	Earning per Share	24	9.85	17.60	17.20	18.39	2.15	1.81	2.25
24	Credit Rating by Long Term Short Term		*CRISL BBB- ST-3	CRISL BBB+ ST-3	CRISL A- ST-2	CRISL A+ ST-2	CRISL A+ ST-2	CRISL A+ ST-2	**ECRL AA- ECRL-2

Courtesy: www.siblb.com



Chapter-03

An analysis on different modes of investment

SIBL always focus on the criteria of the investment clients. Such as:

◆ Characteristics-

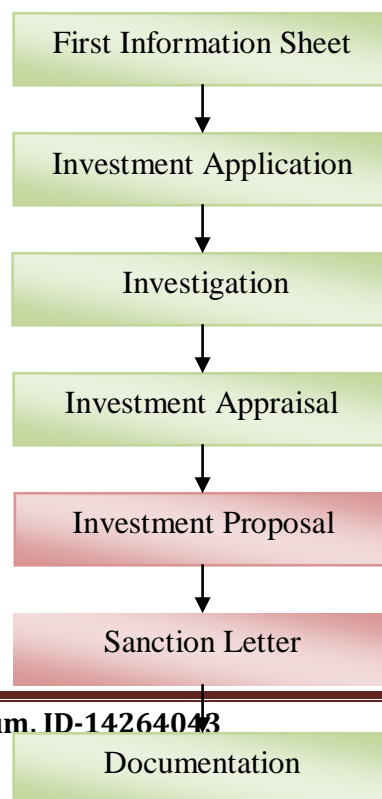
- ✓ Personal Character
- ✓ Social position
- ✓ Nature of business
- ✓ Acceptability of investment
- ✓ Duration of Business
- ✓ Turnover of his business

◆ Security against investment

- ✓ primary security
- ✓ Collateral security
- ✓ Others security

Procedures of Investment Sanction and Disbursement

Bank follows some necessary steps to sanction loan to borrower. This procedure mainly applicable for sanctioning and disbursing term loan although other advancing procedures are also follows nearly the same procedure



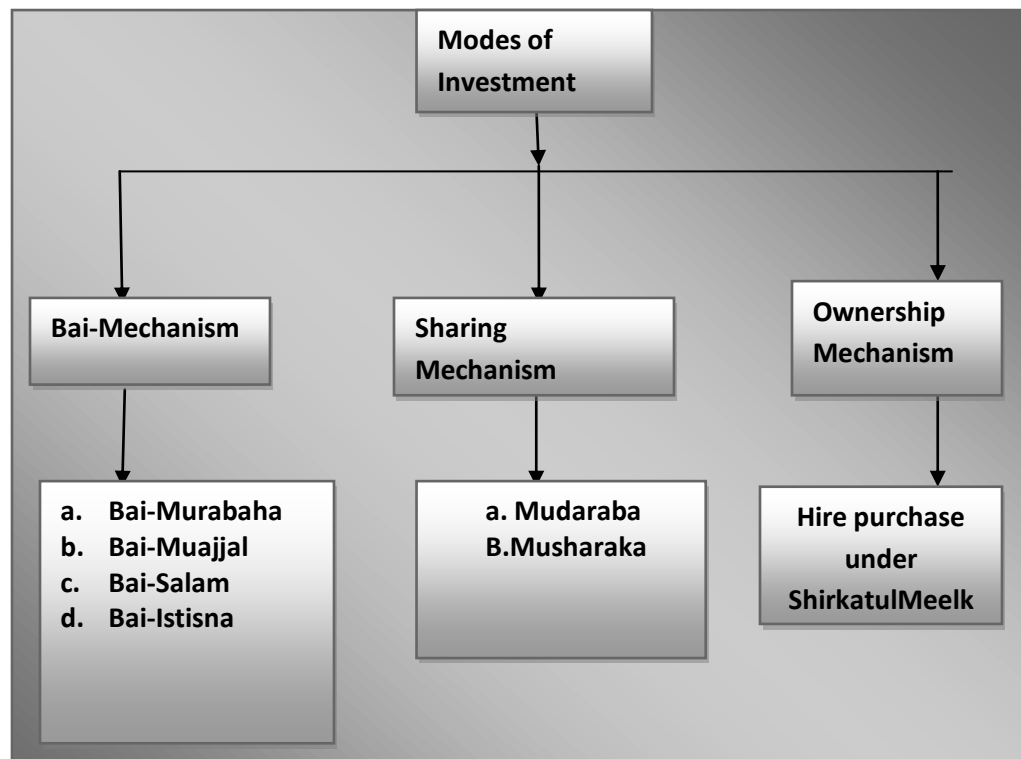
4.2 Different Modes of Investment followed by the Bank

Investment is the process of action of deploying funds with the intention and expectation that they will earn a return for their owners of a fund can deploy it through real investment or financial investment. When resources are used to purchase fixed and current assets for use production process for trading purpose, then it can be termed as real investment.

The special characteristics of the investment policy of the bank is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of Islamic rather emphasis is given in achieving social good and in creating employment opportunities.

Modes of investment followed by Islamic bank are exercised under three principles.

4.3 Modes of investment under three principles can be presented by using chart as follows



Bai-Mechanism

Under this mode four types of products are practiced:

A. Bai-Murabaha

B. Bai-Muajjal

C. Bai-Salam

D. Bai-Istisna

A. Bai – Murabaha:

Meaning:

The terms ‘Bai – Murabaha’ have derived from Arabic words Bai and Ribhun. The word ‘Bai’ means purchase and sale and the word ‘Ribhun’ means an agreed upon profit. Bai – Murabaha means sale for an agreed upon profit.

Definition:

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.

Types of Murabaha:

In respect of dealing parties Bai-Murabaha may be of two types.

1. Ordinary Bai-Murabaha:

Ordinary Bai-Murabaha is a direct transaction between a Buyer and a Seller. Here, the Seller is an ordinary trader who purchases goods from the market in the hopes of selling these goods to another party for a profit. In this case, the Seller undertakes the entire risk of his capital investment in the goods purchased. Whether or not he earns a profit depends on his ability to find a buyer for the merchandise he has acquired.

2. Bai-Murabaha on order and promise:

This transaction involves three parties- the buyer, the seller, and the bank. Under this arrangement, the bank acts as an intermediary trader between the buyer and the seller.

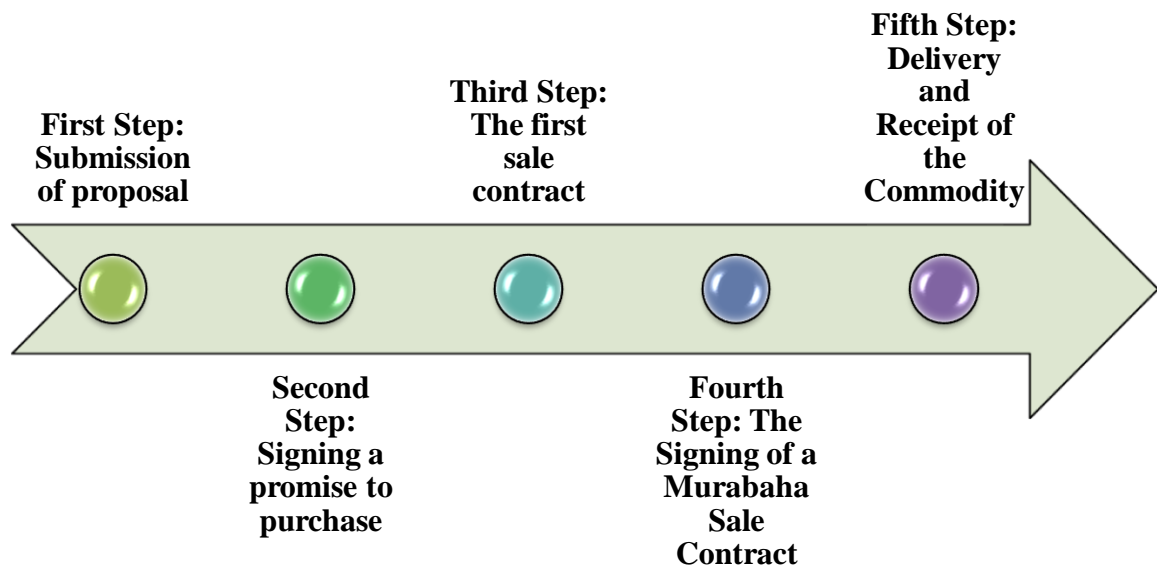
Where the Bank upon receipt of order from the buyer with specification and a prior outstanding promise to buy the goods from the bank, purchases the ordered goods and sells those to the ordering buyer at a cost plus agreed profit, the sale is called “Bai-Murabaha on order or promise’ generally known as Murabaha. In this case, capital with profit is almost secured by promise.

This Murabaha upon order and promise is generally used by the Social Islami Bank Ltd. This undertakes the purchase of commodities according to the specification requested by the clients and sale on Bai-Murabaha to the one who order for the goods and promised to buy those for its cost price plus a marked-up profit agreed upon previously by the two parties, the Bank and the client. Therefore, it is a sale of goods on profit by which ownership of the goods is transferred by the Bank to the client but the payment of the sale price (cost plus profit) by the client is deferred for a fixed period. To make it more clear, it may be noted here that Bank is financier to the client not in the sense that the bank finances the purchase of goods by the clients as conventional Bank does, rather it is a financier by deferring the receipt of sale price of the goods sold by the Bank to the client. There is a chance for happening of a investment and earning of interest under the wrong practice on Bai-Murabaha.

If the bank does not purchase the goods or does not make any purchase agreement with seller under this agreement of Bai-Murabaha that will be a remittance of the amount on behalf of the client, which shall be nothing but a investment to him and any profit on this amount shall be nothing but interest.

Therefore, to make a true practice of Bai-Murabaha, purchase of goods by the Bank should be for and on behalf of the Bank and the payment of price of goods by the Bank must be made for and on behalf of the Bank.

Steps of Bai-Murabaha Practiced by SIBL:



First Step: The Client sends a proposal with the specifications of the commodity to be acquired from the bank. The proposal also indicates details regarding the date, time and place of delivery as well as price and form of payment information. The bank responds by sending a counter proposal either accepting the buyer's price or stipulating a different price.

Second Step: The client promises to buy the commodity from the bank on a Bai-Murabaha basis for the stipulated price. The bank accepts the order and establishes the terms and conditions of the transaction.

Third Step: The bank informs the client of its approval of purchasing the commodity. The bank may pay for the goods immediately or accordance with the agreement. The seller expresses its approval to the sale and sends the invoice(s).

Fourth Step: The two parties (the bank and the client) sign the Bai-Murabaha sale contract according to the agreement to purchase.

Fifth Step: The bank authorizes the client or his nominee to receive the commodity. The seller sends the commodity to the place of delivery agreed upon. The client undertakes the receipt of the commodity in its capacity as legal representative and notifies the bank of the execution of the proxy.

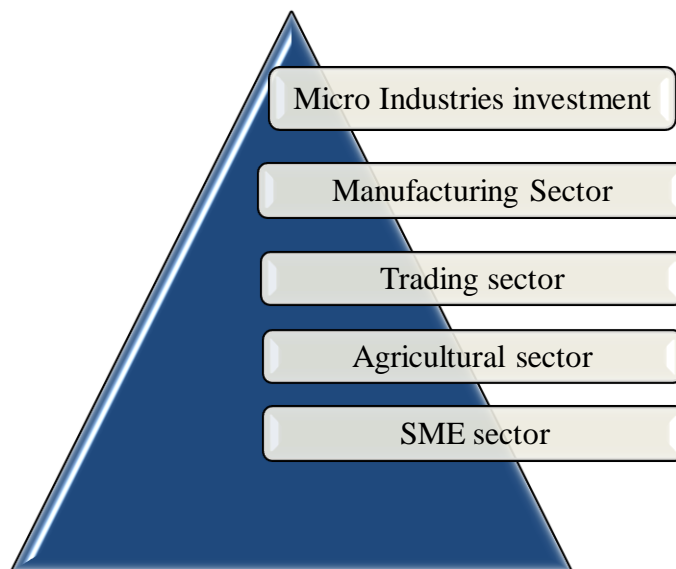
Characteristics of Bai- Murabaha:

1. It is a contract in which Seller sells certain specific goods permissible under Islamic Shariah and Law of the land to the Buyer at a cost plus agreed profit.
2. The profit marked-up may be fixed on lump-sum or in percentage of the cost price of the goods.
3. It is permissible to make the promise binding upon the Client to purchase from the Bank, that is, he is to either satisfy the promise or to indemnify the damages caused by breaking the promise without excuse
4. It is permissible to take cash or collateral security to guarantee the implementation of the promise or to indemnify the damages.
5. Stock and availability of goods is a basic condition for signing a Bai-Murabaha Agreement, therefore, the bank must purchase the goods as per specification of the Client to acquire ownership of the same before signing the agreement.
6. After purchase of goods the bank must bear the risk of goods until those are actually sold and delivered to the client, i.e. after purchase of the goods by the Bank and before selling of those on Bai-Murabaha to the Client buyer, the Bank shall bear the consequences of any damages or defects, unless there is an agreement with the client releasing the Bank of the defects, that means, if the goods are damaged, bank is liable, if the goods are defective the bank bears the responsibility.
7. The Bank must deliver the specified goods to the client on specified date and at specified place of delivery as per contract.

8. The Bank shall sell the goods at a higher price (Cost +Profit) to earn profit. The cost of goods sold and profit mark-up therewith shall separately and clearly be mentioned in the Bai-Murabaha Agreement
9. The price once fixed as per agreement and deferred and cannot be further increased.
10. It is permissible for the bank to authorize any third party to buy and receive the goods on Bank's behalf the authorization must be in a separate contract.

These features make Bai-Murabaha identical from all other modes of Islamic Investment

Investment Sectors under Bai-Murabaha



B Bai-Muajjal:

Meaning:

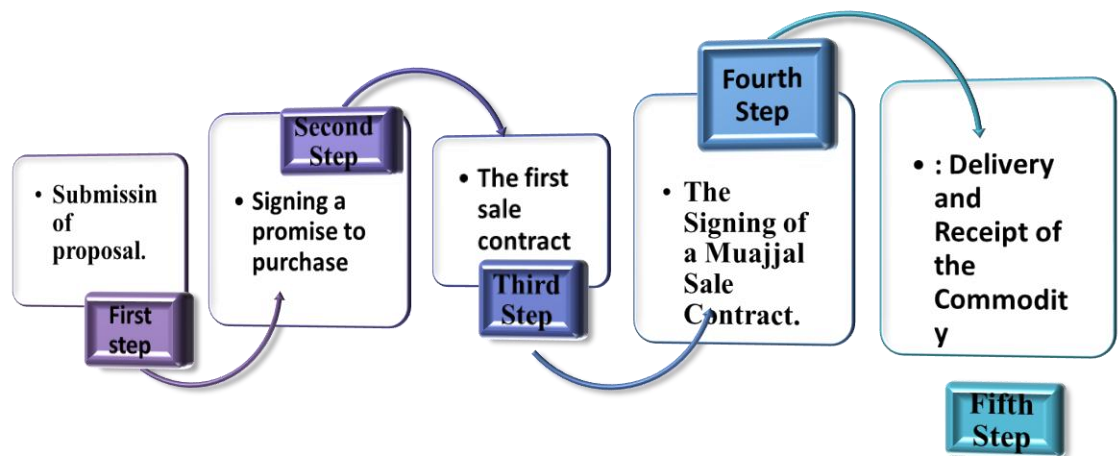
The terms 'Bai' and 'Muajjal' are derived from the Arabic words 'Bai' and 'Ajal'. The word 'Bai' means purchase and sale and the word 'Ajal' means a fixed time or fixed period. "Bai-Muajjal" is a sale for which payment is made at a future fixed date or within a fixed period. In short, it is a sale on Credit.

Definition:

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.

Steps of Bai- Muajjal Practiced by SIBL:



First Step: The Client sends a proposal with the specifications of the commodity to be acquired from the bank. The proposal also indicates details regarding the date, time and place of delivery as well as price and form of payment information. The bank responds by sending a counter proposal either accepting the buyer's price or stipulating a different price.

Second Step: The client promises to buy the commodity from the bank on a Bai-Muajjal basis for the stipulated price. The bank accepts the order and establishes the terms and conditions of the transaction.

Third Step: The bank informs the client of its approval of purchasing the commodity. The bank may pay for the goods immediately or accordance with the agreement. The seller expresses its approval to the sale and sends the invoice(s).

Fourth Step: The two parties (the bank and the client) sign the Bai-Muajjal sale contract according to the agreement to purchase.

Fifth Step: The bank authorizes the client or his nominee to receive the commodity. The seller sends the commodity to the place of delivery agreed upon. The client undertakes the receipt of the commodity in its capacity as legal representative and notifies the bank of the execution of the proxy.

Characteristics of Bai-Muajjal:

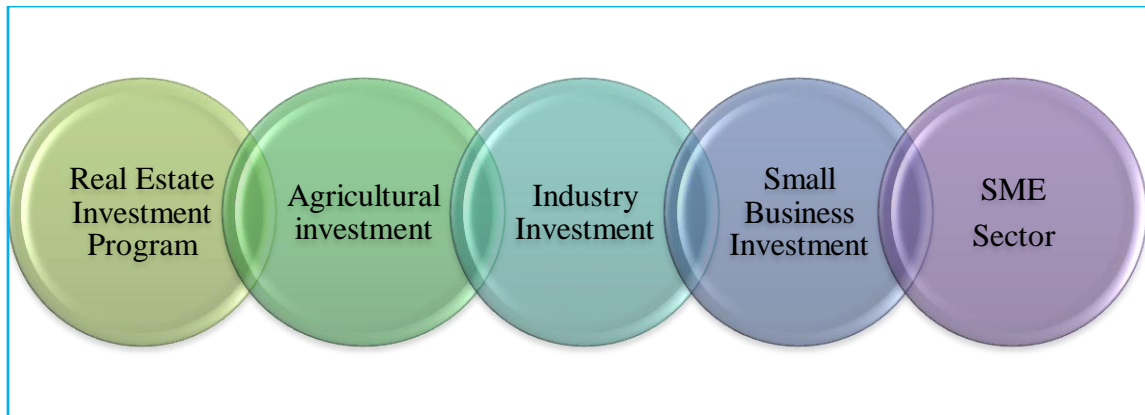
There are some important features of Bai-Muajjal as given below:

- 1) It is permissible and in most cases the client will approach the bank with an offer to purchase a specific good through a Bai-Muajjal agreement.
- 2) It is permissible to make the promise binding upon the client to purchase the goods from the bank. In other words, the client is required to satisfy the promise or to indemnify the bank for damages caused by breaking the promise without excuse.
- 3) It is permissible to take cash or collateral security to guarantee the implementation of the promise or to indemnify the bank for damages caused by non-payment.
- 4) It is also permissible to document the debt resulting from Bai-Muajjal by a Guarantor or a mortgage or both, like any other debt. Mortgage/ Guarantee/ Cash security may be obtained prior to the signing of the agreement or at the time of signing the agreement.
- 5) Stock and availability of goods is a basic condition for signing a Bai-Muajjal Agreement. Therefore, the Bank must purchase the goods in accordance with the

specifications of the client prior to signing the Bai-Muajjal Agreement with the client.

- 6) All goods purchased on behalf of a Bai-Muajjal agreement are the responsibility of the bank until they are delivered to the client.
- 7) The bank must deliver the goods to the client at the time and place specified in the contract.
- 8) The Bank may sell the goods at a higher price than the purchase price to earn profit.
- 9) The price is fixed at the time of the agreement and cannot be altered.
- 10) The bank is not required to disclose the profit made on the transaction.

Investment Sectors under Bai-Muajjal



C. Bai –Salam:

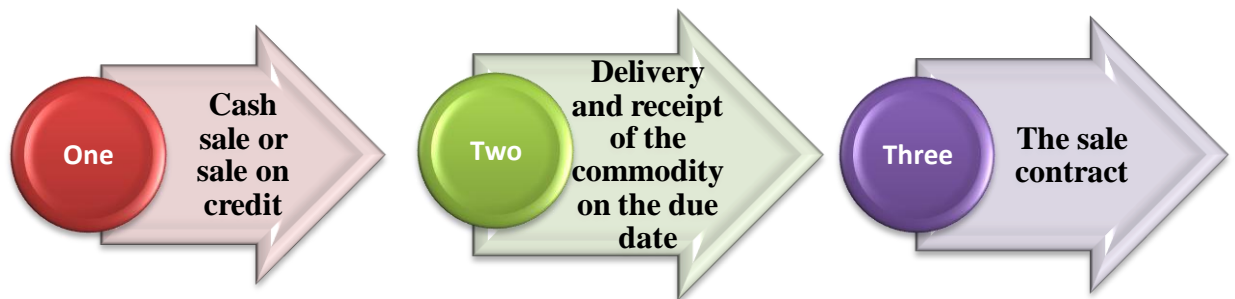
Meaning:

The terms “Bai” and “Salam” have been derived from the Arabic words. The words ‘Bai’ means ‘sale and purchase’ and the word ‘Salam’ means ‘Advance’. Bai-Salam means advance sale and purchase.

Definition:

This is export finance. Bai-Salam is a term used to define a sale in which the buyer makes advance payment, but the delivery is delayed until sometime in the future. Usually the seller is an individual or business and the buyer is the bank.

Steps of the Bai-Salam sale:



Step one: The Bank pays the price in the contract meeting so that the seller makes use of it and covers his financial needs. The seller abides the delivery of the commodity on the specific due date.

Step two: - There are several options for delivery available to the bank.

- The bank may receive the commodity and resell it to another party for cash or credit
- The bank may authorize the seller to find another buyer for the commodity
- The bank may direct the seller to deliver the commodity directly to a third party with whom the bank has entered into another agreement.

Step three: The bank agrees to sell the commodity for cash or a deferred price, which is higher than the Salam purchase price. The buyer agrees to purchase and to pay the price according to the agreement.

Characteristics of Bai- Salam:

- Bai-Salam is a mode of investment allowed by Islamic Shariah in which commodities/ products can be sold without having the said commodities/ products either in existence or physical/ constructive possession of the seller.

2. It is export finance.
3. Here the seller is an individual or business and the buyer is the banker.
4. Here the buyer makes advance payment.
5. Here sometimes the delivery is delayed.

D. Bai –Istisna:

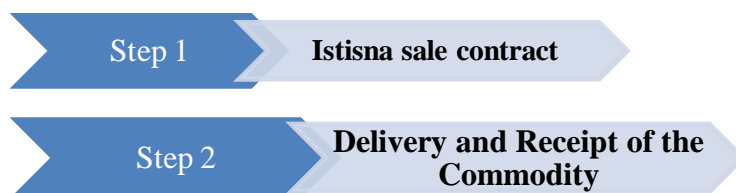
Definition:

The Istisna sale is a contract in which the price is paid in advance at the time of the contract and the object of sale is manufactured and delivered later. The majority of the jurists consider Istisna as one of the divisions of Bai-Salam. Therefore, it should be treated under the definition of Bai-Salam. But the Hanafi School Fiqh declares Istisna as an independent and separate contract. The jurists of the Hanafi School have given various definitions to Istisna, some of which are:

"It is a contract with a manufacturer to make something" and "It is a contract on a commodity on liability with the stipulation of work." The purchaser is called 'Mustasnia' contractor and the Seller is called 'sania' maker or manufacturer and the thing is called 'masnooa' manufactured, built, made.

Under this contract the first party agrees to construct/ manufacture a particular product and deliver it to second party against a predetermined price. The price may not be required to pay in advance. It may be paid in installments, or can even be deferred until the desired product is delivered.

Steps of Istisna sale and parallel Istisna:



Step 1:The Buyer expresses his desire to buy a commodity and brings a request to purchase the commodity to the bank. The method of payment, whether cash or deferred is

set forth in the agreement. The bank agrees to deliver the commodity to the buyer at some agreed upon time in the future.

The Parallel Istisna Contract:

In order that the bank is able to deliver said commodity in the Istisna agreement, the bank enters into a parallel agreement with a third party to either manufacture or otherwise deliver said commodity. Obviously, the bank stipulates a price that is lower than that agreed to in the original agreement and requires delivery on or before the date stipulated in the original contract. The Seller, in the parallel agreement, agrees to manufacture the specific commodity and to deliver it on the due date agreed upon.

Step 2: The seller in the parallel Istisna agreement delivers the commodity to the bank on the agreed upon date. The bank, in turn, delivers the product to the buyer of the original Istisna contract, in accordance with the original agreement. In this way, all parties fulfill their obligations to the contract.

Characteristics of Bai- Istisna:

1. Istisna contract is a sale contract. It is a contract of promise to deliver the finished goods.
2. The subject matter of the contract is the commodity ordered by the buyer to be manufactured and not the work or services of artisan or manufacturer.
3. The subject matter of the contract is deemed to be non-existent in the market at the time of contracting and the purpose of the contract is to manufacture a product and bring it into existence.
4. The product to be manufactured should be duly described in the contract in a clear manner.
5. The realm of this contract of goods that are subject to manufacturing. It does not include any natural goods like fruits, sugar, milk etc.
6. The contract of Istisna once signed/ made, becomes irrevocable. If the manufactured product does not agree with the description in the contract, the buyer has the option to accept or reject it.

7. The delivery time is not fixed under this contract; otherwise this arrangement would come under the purview of Salam contract.
8. In Istisna, the material is arranged by the workman himself.
9. No advance payment of money is required.

Share Mechanism

Share mechanisms are two types:

- a. Mudarabah
- b. Musharaka

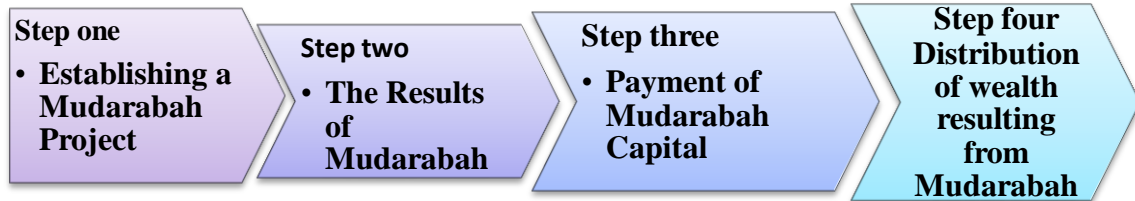
A.Mudaraba:

Mudaraba is one of the most well known investments permissible under Islamic Shariah and widely used by all countries where Islamic systems of banking are functioning. The term Mudaraba refers to a contract between two parties in which one party supplies capital to the other party for the purpose of engaging in a business activity with the understanding that any profits will be shared in a mutually agreed upon. Losses, on the other hand, are the sole responsibility of the provider of the capital. Mudaraba is also known as a Qirad and Muqaradah.

Mudaraba is a contract of those who have capital with those who have expertise where the first party provides capital and the other party provides the expertise with the purpose of earning “halal” (lawful) profit which will be shared in a mutually agreed upon proportion. This type of business venture serves the interest of the capital owner and the Mudaraba (agent).

The capital owner may not have the ability or the experience to run a profitable business. On the other hand, the agent (the Mudaraba) may not have adequate capital to invest in a business or project. Therefore, by entering into a contract of Mudarabah each party compliments one another, allowing a business venture to be financed.

Steps of Mudarabah:



Step one:The bank provides the capital as a capital owner. The Mudharib provides the effort and expertise for the investment of capital in exchange for a share in profit that is agreed upon by both parties.

Step two: The two parties calculate the earnings and divide the profits at the end of Mudarabah. This can be done periodically in accordance with the terms of the agreement, subject to the legal rules that apply.

Step three:In the event a loss occurs, the capital owner (the bank) is responsible for the entire loss. In the event of profits, they are divided between the two parties in accordance with the agreement between them, subject to the capital being recovered first.

Step four: In the event a loss occurs, the capital owner (the bank) is responsible for the entire loss. In the event of profits, they are divided between the two parties in accordance with the agreement between them, subject to the capital being recovered first.

Characteristics of Mudarabah:

1. It is widely used by all countries where Islamic systems of banking are functioning.
2. Its main feature is that here the first party provides capital and the other party provides the expertise with the purpose of earning “halal” (lawful) profit which will be shared in a mutually agreed upon proportion.

B.Musharaka

Meaning:

The word Musharaka is derived from the Arabic word 'Sharikah' means partnership.

Islamic Jurists point out that the legality and permissibility of Musharaka is based on the injunctions of the Holy Quran, Sunnah and Ijma of the scholars.

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.

Musharaka may take two forms:

1. Permanent Musharaka
2. Diminishing Musharaka

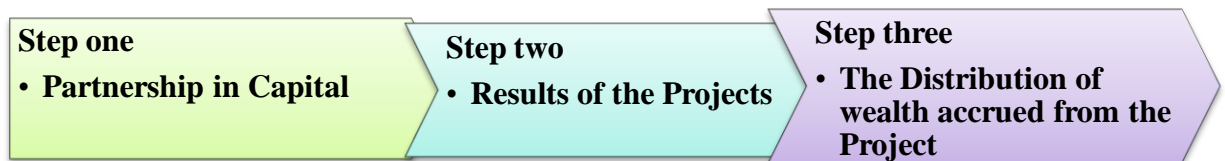
Definition of Permanent Musharaka:The contributions of the partners under this mode may be equal or unequal percentages of capital for the purpose of establishing a new income generating project or to participate in an existing one. In this arrangement, each participant owns a permanent share in the capital structure and receives his share of the profits accordingly. This type of a partnership is intended to continue until the company is dissolved. However, one can exit the partnership by selling his share of the capital to another investor. Permanent Musharaka is used by Islamic Banks in many income generating projects. They can provide financing to their customers, in exchange for ownership and profit sharing in the proportion agreed upon by both parties. In addition, the bank may leave the responsibility of management to the customer-partner and retain the right of supervision and follow up.

Definition of Diminishing Musharaka:

Diminishing Musharaka is a special form of Musharaka, which ultimately culminates in the ownership of the asset or the project by the client. It operates in the following manner.

The bank Participates as a financial partner, in full or in part, in a project with a given income forecast. An agreement is signed by the partner and the bank, which stipulates each party's share of the profits. However, the agreement also provides payment of a portion of the net income of the project as repayment of the principal financed by the bank. The partner is entitled to keep the rest. In this way, the bank's share of the equity is progressively reduced and the partner eventually becomes the full owner.

Steps of Mudarabah:



Step one:The bank tenders part of the capital required in its capacity as a partner and authorizes the customer/ partner to manage the project. The partner tenders part of the capital required for the project and is entrusted with what he holds from the bank funds.

Step two: The intent of the project is growth, however, the project may be profitable or it may lose money.

Step three: In the event a loss is incurred, each partner bears part of the loss proportionate to his share in capital. In the event the venture is profitable, earnings are divided between the two parties (the bank and the partner) in accordance with the agreement.

Features of SME products - at a glance:

Sl. no	Product Name	Features	Small Enterprise	Medium Enterprise	Tenor
			Investment Amount	Investment Amount	
PPG-1	Baim- SME (Revolving)	Continuous Investment to meet up working capital requirement. (Revolving basis)	Maximum Tk 50.00 lac.	Maximum Tk 5.00 crore.	1 year
PPG-2	HPSM- SME (Com.)	Term Investment to purchase fixed asset. (Equal Monthly Installment-EMI basis)	Maximum Tk 50.00 lac.	Maximum Tk 5.00 crore.	2-5 years
PPG-3	HPSM- SME (Transport)	Term Investment to purchase transport for business purpose. (Equal Monthly Installment-EMI basis)	Maximum Tk 50.00 lac.	Maximum Tk 5.00 crore.	2-5 years
PPG-4	Baim- ME (Micro-Enterprise)	Term Investment to purchase raw materials/goods. (Equal Monthly Installment-EMI basis)	Maximum Tk 5.00 lac.	-----	Maximum 3 years
PPG-5	Bai- Muajjal Com Installment (SME)	Term Investment to meet up working capital requirement. (Equal Monthly Installment-EMI basis)	Maximum Tk 50.00 lac.	Maximum Tk 5.00 crore.	

PPG-6	Murabaha-SME	Continuous Investment to meet up working capital requirement. (Revolving basis)	Maximum Tk 50.00 lac	Maximum Tk 5.00 crore.	1 year
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Financial highlights of SIBL, Chawkbazar branch

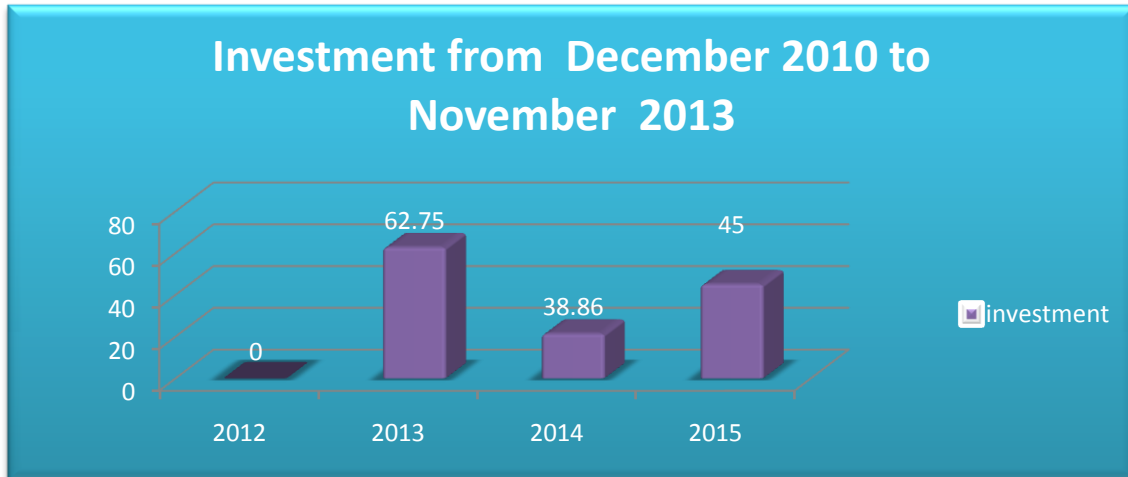
Investment

Social Islami Bank Limited.Chawkbazar branch started its journey at 15th December, 20112.Since than it is continuing its activities. Its year wise investment position (from 212to September 2015is shown below

Investment from December 2010 to November 2013	
Year	Amount (Taka in million)
2012	0
2013	62.57
2014	38.86
2015	45

Figure 5 Bar diagram of investment of SIBL, Chawkbazar branch for the period December 2012 to November 2015.

Taka in million



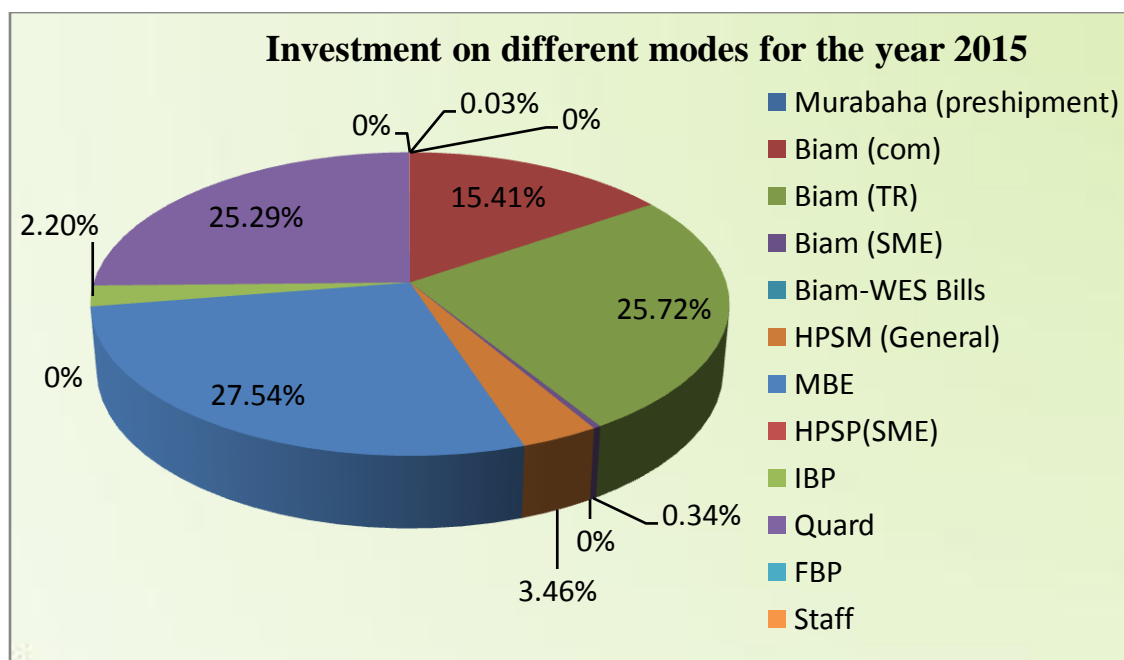
In the above diagram, it shows that the investment incomes of this branch are fluctuating. In 2010 it started its activities, so its investment was zero. In 2011 its investment increased in a tremendous way. But in 2015 its position was getting down. In 2017 (from January to November) its investment is 45 million. In this year the amount of investment crossed the amount of previous year. To excel in this competitive world, this branch should increase its investment.

Investment on different modes for 3 years is shown through three charts:

Investment on different modes for 2011		
Modes	Amount (taka in millions)	percentage
Murabaha (preshipment)	0.00	0%
Biam (com)	9.65	15.41%
Biam (TR)	16.11	25.72%
Biam (SME)	0.21	0.34%
Biam-WES Bills	0.00	0%
HPSM (General)	2.17	3.464%
MBE	17.25	27.542%
HPSM (SME)	0.00	0%
IBP	1.38	2.203%

Quard	15.84	25.29%
FBP	0.00	0%
Staff	0.02	0.03%
Total	62.63	100%

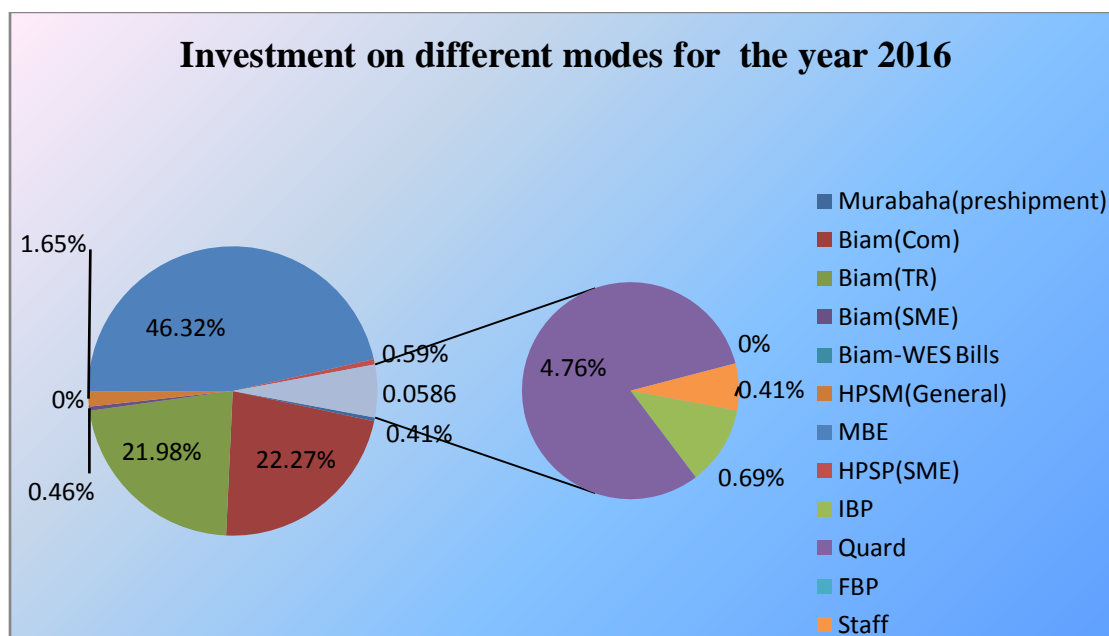
Figure 6 Bar diagram of the percentage of investment on different modes of SIBL, Dewanhat branch for the year 2015.



This diagram shows the investment of this branch on different modes for the year 2015. The percentage of investment on Biam (com), Biam (TR), MBE, Quard modes are 15.41%, 25.72%, 27.542% and 25.29% respectively which are comparatively much better than Biam-SME (0.34%),HPSM -general (3.464%),IBP (2.203%),Staff (0.03%).But in Murabaha (preshipment),Biam-WES Bills,HPSM (SME),FBP modes the percentage are zero.

Investment on different modes for 2016		
Modes	Amount (taka in millions)	percentage
Murabaha (preshipment)	0.16	0.41%
Biam (com)	8.83	22.72%
Biam(TR)	8.54	21.98%
Biam (SME)	0.18	0.46%
Biam-WES Bills	0.00	0%
HPSM (General)	0.64	1.65%
MBE	18	46.32%
HPSM (SME)	0.23	0.59%
IBP	0.27	0.69%
Quard	1.85	4.76%
FBP	0.00	0%
Staff	0.16	0.41%
Total	38.86	100%

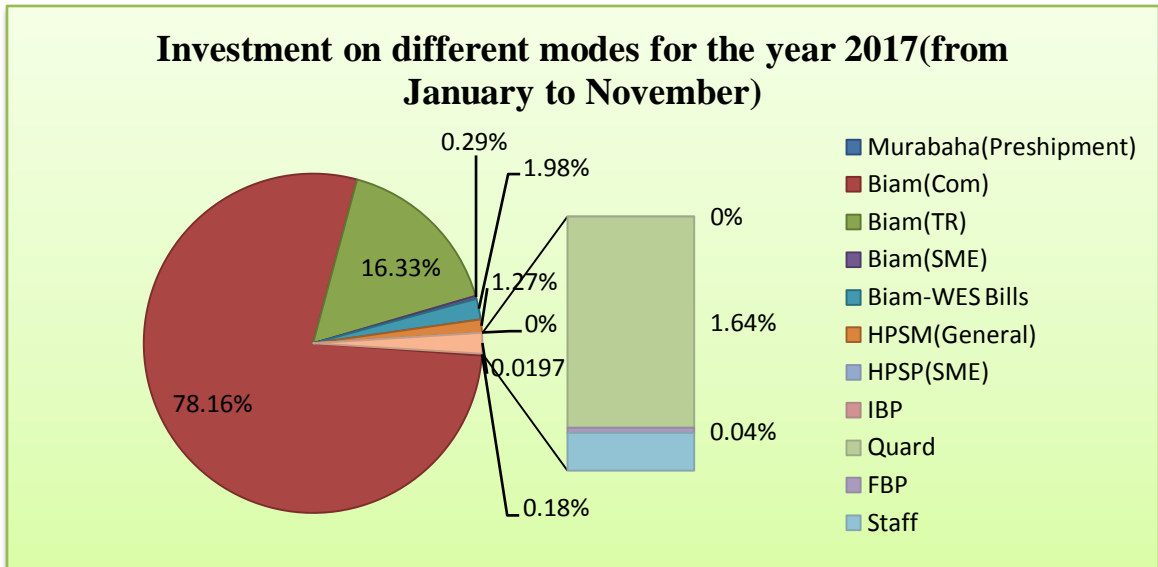
Figure 7 Bar diagram of the percentage of investment on different modes of SIBL, Chawkbazar branch for the year2016.



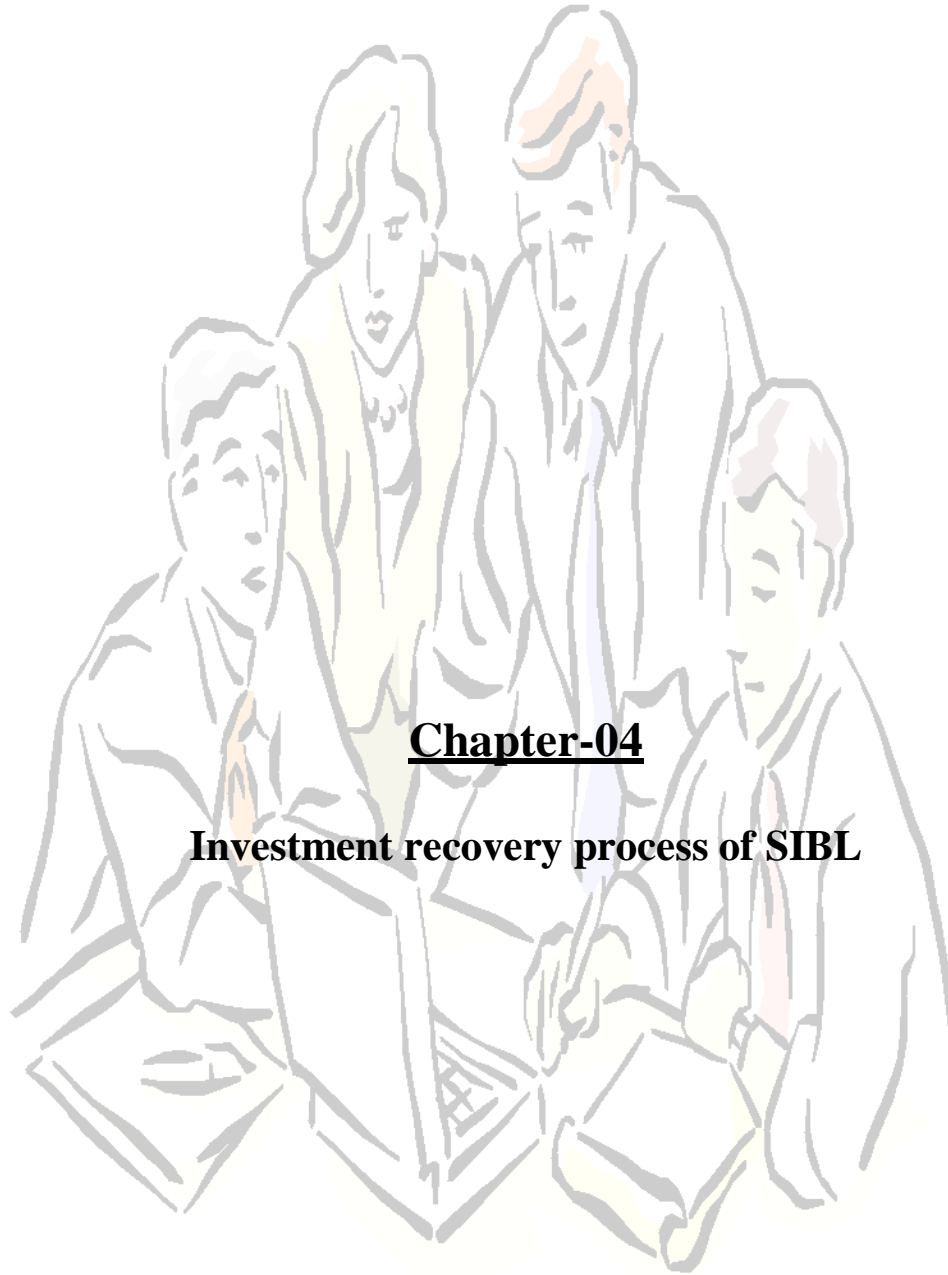
This diagram shows the investment of this branch on different modes for the year 2016. The percentage of investment on Biam (com), Biam (TR), MBE, modes are 22.72%, 21.98%, 46.32% and respectively which are comparatively much better than Quard (4.76%), HPSM -general (1.65%), IBP (0.69%), HPSM -SME(0.59%), Biam-SME (0,46%), Staff (0.41%) and Murabahapreshipment (0.41%) .But in Biam-WES Bills, FBP modes the percentage are zero

Investment on different modes for 2017 (from January to November)		
Modes	Amount (taka in millions)	Percentage
Murabaha (preshipment)	0.08	0.18%
Biam (com)	35.17	78.16%
Biam(TR)	7.35	16.33%
Biam (SME)	0.13	0.29%
Biam-WES Bills	0.89	1.98%
HPSM (General)	0.57	1.27%
HPSM (SME)	0	0%
IBP	0	0%
Quard	0.74	1.64%
FBP	0.02	0.04%
Staff	0.05	0.11%
Total	45	100%

Figure 7 Bar diagram of the percentage of investment on different modes of SIBL, Chawkbazar branch for the year 2012.



This diagram shows the investment on different modes for the year 2017 (from January to November). The percentage of investment on Biam (com), Biam (TR) are 78.16% and 16.33% respectively which are comparatively much better than Biam-WES Bills (1.98%),Quard (1.64%), HPSM -general (1.27%), Biam-SME (0.29%), Murabaha -preshipment (0.18%)Staff (0.11%) and FBP (0.04%).But in HPSM- SME and IBP modes the percentage of investment are zero.



Chapter-04

Investment recovery process of SIBL

4. Investment Recovery Process

Recovery process can be described under two major categories:

4.1 Recovery Process for regular investment:

- 01. Monitoring business transaction (onsite & offsite supervision) regularly**
- 02. Observing/obtaining production report/sales register periodically.**
- 03. Ensuring proper end use of investment to avoid any sorts of fund diversion**
- 04. Obtaining financial statements , CIB report and credit rating report regularly**
- 05. Lodgment of submitted cheques timely for realizing payment /recovery of investment.**
- 06. Proper assessment of working capital requirement and proper investment structuring to avoid excess/shortfall of sanctionlimit.**

4.2 Recovery process/strategies for Non Performing Investments (NPI)

Non-performing Investment (NPI) in the banking sector of Bangladesh has been a much-talked-about issue since mid-2010. A typical by-product of financial ups and downs, NPI is there in every economy in the world. But if the volume of it goes beyond the tolerable limit (almost 3.50), it can erode the strength of financial institutions (FIs) by cutting the capacity of further lending and keeping busy the boards of directors with Investment-loss provisioning. It lessens the income, undermines the capital base and erodes the confidence of depositors. Thus the NPI leaves manifold effect on performance of the FIs. If money is treated as the life-blood of an economy, banks which pump the money into the economy through Investments can be treated as the heart of the economy, as blood is circulated from the heart in the human body. Banks mobilize funds from the economy in the form of deposit and invest to the entrepreneurs under certain timeframes as is set for recovery of the Investments. If the money invested is not repaid within the expected time and along with the expected return, it leaves its adverse impact on the banks. Whenever banks and FIs see their respective volume of NPIs goes beyond the tolerable limit, they

put their best efforts to bring down the same to the expected level for the sake of saving their own industry as well as the whole economy from any debacle.

A good investment client in a very known and common phenomenon can face a negative growth in the normal course of business. The banks should come forward with strategic planning to rescue the investment clients during the bad days like fall in sales, political unrest, price fluctuation, cross border risks and so forth. For example, if an importer imports bitumen in the season when there is no use of it, bankers cannot avoid the responsibility of allowing him to open the letter of credit (LC) without considering the seasonal adversity. Upon presentation of a claim by the supplier, a bank is obligated under the international rules to pay against the documents creating an Investment in the name of the importer. Here the bank faces a low risk of Investment loss, if regular inspection of the stock is made. The Investment given against the import of bitumen becomes non-performing for two reasons-the seasonal setback and the price fall. From the above example, we can come to the following points which can effectively be considered by the banks in separating the good investment client-turned un-willful Investment defaulters from the others:

- * A good investment client can be an Investment defaulter.
- * A good investment client is willing to run his business even in unstable economy.
- * A goods investment client intends to take more finance for loss recovery through doing business.
- * A good investment client is price-conscious.
- * A good investment client is willing to respond to the banks asking for more security coverage against the Investments given.
- * A good investment client is always conscious about his market reputation.
- * A good investment client is afraid of any litigation.
- * A good investment client complies with the local and international rules and regulations.

To handle willful defaulters, in the real sense, is a bit difficult, particularly in Bangladesh. There are a lot of laws including the Money Loan Court Act-2003, Public Demand Recovery Act-1861, Micro Credit Regulatory Act-2006, Money Laundering Prevention Act-2012, and Negotiable Instrument Act-1881 in Bangladesh. They are enough to force the Investment defaulters to return the public money.

The following propositions are put here in a bid to help curb the default Investment culture, especially that involving the willful defaulters:

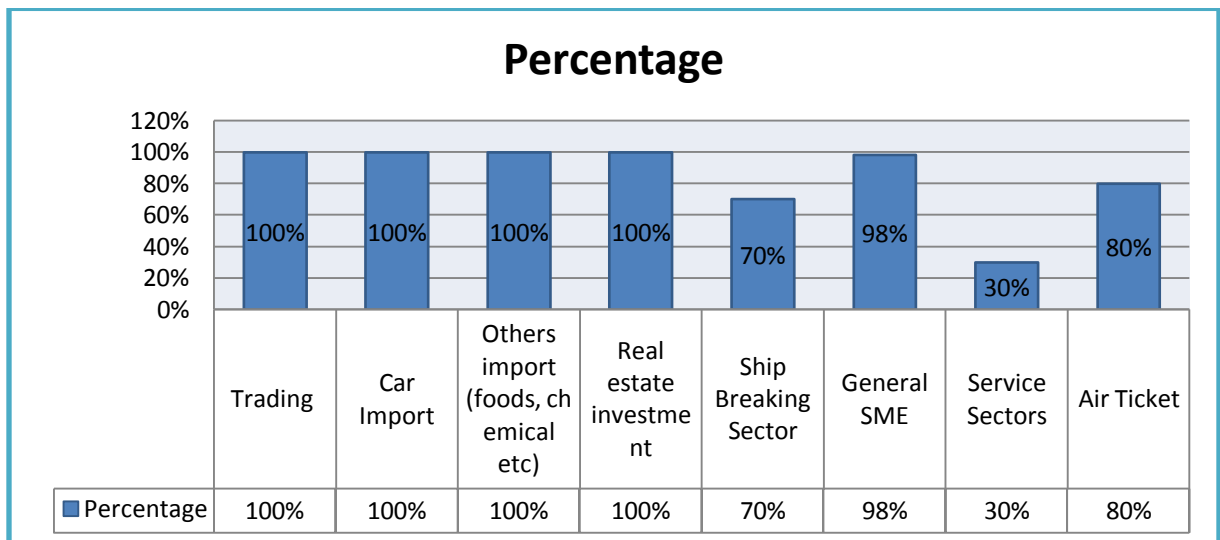
- * No further finance.
- * Counselling.
- * Syndicatedcounselling (if finance is taken from more than one bank)
- * Write-off.
- * Frequent visit to the defaulters' premises for close monitoring of the business activities.
- * Composition of a special recovery wing comprising bank officials and legal advisers.
- * Societal demonstration
- * Community demonstration.
- * Media demonstration to get the people know who the financial miscreants in the society are.
- * Arrangement for taking more collateral where diverted fund has been invested.
- * Off-the-court arbitration.
- * Seeking help from the Anti Corruption Commission for bringing back the siphoned off money from abroad.
- * Appointment of an interim administration in the business of the defaulter.

* Litigation.

If all these efforts are made, a small amount of default Investment may remain in the banking sector as a by-product of financial activities. But it must remain within the tolerable limit. The NPI level can also be minimized, if we take recourse to science in investment client selection at the pre-finance stage. The NPI recovery process is a kind of art of the lending banks. It should be flexible, time-befitting and market-based.

Total collection (sector wise) From January 2016 to November 2016in SIBL, Dewanhat Branch

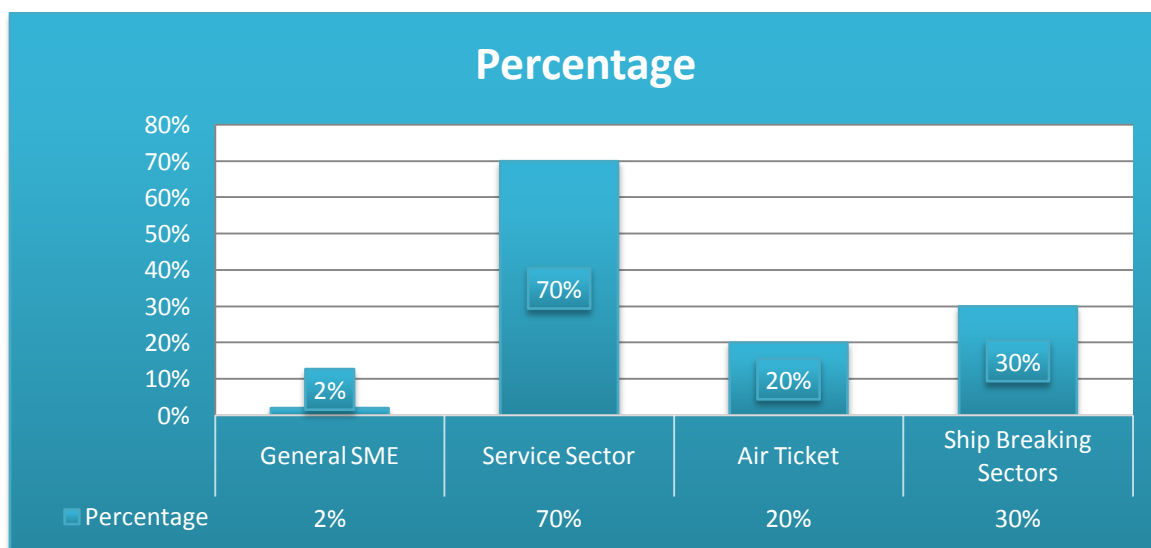
Sectors	Percentage
Trading sector	100%
Car import	100%
Others import (food, chemical etc)	100%
Real estate investment	100%
Ship breaking sector	70%
General SME	98%
Service Sector	30%
Air ticket	80%



From the above diagram we can see that, in trading sector, car import sector, other import sector (such as food, chemical etc) & real estate investment sector the total collection is 100%. In these sectors this branch has recovered lone successfully. In general SME sector this branch has collected 98% which is very appreciable. In ship breaking sector & air ticket business the total collection are 80% & 70% respectively. But in service sector the total collection is 30%, which is very poor.

**Total Due (sector wise) January 2016 to November 2016 in
SIBL, Dewanhat branch**

Sectors	Percentage
Trading sector	100%
Car import	100%
Others import (food, chemical etc)	100%
Real estate investment	100%
Ship breaking sector	70%
General SME	98%
Service Sector	30%
Air ticket	80%



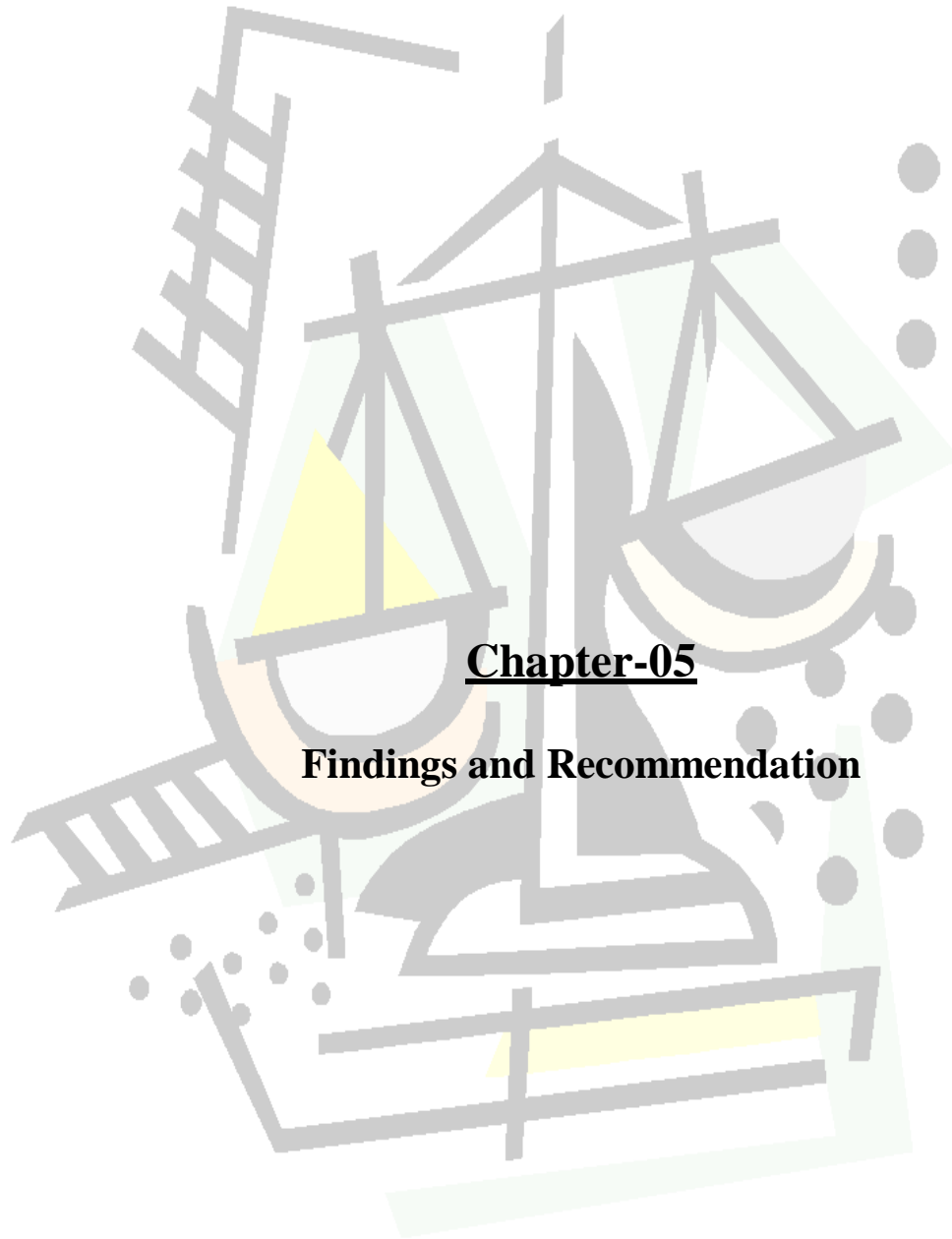
From the above diagram, we can see that in general SME sector total due of this branch is 2%.in ship breaking sector and Air ticket business are 30% and 20% respectively. But in service sectors total due is 70%.the branch should take necessary steps to collect their due amounts.

Present situation of the bank’s investment (Dewanhat branch):

Status	Percentage		
	2014	2015	2016 (January to November)
Unclassified Investment	100%	100%	98%
Special Mention Account	0%	0%	0.01612%
Sub-Standard investment	0%	0%	0%
Doubtful investment	0%	0%	0.0323 %
Bad & Loss investment	0%	0%	0%

Although it is a new branch, its performance is good. As this branch has started its journey on 15th November, 2013 it could not invest that year.

In 2014 and 2015 its Bad & Loss investment, Special Mention Account, Sub-Standard investment and Doubtful investment all were 0% & its unclassified investment was 100% which was very appreciable. But in 2016 (from January to November) its Special Mention Account 0.01612%, Sub-standard Account was 0% & its Doubtful investment was 0.0323% & its unclassified investment was 98% which are slightly less than the last two years, except Sub -Standard investment.



Chapter-05

Findings and Recommendation

5.1 Summary of findings:

During Internship program in Social Islami Bank Limited, from the findings I have analyzed some of the reason that could have been an influence:-

- ❖ Investment Sectors under different modes are very helpful for the clients because it follows the Shariah rules & regulations while investing.
- ❖ There are some misconceptions among the clients that Islami banks take interest indirectly on investment.
- ❖ Because of political unrest SIBL cannot be able to increase its investment
- ❖ Because of Hallmark disaster the overall banking industry growth suffers a negative impact.
- ❖ As it is a new branch it's investment volume is not so high.
- ❖ There is a lack of proper advertisement for different investment scheme of the bank.
- ❖ We know that the most important modes of investment are Mudaraba & Musharaka, but the bank have no such strong application of that modes. But their application on Bai-Muajjal investment mode & Hire purchase under Shirkatul Melk is much better.
- ❖ The investment of 2012 of this branch decreased compared to the investment of 2011. But the investment income of 2013 (From January to November) has crossed the investment income of 2012.
- ❖ The investment on different modes of this branch is fluctuating. But in some modes its investment is zero. Such as- In 2013 (from January to November) its investment on HPSM-SME and IBP modes its investment is zero.
- ❖ The contribution of this bank in industrial working capital is very impressive. But in micro credit investment, the contribution is not so significant.
- ❖ In 2013, the total collection of this branch in trading sector, car import sector, other import sector (such as food, chemical etc) & real estate investment sector the total collection is 100%. In these sectors this branch has recovered lone successfully. But in ship breaking sector, Air ticket business and service sectors total due are 30% and 20% and 70% respectively.



- ❖ Although the percentage of unclassified investment of this branch is very impressive but the percentage of the banks overall unclassified investment is very poor.
- ❖ The Bad & Loss investment of this branch is zero.
- ❖ In the banking sector, investment recovery process is systematic.

5.2 Recommendation

From the findings I have provided here some recommendation. These are:

7. SIBL will have to take effective steps to remove the MISCONCEPTIONS of mass people that they hold about Islamic banking system.
8. SIBL should contribute more in micro credit investment sector.
9. SIBL should take necessary steps to collect the due amounts from ship breaking sector, air ticket business and service sectors.
10. SIBL should take necessary steps to reduce the percentage of classified investment.
11. SIBL should invest more in HPSM-SME and IBP modes.
12. The most important modes of investment are Mudaraba & Musharaka, but the bank has no such strong application of that modes. SIBL should increase the application of share mechanism.
13. To attract more investment clients SIBL should finance the needy entrepreneur who has no money at all and they are newcomers in the business.
14. SIBL should utilize “Internship program” as one kind of promotion policy to encourage its present & potential investment clients. Because, young generation is the vital part of our economy. To do so this bank should provides facilities to the interneers through proper placement and practical operations as well as job certainty to those who bring introduce themselves the best performers in doing their particulars.
15. Arrangement of monthly /quarterly training courses/workshops for the clients selected by the branches in order to promote investment clients of the desired level.
16. SIBL should advertise more of its investment products & they should take some promotional activities to raise customer awareness.
17. SIBL should launch more investment products for its clients to compete with other Islami banks.
18. SIBL should initiate different investment modes according to changing/diverse needs of clients by conducting huge Research and study.

5.3 Concluding remarks:

The prohibition of “Riba” (fixed interest) makes Islamic banking different from Traditional banking. Of course, the investments of an Islamic Bank must be channeled to the Islamic Shariah approved sectors. This diversification will ensure mutual benefit both for the bank and the investment client. The bank extends investment under the principles “Murabaha”, “Bai-Muajjal”, “Hire Purchase Shirkatul Melk”. The phenomenal Growth of Social Islamic Bank has attracted the attention of bankers, business community and Bank customers. SIBL is one of the reputed banks of our country. As the competition in the commercial banking sector is increasing rapidly, so for the existence or to improve the present position the bank should provide better and quality service to the customers. SIBL, since its inception, has been working for the upliftment and emancipation of the underprivileged, downtrodden and neglected sections of the population and has invested in various sectors for their well being. The objective of this investment in various sectors is to raise the standard of living of low income group, development of human resources and creation of avenue for self employment and the investment on different sectors of this bank have gained popularity and received wide response of the general masses and is also being appreciated by the intellectual classes of the society.

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