Report On

Export Financing in Islamic Banking: A Study of Islami Bank Bangladesh Limited (ERB)

By

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19204003

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

Bachelor of Business Administration

BRAC Business School

BRAC University

July, 2024

Declaration

It is hereby declared that

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

Student's Full Name & Signature:

____

Student Full Name
Student ID

Supervisor's Full Name & Signature:

____

Supervisor Full Name
Designation, Department
Institution

Letter of Transmittal

27th May 2024

Dr.Mizanur Rahman

Assistant Professor

BRAC University

Kha 224, Bir Uttam Rafiqul Islam Ave, Dhaka 1212

Subject: Export Financing in Islamic Banking: A Study of Islami Bank Bangladesh Limited

Dear Sir,

I am pleased to present the internship report titled "Export Financing in Islamic Banking: A Study of Islami Bank Bangladesh Limited" to the Elephant Road Branch of Islami Bank Bangladesh PLC.

I would like to sincerely thank you for your helpful assistance and support during the process of creating this report. I kindly need your assistance in reviewing my work and providing an evaluation, considering the inherent constraints of the study.

Sincerely yours,

____

Lovely Akter Munni

19204003

BRAC Business School

BRAC University

Date: July 1st , 2024

Non-Disclosure Agreement

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

This agreement is made and entered into by and between Islami Bank Bangladesh and the undersigned student at Brac University…………………………………….

Acknowledgment

I would like to sincerely express my gratitude to the Almighty Allah for His abundant blessings and guidance, which have enabled me to complete my report.

I would like to express my heartfelt gratitude to all those who graciously contributed their expertise and support to the development of this study. I would like to express my deep gratitude to the Department of Business Administration and all the committed instructors and mentors who guided me throughout my four-year pursuit of a Bachelor's degree in Business Administration.

I would like to express my gratitude for the numerous benefits and benevolence that Allah has showered upon me. In addition, I have a strong sense of duty to my parents because of their support and the opportunities I got because of them throughout the years.

I would like to thank Dr. MD.Mizanur Rahman, an assistant professor at BRAC Business School, BRAC University for overseeing my internship. Without his guidance and mentorship, I could not do it. Furthermore, I also would like to thank my co-supervisor Nusrat Hafiz, BRAC Business School's faculty member, for her support and for addressing my queries.

Finally, I sent my warmest regards to my dear family, friends, and colleagues, who helped me throughout my internship and never stopped believing and encouraging me.

Executive Summary

This research is based on the challenges and prospective of Islamic export finance at IBBPLC. Sharia-compliant solutions uphold ethical values but have some limitations as compared to traditional techniques. The paper highlights the intricacies of Sharia compliance, product offers, risk management, and documentation. It recommends that IBBL should create new Sharia-compliant instruments, standardise procedures, and make use of digitization. IBBL's reach and service may be further enhanced by forming strategic alliances, implementing focused marketing strategies, and providing devoted assistance. These efforts will ultimately contribute to the economic progress of Bangladesh.

Table of Contents

List of Acronyms

IBBPLC	Islami Bank Bangladesh
KYC	Know Your Customer
GB	General Banking
CSR	corporate social responsibility
MIS	Management Information System
ACR	Annual Confidential Report

Chapter One:
Internship Overview at IBBPLC

1.1 Student Information

Student Name: Lovely Akter Munni
Student ID: 19204003
Program: Bachelor of Business Administration (BBA)
Department /School: Brac Business School
Major/ Specialization: Human Resource Management
Minor: Computer Information Management

1.2 Internship Information

1.2.1 Company Information:

Period: 12 weeks (January 14, 2024 to April 07, 2024)
Company name: Islami Bank Bangladesh PLC
Department: General Banking, Investment, Foreign Exchange
Address: Chowrangi Bhaban, 124/A, New Elephant Rd, Dhaka 1205

1.2.2 On-site Internship Supervisor Information:

Name: Md. Jashim Uddin Bhuiyan
Position: Vice President
Email: bamlco.elephantroad215@islamibankbd.com

1.2.3 Job Scope

I work in many divisions at the bank's Elephant Road branch. Despite my specialisation in human resources and my minor in CIM, I work in every area of the bank.

Specific Responsibilities

I began the internship by participating in an arduous ten-day program the International Business Training and Research Academy (IBTRA) provided. This extensive program equipped me with a solid foundation in the fundamental principles of Islamic banking and the specific operations of Islami Bank. To strengthen these abilities, all interns participated in a concluding assessment.

Branch Immersion: Upon transitioning to the branch, I actively participated by fulfilling obligations assigned by supervisors and higher management while adhering to established office protocols. During my internship, I had rotations in many departments, which allowed me to get distinctive practical experiences.

Registration and Customer Support:

As the primary account inquiries channel, I thrived in this dynamic environment. I became skilled at elucidating the requirements for opening an account, covering passport photos, National ID cards, introducer signatures, and nominee information. This duty also involved assisting clients in modifying their account information to ensure adherence to the criteria set by Bangladesh Bank. With a focus on KYC principles, I became interested in helping customers complete and guide them through the KYC documentation process.

This section offers a comprehensive introduction to cell-fine mobile banking. I have thoroughly understood the fundamental differences between debit and credit cards. I actively assisted clients in creating Cellfine accounts, therefore enhancing my skills. I enhanced the client experience by ensuring the smooth execution of the onboarding process and delineating the software's functionalities.

While in the Foreign Remittance department, I spoke with young individuals who expressed their desire to pursue education abroad. I provided valuable assistance by reviewing their papers and offering guidance on completing the necessary documentation. This event broadened my comprehension of financial goods, including letters of credit. By examining relevant case files, I acquired further knowledge of the requirements for bonded warehouses, drawbacks associated with duties, and the role of substitute cash assistants.

My time spent there was informative regarding investments. Through this method, I acquired knowledge about the complexities of Islamic investment. The section provided users with valuable information on different investment methods and the factors influencing their decision to select IBB for their financial requirements. I also learned about the bank's rigorous criteria for selecting clients and the significant documentation required to complete investment transactions.

Internship Outcome

1.3.1 My contribution :

During my internship, I had many tasks that allowed me to contribute significantly to the branch's operations. In Investment-related subjects, I actively discussed with my supervisor and analyzed the files. Also get to know profit sharing computation, investment methods, customer screening tactics, and essential documentation related to investment.

To make consumers' banking experience better I show dedication by, improving customer service by responding to requests for ATM cards and checkbooks quickly. I played a vital role in helping customers open accounts. Also improved a lot of computer-related duties for branch operation to run well. Also, we were assigned to bring a depositor, so I talked to my family, friends, and relatives about how good Ibbplc is and brought a deposit. I work with every department and as a result, I helped my mentors.

1.3.2 Benefits to the Student

This internship program helped me to utilize my existing skill set. It was a transformative experience. I cracked every task I was assigned to, no matter the difficulty of it.

An important part of my internship included collaborating with clients, which improved my communication skills. Everyday interactions improved my capacity to learn. It helped me to carefully listen to clients' demands and come up with sufficient solutions. Moreover, my experience in a constantly changing environment has imparted invaluable knowledge about efficient support, time allocation, and collaboration. I witnessed how my fellow team members effectively navigated challenges.

The internship offered everyone a detailed understanding of the bank's work by utilizing structured rotations across different departments. This way I could also have experience working in different domains. This experience enhanced our comprehension of Islamic banking protocols and allowed us to practice and refine skills associated with various career paths in the financial services sector. During the internship days, I had the opportunity to improve my professional network by connecting with so many people at Islami Bank.

1.3.3 Difficulties during the Internship Period

One thing I don't like about IBBL is that the job can get crazy busy, especially when you have to fill out a lot of forms sometimes it increases up to 50 a day! You have to rush so you gotta be super organized and prioritize tasks to manage. Also make sure to make no mistakes, accuracy and correctness are required.

Sometimes I run into impolite customers. Even though it is not my fault, I gotta stay calm and maintain professionalism. I learn patience, understanding and great communication to calm things down.

1.3.4 Recommendations

Based on my experience at IBB, I have realized that there is potential for enhancement in the program's overall quality and the intern experience it provides. Here are some recommendations:

1. Structured Training Programmes: Implementing a well-organized training program which focuses on very specific goals and skills relevant to the banking industry, such as technical expertise and customer service abilities. As a consequence, future professions will be more stable and more skillful.

2. Allocated Intern Workspace: If interns lack a dedicated workspace, they will experience challenges maintaining focus and collaboration. This will affect their performance. Providing interns with a specific workstation will definitely improve their sense of belonging and accelerate their learning process in a much better way.

3. Adaptable Work Schedule: Balancing internships with academic commitments might come up with a big challenge. They can give interns the opportunity to have flexible working circumstances and work hours as well, such as the ability to change their working hours.

4. Problem-solving and meaningful assignments: Providing interns with tasks that align with their professional goals or skill sets will enhance their learning experience and at the same time will maintain a proper balance. This will enable them to make an impact on the bank's operations.

5. Regular Evaluation and Support: Regular feedback and one-to-one sessions will give better direction to them that is essential to ensure their success in their employment.

6. They do not let us use technology-related tasks if we had access we could have practical experience as well.

7. I felt like some of the employee does not know when my internship will be end and there was no closing cereramony for me. I think it is important for an intern so they can say goodbye properly to the employees.

Chapter Two: Overview of the Organization

2.1 Introduction

Financial institutions are the backbone of a nation's economy, this makes the process of financial activities such as small investments and personal savings very accessible. An inherent challenge arose with the traditional banking system. The primary focus of conventional banking, which involves transactions based on interest, contradicts the Islamic prohibition on usury (riba). Contradiction to religious beliefs led to a need for an economic system that follows Islamic teachings, thus led to the formation of IBBPLC in 1983.
The formation of IBBL was a groundbreaking change. As the inaugural Islamic bank in Southeast Asia, it offered a distinctive choice by conducting all banking and financial activities based on profit-loss sharing principles.

IBBL is a financial marketplace in Bangladesh. The organization helps people from all economic backgrounds that are aligned with many religious beliefs. Its significance is in the characteristics of the bank. They attract a diverse group, including all individuals looking forward to investment or loan opportunities that follow Sharia. The microloan systems are also according to Sharia.

IBBL became successful because it worked together with others and also followed Sharia rules at the same time which seemed to be very difficult before. It was helped a lot by Islamic Development Bank and other big groups. Now, it's one of the top private banks. IBBL has shown how Islamic ideas can work well with modern banking system.

2.2 Overview of the Company

2.2.1 Brief History

Islami Bank Bangladesh PLC was founded in 1983. This is the largest commercial bank in Bangladesh and the first bank in Southeast Asia that follows Shariah principles. This Bank is a publicly traded joint venture. It is also listed on Dhaka and Chittagong's stock exchanges having big foreign investment.

IBBPLC has a very large network. It consiss of 2,693 Agent Banking Outlets, 227 sub-branches, and 394 branches.That makes it Bangladesh's largest private bank network. IBBPL also provides commercial finance following Sharia rules.It provides foreign currency choices as well and maintains Islamic principles at the same time.

It was a groundbreaking step by IBBPLC to include Islamic microfinance,which made it the largest operator in Bangladesh. By 2017, the bank achieved significant success by focusing on Shariah-compliant financial products, capturing 90% of the country's Islamic banking assets and deposits. Furthermore, IBBPLC has grown considerably and now holds the position of the largest commercial lender in Bangladesh. It manages a substantial balance sheet and offers services to a significant customer base of 12 million depositors.

VISION:

- To establish and maintain modern banking technologies, to ensure soundness and development of the financial system based on Islamic principles, and to become a solid and efficient organization with highly motivated professionals working for the benefit of the people, based upon accountability, transparency and integrity to ensure the stability of the financial system.
- To encourage savings in the form of direct investment.
- To encourage investment, particularly in projects more likely to lead to higher employment.

MISSION:

Establish Islamic banking by introducing a welfare-oriented banking system, ensure equity and justice in all economic activities, and achieve balanced growth and equitable development through diversified investment operations, particularly in the country's priority sectors and least developed areas. To encourage socio-economic upliftment and financial services to the loss-income community, particularly in the rural areas.

- **Core Values:**

- Trust in Almighty Allah
- Strict observance of Islamic Shariah
- Highest standard of Honesty, Integrity & Morale
- Welfare Banking
- Equity and Justice
- Environmental Consciousness
- Personalized Service
- Adoption of Changed Technology
- Proper Delegation, Transparency & Accountability

STRATEGIC OBJECTIVES

- To ensure customers' satisfaction.
- To ensure welfare-oriented banking.
- To establish managerial succession and adopt technological changes to ensure the successful development of an Islamic Bank as a stable financial institution.
- To prioritize the client's welfare.
- To emerge as a healthier & stronger bank at the top of the banking sector and continue stable positions in ratings based on the volume of quality assets.
- To ensure diversification by Sector, Size, Economic purpose, and geographical location, investment and expansion need-based Retail and SME/Women entrepreneur financing will be used.
- To invest in the thrust and priority sectors of the economy.
- To strive hard to become an employer of choice and nurture & develop talent in a performance-driven culture.
- We need to pay more importance to human resources and financial capital.
- To ensure a lucrative career path, attractive facilities and an excellent working environment.
- To ensure zero tolerance for negligence in compliance issues, both sharia'h and regulatory issues,
- To train & develop human resources continuously & provide adequate logistics to satisfy customers' needs.
- To serve the cause of the least developed community and area excellently.
- To motivate team members to take ownership of every job.
- To ensure the development of devoted and satisfied human resources.
- To encourage sound and pro-active future generation.
- To achieve global standards.
- To strengthen corporate culture.
- To ensure CSR through all activities.
- To promote using solar energy and green banking culture and ecological balancing

2.3 Management

2.3.1 Leadership Style:

In my view, Islami Bank Bangladesh PLC undoubtedly gains advantages from a democratic leadership approach, where several levels of management and stakeholders collaborate to make decisions. This might explain their extensive network of branches and success in Islamic microfinancing, where flexibility and specialised knowledge are crucial. Implementing a democratic approach fosters a shared vision among employees, leading to enhanced decision-making and heightened worker engagement. This concept pertains to achieving goals by fostering innovation via open and honest discussions and considering a variety of perspectives. The potential benefits in stakeholder relations, staff morale, and growth align well with a complex and dynamic organisation such as IBBL, which aims to remain innovative and competitive despite the possibility of some decision delays.

2.3.2 Human Resource Practices

- The Human Resource Department of IBBL performs many functions.
- Strategic Workforce Planning
- Analysis of job roles and responsibilities
- Recruitment and selection
- Human Resource Development Education and Growth
- Remuneration and Perquisites
- Employee Evaluation
- Employee Incentives & Non-monetary Perks
- Occupational safety and health
- Employee and Labour Relations

Islami Bank Bangladesh Limited has a dedicated People Resource Management & Research Department focuses on enhancing and cultivating its internal people resources. There is an institution called Islami Bank Training and Research Institution (IBTRA) located in Mohammadpur, Dhaka. The Academy is adorned with contemporary training aids, boasting a plethora of expert teachers, a well-equipped commercial library, and other essential amenities. This academy is currently under the jurisdiction of the Personnel & Human Resource Development & Research Division. The Academy routinely offers essential training, specialised courses, and seminars covering many aspects of Islamic banking to fulfil professional responsibilities. We are seeking highly skilled persons for employment.

Providing training to employees, Assisting them in achieving exceptional performance in their roles and responsibilities, and Ensuring that these individuals have a productive relationship with the organisation. The HR Department of IBBL has exclusive responsibility for the following tasks: Recruitment, Training, and Development; Ensuring Remuneration and Benefits for staff; and Performance Appraisals and Benefits.

2.3.3 Recruitment & Selection

Islami Bank Bangladesh Limited (IBBL) recruits employees using a combination of internal promotions inside the bank and direct recruiting. The bank advertises job vacancies in prominent national media and on its official website to recruit employees directly. The minimal criteria are determined based on the level and experience required for the role. A one-year recruitment committee is established for individuals who complete written and oral examinations that assess their general knowledge, including their understanding of Islamic principles. The Bank's Board of Directors makes the final decision on hiring policies.

- **Performance Appraisal System**

IBBPLC values a highly skilled and motivated workforce.They know it is the key of success. The bank notices employees' efficiency and skills. They also provide feedback using the ACR technique.ACR technique is a systematic way of judging performance. To improve the evaluation methodologies and gather data in real-time, IBBL completes frequent tests using the "Automated Performance Evaluation" (APE) approach.
This is helpful while giving promotions, rewards, and recognition.This is a clear HR policy which ensures unbiasedness and transparency.

IBBL gives importance to developing its employees. It offers training programs all over the year. All of these courses can be taken internally at their training facility.This helps the employees to grow. They also offer great scopes for professional growth.Thus,they recognize the importance of building future leaders. The organization fosters the growth of future leaders.In this process they provide them with possibilities for advancement and comprehensive training.

2.4 Marketing Practices

Islami Bank Bangladesh PLC is great in banking business because of the unique marketing approach. The approach also follows Islamic beliefs. This achieves an equilibrium between generating revenue and ensuring equitable treatment of both consumers and the bank. It has a great commitment to Islamic principles and sets a high standard for its financial services.This gives to advantages for both clients and bankers.

IBBL gives priority to transparency and focus on customers. They are completely honest and open regarding their products.The bank strongly resists deceptive marketing tactics. This follows Islamic perspective that salespeople should be accountable for their actions. Staff members prioritize customer satisfaction by strictly following to Islamic teachings in their client interactions

Unlike other banks, most of which depends interests, IBBL does not fully work like them.This is a service based organization. Clients can directly benefit from the bank's accomplishments. They have a profit-sharing option as well. The profit rates depend on the success of the business.This is not pre-established. They have active involvement in revenue-generating projects leads to increased customer returns since it promotes responsible risk-taking and shared achievements.

They have a risk management approach which is mainly centred around innovation. They promote risk-sharing agreements.It also helps to motivate entrepreneurs. The Sharia committee also endorses innovative resolutions.They have Mudaraba bonds which offer a method. The method is Sharia-compliant.

Lastly, IBBL sets itself apart with its ethical foreign exchange practices.This is fully Sharia-compliant unlike others in all major areas. They avoid participating in the speculative foreign currency market since it might worsen artificial volatility and support criminal activity. Instead, they tend to trade based on specific locations for practical needs, this also demonstrates their commitment to ethical business practices in all areas.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

If we look at the graph, we notice that the financial performance of Islami Bank Bangladesh Limited is going upwards. That includes rapid growth in deposits, investments, and profitability. The bank has a significant strong credit rating because of a stable capital foundation and assets. Regarding regulatory standards, the capital adequacy level is higher than the norm.Also the profitability has improved a bit in 2023. The revenue generated by investments also had a rapid growth very recently, but the cost-to-income ratio is not still very stable. Which proves the control over costs and management of credit has been excellent by the bank.

Sl. No.	Particulars	2023	2022	2021	2020	2019
1	Authorized Capital	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
2	Paid up Capital	16,099.91	16,099.91	16,099.91	16,099.91	16,099.91
3	Share Premium	1.99	1.99	1.99	1..99	1.99
4	Reserve Fund	53,482.89	50,452.26	46,851.40	43,902.99	40,941.78
5	Retained Earnings	1,609.99	1,609.99	1,609.99	1,609.99	1,609.99
6	Shareholders' Equity	71,192.79	68,162.15	64,561.29	61,612.88	58,651.67
7	Total Deposit	1,534,566.01	1,410,445.43	1,381,979.53	1,179,476.48	946,291.53
8	Total Investment	1,688,304.04	1,551,820.16	1,285,992.40	1,109,395.31	953,150.85
9	General Investment	1,600,265.66	1,461,365.50	1,191,173.00	1,035,287.88	899,013.21
10	Investment Deposit Ratio	91.90%	91.64%	79.74%	80.42%	89.39%
11	Total Assets (including Contra)	2,255,240.12	2,106,095.67	1,900,838.42	1,624,916.66	1,316,169.23
12	Total Assets (excluding Contra)	2,031,532.78	1,838,080.21	1,635,992.80	1,416,828.50	1,141,492.97
13	Fixed Assets	15,435.66	18,437.32	18,378.45	17,809.90	16,186.68
14	Total Risk Weighted Assets (RWA)	858,436.39	819,356.86	725,369.92	644,139.50	610,712.00

Annual report 2023

Overall, IBBL's financial performance is very strong and competitive compared to others in the market having rapid growth in vital areas such as deposits, investments, and profitability.Moreover, it maintains a strong capital base, high-quality assets.

2.5.2 Accounting Practices

Islami Bank Bangladesh Limited (IBBL) accounting incorporates Islamic banking principles. Following the guidance of Mufti Taqi Usmani, trust foundations and treasuries function as distinct and accountable institutions. Revenue through Murabaha transactions is recognised when clients make payments using a cash-based profit-on-sale approach. IBBL refrains from deceptive practices, ensuring that the bank's financial statements accurately reflect its true financial condition. Investments are documented on the financial statement sheet in line with the norms of Islamic ownership. Murabaha contracts ensure transparency, as they represent a distinct form of contract. Profits and losses derived from shared investments are distributed, ensuring precise accounting. By exhibiting these behaviours, IBBL cultivates stakeholder confidence and showcases its commitment to ethical and transparent Islamic banking.

2.6 Operations Management and Information System

Banking services are seeing significant growth in the contemporary world. The most rapidly expanding services in the contemporary world. The Industrial Revolution paved the path for this occurrence. IBBL has implemented two examples of technical innovation, namely the electronic fund transfer system and Cellfin. Bangladesh Bank has recently implemented a computerised MIS to facilitate the efficient exchange of information across its many locations nationwide. Implementing a contemporary accounting system helps enhance IBBL's customer service. A state-of-the-art system may attend to clients by just pressing a button. For bank clients, cashing a cheque would be a more straightforward operation. IBBL should promptly use modern technologies to enhance the long-term sustainability and advancement of Islamic banking as an alternative financial system. IBBL should aim to implement a well-structured Management Information System MIS that will provide significant advantages to the research department. Implementing a sophisticated MIS supported by electronic banking would improve IBBL's reputation and standing. The IBBL accounting system emphasises the system of control as specified in the bank legislation. As stated in the bank's laws, the bank's sharia consultant must review and accept the explanations, providing insights from a sharia viewpoint. In a statement posted on the Financial Express, Md Mahbubul Alam stated that senior management is actively working towards transforming IBBL into a technologically advanced global standard bank that is surpassing its current level. Additionally, he states that the bank is now utilising its Fin-Tech platform to approve loans from branches to capital enhance client services.

2.7 Industry and Competitive Analysis

2.7.1 SWOT Analysis:

64 percent of IBBL's banking services were received by city people. Bangladesh Bank issued a guideline mandating the opening of branches at a ratio of 3:1 across the country. Many banks do not adhere to the instructions. Conversely, IBBL effectively adheres to the directions. Frailty IBBL is outdated when it comes to advertising and promotion. Most Bangladeshis lack awareness regarding the distinction between interest and profit. Possibilities During our internship batch's goodbye ceremony, the CEO of IBBL revealed that Former Singapore Prime Minister Lee Kuan Yew specifically requested IBBL, along with two other Islamic banks, to be the pioneers in establishing an Islamic banking and financial institution in Singapore. Dangers Both Mufti Taqi Usmani and Shah Abdul Hannan recognise that a set of Islamic scholars are not conversant with the field of Islamic economics. The verdicts against the investing methods of Islamic banks result in public uncertainty. In addition, several renowned intellectuals and individuals of high standing from non-religious backgrounds

author books and articles that critique the Islamic financial system, asserting that interest, extortion, and profit are indistinguishable.

2.7.2 Porter’s Five Forces Analysis:

Rivalry within the sector According to a study from the research department of Bangladesh Bank, there are a total of 8 Islamic banks operating in the nation. According to the data from the research department of Bangladesh Bank, there are Islamic banking windows in 8 conventional banks. It is evident that the level of competitiveness is now intense. Industry's susceptibility to new arrivals As to a report published in the newspaper Samakal, two traditional banks, namely "Standard Bank" and "NRB Global Bank," received approval for their application to convert into Islamic banks during last year's annual conference sponsored by Bangladesh Bank. Supplier power Governments depend on issuing interest-bearing treasury notes, following the same structure as conventional banks. Islamic banks have the ability to significantly contribute to project funding by utilising various forms of Islamic finance such as musharaka, advance-sale, salam, and other similar methods. Customer Empowerment The CEO of IBBL asserts that large sums of money are consistently being transferred to investment firms operating in the western countries, while the country is in dire need of investment capital. Substitutes' Potential to Pose a Threat IBBL is unable to generate significant profits from high-yield ventures due to the preference of its shareholders to borrow from conventional banks, which provide cheaper borrowing costs. Consequently, Islamic banks are limited to projects that offer same rates of return.

Summary and Conclusions:

Interest or usury leads to unemployment. People engage in interest or usury due to their need for easily accessible income. Individuals refrain from investing in production businesses due to the potential for financial losses. IBBL advises their customers to assume the risk of potential losses. In addition to investing in businesses, IBBL assumes the risk of potential losses. Assuming the responsibility for potential loss by two parties cultivates aptitude for conducting business. Consequently, the ineffective performance of individuals is substituted by the actions of individuals.

2.8 Recommendations

Due to the prohibition of interest on loans in Islam, IBBL must implement a benevolent loan without interest, known as Qard-e-Hashanah. It is a loan provided in conformity with the principles of Islamic finance. IBBL should adopt the benign lending model implemented by Pakistani Islamic banks, which does not involve service charges. 27 The Islamic Bank Foundation aims to enhance the awareness of health and Medicare initiatives in both urban and rural regions. It is necessary to mandate the setting up a sharia committee at the main office of IBBL. The establishment, authority, and responsibilities of the sharia council in IBBL should be modelled after the Pakistani Islamic banks, where the head of state played a direct role in initiating and defining its tasks as outlined in the country's constitution. IBBL should enhance their allocative efficiency by meeting the requirements of social welfare. It is important for IBBL to cultivate strong relationships with international banks. They should have a strong desire to engage in their banking activities at an international scale.

Chapter Three - Project Part

3.1 Introduction

This paper examines the intricate dynamics of export financing inside Islami Bank Bangladesh (IBBPLC), a pioneering organization in South Asia that operates based on Islamic finance principles. IBBPLC was established on March 13, 1983, with an equity authorization of TK—500 million, equivalent to about 12.5 million US dollars. The mission's objective was to revolutionize the financial system of Bangladesh, with a particular focus on catering to the requirements of the country's second most populous group, the Muslims. The bank's founding was a significant event that fulfilled the aspirations of many Muslims living in the country who sought an alternative to conventional interest-based banking systems.

IBBPLC, a joint project embraced by multiple worldwide Islamic financial institutions, aims to develop an economic system that prioritizes individual well-being while also promoting equality across all sectors of the economy. Since its inception, the bank has prioritized the preservation of foreign exchange to promote the expansion of export-oriented sectors and import substitution. This has significantly contributed to the nation's economic development. The bank's global trade operations have grown substantially in the past five to six years, underscoring the need to address and resolve difficulties in foreign exchange and trade activities.

The study is structured into six pieces, with the initial portion serving as an introduction that presents the research's objectives, limitations, and approach. The data reveals that Islamic banks significantly declined their overall export revenues from April to June 2023 to July to September 2023, with a fall of BDT 77.41 billion (equivalent to about 20.60%). Furthermore, compared to the corresponding period in 2022, the export income of Islamic banks declined by BDT 151.35 billion (approximately 33.66%).

IBBPLC has two picky roles in supporting exports in the region of commercial banking. Essentially, for facilitating discussion and exacting a fee for providing this service under Shariah norms, it functions as a financial institution. This offers exporters a substitute method of export finance that does not charge any interest. The paper provides an analysis of pre- and post-shipment finance, which are basic components of export financing.

Murabahah or Musharakah/Mudarabah agreements are included in pre-shipment funding.Murabahah is the most common practice in the IBB for financing exports. Banks purchase things at smaller prices and sell them at an agreed-upon price, hence creating a profit.The collaboration between the exporter and the bank is known as Musharakah/murabahah, and the profit from the selling of products is divided. Specific stipulations must be incorporated within the contract to safeguard the bank's interests and eliminate the potential risks connected with this strategy if the exporters fail to meet their obligations.

In post-shipment financing, the exporter authorizes the bank to discount bills of exchange. Under the exporter's agreement to cover the bank's charge, the bank will provide a loan to the exporter for the total bill without any interest. According to Islamic laws, this arrangement, which involves collecting service fees and issuing interest-free loans, is considered lawful.

This paper intends to show the difficulties of export financing within Islamic banking. This research also looks at the available financial options for pre and post-shipment, Islamic finance, and its potential role in promoting export exertion.

3.1.1Literature Review

Islamic banking offers a sharia-based financial system. It avoids interest, illegal activities, and gambling that are prohibited in Islam, far from traditional banking. Over the years, ethical investing has become popular. Many exporters believe that these practices promote economic expansion (Farooqui, 2022).

According to research, the profit-sharing process in Islamic banking can boost the stability and effectiveness of the bank (Iqbal & Llewellyn, 2002). Another piece of research suggests that the rise of Islamic trade financing is publicly believed to have possible domestic and international commercial implications (Kasi et al., 2019).Moisseron et al. (2015) argue that the financial business is becoming increasingly important. It is an alternative due to its rapid growth and emphasis on Sharia norms (Cammack, 2015; Visser, 2019).

The interaction between the Islamic religion and global commerce has yielded fascinating results. The Turco & Maggioni (2018) In Muslim nations, religious activities influence Muslims a lot and using Islamic law in business or any activities can boost sales there.However, regardless of religion, political instability makes it more difficult to export goods.(Bilgin et al., 2018).

Approximately 20% market share in Bangladesh's foreign exchange market, the bank plays an important role in licensing international commerce and economic activity. IBBL's market share indicates how valuable it is to the nation's economic development (Saudi J Bus Manag Stud).

Studies by the World Bank (2023) and Islamic Development Bank (2022) search for how fintech can improve Islamic banking through streamlining processes, improving transparency, and also reaching a wider audience at the same time. The digital transformation has big potential for making export financing procedures easy and bringing new customers.

Research by IFC (2021) primarily focuses on the role of Islamic finance, specially for small and medium-sized enterprises (SMEs).SMEs are crucial for export growth. Innovative Sharia-compliant results tailored to SMEs' needs can empower them to participate in international trade.

The growth in recognition of Environmental, Social, and Governance factors is improving the global financial scenario. Ekspert et al. (2021) demonstrates the actual potential of Islamic finance.It shows that Islamic Finance can contribute to long term development by promoting religious and ethical practices and also responsible investment. This alignment with ESG principles can also improve the attraction of Islamic export financing.

Islamic finance continues to grow. Therefore, proper regulatory frameworks are very important. Works by Lessy & Shankar (2020) explains the need for decent regulations that ensure Sharia compliance while improving and benefiting innovation within Islamic financial institutions simultaneously .The balance between religious principles and economic adaptability is very important for a long term success of Islamic export financing.

Objective

This report looks for export financing challenges for Islamic banks,and specifically focuses on IBBPLC. By qualitative analysis, it explores obstacles supporting Sharia principles and evaluates the effectiveness of major Islamic financing components (Murabahah, Musharakah/Mudarabah) for businesses in Bangladesh. It also goes in depth on the potential of Islamic finance to promote export growth while considering its limitations as well. The report proposes recommendations for improved efficiency within Islamic banking.

Significance

The importance of this report is in its finding of a major gap in the general conception of Islamic export financing among the people. It offers practical knowledge and recommendations.Thus, this report can help for the growth of this sector. The report highlights the financial inclusion in Bangladesh. It also serves as a valuable resource for Islamic banking practices globally.

3.2 Methodology

This report provides a brief overview of the information that I have gained through my professional and personal educational activities.I utilized both primary and secondary data sources to inform the contents of this report, ensuring that all its requirements were properly met.

Primary methods for collecting data:

Primary data is collected first hand from primary sources using interviews and in-person observation. The report was created using the following prominent data collection methodologies:

- Engaging in face-to-face discussions with bank staff.
- Conducting autonomous observational research.
- Utilizing Secondary Data

Secondary data:

Secondary data refers to information collected and shared by other organisations. It can be accessed through many sources, such as books, research papers, government reports, or internet archives. For the compilation of this study, I utilised the subsequent secondary sources of information:

- Islami Bank Bangladesh PLC publishes its yearly financial statements, available in the publications and paperwork provided by the Ministry of Finance and the Bangladesh Bank.
- Insights from international organisations like the World Bank and the IMF.
- An assortment of educational resources, including publications,annual report, textbooks, academic journals, and web-based tools.

Data Analysis and Presentation:

This study utilized qualitative approaches to analyze data, specifically focusing on non-numerical data collected through interviews and observations. Information was frequently gathered via open-ended inquiries and dialogues. The gathered data was processed, scrutinized, and presented using Microsoft Word and Microsoft Excel.

Process of Interview:

Objective: To gather feedback from 8 participants who are employees (senior and junior level management employee) in the export finance department, specifically addressing their job. The key areas of attention is export financing.

Procedure: a sequence of methodical interviews were carried out with the staff. The interviews centered on factors such as challenges to export finance, documentation and compliance obligations, political uncertainty, constraints on market expansion, and the disadvantages of export finance.

Data Collection: Responses from the Interview.

3.3 Finding and Analysis

Islamic banks aim to reduce interest-based transactions and encourage risk-sharing transactions. However, without ensuring that these financial agreements follow Sharia law and are capable of meeting the needs of exports, it will not be ensured. This report is based on the interview, key factors that are covered in the interview are the challenges, disadvantages, trends, currency risk, and limitations of the export financing of Islamic Bank Bangladesh Limited. Major results(given answers by employees) include the following.

While adhering to Sharia law finance offers several benefits, Islamic export financing presents various challenges. These factors encompass the problems of upholding Sharia compliance, the limited variety of goods available compared to conventional banks, and the difficulties of managing risks in international trade. The intricate nature of Islamic financial instruments, such as murabahah and mudarabah, might challenge exporters in understanding and effectively operating within these frameworks.

Exporters often face challenges with the paperwork and strict compliance standards for their exports. To avoid this problem, documentation has to be clearer so that it will minimize the burden and make it easier for them to obtain funding. To improve compliance and efficacy, educate the exporter about the regulations and process.

Stable political conditions and favorable business environments not only attract foreign investment but also support export-focused business. To handle this risk, exporters can use strategies. To follow the strategies, they can use hedging to protect themselves from currency fluctuations. They can also sell to multiple countries. Two main factors are political instability and currency fluctuation that make financing difficult, and to avoid this, it is better to know about the political situation than work accordingly.

Its already clear that Islamic banks are not like regular traditional banks, which can make it difficult to offer export financing in some areas. It will be reduced if Islamic banks grow their presence in the market. To achieve this, Islamic banks can use new technology and form strategic partnerships. Working together can help boost cross border investment and trade.

Middleman companies help with export financing, but they have drawbacks, like losing control of overseas operations and struggling to set up support after sales. Exporters can consider other funding solutions to avoid these. They could join government programs that encourage exports or go for direct partnerships with the Islamic Bank. This way, they have better control. In addition, using digital platforms and technology may enhance communication and transparency between exporters and financial institutions, improving the efficiency of export financing operations.

To promote continuous economic growth and support enterprises in Bangladesh that focus on exporting, addressing the expressed concerns and using opportunities to enhance export finance within the context of Islamic banking is necessary. Islamic banks play a crucial role in facilitating trade finance and supporting inclusive economic growth by using innovative strategies, strengthening regulatory frameworks, and fostering international cooperation.

The fluctuations in export earnings of Islamic banks demonstrate the inherent instability of the market. This volatility underscores the necessity for adaptable strategies to stabilize export finance. Geopolitical factors, fluctuations in currency values, and the dynamics of global demand are the driving forces behind it. It is necessary to figure out the root, like realizing why the weather turns choppy before setting out. To protect themselves from economic ups and downs exporters need to identify causing root. Islamic banks offer unique financing offers to exporters to navigate the financial waters while following religious beliefs. These financial agreements, excluding interest-based transactions, effectively embody the principles of fairness and equality inherent to Islamic banking. However, to ensure effective execution and adherence to Sharia principles, the complexity of these systems requires well-defined and transparent frameworks.

Furthermore, the paper provides a clear and detailed explanation of Islamic export finance's many challenges. These challenges include the requirement to comply with Sharia law, limited product offerings compared to conventional banks, and intricate risk management. To surmount these challenges, it is imperative to focus on enhancing risk assessment frameworks, creating novel financial products, and optimising operational procedures to facilitate export-oriented enterprises more effectively and efficiently.

Lots of paperwork and following the rules are frustrating sometimes. Islamic banks can streamline these procedures. Exporters need careful about currency swings and political change as they play vital roles. They should updated about market conditions and understand the political situation. Islami banks getting more recognition as their help is exported by offering more opportunities.
To get everyone's attention Islamic banks can use new technology, work with other companies, and let people know about their offers.

This can facilitate access to financing for a broader spectrum of exporters in their trade ventures.
There are some disadvantages also advantages when coming up with financing exports. Its like a complicated puzzle. For long term economic growth adhering to regulation and fostering collboration can help Islamic banks.

3.4 Summary and Conclusions

IBBPLC aims to improve the society by following Islamic Shariah Principles based on the Quran and Sunnah. Islam is a complete way of life. IBBPLC's investment policy is based on profit-loss sharing in line with Islamic Shariah. The mission is not only to make profit but also to achieve for the society.

There are two main challenges that IBBPLC faced. One is external challenges like, instability in policies and money changing value. Another one is internal factors such as, less variety in products, using complicated financial tools and also to make sure everything follows Islamic law. To overcome these challenges IBBPLC came up with innovative ideas, followed the rules and worked with companies to make smoother exporting. To summarize it, IBBPLC helped companies follow the rules better. Created an environment for companies that focus on exporting. Made sure companies get the money to export steadily and manage risk like the risk of not getting paid.

Strategic efforts like expanding market presence through digital technologies and focused marketing, collaboration with global trade groups also looking into alternative funding sources, are needed to overcome the market reach limitations and disadvantages of export finance. For sustainable growth, Islamic banks can play a major role by using digital platforms and technology.

IBBPLC like the Islamic Sharia bank plays an essential role in encouraging sustainable export industry and sustained economic growth. These financial institutions effectively support exports and overcome challenges ultimately promoting long-term economic well-being.

3.5 Recommendations

- To eliminate administrative overhead, streamline documentation and regulations while also educating exporters on Sharia-compliant operations.
- Create strong risk assessment structures, promote profit-sharing mechanisms (Musharakah), and devote resources to educating Islamic banks' risk mitigation experts.
- Increase the awareness of Islamic export finance through targeted marketing, internet channels, and smart relationships with trade groups.
- Create new Sharia-compliant finance solutions specifically for exporters' requirements, simplify current products, and enhance awareness of available possibilities.
- Stand up for supporting government policies, encourage coordination among Islamic banks, authorities, and exporters, and facilitate information exchange in the industry.

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