Internship Report

On

"Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited."

Submitted To

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Date of Submission: December 15, 2015

A Report Presented in Partial Fulfillment of the Requirements for the Degree Bachelor of Business Administration (BBA)

Faculty of Business Studies

Hajee Mohammad Danesh Science & Technology UniversityDinajpur-5200, Bangladesh

"Comparative Analysis Between Conventional Banking and Shariah Based Banking"

An Internship Report by-

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December 15, 2015

DEDICATED TO MY BELOVED PARENTS

&

HOUNERABLE TEACHERS

Letter of Transmittal

December 15, 2015
Mahbuba Aktar
Assistant Professor
Department of Finance & Banking
Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200.

Subject: Submission of internship report on "**Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited.**"

Sir,

It is an immense pleasure for me to submit the internship report on **"Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited "** Which I have prepared by performing 45 days internship at Social Islami Bank, Dinajpur Branch, and Dinajpur to fulfill the requirement of BBA degree in the faculty of business studies, Hajee Mohammad Danesh Science and Technology University.

I sincerely believe that this internship program will help me to enrich my adaptability quality in the long run when I will involve myself in practical field. I am grateful for your valuable advices and great cooperation. I tried my best to go deep into the matters and make full use of my capabilities in making the Report meaningful, though there may be some mistakes and shortcomings. I shall be pleased to answer any kind of query you think necessary.

Now I have placed this report before you for your kind approval. I hope that my report will satisfy you. For any of your further queries I would be at your disposal at your convenience.

Sincerely yours

Jannatul Ferdous
BBA 8th Batch
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SIBL
উৎকর্ষ অবিরাম

Social Islami Bank Limited
Dinajpur Branch
Dinajpur
Phone: 0531-63692

Ref No: SIBL/Dinajpur/Certificate/2015/81
Dated : 13.12.2015

To Whom It May Concern

This is to certify that Jannatul Ferdous, Student ID No-1103117, Reg: No-1103117, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, daughter of Md. Osman Gani & Rupali Akter, worked with us from 28.10.2015 to 12.12.2015 as an internee.

We wish her success in life.

12.12.15
M A Hamid
SEO & Manager
Phone: 0531-63692

M.A. Hamid
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Supervisor's Declaration

I hereby declare that the concerned report entitled "**Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited"** is an original worked by **Jannatul Ferdous, Student ID- 1103117**, BBA 8^{th} Batch, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, who has completed her internship under my supervision and submitted for the partial fulfillment of the requirement of the degree of Bachelor of in Business Administration (BBA) at HSTU, Dinajpur.

Therefore, she is directed to submit her Report for Evaluation. I wish her Success at every sphere of her Life.

Mahbuba Aktar
Assistant Professor & Internship Supervisor
Department of Finance & Banking
Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200.

Co-Supervisor's Declaration

It's my Pleasure to Certify that **Jannatul Ferdous, Student ID- 1103117**, BBA 8th Batch, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, session-2010-2011, has Successfully Completed BBA Internship Program titled **on** "**Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited"** under my Co-supervision and Guidance. She has not copied from any other Work. This is an Original Work.

I'm wishing her a very Successful Life.

Rony Kumar Datta
Assistant Professor & Internship Co-supervisor
Department of Finance & Banking
Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200.

Student's Declaration

The discussing report is the terminal formalities of the internship program for the degree of Bachelor of Business Administration (BBA), Faculty of Business Studies at Hajee Mohammad Danesh Science and Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement after the successfully completing of 45 days internship program under the supervision of **Mahbuba Aktar,** Assistant Professor**,** Department of Finance & Banking, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200.S

It is my pleasure and great privilege to submit my report titled "**Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited"**, as the presenter of this report; I have tried my level best to get together as much information as possible to enrich the report. I believe that it was a fascinating experience and it has enriched both my knowledge and experience.

However, after all this, as a human being, I believe everyone is not beyond of limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax errors or typing mistakes or lack of information. Please pardon me for those mistakes and clarify these for further information on those matters.

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Acknowledgement

For the very first of all I would like to express my gratitude and harmony to the **ALMIGHTY ALLAH (SWT)** the supreme authority of the Universe. It is my great privilege to be in touch with Social Islami Bank Limited for the 45 days. I have to put my heartened feelings and gratitude for the kindness and assistance that was provided to me to complete my assigned report on the topic **"Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited."** In preparing the report, I want to express my strong gratitude to my Honorable supervisor, **Mahbuba Aktar**, Assistant Professor, Department of Finance & Banking, Hajee Mohammad Danesh Science and Technology University and my co supervisor**, Rony Kumar Datta,** Assistant Professor, Department of Finance & Banking, Hajee Mohammad Danesh Science and Technology University. I will never forget the kind cooperation I received from my Honorable supervisor and co-supervisor.

I express my heartiest thanks to all the faculty members of Social Islami Bank Limited especially Mr. **M A Hamid**, Manager, SIBL, Dinajpur Branch and all other faculty in-charge and members who gave me necessary information and excellent guidance to prepare this internship report.

I am very grateful to **Mr. Ahmed Selim**, Senior Executive officer, SIBL, Dinajpur branch, SIBL to learn about SIBL, '**Banking Activities of SIBL**' due to their hearty, kind and helpful cooperation with me. I would also like to thanks all the other employees of all level for their beloved manner and attitude that they had shown to me during the staying in the Branch.

I would like to thank from the deep of my heart to those people who are related with making of this report and make it a success.

And foremost, I'm grateful to **Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200** for giving me an opportunity to complete my BBA degree and give me a scope to gather practical experience and enrich my knowledge.

May **ALMIGHTY ALLAH** bless all of us.

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PREFACE

Theoretical and practical knowledge do not always move to the same direction. Theory differs in a great way through its operation and implementation. There is no doubt that, to justify the theoretical knowledge practical orientation has great importance. An Internship program brings the students closer to the practical world. This realization of the universities has introduced the system & provision of Internship program for the students of BBA for better understanding and realization with the practical job environment. The internship program has given us immense opportunity to minimize the gap between theoretical and practical knowledge.

As a BBA student, it was my great pleasure to be in touch with the organization as Social Islami Bank Ltd. which is undoubtedly the most efficient and best performing banking institution in our country. My practical experience through performing different activities of the bank including General Banking, Investment and Foreign Exchange has enhanced our view, mission and acceptability as well as has increased our overall experience about to deal in real world phenomenon of Islamic banking system and conventional banking system.

However, after all this, as a human being, I believe everyone is not beyond limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these of my further information on those matters.

Abstract

This report is on **Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited** and for making the comparison in fruitful manner; five other conventional banks and five other shariah based banks are taken in consideration along the main one.

Basically, banks are profit oriented organization. Both types of banks have the ultimate intension of earning profit but the operational procedures are fully different. Conventional banks use the money as product. They keep deposits at lower rate and provide loan at higher rate. Here the business tool is money. In contrast, the motto of Islamic banking is profit sharing and loss bearing where Shariah based banks follows the partnership base business contract by using the certain terms which is known as Mudharabah, Wadiah, Musharakah, Murabahah, Ijar. In Islamic Banking, the issue of profit and ribah(interest) is strongly monitored as it is prohibited very strictly by Islam. Where in conventional bank we get fixed amount of interest which is also known as RIBAH, there in Islamic bank we get a certain share of banks total profit.

In this report I try to show that how the Islamic banking system differ from conventional banking system by regarding the concern of Social Islami Bank.

Social Islami Bank Limited (SIBL) is a banking company registered under the companies Act 1994 with its head office 15 Dilkusha C/A, Dhaka-1000. The bank operates as a scheduled bank under a banking license issued by the Bangladesh Bank. The Bank started its operation from 22, November 1995. SIBL is a capitalized new generating Bank with an authorized capital of Taka10000 Million in 2014 and paid up capital of Taka 7031.415640 million in 2014 and also 6939.9257 million respectively as of December 2013. In the formal corporate sector, this Bank would, among others, offer the most up-to date banking services through opening of various types of deposit and investment accounts, financing trade, providing letters of guarantee, opening letters of credit, collection of bills effecting domestic and international transfer, leasing of equipment and consumer durables, hire purchase and installment sale for capital goods, investment in low-cost housing and management of real estates, participatory investment in various industrial, agricultural , transport, educational and health projects and so on. In the Non-formal non-corporate sector, it would, among others, involve in cash Waqf Certificate and development and management of WAQF and MOSQUE properties and Trust funds. For coordinating my internship I have been placed in Social Islami Bank Limited, Dinajpur Branch, Dinajpur. There are 03 sections in Dinajpur Branch. They are: 1) General Banking 2) Investment Department 3) Foreign Exchange Department. Accordingly I work all of the sections. I devote my utmost effort and attention to learn banker's functions. At completion of internship, I will render all my acquired knowledge to present the report on comparison between Islamic and conventional banking.

List of contents

Serial No	Name of Topics	Page No.
	Letter of Transmittal	i
	Internship Certificate of Social Islami Bank	ii
	Supervisor's Certificate	iii
	Co-supervisor's Certificate	iv
	Student's Declaration	v
	Acknowledgement	vi
	Preface `	vii
	Abstract	viii
	List of Content	ix
	List of Tables	xii
	List of Figures	xiii
	Acronym	xiv
	Chapter - One **Introduction**	01
1.1	Introduction	01
1.2	Background of the Study	01-02
1.3	Origin of study	02
1.4	Scope of the Study	02
1.5	Objective of the Study	02-03
1.6	Limitation of study	03
	Chapter -Two **Methodology**	
2.1	Introduction	04
2.2	Population	04
2.3	Sample	04
2.4	Data Collection	04-05
2.5	Size of Population	05
2.6	Sample Size	05
2.7	Sampling Technique	05
2.8	Location of the Study	06
2.9	Statistical Tools Used	06
2.10	Followed process	06
	Chapter three **A Study on Social Islami Bank Ltd**	
3	An overview of Social Islami Bank Ltd(SIBL)	07
3.1	Historical Background of SIBL	07
3.2	Formation of SIBL	08
3.3	Aims and Objectives	08

3.4	Overall operation goals	08
3.5	Vision of SIBL	09
3.6	Mission of SIBL	09
3.7	Providing support	09
3.8	Functions of SIBL	09
3.9	Management Hierarchy	10
3.10	Ownership pattern	10
3.11	Human resource	11
3.12	Training institute	11
3.13	Foreign SIBL Correspondents	11
3.14	Overseas operation of SIBL	11-12
3.15	Non formal sector	12
3.16	Rural credit program	13
3.17	Brief description of dinajpur Branch	13
3.18	Major features of branch	13
3.19	General Banking of Social Islami Bank Ltd.	14-15
3.20	Account opening section	15-21
3.21	Cash section	21
3.22	Bill & Remittance	21
3.23	Clearing & collection	21-23
3.24	Custody& Maintenance	23
3.25	Closing of account	23
3.26	Objective and Principles of Deposit	
3.27	Sources of funds of Islamic Banks	24
3.28	Different modes of deposit	24-25
3.29	Modes of investment	25-31
3.30	Lending risk analysis	31-32
3.31	Document &documentation	32-33
3.32	Credit Monitoring	33
3.33	Loan classification	33
3.34	Provision	33
3.35	Investment	33-3S
3.36	Deposits	34
3.37	Foreign exchange & Foreign trade	35
3.38	Foreign exchange activities	35-38
3.39	Financing Foreign trade	38-40
3.40	Foreign exchange performance	40-41
	Chapter –Four **SWOT Analysis**	
	SWOT Analysis	42
4.1	Strength	42
4.2	Weakness	42

4.3	Opportunities	42-43
4.4	Threats	43
	Chapter - Five **Comparison between conventional banking and shariah based banking**	
5.1	Concept of Islamic Banking	44
5.2	Concept of Conventional Banking	44-45
5.3	A comparison between Conventional and shariah based Banking	45-46
5.4	Difference between Profit vs Riba (interest):	46-47
5.5	Functional Chart of Islamic Banks and Conventional Banks	47
5.6	Comparison Review	48
5.7	SIBL vs City Bank	48
5.8	Corporate Social Responsibility (CSR)	48-49
5.9	Graphical Financial Analysis of the City Bank Ltd. & SIBL	50-54
5.10	Comparative Analysis between the City Bank Ltd. & SIBL	55-57
5.11	Comparative Ratio Analysis	57-62
5.12	IBBL Vs IFIC Bank	62-67
5.13	Capital Adequacy Ratio	67
	Chapter – Six **Recommendations and conclusion**	
6.1	Findings	68-69
6.2	prospects	69
6.3	Recommendation	69-70
6.4	Suggestions	70
6.5	Conclusion	70-71
	Bibliography and References	71
	Appendix-1	75
	Appendix-2	76

List of Tables

SL	List of Tables	Page
5.4	Distribution of profit	31
3.34	Provision of loans of SIBL	33
3.36	Deposits of SIBL	34
6.10	Investment of SIBL since 2005	34
3.38.1	Import of SIBL	36

3.38.2	Export of SIBL	36
5.11	Return on equity	57

List of Figures

SL	LIST OF FIGURES	Page
3.9	Management Hierarchy	10
3.35	Growth on investment	33
3.36	Deposit Growth	34
3.38	Import	36
3.38	Export	37
3.40	Foreign Exchange Performance	41
5.5	Functional chart	47
5.9	Graphical comparison	50-54
5.12	Overall Scenario IBBL	63-67

Acronyms

SIBL	Social Islami Bank Ltd.
AD	Authorized Dealer
ATM	Automated Teller Machine
CC	Cash Credit
COF	Cost of Fund
EPS	Earning Per Share
FCA	Foreign Currency Account
NI	Net Income
OBC	Outward Bills for Collection
ROA	Return on Asset
ROI	Return on Investment
SOD	Secured Overdraft
SSI	Small-scale Industries
TIN	Tax Identification Number
Tk.	Taka
IBTRA	Islami Bank Training & Research Academy
FTOD	Foreign Trade Operation Division
FRMD	Foreign Remittance Management Division
TFMD	Treasury and Fund Management Division
AMD	Asset Management Division
FRSD	Foreign Remittance Service Division
GID	General Investment Division
RDO	Rural Development Operation
PID	Project Investment Division
FAD	Financial Administration Division
ITD	Information & Telecommunication Division
HPSM	Hire Purchase Under Shirkatul Melk
RDS	Rurla Development Scheme
SME	Small & Medium Enterprise

Chapter 1
Introduction

1.1 Introduction

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

1.2 Background of the study

Rational of Internship: Today's business world is dynamic and competitive. Organizations are looking for talent, extrovert graduates who belong to high degree of adaptability quality. Today's business graduates will be the core part of business organization. So business graduates need to have both theoretical & practical knowledge to manage the business activity properly.

In order to be familiar with the Islamic bank organizational culture and to gain some practical knowledge about an organization, our Business faculty provides a 45 days internship program as a part of the BBA program. This report is a part of my academic program. The BBA program having 145 credits in total contains three credits hours on the internship program. As a researcher I believe that this study will be beside me in future, especially if I get myself involved in bank and other financial institution. This program has helped me a lot to understand the organizational atmosphere and behavior.

Rationale of selecting Social Islami Bank Limited (SIBL) :

In our economy, there are mainly three types of schedule commercial banks are in operation. They are Nationalized Commercial Banks, Local Private Commercial Banks and Foreign Private Commercial Banks. Islamic Bank has discovered a new horizon in the field of banking area, which offers different General Banking, Investments and Foreign Exchange banking system. So I have decided to study on the topic

“Comparative Analysis Between Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank Limited.”

The researcher assigned in Social Islami Bank Limited (SIBL) through researcher Internship supervisor. Researcher selected Social Islami Bank Limited (SIBL) to perform her internship program as researcher honorable supervisor inspired . Researcher think SIBL being the prime development financing institution continued its effort to make an effective contribution towards expansion of industrialization process of Bangladesh. Social Islami Bank Limited (SIBL has significantly contributed in flow of national and international transactions. Among the private commercial bank of our country SIBL is being kept almost the first position in export, import, remittance flow and as well as earnings the operating profit.

It seems to the researcher that in SIBL there is a sufficient opportunity to gain practical knowledge about Project appraisal, Loan sanction and Project implementation process of a bank. The working environment is good and the employees are very much cooperative to provide practical knowledge about different functions of the bank. Here the researcher worked in several Departments that helped the researcher a lot to gain some practical knowledge where the researcher has been working from October 28, 2015. After completion of researcher 45 days Internship period in **Conventional Banking and Shariah Based Banking: A Study on Social Islami Bank** consulting with the supervisor of **Limited.** On the basis of this topic I have the program researcher has selected a topic named **Comparative Analysis Between** prepared my Internship Report.

1.3 Origin of Report

The BBA program conducted Hajee Mohammad Danesh Science and Technology University, Dinajpur has been introduced to provide a number of fresh graduates in business sector; this program has been designed to facilitate the students and the executive to provide basic theoretical knowledge and practical in the job activities in the context of Bangladesh.

1.4 Scope of the Study:

Researcher has been assigned in the Dinajpur Branch of Social Islami Bank Ltd., and thus covered her the way to get herself familiarized with the banking environment for the first time. Indeed, researcher had an opportunity to gather experience by working in the different departments of the branch. The area of concentration of this report is confined to investigating different aspects of the banking transaction as well as problems and prospects and all activities of bank by this way an endeavor is made to give recommendations for removing the problems.

1.5 Objectives of the Study

This reposting study is aimed at focusing on Islamic Banking operational system in Bangladesh. In addition to this a comparative observations would be made with other commercial banking operation. The main objectives are: comparative analysis between conventional banking and shariah based banking.

The specific objectives are:

- To be acquainted with how bank perform its operation.
- To know about the modes of investment of Islamic Banks
- To focus on products, services and financial condition of SIBL.
- To expose strengths and weakness of SIBL in comparison with competitors
- To show the differences with conventional banking & shariah based banking

1.6 Limitations of the Study

From the intention to make the report realistic and properly accepted this report has been conducted. However, many problems appeared in the way of conducting the study. During the study it was not possible to visit the whole area covered by the bank although the financial statements and other information regarding the study have been considered. The study considers following limitations:

- The major limitation I faced in preparing this report was the sensitivity of the data. As it is a highly competitive market, if the margin information is released to other competitors, it may have a negative impact on their business. Resultantly, in some cases management were reluctant to give some specific data.

- Confidentiality of data was another important barrier that was confronted during the conduct of this study. Every organization has their own secrecy that is not revealed to others. While collecting data on SIBL, personnel did not disclose enough information for the sake of confidentiality of the organization

- Rush hours and business was another reason that acts as an obstacle while gathering data

- Time limitation is also a big factor, which hinders the data collection process. Due to time limitation many aspect could not by discussed in the present study.

- As I am a newcomer, there is a lack of previous experience in this concern. And many practical matters have been written from our own observation that may vary from person to person.

Chapter 2
Methodology

2.1 Introduction:

Correct and smooth completion of research work requires adherence to some rules and methodologies. Rules were followed to ease the data collection procedure. Accuracy of study depends on the information and data analysis. The subject matter of this report is based on primary and secondary sources of data and information. The study is performed based on the information extracted from different sources collected by using a specific methodology. The methods of completing the report have included some steps which were followed by one by one. First of all researcher selected the topic of the report then the researcher had to collect information relating to the topic by primary and secondary sources and through personal interview. As a Internee of SIBL it was easy for the researcher to collect data. After gathering the information the researcher had to determine the procedure of research and sampling plans. After gathering all the information the researcher come up with an expected result of the report.

2.2 Population:

All the Branches of Social Islami Bank Limited,City Bank Limited, Islami Bank Bangladesh Limited, IFIC Bank located in everywhere in Bangladesh has been taken into consideration as population.

2.3 Sample:

Social Islami Bank Ltd, Dinajpur Branch was selected for gaining as a better communicational advantage.

2.4 Data collection:

For carrying out this report researcher had to study the actual banking operations of SIBL .In order to carry out this study, two sources of data have been used.

a) Primary data b) Secondary data

Primary Sources:	
▪ Direct interview & conversation with respective personnel of SIBL. ▪ Conversation with my supervisor.	▪ Official records. ▪ Informal conversation with the clients. ▪ Observing banking activities for 45days.

Secondary Sources	
▪ Annual reports of SIBL ▪ Manual of different department. (Bai Murabaha,Bai-Muajjal,Bai-Salam,Musharaka) ▪ Newspapers. ▪ Internet	▪ Journal ▪ Periodical publications ▪ Banking related text books, Relevant books, Research papers, Newspapers and Journals, Manuals ▪ Research papers, training materials

2.5 Size of the Population:

The population is the aggregate of all the elements characteristics that comprise the universe for the purpose of research study. In case of my study the sharing common set of population includes manpower of the bank:

Name of the post	***NOS.***
Assistant vice president & *Manager*	*01*
Senior executive officer	*01*
Junior executive officer	*01*
Senior officer	*01*
Junior officer	*03*
Assistant officer	*04*
Total officer	*11*
Class-III	*3*
Class-Iv	*4*
Total	*7*
Grand Total	*18*

**** NOS=Number of Sample**

2.6 Sample Size:

Sample is a subgroup of the elements of the total population selected for attaining the study. To accumulate the required data researcher has contacted with each department of Social Islami Bank Limited (SIBL).

The sample researcher has taken for the study consists of 15 personnel of Dinajpur Branch.

2.7 Sampling Technique

Here the researcher used **non-probability judgmental sampling** that attempts to obtain a sample of convenient element based on the judgment of the researcher.

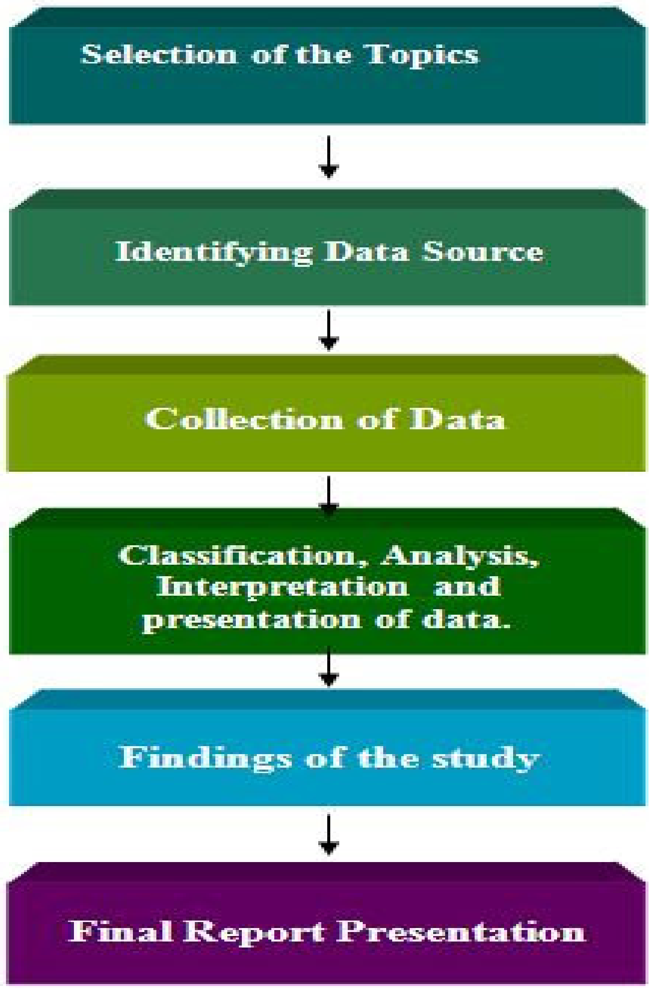
2.8 Location of Study

The area of my study has been encompassed the operation area of Dinajpur Branch.

2.9 Statistical Tools Used

- Graphical Presentation
- Formation of Tables

2.10 Followed process:



Chapter 3

A Study on Social Islami BankLtd

An overview of Social Islami Bank Ltd (SIBL)

This project is short one providing only the facts and figures of current situation of operational activities and performance of the bank.
Since the establishment of Social Islami Bank Limited has come forward as a private commercial bank and very encourage has come forward as the stimulator of economic activities in the country. The bank has been entrusted with the responsibility of undertaking various steps related to the development of the country's commercial, industrial and agricultural sectors. The banking sector of a country is called the economic barometer of the country. As a pioneer commercial bank in the private sector in Bangladesh, Social Islami Bank provides considerable financial helps to the business sector that imports industrial goods and/or exports excess production outside the country for profit. Thus for imports the Social Islami Bank provides LIM (Loan against Import Merchandise) and LTR (Loan against Trust Receipt) facility and for exports provides both pre shipment and post shipment finances. Thus with these bank helps the prospects in the business sector has increased more than ever before.

3.1 HISTORICAL BACKGROUND OF SIBL

Social Islami Bank Limited (SIBL) is a banking company registered under the companies Act 1994 with its head office in 15 Dilkusha C/A, Dhaka-1000. The bank operates as scheduled bank under a banking license issued by the Bangladesh Bank, Central Bank of the country. The Bank started its operation from 22, November 1995. SIBL is capitalized new generating Bank with an authorized capital of Taka10000 Million in 2014 and paid up capital of Taka 7031.415640 million in 2014 and also 6939.9257 million respectively as of December 2013.Currently the bank has 110 branches of which 48 in Dhaka division, 33 in Chittagong, 4 in Sylhet, 11 in Khulna, 8 in Rajsahi, 2 in Barishal 4 in Rangpur. The bank undertakes all types of banking transaction to support the development of trade and commerce in the country. SIBL services are also available for the entrepreneurs to set up new venture and BMRE of industrial units. To provide clientele services in respect of international trade it has established wide corresponded banking relationship with local and foreign banks trade and financial interest home and abroad. Since the very inception, Social Islami Bank Ltd. is working with the philosophy of serving the nationals as an ideal and unique financial house. Every organization has some objectives of its own. The prime objective of Social Islami Bank Ltd. is to earn profit throw undertaking the responsibility of providing financial help for the development of the country's commercial and industrial sector.

3.2 FORMATION OF SOCIAL ISLAMI BANK

3.2.1 Formation

The Bank was incorporated in Bangladesh in the year 1995 as a banking company under the companies Act, 1994, all types of commercial banking services as provided by the Bank from time to time besides as a matter of policy the Bank conducts its Business on the principles of Mushataka, Murabaha, Bai-Muazzal and Hire Purchase transaction approved by Bangladesh Bank.

3.2.2 Branches Information

At present, 108 (One hundred and eight) branches are in operation all over the country.

3.2.3 Capital Structure:

Capital structure of Social Islami Bank Ltd. is as under:
1. Authorized capital: (10000.00 million, ordinary shares of Tk 1000 each)
2. Paid up capital: (7031.415640) million, ordinary shares of Tk1000 each) the directors may revise the capital structure from time to time according to the need.

3.3 Objective of SIBL

The key secrtorial objectives are:

- To humanize corporate finance in the formal sector through participatory market mechanism with collateral.
- To socialize non-corporate finance in the non-formal sector through non-market and participatory custom-tailored micro-level credit package without collateral.
- To monetize voluntary sector through participatory financing mainly on joint ownership basis.
- To integrate these three sectors operational activities of the Bank to various will-conceived and well-planned “Social Assignment and Investment Schemes” or “Social Fund” for making them economically and ethically “transparent” and “revealed”

3.4 Overall Operational goal

The key thrusts of the operational goals are as follows:
a. Empowering the family of the poor by creating income opportunities as well as strengthening the family of the rich for a better future generation.
b. Achieving sustainable participatory economy, Social Security, and peace for a society.

3.5 Vision of SIBL

"Reduction of poverty level" is our Vision, Which is a prime object as stated in Memorandum of Association of the bank with the commitment "Working Together for a Caring Society"

3.6 MISSION OF SIBL

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

3.7 Providing support

Social Islami Bank Ltd started its journey with the concept of 21stCentury Islamic participatory three sector banking model: i) Formal Sector- Commercial Banking with latest technology; ii) Non-Formal Sector - Family Empowerment Micro-Credit & Micro-enterprise program and iii) Voluntary Sector - Social Capital mobilization through CASHWAQF and others.

3.8 FUCNTIONS OF SIBL

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

3.9 Management Hierarchy

CHAIRMAN
MANAGING DIRECTOR
DEPUTY MANAGING DIRECTOR
EXECUTIVE VICE PRESIDENT
SENIOR VICE PRESIDENT
VICE EXECUTIVE OFFICER
EXECUTIVE PRESIDENT
SENIOR ASSISTANT VICE PRESIDENT
ASSISTANT VICE PRESIDENT
FIRST ASSISTANT VICE PRESIDENT
SENIOR OFFICER
JUNIOR OFFICER
ASSISTANT OFFICER

Figure: 1 Management Hierarchy
Source: Annual Report 2014

3.10 The Ownership Pattern

This is a private sector commercial Bank providing comprehensive range of banking services. The bank is owned as follows: Promoters 50%Government 5%Public 45%At present the Bank has an amount of Tk.10000.00 million of Authorized Capital and Tk.2987.72 million of Paid-up Capital.

3.11 Human Resource

There is no alternative to skilled and trained manpower in service Industry. Bearing this in mind the well educated, promising and honest workers are being appointed and trained. Bank has given top priority to develop skilled manpower and introduce them with modern technologies with the purpose of developing quality customer services. The Bank has undertaken program to train up its employees of all strata at its own Training Institute. Highly experienced person was appointed as Director (Training) of the Institute in the year 2001 with the task of formulating various training modules. Steps are being taken to shift the Institute to separate premises for facilitating training activities. Side by side, both inland and foreign training also imparted during the year as usual. A highly experienced, well educated and motivated workforce is playing vital role towards the growth of the Bank deserve appreciation. The number of Executives and Officers as on 31st December2010 was 1252.

3.12 Training Institute

Well educated peoples are needed to achieve the objectives of a firm. With a view to build enthusiastic and skilled work force, Social Islami Bank Training Institute was established in 24thOctober, 1996 at Shambolic, Dhaka. Every year the Institute trains sufficient number of employees. By the side of the new employee/officer, it is possible to trained SIBL's existing employee/officer. There is a library in SIBL. There is about 2thousand books remain in this library. Accounting, Management, Marketing, and Computer related books are in this library. In 2010, 619 personnel was trained. Besides our personnel are sent to Bangladesh Bank Training Academy, Bangladesh institute of Bank Management, Bangladesh Foreign Exchange Dealers Association, the Central Shariah Board Islamic Banks of Bangladesh.

3.13 Foreign SIBL Correspondents

In order to gain maximum advantage from Foreign Exchange related business, the Bank has entered into correspondent relationship with almost all major 122 Banks of 109countries of the world like Standard Chartered Bank, American Express Bank Limited, HSBC, HBZ Finance, Mashreq Bank PSC, Dresdner Bank AG and with local banks in Pakistan, India, Nepal and Bhutan etc with whom we have advising, reimbursing and confirming arrangement.

3.14 Overseas Operations of SIBL

Social Islami Bank has set up joint venture Exchange Company named Gulf Overseas Exchange Co. Ltd, in Oman contributing 25% of its paid up capital. The present paid up capital of the company is Riyal Omani 1, 82,000.00. The Chairman of the company is thee-minister of the government of Oman. The exchange company, established in 1985,now has three branches in Oman and is being managed fully by officials of SIBL. The company is running in profit. SIBL is also exploring possibilities of opening branches in the Middle East, Switzerland and USA. SIBL has entered into the

Management contract with a Kuwait Exchange company to provide management and technical services. SIB has acquired equity and management of Nepal Arab Bank Ltd. which is the largest and highly profitable Private Commercial Bank in Nepal.

3.15 Non-Formal and Voluntary Sector Banking Programs

Since the opening of the Bank on 22ndNovember 1995, Non-Formal sector has started implementing its programs in various areas. Those are as follows:

i).Environment-friendly program: **Tokai Project:** The project has a special strategic value. Till December 1995 only one group consisting of six members was formed at Hessian Marker, Utter Badda, Gulshan Thana. Group savings from the members is under process. Formation of more groups of 'Tokai Pannaya Bavshee' (Tokai goods Traders) is under process at different areas including Hossain Market.

ii). Real Life Non-formal School of Management

:As a part of environmentally friendly program, the bank is committed to educate the Tokai and this has a worldwide strategic value. Till December 1995 one Tokai Non-formal School has been started at Hossain Market, Uttar Badda, Gulshan, and Dhaka with30 students with a view to giving them real-life education with Islamic orientation. In the process of learning, the Tokai developed propensity for savings. As a result they are regularly depositing a small portion of their income as savings.

iii). Mosque Property Development Program

Construction of Mini Market at Kazi Bari Mosque, Uttar Khan, Uttara, Dhaka, consisting of 4 shops has been completed where Bank has invested Tk.1.28 laces. Recovery rate in this sector is 100 percent.

iv) . Capital Market Instruments-Securitization of voluntary sector

In the voluntary sector, the bank is in the process of organizing Voluntary Capital Market Operation for mobilization of necessary fund and in the process of developing the following financial instruments with different sets of rules in con formality with Shariah.

- Waqf Properties Development Bond (specific and general).
- Cash Waqf Deposit Certificate (specific and general).
- Family Waqf Certificate.
- Mosque Properties Development Bond (specific and general).
- Mosque Community Share.
- Quarn-e-Hasana Certificate (specific and general).
- Zakat/Ushar payment Certificate.
- Non-Muslim Trust Properties Development.
- Municipal Properties Development Bond (specific and general).The value of all the bonds and Qurd-e-Hasana Certificate are guaranteed by the Bank against surrender of the instruments on maturity.

3.16 Rural Credit Program

Agriculture is the main driving force of economy in Bangladesh. And the whole economic growth of the country depends on the development, modernization and investment of money in this connection. As a non-Government financial institution SIB has been actively participation in rural credit program in the economic activities for large population of the country since 1992. SIBL has been working intensively in collaboration with Barindra Multipurpose Development Authority by conducting the Rural Credit program particularly in Rajshahi, Naoga, Chapainowabgong, and the northern part of the country in general. In the last 10 years bank has distributed the credit forTk.69.85million. The recovery of loan in this project is 94%. In 2001 bank has distributed the loan for Tk.7.00million. This is the first program for any private bank. Moreover, SIBL has been Participating in Agro Based Industries and Technology Development project Loan financed by USAID since 1996.

3.17 Brief Description of Dinajpur Branch

Social Islami Bank Limited **Diajpnur Branch** has started its banking operation as on August 23,2009, which is located (1st Floor), Lilirmore, **Dinajpur.** Office floor is spacious that can accommodate good number of customers comfortably. Branch has efficient human resources that can meet up customer's needs. Order wise Workload is distributed properly. Besides, interpersonal relationship is remarkable. Most noted strength is customer service. Prompt, cordial & enthusiastic service satisfies almost all customers. Flexible banking hour attracts more clients doing banking transactions with the branch. In some cases, customers, coming outside the banking hour can honor the cheque & others without delay.

3.18 Major features of branch

- Fully computerized accounts maintenance
- Well decorated and air conditioned facilities
- A fully operational computer network which is currently being implemented. The work of Local Area Network (LAN) and Wide Area Network (WAN) installation having reliable and secured communication between the branches and Head Office is in progress to facilitate Any Branch Banking and ATM Services.
- Money counting machine for making cash transactions easy and prompt.
- Seventy one branches are authorized dealers of foreign exchange. This facilitates speedy disposal of transaction of export and import trade.

3.19 General Banking of Social Islami Bank Ltd.

General Banking is the heart of Banking. Here money collection procedure occurs. Other services, like cheque encashment, account transfer; account closing, bills and remittance are given here. So general banking is the most important area in banking service.

Products and services of SIBL

Al Wadeah (Current Account)

Al-Mudaraba (Deposit Accounts)

Bank accepts deposits:
Bank receives deposit by different accounts. There are two types of accounts are as follows.

Al Wadiah:

This account is similar to the demand deposit account of interest based banks. Conventional interest based banks do not pay interest on this type of deposit account. The term al wadiah means deposit of money allowing somebody to claim the funds in the account. From al wadiah account, the account holder does not get any profit but he agrees to allow the bank to lend these funds to entrepreneurs seeking financing for their product ideas. The Bank distributes minimum 65 -85% of its investment income earned through deployment of Mudarabah deposits among the Mudarabah depositors.

Al Mudaraba:

The mudarabah account of Islami Banks is different from the checking account of an interest based bank. Mudarabah is a form of business contract where one party supplies money and the other manages the business by investing labor and time. Under this arrangement profit distribution under agreed ratio and loss (if any) will be borne by Saheb al mal.
There are two parties:

(1).One is Saheb Al Mall - Client. (2.) Another is Mudarib – Bank.

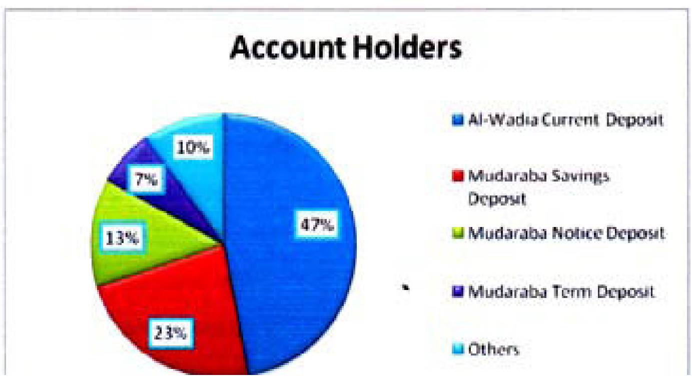
Under Mudaraba Mode:

Social Islami Bank Limited gives special importance on savings. The objectives and principles of the saving policy of the Bank are:

- To encourage people to save for self and for the country as a whole
- To develop a sustained saving habit among the people.
- To mobilize deposits through the operation of following accounts:

Mudaraba Mode are-

1. Mudarabah Savings Account.
2. Mudarabah Term Deposit Account: 3 months / 6 months / 12 months / 24months / 36 month term.
3. Mudarabah Special Notice Account.
4. Mudarabah Hajj Savings Account (a special account to facilitate performance of Hajj by fixed income group: 1year to 25 years term.
5. Mudarabah Special Savings (Pension) Account: 5 years & 10 years term.
6. Mudarabah Saving Bond Scheme:5 years & 8 years term.
7. Mudarabah foreign Currency Deposit (Savings) Account.
8. Mudarabah Monthly Profit Deposit Account.
9. Mudarabah Muhor saving Account
10. Mudarabah Waqf cash Deposit Accounts (MWCDA).



SIBL General banking is divided into six sections.1. Account opening section.2. Bills and clearing section.3. Remittance section.4. Cash section.5. Locker Service.6. Closing of an account.

3.20 Account Opening Section

Under this section, SIBL officer opens different types of accounts on the request of clients. The procedure of opening account is given below.

Procedure for Opening of Accounts:

Before opening of a current or savings account, the following formalities must be completed by the customer:.

a. Application for the prescribed form.
b. Furnishing photographs.
c. Introduction by an account holder.
d. Putting specimen signatures in the specimen card
e. Photocopy of Voter ID card account holder& nominee.
f. Mandate if necessary after fulfilling the above formalities, SIBL provides the customer a pay-in- slip book and checkbook.

3.20.1 Who can open bank accounts

--Persons over 18 years (except some restricted person)
--Account of club.
--Association.
--Agent.
--Government.
--Semi Government.
--Organization.
--Liquidators.
--Married Women.
--Pordanshin Ladies.
--Illiterate persons. Etc.

3.20.2 Required documents for Account opening:

For Proprietorship Firm:

--Trade license up to date.
--KYC form for Firm.
--Introduction of any current account holder.
--Two copies attested Photocopies of Proprietor (A/C Operator)
--Tax Identification Number (TIN)
--VAT certificate.
--Nationality Certificate from word commissioner/ Up Chairman or Passport Photocopy.
--All Documents should be submitted for attested the photocopies of the Documents.

For Partnership Firm:

--Partnership Deed.
--Trade License Up to date.
--KYC form for Firm.
--Introduction of any Current Account holder.
--Two copies attested Photographs of A/C.
--TIN Certificate.
--VAT Certificate.
--Nationality Certificate from Word Commissioner/ UP Chairman or Passport Photocopy of every signatories of the A/C.
--All Documents should be submitted for attested the photocopies of the Documents

For Public/Private limited company:

--Resolution of the companies.
--Memorandum and Articles of Association (Rubber Stamp seal should be put up in all pages of the Memorandum)
--Certificate of Incorporation.
--Certificate of Commencement of Business.

--Trade license Up to Date.
--TIN Certificate.
--VAT Certificate
--KYC Form for Firm.
--Introduction to any Current account holder.
--Two copies attested Photographs of A/C Operators.
-- Nationality Certificate from Word Commissioner/ UP Chairman or Passport Photocopy of every signatories of the A/C.

For Opening Mudaraba Savings A/c (MSA A/C):

-- Nationality Certificate from Word Commissioner/ UP Chairman or Passport Photocopy of every signatories of the A/C.
-- KYC Form for Individual.
--Introduction of any Current Account/Savings account holder.
-- Two copies attested Photographs of A/C Operators.

For Opening Mudaraba Special Savings (pension) (MSS) A/C.

-- KYC Form for Individual.
-- Introduction of any Current Account/Savings account holder.
-- Two copies attested Photographs of A/C Operators.

General conditions of governing Current / Savings Account,-(a) Minimum Balance to be maintained in current account Tk. 10,000 /- and in Savings account Tk. 5.000/- .(b) A suitable instruction by an introducer acceptable to the Bank is required prior to opening an account.(c) Recent photographs of the Account openers duly attested by the Introducer must be produced.(d) When cheques deposited are payable by other banks or outstation they are available after clearing or collection only, Service charge will be charged @ Tk, 100 /- in current account and Tk 50 /- in Savings account yearly or as charged by the Bank from time to time as and when required. Provisional profit rate for Savings Account (SB) @ 6.85% (Half years compounding).
Deposits Accepted by SIBL Mudaraba saving Deposit (MSD)
These are profit bearing deposit accounts. The drawings are restricted in respect of both the amount of withdrawal and the frequency thereof so that the payment of interest does not become any compensating for the banker. Some time the restrictions are ignored against the depositor's written confirmation to forgo his claim for interest on the total balance for the whole month of withdrawal.

3.20.3 Special Saving Scheme:

i) Mudaraba Hajj Saving Scheme

Hajj is one of the basic pillars of Islam- the complete code of life. SIBL has introduced scheme in the name & style "Mudaraba Hajj Saving Scheme" to facilitate the intending

Muslims to perform Hajj properly at appropriate age. This is purely a saving scheme for Hajj. Any Muslim intending in perform Hajj by building –up deposit required for meeting Hajj expenses will select one of the 20 alternative choices based on duration of period from 1 year to 20 years for building- up savings by monthly installments under this scheme.

ii) .Mudaraba Education Scheme

SIBL being encouraged by the success of the Mudaraba deposit accounts, has introduced another savings scheme namely “Mudaraba Education Scheme “Initial Deposit Maturity Period Total Payment Monthly Education Allowance25,000 7 Years 55,000 1,00025,000 10 Years 77,000 1,50025,000 15 Years 136,000 2,50025,000 20Years 240,000 4,500

iii) Mudaraba Millionaire Scheme

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

Rules and regulations of this scheme: Tk. 550/-, Tk. 1050/- or Tk. 2050/- is taken as monthly installment under Mudaraba principles of Islamic Shariah.Duration of this scheme will be 15, 20 and 25 yrs. After maturity an estimated amount will become as follows: Duration Monthly Installment Estimated amount after maturity15 2,050/- Tk. 10 lac20 1,050/- Tk. 10 lac25 550/- Tk. 10 lac The amount in the above is an estimated amount and may vary at maturity. After starting of operation of this scheme size of installment cannot be changed

iv) Mudaraba Special Savings (Pension) Scheme

Any Bangladeshi person aged above 18 yrs and having sound mental condition can may open this scheme. To open this account there must be a signature of a valued introducer. Parents or legal guardians can open this scheme in the name of their underage children. After maturity estimated profit will be applied as follows: Monthly Installment Estimated amount after maturity5 years 10 years100 8,000 22,500200 16,000 45,000300 24,000 67,000400 32,000 90,000500 40,000 1,12,5001000 80,000 1, 25,000

v) .Mudaraba Monthly Profit Deposit Scheme

The features form of the scheme of this scheme is as follows:

1. Tk. 1, 00,000/-, 1, 10,000/-, 1, 20,000/- or 1, 25,000/- or any amount multiple can be deposited under this scheme.2.

2. The duration of the amount should be for Five years.

3.Profits shall be distributed under this scheme as follows: a. 1,00,000/- Tk. 900 (net)b. 1,10,000/- Tk. 1000 (net)a. 1,20,000/- Tk. 1,100 (net)b. 1,25,000/- Tk. 1150 (net)4.

The payable profit will become due after 1 month of deposit. But the amount will be deposited to account in the last week of the month.5.

Generally, a depositor cannot withdraw the amount before 5 years. But, in unavoidable circumstances the depositor can withdraw the amount and in that case the depositor will have to submit the duly filled application

vi). Mudaraba Term Deposit

Mudaraba Term Deposit is one, which is repayable after the expiry of a predetermined period fixed by him. The period varies from 1 month to 1 year or above. These deposits are not repayable on demand but they are withdrawing able subject to a period of notice. Hence, it is popularly known as 'Mudaraba Time Deposit' or 'Time Liabilities". Normally the money on a fixed deposit is not repayable before the expiry of a fixed period. In case of MTDR Account the Bank needs to maintain a cash reserve. So SIBL offers a high interest rate in MTDR accounts. The profit rates followed by SIBL For 1 month @10.50For 3 months @11.75 For 6 months @12.00For 1 year or above @12.25

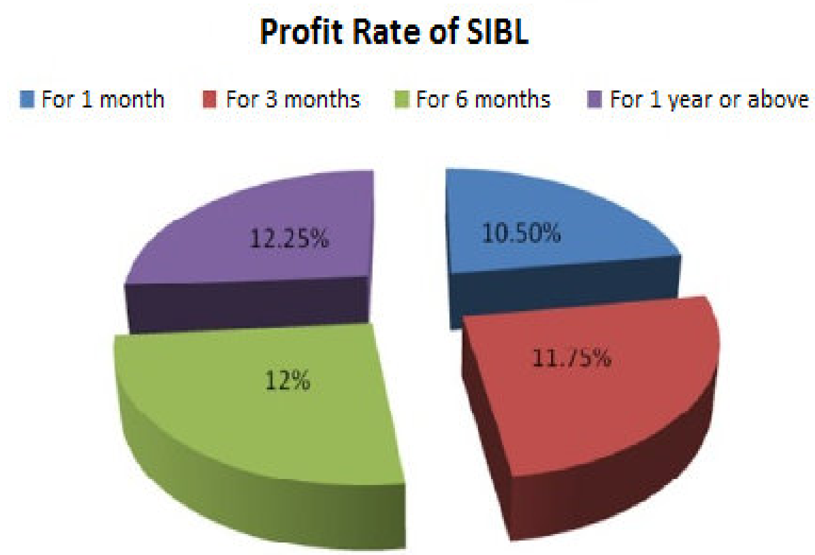


Figure:2 Profit Rate of MTDR of SIBL

vii). Al Wadiah Current Deposit

1). ALWADIAH Current Deposit A/c's are opened proper introduction with minimum initial deposit fixed by the Bank.

2). ALWADIAH Deposit is accepted on ALWADIAH principles which mean alAmanah with permission to use. According to this principle Bank can use the fund of the account along with other funds as per Shariah at bank's own risk. Accountholder(s) will not share any profit/loss.

3). Law and regulation of Bangladesh, usual customs and procedures common to banks in Bangladesh including Islamic Banking Principles shall apply to and govern the conduct of account opened with the Bank.

Considering increasing demands form the people of all walks of the country for special & attractive savings schemes on the basis of the Islamic Shariah so as to enable and encourage them to save as per their capacity in Islamic way for their old age when they will normally retire form their active economic life , Social Islami Bank Limited has introduced 'Mudaraba Special Savings (pension)Scheme' in which a person gets the opportunity to build-up saving by small monthly installments for getting an attractive amount at the end of the term or a monthly amount for a specific period after the expiry of the term .term:5years and 10year.

Under this scheme, Account may be opened for monthly deposits of TK.200/, TK.300/-,TK.400/-,TK500/-,TK.600/-,TK.700/-,TK.800/-TK.900/-TK1000/-and multiple of thousand Taka up to TK.20, 000/-only.

viii). Mudarba monthly profit Deposit Scheme:

Any individual may open account under this scheme by depositing a minimum amount of Taka 1, 00,000.00/=and multiples thereof at a time for 3years.Monthly provisional profit shall be given to the account just after completion of 1(one) month from the date of opening of the account .The profit amount will be adjusted on completion of 1(one) month from the date of opening of the Account. The profit amount will be final of profit.

ix). Mudarba Muhor Savings Scheme:

As per Islamic Shariah it is fared for a husband to pay Muhorana to his wife .The Bank introduced this Scheme for creation of opportunities to discharge this Fared .Any conscious husband may open account in the name of his wife to deposit monthly installment of TK.500/-,TK.2,000/-,TK.3000/-TK.4000/-and TK.5000/-only for 5-year or 10-year term.

x). Mudaraba Waqf Cash Deposit Account (MWCDA):

The Bank has introduced this deposit Scheme recently in the name of "Mudaraba Waqf Cash Deposit Account (MWCDA)" through which savings made for earnings for the purposed of Waqf by the well-off and the rich people of the society can be mobilized and the income to be generated there from may be spent for different benevolent purposes. Through the Scheme the Bank will be able to contribute to popularize the role of Waqf in the country including Cash Waqf which will be instrumental in transferring savings of the rich to the members of the poor, in financing various religious, educational and social services in Bangladesh. Cash Waqf can work as supplement of the financing of various social investment projects.

Under this Scheme one may create Cash Waqf at a time or may start with a minimum deposit of Tk. 10,000/- only and the subsequent deposit shall be made by installment(s) in thousand taka or in multiple of thousand taka. Higher profit is given against this Account.

Profit this Account is utilized for social and human welfare as per instruction of the Account-holders.

xi). Mudaraba Foreign Currency Deposit Scheme (Savings):

Mudaraba Foreign Currency Deposit Scheme (Savings) has been introduced under Mudaraba principle and endeavoring to invest the foreign currency funds in profitable way through its Foreign Correspondent Banks under Shariah principle so as to enable the Bank to pay Profit to its FC/PFC depositors, who will intend to open/maintain Mudaraba Foreign Currency Deposit (MECD) Account in minimum 1000/- US Dollar at designated branches of the Bank.

Bangladeshi nationals residing, working and earning abroad, and operating in Bangladesh, foreign missions and their expatriate employees are eligible to open this Account.

3.21 Cash section:

--Cash receipt

--Cash payment

--Issuance of cheque

--Passing, Cancellation and Payment of Cheque.

3.22 Bills and Remittance section:

--Issuance, Payment and Cancellation of DD, TT, P.O, OBC, IBC.

*__Demand Draft:__ (DD)

According to section 85 (A) of the Negotiable Instruments Act, a demand draft is "An order to pay money drawn by one office of the bank upon other office of the same bank for a sum of money payable to order on demand."

*__Telegraphic Transfer:__ (TT)

Telegraphic transfer is so far the quickest method of transferring funds from one place to another. Some times, the remitter of the funds requires the money to be available to the payee immediately. In that case the banker is requested by the remitter to remit the funds telegraphically.

*__Payment Order:__ (PO)

Payment Order is meant for making payment of the banker's own or of the customer's dues locally and not for affecting any remittance to an out station. In a sense, the payment order is used for making a remittance to the local creditors for which application to be made through F -19 and amount may be deposited through cheque/cash

3.23 Clearing and Collection Department

Clearing is an Inter bank collection arrangement of credit instruments lick cheques, PO, Draft, etc under the leadership of Central band or it's representative bank, where there is no Central Band.

At present Sonali Bank is representing Bangladesh Bank for operating clearing House where there is no Bangladesh Bank.
--Clearing and collection of instruments of different banks through central bank or its representative.
SIBL Local Office branch performs the bill clearing function through Local office. SIBL Local office acts as the agent of all SIBL branches for the clearing house of the Bangladesh Bank. There are two types of cheque which are
-1.Inward clearing
2.Outward clearing cheque.

Inward Cheques:
Inward cheques are those ones drawn the respective branch which have been presented another banks and will be cleared / honored through the clearing house of Bangladesh Bank. For example the cheque drawn on SIBL Local Office Br, then the cheque is called inward cheque of SIBL Local Office Br,
Accounting treatment: Customer's A/C Debit. SIBL General A/c Credit

Outward Cheques:
Outward cheques are those ones drawn on other bank branches which are presented on the concerned branch for collection through clearing house of Bangladesh Bank. These cheques are called outward cheques.For example, the cheque drawn on Mercantile Bank LTD, Kawran Bazar Br has been presented on SIBL Local Office Br. This cheque is called the outward cheque of SIBL Local Office. Hence it is said that the cheque which is the inward cheque of one bank is the outward cheque of another bank.

Outward Bills for Collection (OBC)
By OBC, we mean that those cheques drawn on other banks which are not within the same clearing house. Officer gives OBC seal on this type of cheques and later sends alerter to the manager of the branch of the some bank located in the branch on which cheque has been drawn. After collection of that bill branch advises the concerned branching which cheques has been presented to credit the customer account through Inter Branch Credit Advice (IBCA).In absence of the branch of the same bank, officer sends letter to manager of the bank on which the cheques is drawn. That bank will send pay order in the name of the branch. This is the procedure of OBC mechanism.
Clearing
The scheduled banks clear the cheques drawn upon one another through the clearinghouse. SIBL is a scheduled Bank. According to the Article 37 (2) of Bangladesh Bank Order, 1972, the banks which are the member of the clearinghouse are called asScheduled Banks.

Accounts Section:
Book keeping, maintenance of vouchers preparation of General ledger and clean cash book, Maintenance of sundry, suspense etc.
Reconciliation of IBG A/Cs
IBDA Inter Branch Debit Advice.
IBCA Inter Branch Credit Advice.

3.24 Custody and Maintenance as well as Vault & Locker Service:

Custody and maintenance of AOF SS Cards, Cheque Books, Ledgers, Statement of A/Cs voucher and secrecy of Accounts. Strong vault rooms & locker services are maintained for safeguard of valuable things & paper.

3.25 Closing of an Account

For two reasons, one can be closed. One is by banker and other is by the customer.

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

By customer:
If the customer wants to close his A/C, he writes an application to the manager urging him to close his A/C. Different procedures are followed in cash of different types of A/C to close. Fixed deposit A/C is closed after the termination of the period. Closing process for current & savings A/C
i. After receiving customer's application the officer verifies the balance of the A/C
ii. He then calculates interest and other charges accumulated on the A/C.
iii. If it bears a credit balance, the officer writes advice voucher. He gives necessary accounting entries post to accounts section.
The balance is returned to the customer. And lastly the A/C is closed. But in practice, normally the customers don't close A/C willingly. At times, customers don't maintain any transaction for long time. Is this situation at first, the A/C becomes dormant and ultimately it is closed by the bank .

Account Transfer:
Customer has to submit an application mentioning that he/she wants to transfer his/her A/C to his desired Branch and the officer will verify the signature, Customer has to be certified by different department of Bank that he/she has no liabilities to the bank. Then total particulars of A/C holder will prepare and sent to the Customer's desired branch. Liability of Recognizer is secondary and account holder is primary.

3.26 Objective and Principles of Deposit

Islami Bank Bangladesh Limited gives special importance on savings. The Objectives and principles of the Savings Policy of the Bank are:

- To encourage people to save for self and for the country as a whole.
- To develop a sustained savings' habit among the people.

Islami Bank Bangladesh Limited mobilizes deposits through different types

a. Al-wadeah Princilple;
b. Mudaraba Principle.

To operate Current Account on Al-Wadeah principle and all other deposit accounts on Mudaraba principle of Islamic Shar'ah.

The Bank distributes minimum 65% of its investment-income, earned through deployment of Mudaraba deposits, among the Mudaraba Depositions.

3.27 Sources of Funds of Islamic Banks

Capital / Share-holders' equity

Core Capital

a. Paid up capital
b. Share Premium
c. Statutory Reserve
d. General Reserve
e. Dividend Equalization Account
f. Retained Earnings

Supplementary Capital

a. General Provision on unclassified Investment
b. Assets Revaluation Reserve
c. Exchange Equalization Account

3.28 Different Modes of Deposit

Deposits are accepted by the Islamic Banks under the following Modes:

Al-Wadeeah

The word 'Al-Wadeeah' has been derived from the Arabic word 'Wadyun' which means to keep / to deposit to give up, leave off etc. In Islamic Banking, the principle of Al-Wadeeah means, the Bank receives money from the clients for safe custody with the condition to return the money on demand by the customer. Current Accounts are opened under this principle. Depositors authorize the Bank to use the money at Bank's risk. The customer is not entitled to receive any benefit from the Bank

Al-Mudarabah

The word ‘Mudaraba’ has been derived from the Arabic word “Darb’ / ‘Darbun’ which means movement to earn rahmat (Munafa) of Allah. Mudaraba is a form of partnership where one of the contracting parties called the ‘Shahib-al-Maal’ or the ‘Raab-ul-Maal’ (the financier) provides a specified amount of capital and acts like a sleeping or dormant partner while the other party, called the ‘Mudarib (entrepreneur), provides the entrepreneurship and management for carrying on any venture, trade, industry or services with the objectives of earning profits. The Mudarib is in the nature of a trustee as well as an agent of the business. Profit is distributed as per pre-agreed ratio while the loss is entirely borne by the Shahib-al-Maal.

3.29 Modes of Investment

Investment can be made by the Islamic Banks under the following Modes: However, the Islamic Banks in Bangladesh have so for introduced Bai-Murabaha, Bai-Muajjal, Bai-Salam & Hire purchase under Shirkatul Meelk Modes.

3.29.1 Profit & Loss Sharing Mode

Shirkat / Musharaka

The term refers to a financing technique adopted by Islamic Banks. It is an agreement under which the Islamic bank provides funds which are mingled with the funds of the business enterprise and others. All providers of capital are entitled to participate in the management but not necessarily required to do so. The profit is distributed among the partners in pre-determined ratios, while the loss is borne by each partner in proportion to his contribution.

3.29.2 Profit Sharing Loss Bearing Mode

Al-Mudarabah

The word ‘Mudaraba’ has been derived from the Arabic word ‘Darb / Darbun’ which means movement to earn rahmat (Munafa) of Allah. Mudaraba is a form of partnership where one of the contracting points called the “ Shahib-al-Maal, or the ‘ Rabb-ul-Maal’ (the financier) provides a specified amount of capital and acts like a sleeping a dormant partner while the other party, called the Mudarib (entrepreneur), provides the entrepreneurship and management for carrying on any venture, trade, industry or services with the objectives of earning profits. The Mudarib is in the nature of a trustee as well as an agent of the business. Profit is distributed as per pre-agreed ratio while the loss is entirely borne by the Shahib-al-Maal.

3.29.3 Bai-Mode (Buying & Selling)

Bai-Murabaha

Literally, sale on profit. Technically, a contract of sale in which the seller declares his cost and profit. This has been adopted as a mode of financing by a number of Islamic Banks. As a financing technique, it involves a request by the client to the bank to purchase a certain item for him. The Bank does that for a definite profit over the cost which is settled in advance.

Bai-Muajjal

Literally, a credit sale. Technically, a financing technique adopted by Islamic Banks. It is a contract in which the seller allows the buyer to pay the price of a commodity at a future date in a lump sum or in installments. The Price fixed for the commodity in such a transaction can be the same as the spot price or higher or lower than the spot price.

Bai-Salam

This term refers to advance payment for goods which are to be delivered later. Normally, no sale can be affected unless the goods are in existence at the time of bargain. But this type of sale forms an exception. To the general rule provided the goods are defined and date of delivery is fixed. The objects of this type of sale are mainly tangible things but exclude gold or silver as these are regarded as monetary values. Barring these, Bai-Salam covers almost all things which are capable of being definitely described as to quantity, quality and workmanship.

Bai-Ishtisna

Istisna'a is a sale contract by which al-sani' (the seller) on the basis of the order placed by al-mustansi' the buyer) after having manufactured or otherwise acquired al-masnoo' (the goods) as per specification sells the same to al-mustansi' for an agreed upon price and method of settlement whether that be in advance, by installments or deferred to a specific time. It is a condition of Istisna'a contract that al-sani should provide either the raw material or the labor.

Bai-Istijrat

Istijrar means purchasing goods from time to time in different quantities. In Islamic jurisprudence Istijrar is an agreement where a buyer purchases something form time to time; each time there is no offer or acceptance or bargain. There INS one master agreement where all terms and conditions are finalized. There are two types of Isijrar:

- Whereby the price is determined after all transactions of purchase are competing.
- Whereby the price is determined in advances but the purchase is executed from time to time.

Ai-Musawamah

It refers to normal sale in which cost price is not known.

Bai Surf

It refers to the sale of gold, silver and currency

Bai-Muqayada
It refers to barter sale excluding currency sale.

3.29.4 Rent Sharing Mode

Ijarah (Lease)
The term Ijarah has been derived from the Arabic words "Ajr" and "Ujrart" which means considerations, return, wages, and rent of services of an ASSET. Ijarah has been defined as a contract between two parties, the Hires and Hirer where the Hirer enjoys or reaps a specific service or benefit against specified considerations or rent fro the asset owned by the Hires. It is a hire agreement under which a certain asset is hired out by the Hires to a Hirer against fixed rent or rentals for a specified period.

Ijarah wa iqtina (Hire Purchase)
This term refers to a mode of financing adopted by Islamic Banks. It is a contact under which the Islamic Bank finances equipment, building or other facility for the client against an agreed rental together with an undertaking from the client to purchase the equipment or the facility. The rental as well as the purchase price is fixed in such a manner that the bank gets back its principal sum along with some profit which is usually determined in advance.

Hire purchase under Shirkatul Melk (HPSM)
Hire Purchase under Shirkaturl Melk is a special type of contract which has been developed through practice. Actually, it is a combination of three contracts viz. Shirkat, Ijarah and Sale. Shirkat means partnership. Shirkatul Melk means share in ownership. When two or more persons supply equity, purchase an asset, own the same jointly and share the benefit as per agreement and bear the loss in proportionate to their respective equity, the contract is called Shirkatul Melk contract.

3.29.5 Production Sharing Mode

Mozarah
It is a contact in which one person agrees to till the land of the other person in return for a part of the produce of the land.

Musaqah
A contract in which the owner of the garden shares its produce with another person in return for his services in irrigating the garden.

Quard-al-Hasana
A virtuous loan. A loan with stipulation to return the principal sum in the future without any increase.

Steps in investment operations:

- Induction of the client
- Application
- Processing & Appraisal
- Sanction
- Documentation
- Disbursement
- Monitoring, End-use, Supervision & Recovery

Fixation of sale price of Bai-Murabaha goods:

A. Purchase price of the Goods Plus (+)
B. Other expenditure incurred by the Bank in connection with the purchase, transportation and storage before sale of the goods to the client viz.

i. Conveyance
ii. Commission, if any, paid to agent
iii. Cost of remittance of Fund
iv. Transportation cost
v. Insurance
vi. Go down rent
vii. Other expenses if any.

C. Total cost (A+B)
D. Profit mark-up
E. Sale Price

Fixation of Rent under **"Rent Sharing Mode"**

Diminishing Balances Method:

In this method the installments are not equal.
Principal installment remains equal.
Rent unequal i.e., calculated on the outstanding principal.
As at the initial stage principal outstanding remain higher so rent is higher which make the installment size larger.

Equal Installment Method (Annuity Method)

In this method the installments are equal.
Principal & Rent are unequal.
Rent is calculated on the outstanding principal and the rest amount of installment is adjusted against the Principal .At the initial stage principal adjustment is less and increases gradually.

The main difference between the Diminishing Balance Method and Annuity Method is that the Principal adjustment is not equal.As at the initial stage Principal Adjustment is less than the total Rent in this method is more than the Diminishing Balance Method.

Equal Installment Method (Equal Rent Method)

In this method the installments are equal Principal & Rent remain equal.
Rent is calculated for the whole period of Investment considering diminishing balance of Principal & equally distributed all over the repayment period.
Though the total rent on the investment in this case is equal to that of Diminishing Balance Method but the effective R.R. is less due to opportunity loss on the calculated but not realized rent for the 1st half of the repayment period.

Nature of Shariah lapses generally occur in Investment Operations

- Cash facilities are allowed to the client instead of investment through buying and selling of goods
- Fresh Investments are allowed for adjustment of previous liability of the client without proper buying and selling of goods.
- Letter of Authority is not obtained from the client in case of investment against Bai Murabaha (Post Import) and Bai Murabaha under dealership license in the name of Investment Clients.
- Rent / Profit is charged and recovered for the gestation period under Hire Purchase Shirkatul Melk investment.
- Pre-fixed profit is recovered in the Pre-shipment Musharaka Investment instead of actual profit.
- Cash Memo obtained in the name of Client instead of in the name of the Bank.
- Cash memo is not at all obtained.
- Agreements are kept blank and undated
- Back dated / Post dated cash Memo is obtained.
- The application for Payment Order / Demand Draft / TT etc. is signed by the client instead of signing the same by the Bank.
- The amount of disbursement does not agree with the amount of cash memo.
- Goods received directly by the client instead of receipt of goods first by the Bank and then by the Client.
- Documents of receiving goods by the Branch are not available in the Branch record.
- Bai-Muajjal investment is allowed in case of Stock lot items.

Distribution of profit to Mudaraba Depositors

The principles of calculation and distribution of profit to Mudaraba Depositors generally followed by the different Islami Banks are as under

- Mudaraba Depositors share income derived from investment of their fund.

- Mudaraba Depositors do not share any income derived from miscellaneous banking services where use of their fund is not involved, such as commission, exchange service charges and other fees realized by the Bank.
- Mudaraba Depositors get priority in the matters of investment over Bank's equity and other cost free funds.
- The gross income derived from investments during the accounting year is, at first, allocated to Mudaraba Deposits and Equity & const free funds according to their proportion in the total investment.
- The share of gross investment income of Mudaraba Deposits as worked out in terms of principal is distributed as under:
  a. Bank retains a pre-agreed portion (say 20%) as management fee for managing the investment.
  b. Bank retains another pre-agreed portion (say 15%) for off-setting investment loss or with a view to maintain a general level of return on Mudaraba Deposits.
  c. The remaining portion (say 65%) is distributed to Mudaraba Depositors applying weight ages.

Let us suppose that an Islami Bank applies the following weight ages to Mudaraba Deposits

a. Mudaraba Hajj Savings Deposits 110%
b. Mudaraba Term Deposits 36 months 100%
24 months 98%
12 months 96%
06 months 92%
03 months 88%
c. Mudaraba Savings 75%
d. Mudaraba Short Notice 55%

On the basis of the above principle, let us work out the rates of profit using the information and figures given below:

a. Total Investment Tk 1000
b. Total Investment Income Tk 150

d. Total fund employed

i. Banks equity and Al-Wadeeah Deposits Tk 200

ii. Mudaraba Deposits Tk 800

Total Tk 1000

Therefore the share of investment income of Mudaraba Deposit will be (150 ÷ 1000 x 800) Tk 120

Less

a. 20% Managing Fee Tk 24.00

b. 15 % Loss Off-setting Reserve Tk 18.00

Tk 42.00

Distributable Investment Income Tk 78.00

Table:2 Distribution of Profit to Mudaraba Depositors

Amount in million Tk

SL No.	Type of Mudaraba Deposits	Yearly Product	Weightage %	Weighted Product	Share of Distributable Profit	Rate of Profit
1	**2**	**3**	**4**	**5**	**6**	**7**
1	Mudaraba Hajj Savings	120	110	132.00	11.71	9.50%
2.	Mudaraba Term Deposits					
	36 months	100	100	100.00	8.88	8.88%
	24 months	110	98	107.80	9.56	8.69%
	12 months	80	96	76.80	6.81	9.75%
	06 months	125	92	115.00	10.20	9.50%
	03 months	95	88	83.60	7.41	9.50 %
3.	Mudaraba Savings	220	75	165.00	14.64	3.50%
4.	Mudaraba Short Notice	180	55	99.00	18.79	3.50%
Total		1030		879.20	78.00	

3.30 Lending Risk Analysis (LRA)

Lending Risk Analysis (LRA) is a technique by which the risk of the loan is calculated. Banker must analyze LRA when loan application is above 1 core. This analysis is done by experienced people of Credit department in SIBL. It is a ranking whose total score is 140.Among this score, 120 is for Total Business Risk and 20 for Total Security Risk. In case of business risk, if the score falls---------Between 13-19, then------- Poor risk Between 20-26, then --------Acceptable risk Between 27-34, then-----Marginal risk Over 34, then ------ Good risk. In case of security risk, if the score fall Between – 20 to – 15 then Between – 14 to 0, then ------------ Acceptable risk Between 0 to 10, then -------------Marginal risk Over 10, then -----------------Good risk. In LRA, following aspects are analyzed Supplies risk 1)

1)Sales risk
2)Performance risk
3)Resilience risk
4)Management ability.
5)Level of Managerial teamwork
6)Management competent risk
7)Management integrity risk
8)Security control risk
10) Security risk cover.

Securities

SIBL charges the following two types of security,
1.Primary security
2.Collateral security.

3.31 Document and Documentation

A document is a written statement of facts of proof or evidence arising out of particular transaction which placement may bind the parties there to answerable and liable to the court of law for satisfaction of the change in question. The execution of documents in proper form and according to the law is known as documentation.

- Steps in documentation
- Obtaining the documents.
- Stamping (Stamp Act-1899)
- Witnessing.
- Execution of Documents.
- Registration of Documents (assignment on the body of an insurance Policy, Mortgage deed, Advance to a limited company etc.
- Common Compulsory Documents
- Letter of Acceptance about the terms and conditions laid down in Sanction Advice.
- D.P. Note (Depending on the types of borrowers)
- Letter of Arrangement. Besides, there are other documents that are to be obtained depending on the types of Advance. Such as-

  1. In case of Loan
  2. Letter of Disbursement.
  3. Letter of Authority (if required)

4. Letter of Hypothecation (when goods are hypothecated as security)
5. Insurance Policy (if required)

3.32 Credit Monitoring, Follow-up and Supervision

SIBL Officer checks on the following points:
1. The borrower's behavior of turnover
2. The information regarding the profitability, liquidity, cash flow situation and trend in sales in maintaining various ratios.

3.33. Loan Classification

Like other banks, all types of loans of SIBL fall into following four scales:
1. Unclassified: Repayment is regular.
2. Substandard: Repayment is stopped or irregular but has reasonable prospect of improvement.
3. Doubtful debt: Unlikely to be repaid but special collection efforts may resulting partial recovery.
4. Bad/Loss: very little chance of recovery.

3.34 Provision:

Provision of all types of loans of SIBL is below:

Table: 3 Provision of loans of SIBL

Type of classification	Rate of provision
Unclassified	1%
Doubtful	50%
Substandard	0%
Bad debt	100%

3.35 Investment:

Investment of SIBL is increasing rapidly. In the year 2010 the amount of investment was Tk. 36680.28 million which was Tk.26580.58million in 2009.

Table: 4 Investment of SIBL since 2005

(Taka in million)

Year	2005	2006	2007	2008	2009	2010
Investment	15096.83	1531.9	16440.26	19951.3	26580.5	36680.28

Source: Annul report of SIBL (2005, 2006, 2007, 2008 2009, 2010)

The following chart depicts the year wise position of investment since year 2005:
(Taka in million)

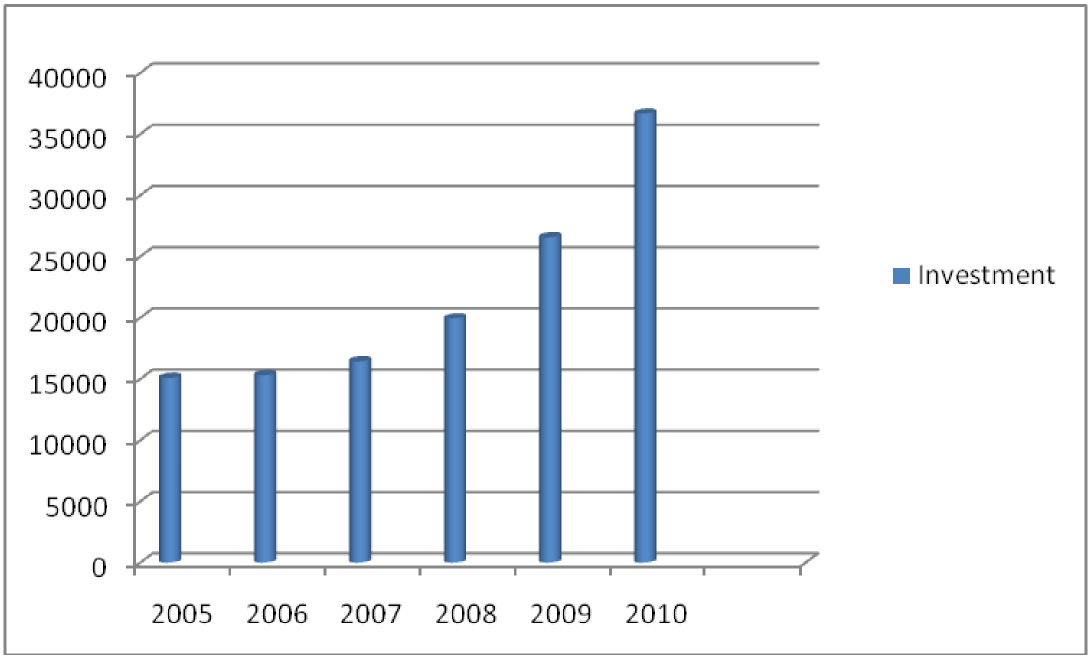


Figure: 3 Growth of Investment since year 2005
Source: Annual Report(2005,2006,2007,2008,2009,2010)

3.36 Deposits:

Since deposit is the life blood of the Bank, SIBL drew-up series of action plan, both short term and long term to raise the deposits base of the Bank in line with the Directives of the Bangladesh Bank**.** Deposits of SIBL since 2005 are given below:

Table:5 Deposits of SIBL

Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Deposits						

The following graph shows the deposit trend of the Bank:(Taka in million)

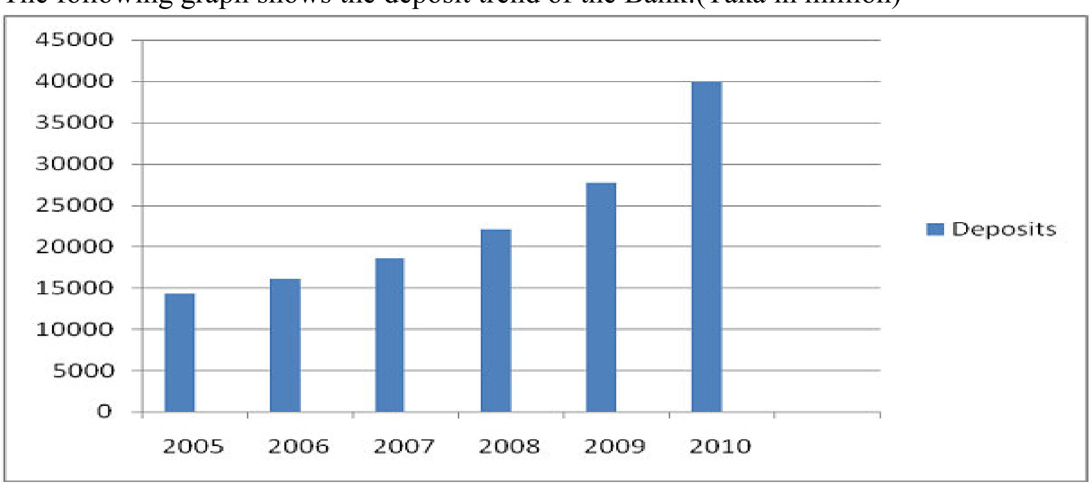


Figure: 4 the deposits trend of the Bank

3.37 Foreign Exchange & Foreign Trade

According to the theory of comparative advantages, some countries have some advantages where others have another. For example, we have cheap labor; readymade garments on the other hand, U.S. have strong currency. We need foreign currency & they need cheap labor & readymade garments. Therefore, international transaction, Foreign exchange businesses are started.

No country is fully sufficient in every aspect. In general, one country depends on other for goods & services. Foreign exchange & foreign trade has greatly contributed to smooth exchange of goods & services among the countries all over the world.

Foreign Exchange:

As per Foreign Exchange Regulation Act, 1947 (Article 2nd) Foreign Exchange means Foreign Currency i.e. Currencies other then Local Currency. It includes any instrument drawn, accepted, made or issued under clause (13) of Article 16 of the Bangladesh Bank Order, 1972, all deposits, credits and balances payable in any foreign currency and any draft, traveler's cheque, letter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign currency.

Foreign Trade:

Cross border transactions or exchange of goods & services between two parties of separate territory (country) are called foreign trade. It is part of foreign exchange. Foreign trade includes:

- Import &
- Export.

3.38 Foreign Exchange Activities

Foreign exchange transactions are includes:

- ❖ Import
- ❖ Export
- ❖ Remittance
- ❖ Trading of currency

3.38.1Import:

Import means purchases of goods or services in exchange of foreign currency. It decreases the inflow of foreign currency. But, our country depends on import.

The import business of SIBL Tk. 13482.30 million in the year 2010 that was Tk. 11791million in the year 2009. The growth rate of import business in 2007 was 14.34

Table-6 Import of SIBL

Year	2005	2006	2007	2008	2009	2010
Million	11124.852004	14908.902005	13363.072006	13363.072006	11791.002008	13482.30

Source: Annul report of SIBL (2005, 2006, 2007, 2008, 2009 &20010)

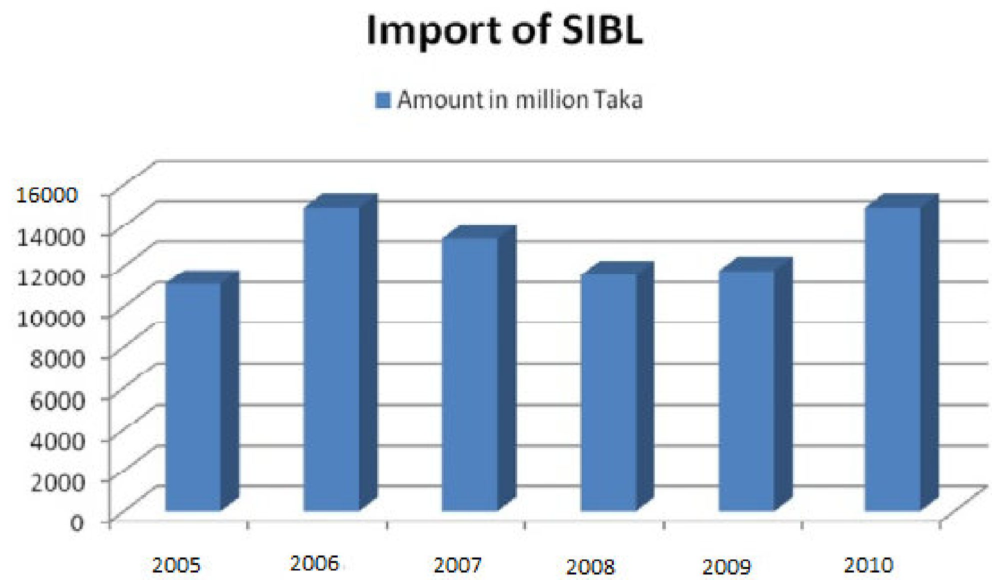


Figure: 5 The growth rate of Import Business

Source: Annul report of SIBL (2005, 2006, 2007, 2008, 2009 &20010)

3.38.2 Export:

Export means selling of goods or services in exchange of foreign currency. It earns foreign currency by selling goods & services to the rest of the world. It increases inflow of foreign currency.

The export business of SIBL is decreasing trend. The growth rate of export business 2010 was -48.08 %

Table-7 Export of SIBL

Year	2005	2006	2006	2007	2009	2010
Million	2287.642004	4035.902005	4500.232006	5528.402007	10714.002008	9961.60

Source: Annul report of SIBL (2005, 2006, 2007, 2008, 2009& 2010)

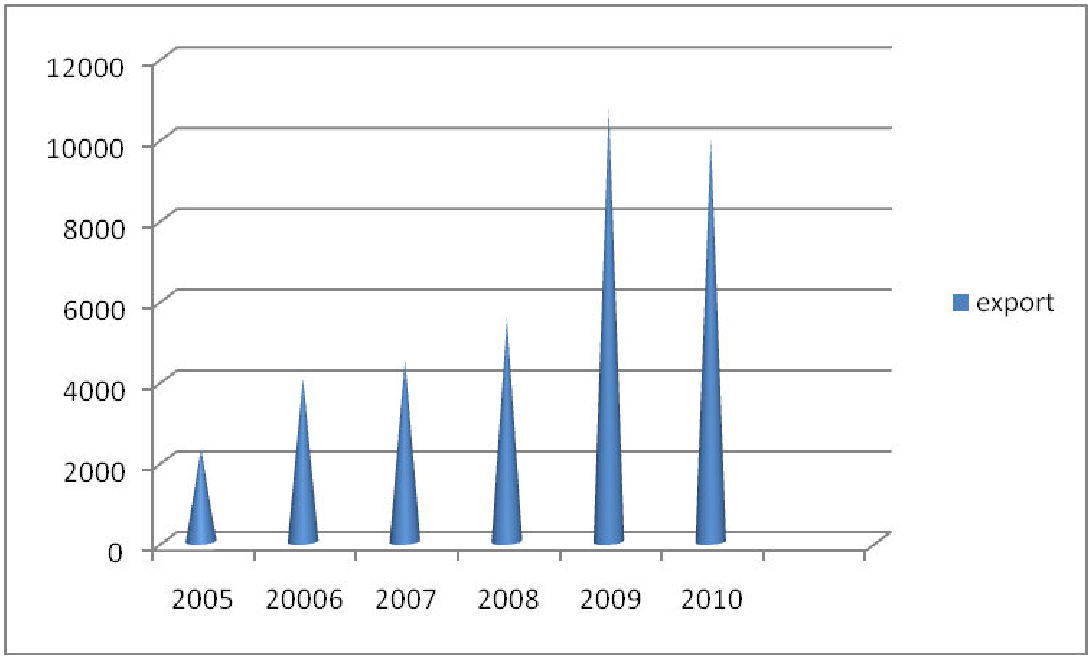


Figure: 6 growth of export business

Source: Annul report of SIBL (2005, 2006, 2007, 2008, 2009& 2010)

3.38.3 Remittance:

Remittance represents transfer of fund from one place to another through official channel. Banks have a wide network of branches all over the country and offer various types of remittance facilities to the public.

- Foreign Remittance.
- Local Remittance

Foreign Remittance:

Foreign remittance means remittance of foreign currencies from one place/person to another place/person. In board sense, foreign remittances include all sale & purchase of foreign currencies on account of Import, Export, Travel & purposes. All foreign remittances are grouped into two board categories & guided by the Foreign Exchange Regulation Act, 1947 and guidelines for foreign exchange transactions of Bangladesh Bank.

- Foreign Inward Remittance
- Foreign Outward Remittance

Foreign Inward Remittance:

Remittance of foreign currency being received in the country from abroad is called inward foreign remittance.

Foreign Outward Remittance:
Foreign currency being made out abroad may be termed as foreign outward remittance. Purpose of foreign Outward remittance:

- Travel/Tour/Visit, Education, Seminar/Workshop, Fees
- Family maintenance, Salaries & savings by expatriates
- Remittance by foreign shipping lines/airlines/courier services
- Dividend/gain of foreign company
- Hajj
- Expenses of office opened abroad
- Remittance of royalty & technical fees
- Operating expenses of offices of Bangladeshi shipping corporation & Bangladesh Biman
- Remittance against import claims
- Subscription to foreign media, Advertisement, Bank charges etc.

3.38.4Trading of Currency:

Trading of foreign currency means Purchase & sale of different currencies or exchange of one currency into other. It includes mainly dealing room operation(Dealing room: A room where online buying & selling of foreign currency takes places) excluding the money market operation. This is purchase or sale of one currency in term of another, either Local Currency to Foreign Currency, or Foreign Currency to Local Currency, or Foreign Currency to Foreign Currency (Cross Currency).

3.39 Financing Foreign Trade (Import & Export Financing)

3.39.1 Import finance

Mainly three types of import are done purpose wise.
a. Import of trading item for ultimate user or consumer.
b. Import of Raw materials or industrial item for further processing or further production
c. Import of Capital Machinery & Capital Item.
In all types of import usually the importer take bank finance. In SIBL, finance can also be made for the first two types under Bai-Murabaha & Bai-Muajjal mode and for the 3rd type under Hire-Purchase Under Shirkatul Melk (HPSM) mode. Import finance can also made under Bai-Salam or Musharaka or Mudaraba modes. Islami Banks have to perform its all transactions related to import & export by abiding the National and International rules/regulations in addition to its own rules/regulations/guidelines and Islamic Shariah.
As per Islamic Banking practice import finance under Bai-Murabaha is made under single deal covering the investment at L/C stage, Bills stage, and post import stage as under:

i. Murabaha Import L/C
ii. Murabaha Import Bills
iii. Murabaha post Import

3.39.2 Export Finance

Export means flow of goods and services produced within Bangladesh but purchased by economic agent (individuals, firms & government) of other countries. In other words in case of exports products sold outside the country. So getting payment against such sale usually require different time span depending on the terms of sale contract or relative payment terms of export L/C.

In view of above exporter require immediate fund and other financial facilities to execute their export order. It is the bank who extends such facilities as needed by the exporter. And facilitating export by financing exporter at different stages are now important part of bank's activities.

Export section deals with two types of L/C that are as follows-

	Export Section	
Back-to-Back L/C		Export L/C

Exporter requires financial assistance at two stages namely

- Pre-shipment stage &
- Post–shipment stage

So, export finance is classified into two categories

i) Pre-Shipment finance

ii) Post-Shipment finance

i) Pre-Shipment Finance under Islamic Modes:

Pre-shipment finance as the name suggest, given to finance the activities of an exporter prior to the actual shipment of goods for export. The purpose of such finance is to meet Working Capital needs starting from the point of purchasing raw materials to transportation of goods for export to foreign country.

Pre-shipment finance is given for the following purposes.

i. Finance for local procurement of goods.
ii. Procuring and processing of goods
iii. Packing & transportation of goods
iv. Payment of Insurance premium
v. Payment of utility bill
vi. Payment of wages and salary
vii. Freight charge

Pre-shipment finance can be made under Islamic mode as follows.

Back-To-Back L/C

To purchase/procure goods for export processing bank may provide facility in the way of Back-to-Back L/C opened under Bai-Muajjal mode. If the back-to-back L/Cs are opened deferred payment basis no finance by the bank is required except if they fail to make shipment in time.

Bai-Murabaha TR :

For purchase of goods for export shipment bank can finance under Bai-Murabaha TR mode. That means the exportable goods or raw materials are purchased under Bai-Murabaha mode and delivered to the exporter client for export or export processing against Trust Receipt duly signed by the client.

- The mechanism of Bai-Salam is- goods purchase in advance against payment now but delivery of goods will be made after a specified time.
- For meeting the expenses other than procurement of goods bank make finance under Bai-Salam mode to the exporter. Through Bai-Salam bank purchase a portion of exportable goods in advance and make payment. After production exporter make shipment of the goods, which is already sold to the bank.

Musharaka:

Pre-shipment can be made through Musharaka mode if pre-arrangement is made.

ii) Post Shipment Finance :

Post-shipment finance is made by the bank after shipment by negotiated and purchased of shipping documents by the bank. Bank made payment on submission of documents if these are free from any discrepancies and bank found suitable for purchase in all respect. Bank adjust their liability when get foreign payment. Bank earns exchange income from such finance, which is permissible under Islamic Shariah.

3.40 Foreign Exchange Performance

Foreign exchange business plays a very important role among the overall business portfolio of the bank. Foreign trade facilitates setting up of export-oriented industries in the country as well as import substitute industries that helps the country to save foreign currency. Apart from trade, foreign remittance service also contributes greatly in reducing poverty of the country in general and developing the deposit base of the bank in particular. Both foreign trade and foreign remittance are a good source of earnings for the bank.

Foreign exchange business has significantly contributed in the overall performance of Social Islami Bank Ltd. Here, the trend of import, export & remittance business of SIBL, the bank's performance in comparison to national foreign exchange performance, position of SIBL with regard to the competitors in foreign exchange business are shown:

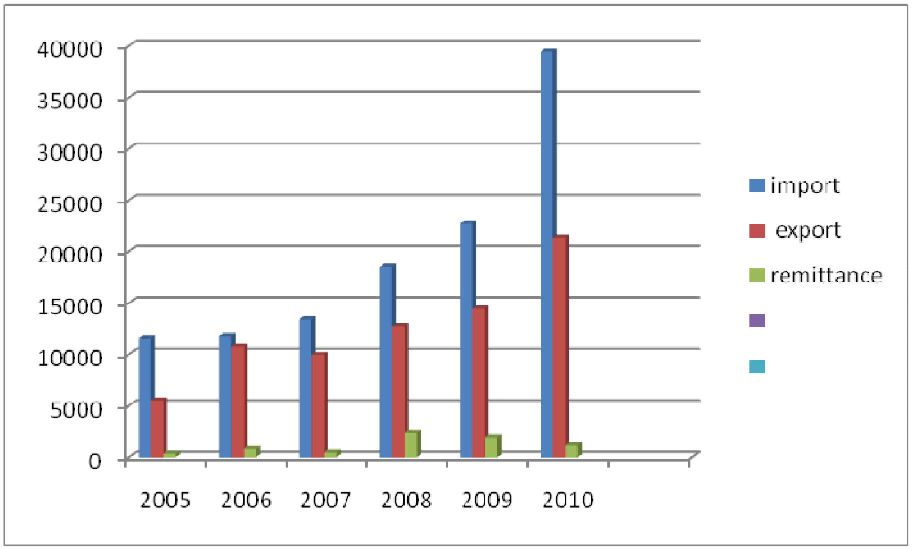


Figure: 7The trend of Import, Export, &Remittance Business of SIBL

Chapter 4
SWOT ANALYSIS

SWOT Analysis:

SWOT Analysis is an important tool for evaluating the company's Strengths, Weaknesses, Opportunities and Threats. It helps the organization to identify how to evaluate its performance and scan the macro environment, which in turn would help the organization to navigate in the turbulent ocean of competition. The SOWT analyses of IBBL are presented below:

4.1 Strength:

- Adequate Finance: Social Islami Bank Ltd. has adequate finance. That is why they need not to borrow money from Bangladesh Bank or any other banks.
- More funds for Investment: For adequate financial ability they can provide loan to the more investment clients.
- Honest and Reliable Employees: All of the employees of Islami Bank are honest and reliable. They are always devoted themselves to the works for better customer service. They have no corruption report.
- It has vast years of experience since its establishment.
- SIBL is only the Bank which is the pioneer of welfare banking system among all other financial and banking organization.
- At SIBL, the top management is the driving force and the think tank of the organization where policies are crafted and often cascaded down.
- SIBL provides its customer excellent and consistent quality in every service.
- SIBL is a financially sound company.
- SIBL utilizes state-of-the art technology to ensure consistent quality and operation.
- SIBL provides its works force an excellent place to work.
- SIBL has already achieved a good will among the clients.
- SIBL has a research division.

4.2 Weakness

- SIBL lacks well-trained human resource in some area.
- SIBL lacks aggressive advertising
- The procedure of credit facility is to long compare to other banks.
- Employees are not motivated in some areas.
- Absence of structured marketing and credit policy
- Lack of coordination among the branches and Head Office.

4.3 Opportunities:

- Emergence of E-banking will open more scope for SIBL.
- SIBL can introduce more innovative and modern customer service.
  Many branches can be open in remote location.

- SIBL can recruit experienced, efficient and knowledgeable work force as it offers good working environment.
- The successful launching and needs to an Islamic Money Market in the country.

4.4 Threats:

- The worldwide trend of mergers and acquisition in financial institutions is causing problem.
- Frequent taka devaluation and foreign exchange rate fluctuation is causing problem.
- Lots of new banks are coming in the scenario with new service.
- Local competitors can capture huge market share by offering similar products.
- The rules and regulations of Bangladesh are not favorable for Islami Bank. So they have to face various problems to operate their activities according to Islami Shariah.
- Lack of skill personnel because of poor salary structure rather than other private banks.
- Unknown attitudes of the people about the Islamic Banking.

Chapter 5

Difference between conventional banking and shariah based banking

5.1 Concept of Islamic Banking

An Islamic Bank is a financial institution that operates with the objectives of implementing and materializing the economic and financial principles of Islam in the banking arena.

The definition of Islamic Bank as approved the General Secretariat of the OIC is stated in the following manner. “An Islamic Bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations.”

According to Islamic Banking Act 1983 of Malaysia, “Islamic Bank is a company which carries on Islamic Banking business… Islamic Banking business means banking business whose aims and operations do not involve any element which is not approved by the religion Islam.”

International Association of Islamic Banks says, “The Islamic Bank basically implements a new banking concept, in that it adheres strictly to the ruling of the Islamic Shariah in the fields of finance and other dealings. Moreover, the bank which is functioning in this way must reflect Islamic principles in real life. The bank should work towards the establishment of an Islamic Society; hence, one of its primary goals is the deepening of the religious spirit among the people. ”

5.2 Concept of Conventional Banking

Generally by the word “Bank” we can easily understand that the financial institution deals with money. But there are different types of banks like; Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, Co-operative Banks etc. But when we use the term “Bank” without any prefix, or qualification, it refers to the ‘Commercial banks’. Commercial banks are the primary contributors to the economy of a country. So it can be said that Commercial bank is a profit-making institution that holds the deposits of individuals and business in checking and savings accounts and then uses these funds to make loans. For these people and the government is very much dependent on these banks as the financial intermediary. As, banks are profit-earning concern; they collect deposit at the lowest possible cost and provide loans and advances at higher cost. The differences between two are the profit for the bank.

Banking sector is expanding its hand in different financial events every day. At the same time the banking process is becoming faster, easier and the banking arena is becoming wider. As the demand for better service increases day by day, they are coming with different innovative ideas & products. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure.

5.3 A comparison between Conventional and shariah based Banking

Conventional Banking	**Shariah based banking**
1. The functions and operating modes of conventional banks are based on manmade principles.	1. The functions and operating modes of Islamic banks are based on the principles of Islamic Shariah.
2. The investor is assured of a predetermined rate of interest.	2. In contrast, it promotes risk sharing between provider of capital (investor) and the user of funds (entrepreneur).
3. It aims at maximizing profit without any restriction.	3. It also aims at maximizing profit but subject to Shariah restrictions.
4. It does not deal with Zakat.	4. In the modern Islamic banking system, it has become one of the service-oriented functions of the Islamic banks to collect and distribute Zakat.
5. Leading money and getting it back with interest is the fundamental function of the conventional banks.	5. Participation in partnership business is the fundamental function of the Islamic banks.
6. It can charge additional money (compound rate of interest) in case of defaulters.	6. The Islamic banks have no provision to charge any extra money from the defaulters.
7. In it very often, bank's own interest becomes prominent. It makes no effort to ensure growth with equity.	7. It gives due importance to the public interest. Its ultimate aim is to ensure growth with equity.
8. For interest-based commercial banks, borrowing from the money market is relatively easier.	8. For the Islamic banks, it is comparatively difficult to borrow money from the money market.
9. The Client's status is creditor and debtors.	9. The status of clients is investors and trader.
10. Since income from the advances is fixed, it gives little importance to developing expertise in project appraisal and evaluations.	9. Since it shares profit and loss, the Islamic banks pay greater attention to developing project appraisal and evaluations.
11. The conventional banks give greater emphasis on credit-worthiness of the clients.	10. The Islamic banks, on the other hand, give greater emphasis on the viability of the projects.

12. A conventional bank has to guarantee all its deposits.	12. Islamic bank can only guarantee deposits for deposit account, which is based on the principle of al-wadiah, thus the depositors are guaranteed repayment of their funds, however if the account is based on the mudarabah concept, client have to share in a loss position..

5.4 Difference between Profit vs Riba (interest):

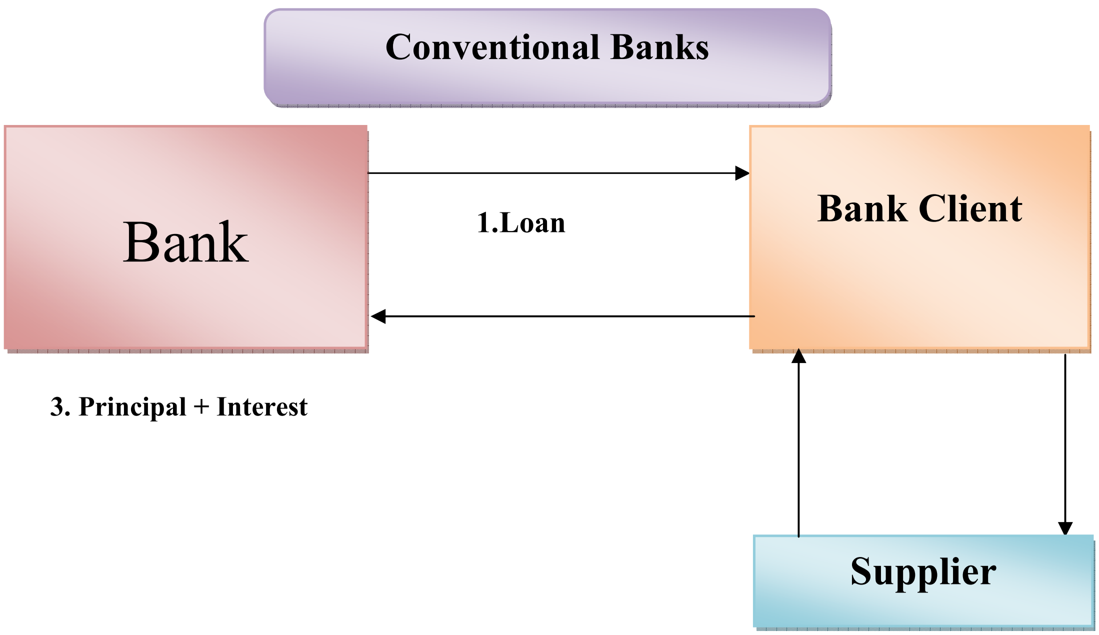
In Islam Riba (Interest) is strictly prohibited. Islam support business based banking where banks are allowed to earn through profit from business. That is banks profit will not be fixed prior to business. But Riba (Interest) is fixed whatever the business situation is. I will try to differentiate Riba (Interest) against Profit and Rent.

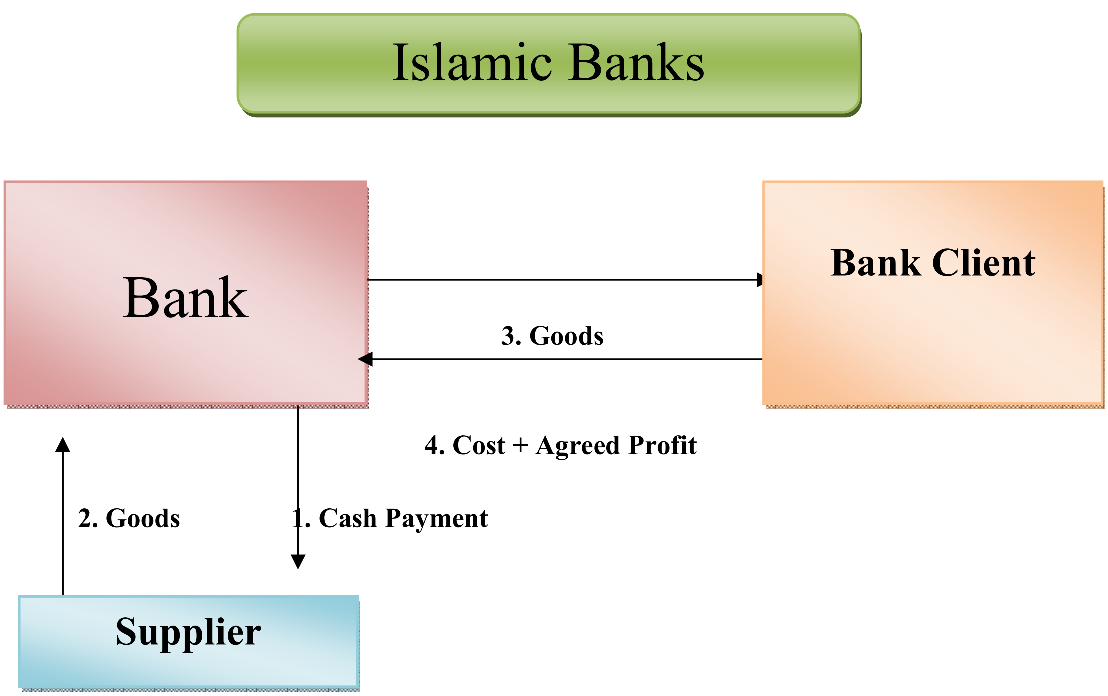
Difference between Riba (Interest) and Profit:

Riba (interest)	**Profit(loss)**
1. Excess over the principal in a loan transaction	1. Positive end result of business operation.
2. Unearned income	2. Has to earn by investing labor and capital.
3. Return of principal with additional amount (interest) is ensured.	3. No such surety.
4. Pre-determined	4. Uncertain
5. Interest may repetitively be earned on a single transaction	5. Profit may be earned once from a single deal.
6. Prefixed cost of goods and services and creates inflation.	6. Profit is found after deduction of all expenses from total income. So it has no relation with inflation.
7. Interest increases money supply in the market.	7. There is no opportunity of increasing money supply.
8. These is the opportunity of compounding	8. Close end transaction.
9. There is no risk of erosion of capital.	9. Risk of erosion of capital is there.
10. No chance of negative end result i.e., loss.	10. This is every possibility of negative end result.

11. Declared Haram (prohibited) unequivocal terms in the holy Quran.	11. Halal (permitted) as declared by the holy Quran.
12. Transfers assets from poor to rich.	12. Ensure equitable distribution.

5.5 Functional Chart of Islamic Banks and Conventional Banks





5.6 Comparison review: Reflection on five Islami Banks and five conventional banks

Since this report focuses on the comparisons between Islamic banking and conventional banking, studying different banks, it finds out numerous differences in various areas. These are given in the following by considering five Islami Banks and five conventional perspectives.

5.7. Social Islami Bank vs. City Bank

5.7.1Values of SIBL

Following are the values of the SIBL:

1. **Honesty**: To be honest is ordained by the scripture they stick to this value in all their service provision.
2. **Transparency**: Remaining transparent in all acts is a virtue that's builds trust – they adhere to it.
3. **Efficiency**: Efficiency implies perfection in any job done – they strive to render full satisfaction with it.
4. **Accountability**: To be accountable is to be responsible and above any suspicion – they are dutifully there.
5. **Reliability**: They infuse reliability in customers' mind through habitual acts of dedicated service.
6. **Innovation**: Their minds and eyes are open to the evolution in quality of life to innovate further benefits for the service takers.
7. **Flexibility**: Flexibility leads to better understanding and greater satisfaction – they pursue the quality.
8. **Security**: Customers must feel secure with all their products and services – they keep on ensuring it.
9. **Technology**: Modern life is technology dependent – they keep looking for the latest development to provide the best in ease to their clients.

5.8 Corporate Social Responsibility (CSR)

As an Islami Bank, Social Islami Bank Limited is quite conscious of it's social responsibility and always trying to participate in social cause program in the country. The bank is committed to serve the society at large through its family empowerment Micro Investment, Micro Enterprise and SME programs under non-formal sector, social capital mobilization through CASH WAQF and other programs under voluntary sector. The bank has already formed CSR Desk with the aim to serve humanity through different philanthropic activities giving emphasis on health and Education. The bank believes that any kinds of social & philanthropic activities would improve the quality of the lives of the poor masses of the country. The Board of Directors of the

Bank consists of winning personalities in respective area of Trade, Commerce & Industry of the country. Under the proactive guidance, policy and direction of the Board, Management conducts its business operations. The Corporate Governance systems in SIBL ensure transparency and accountability at all levels in conducting business. The Shariah Supervisory Committee is consisting of a group of prominent Islami Scholars, Economists and Lawyers to advise the Management on Shariah matters relating to the business operations. The Board of Directors provides leadership and direction to the Management to attain goals and objectives of the bank. The solid performance of the bank that achieved is due to the divine blessings of Allah Sobhanahui Tala and constant guidance, cooperation and support of the Board & Shariah Supervisory Committee as well as committed, dedicated and hard work of the Management Team.

5.8. Products Offered by SIBL at a glance

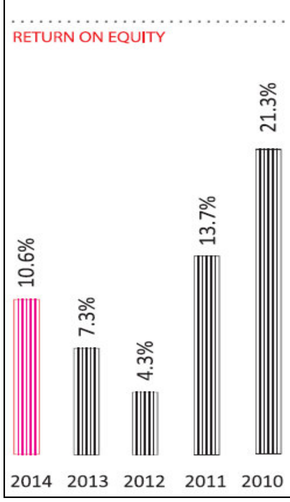
Products & Services			
Investment Products	**Deposit Products**	**Cards**	**E-Banking**
Bai-Muazzal	Mudaraba Scheme Deposits	SIBL Credit Card	Internet Banking
HPSM	Al Wahid Current Account	Visa Islami Credit Card (Dual)	Mobile Banking
HPSM-Ijara	Mudaraba Savings Deposit	Visa Islami Credit Card (Local)	SMS Banking
Murabaha	Mudaraba Term Deposit	SIBL Zameel Debit Card	
Musharaka	Mudaraba Notice Deposit		
Bill Purchase	Cash Waqf. Deposit		
Bai-Salam (PC)			
Quard			

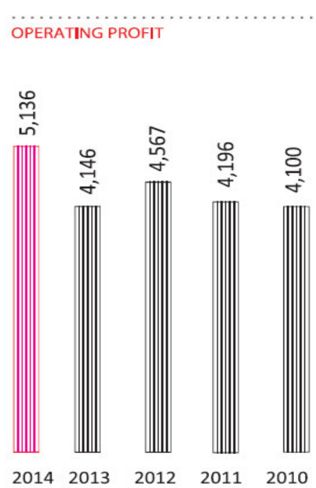
5.9 Graphical Financial Analysis of the City Bank Ltd.

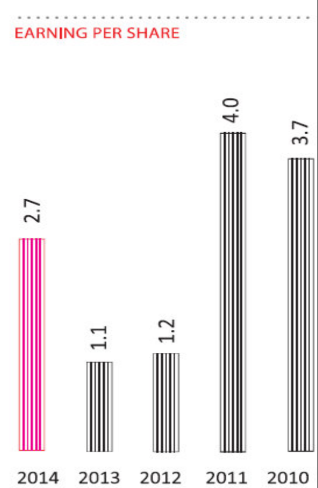
Financial Summary of City Bank Ltd. at a glance (Source: Annual report-2014)

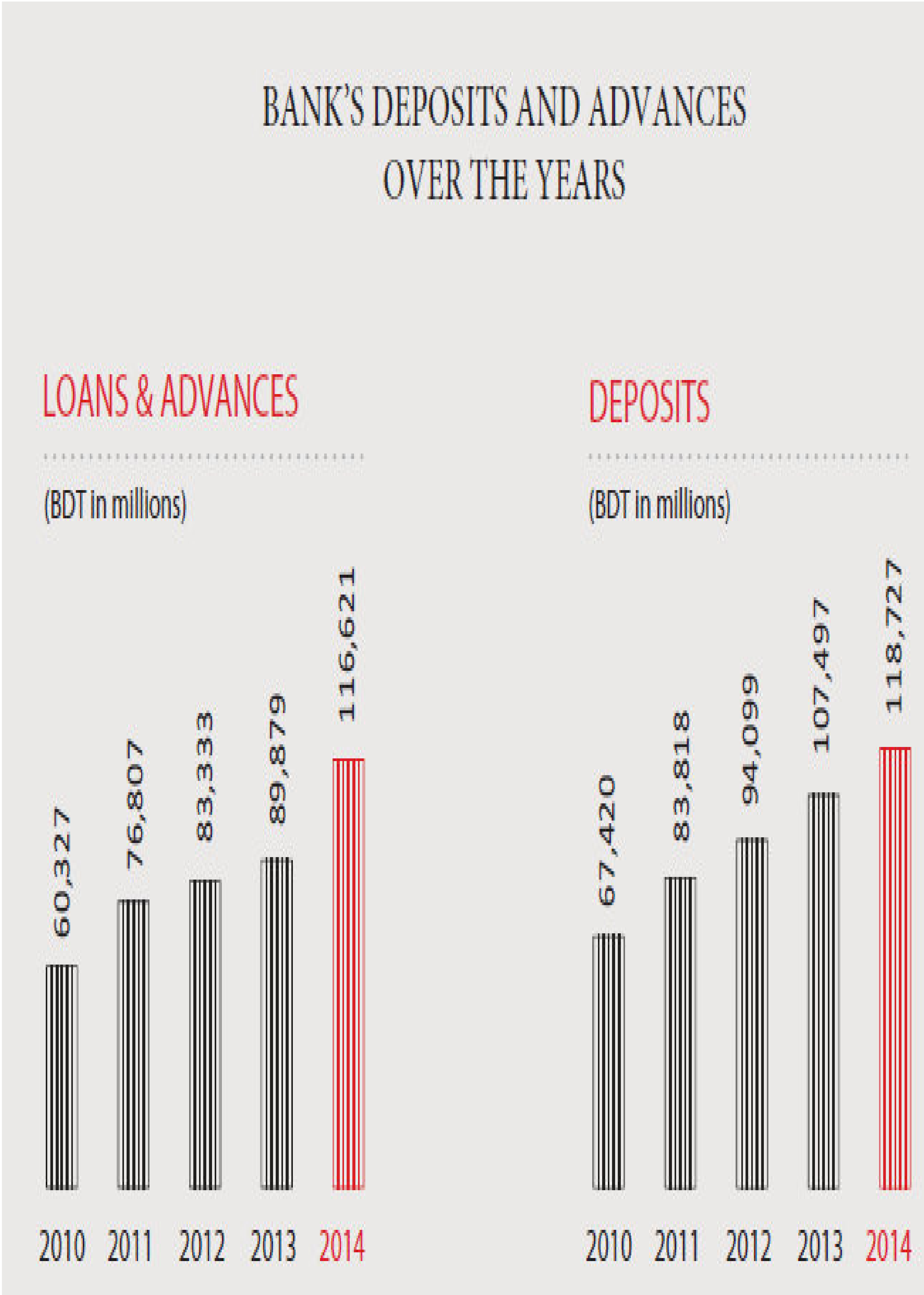
FINANCIAL HIGHLIGHTS

(BDT Millions, except per share amounts and employees)	2014	2013	% Inc/(Dec)
Total Operating Income	**10,539**	8,773	20.1%
Operating Profit	**5,136**	4,146	23.9%
Profit After Tax	**2,215**	911	143.1%
Earnings per share	**2.7**	1.1	145.5%
Stock dividend declared per share	**0.5**	2.0	-75.0%
Cash dividend declared per share	**1.5**	-	-
Net Asset Value per Share	**27.7**	22.2	24.8%
Total assets	**177,228**	147,472	20.2%
Shareholders' equity	**23,118**	18,525	24.8%
Return on average asset	**1.4%**	0.7%	100.0%
Return on average equity	**10.6%**	7.3%	45.2%
Number of employees	**2535**	2647	-4.2%





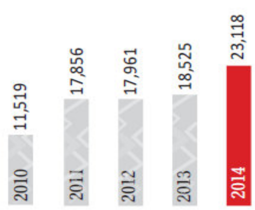




BANK'S DEPOSITS AND ADVANCES
OVER THE YEARS
LOANS & ADVANCES
(BDT in millions)
60,327
76,807
83,333
89,879
116,621
2010
2011
2012
2013
2014
DEPOSITS
(BDT in millions)
67,420
83,818
94,099
107,497
118,727
2010
2011
2012
2013
2014

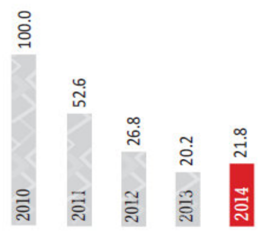
SHAREHOLDERS' EQUITY

in million



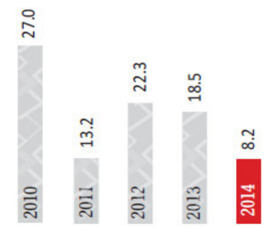
MARKET PRICE OF SHARE

in taka



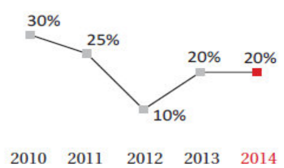
PRICE EARNING RATIO

times



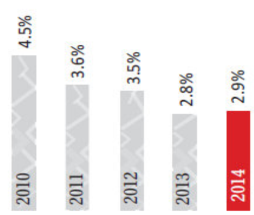
DIVIDEND

%



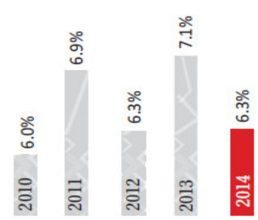
OPERATING INCOME AS PERCENTAGE OF WORKINGS FUNDS

%



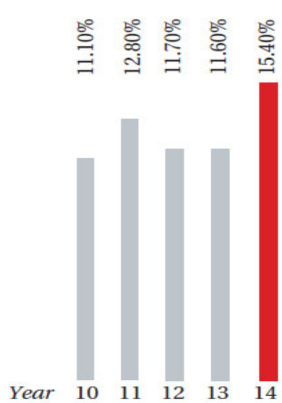
CASH RESERVE RATIO

%



CAPITAL ADEQUACY RATIO (CAR)

FY 12	FY 13	FY 14
11.7%	11.6%	15.4%



CAPITAL ADEQUACY RATIO (%)

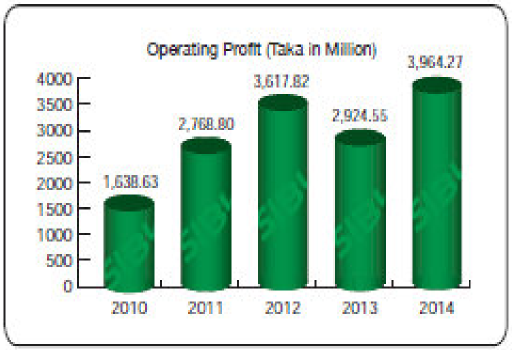
Table : Statutory Liquidity Ratio

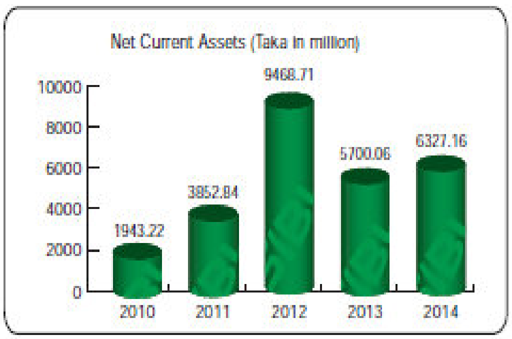
(Tk. in billion)

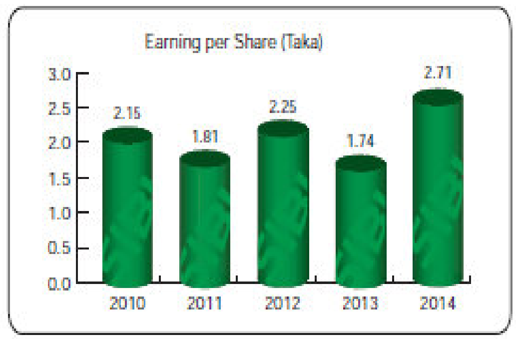
	As of end June, 2014			As of end September, 2014[P]		
	Total Liquid asset	Required Liquidity (SLR)	Liquidity Excess of SLR	Total Liquid asset	Required Liquidity (SLR)	Liquidity in Excess of SLR
SCBs	772.4	208.3	564.1	766.1	217.2	559.7
SBs*	49.6	17.7	31.9	46.0	17.3	31.0
PCBs (other than Islamic)	913.0	372.7	540.3	959.0	381.6	580.0
Private Banks (Islamic)	250.3	65.8	184.5	280.8	68.6	208.3
FCBs	161.6	48.4	113.2	191.4	46.1	152.1
All	2146.8	712.8	1434.0	2243.3	730.8	1

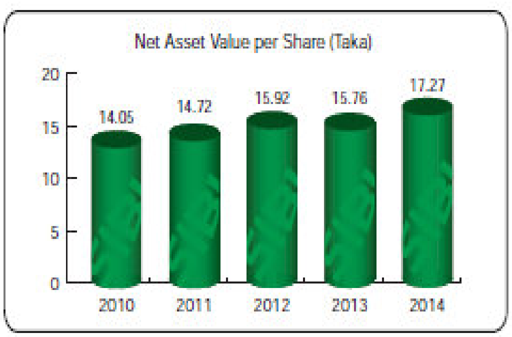
** SLR does not apply to Specialized banks (expect BASIC Bank) as exempted by the Government.*

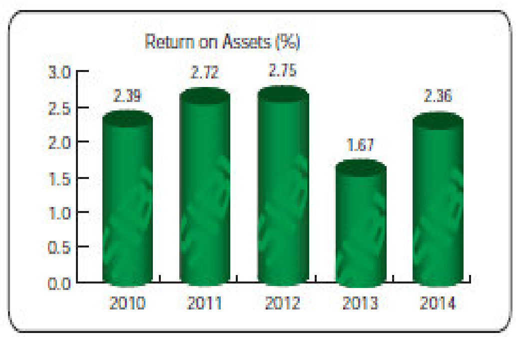
Graphical presentation of SIBL

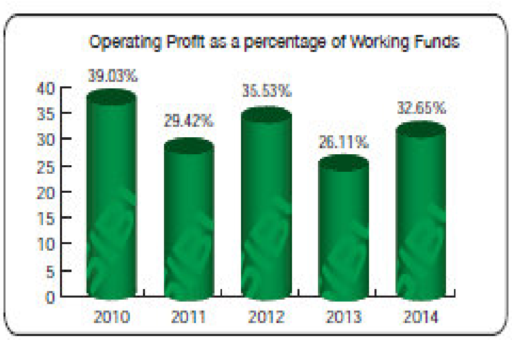


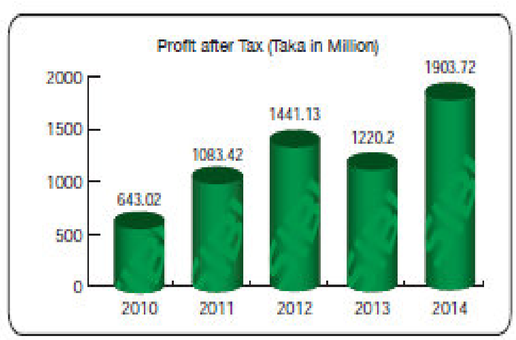


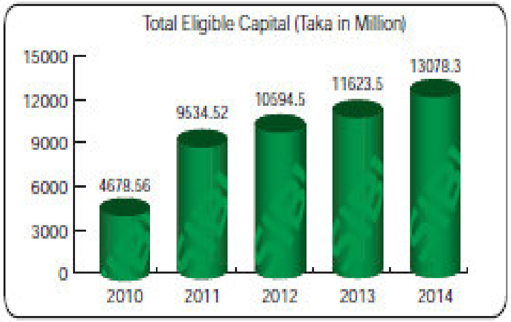


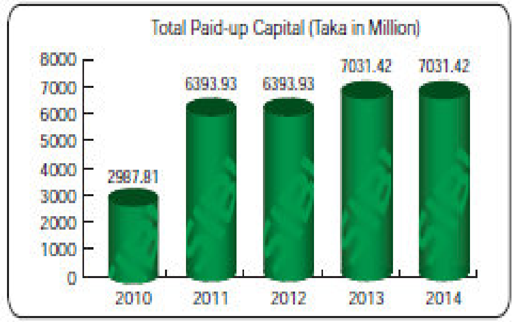


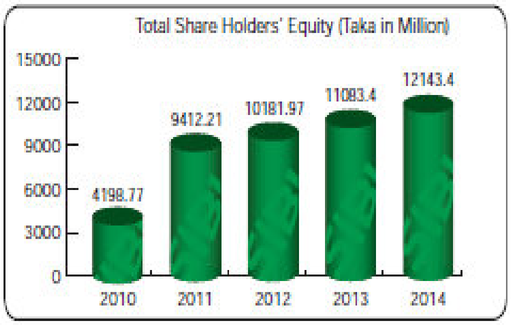


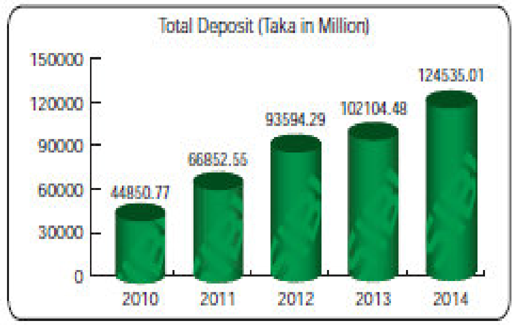


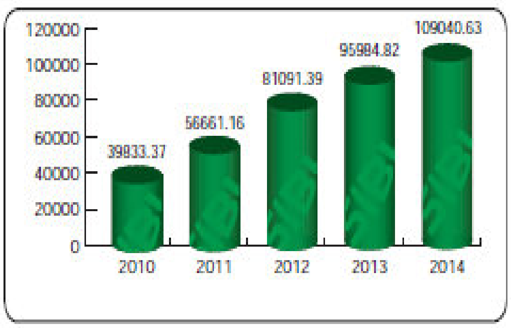


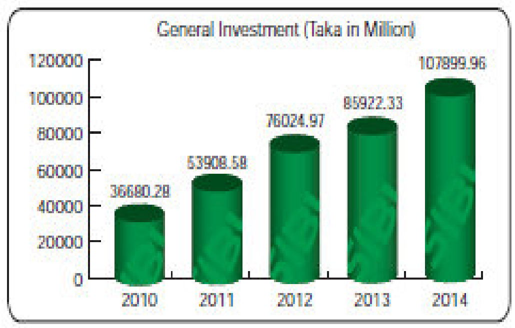

Total Eligible Capital (Taka in Million)
15000
12000
9000
6000
3000
0
4678.56
9534.52
10594.5
11623.5
13078.3
2010
2011
2012
2013
2014

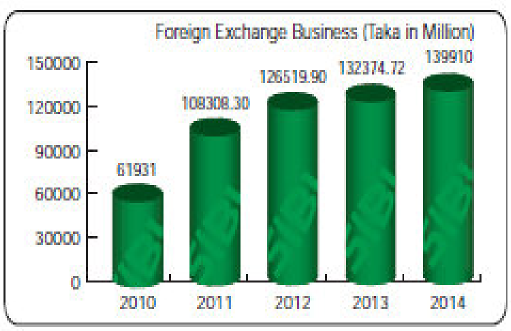

Total Paid-up Capital (Taka in Million)
8000
7000
6000
5000
4000
3000
2000
1000
0
2987.81
6393.93
6393.93
7031.42
7031.42
2010
2011
2012
2013
2014

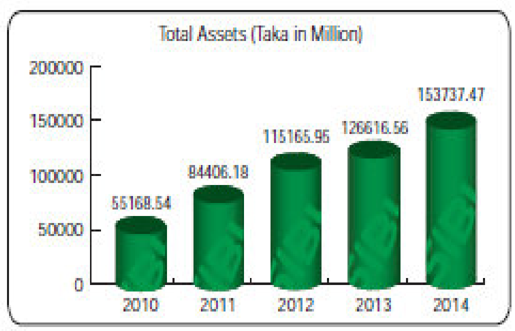

Total Share Holders' Equity (Taka in Million)
15000
12000
9000
6000
3000
0
4198.77
9412.21
10181.97
11083.4
12143.4
2010
2011
2012
2013
2014

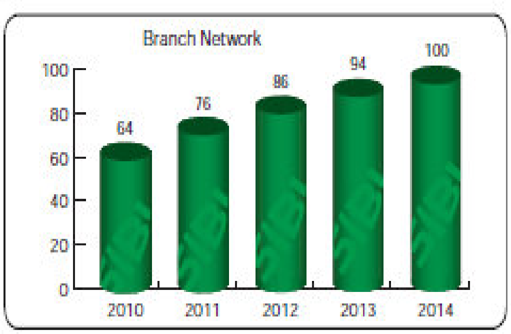

Total Deposit (Taka in Million)
150000
120000
90000
60000
30000
0
44850.77
66852.55
93594.29
102104.48
124535.01
2010
2011
2012
2013
2014

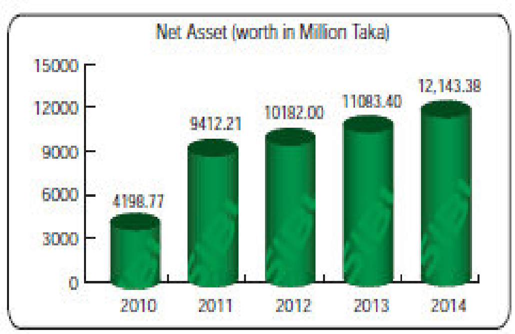

120000
100000
80000
60000
40000
20000
0
39833.37
56661.16
81091.39
95984.82
109040.63
2010
2011
2012
2013
2014


General Investment (Taka in Million)
120000
100000
80000
60000
40000
20000
0
36680.28
53908.58
76024.97
85922.33
107899.96
2010
2011
2012
2013
2014


Foreign Exchange Business (Taka in Million)
150000
120000
90000
60000
30000
0
61931
108308.30
126519.90
132374.72
139910
2010
2011
2012
2013
2014


Total Assets (Taka in Million)
200000
150000
100000
50000
0
55168.54
84406.18
115165.95
126616.56
153737.47
2010
2011
2012
2013
2014


Branch Network
100
80
60
40
20
0
64
76
86
94
100
2010
2011
2012
2013
2014


Net Asset (worth in Million Taka)
15000
12000
9000
6000
3000
0
4198.77
9412.21
10182.00
11083.40
12,143.38
2010
2011
2012
2013
2014

5.10 Comparative Analysis between The City Bank And Social Islami Bank Ltd.

i). Profit Before Tax :

The profit before tax measure that looks at a bank's profits before the company has to pay corporate income tax. This measure deducts all expenses from revenue including interest expenses and operating expenses, but it leaves out the payment of tax.

The profit before tax of city bank ltd. and social Islami bank ltd. that was growing from the years 2011 to 2014. Both banks trend was growing. Comparatively we can say that city bank's performance was the better than social Islami bank ltd.

ii). Deposits :

Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited.

The deposits of city bank ltd. and social Islami bank ltd. that was growing from the years 2011 to 2014. Both bank's trend was upward. Generally, we can say that city bank's deposits was more than social Islami bank ltd. Comparatively, city banks performance was better than SIBL regarding deposits.

iii). Total Assets :

Total assets of bank refers that the sum of all cash, investments, furniture, fixtures, equipment, receivables, intangibles, and any other items.

The total assets of city bank ltd. and social Islami bank ltd. that was growing from the years 2011 to 2014. Both bank's trend was upward. Generally, we can say that city bank's total assets was more than social Islami bank ltd. comparatively, city banks performance was better than SIBL regarding total assets.

iv). Shareholder Equity :

Shareholders' equity represents the equity stake currently held on the books by a firm's equity investors. Shareholders' equity is often referred to as the book value of the company, and it comes from two main sources. The first and original source is the money that was originally invested in the company, along with any additional investments made thereafter. The second comes from retained earnings that the company is able to accumulate over time through its operations.

The shareholders equity of city bank ltd. and social Islami bank ltd. that was growing from the years 2011 to 2014. Both bank's trend was upward. Generally, we can say that city bank's shareholders' equity was more than social Islami bank ltd. comparatively, city banks performance was better than SIBL regarding shareholders equity.

v). Earnings per Share :

Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. It refers that, the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

The earnings per share of city bank ltd. and social Islami bank ltd. that was declining from the years 2011 to 2014. Both bank's trend was downward. Generally, we can say that city bank's earnings per share were more than social Islami bank ltd. It's difficult to say which one was on better position, but it's true that city bank's shareholder was more reluctant to hold that share because of the declining trend of EPS.

vi). Import Business :

In Bangladesh most of the goods are imported from different countries all over the world. In these activities banks play a vital role to conduct that business. To conduct that operation bank gains different service charges and others. Here city bank ltd and social Islami bank ltd. both conduct the same operation.

The import business of City bank ltd. and Social Islami bank ltd. that was growing from the years 2011 to 2014. Both bank's trend was upward. Generally, we can say that SIBL's import business was more than city bank ltd. Comparatively, social Islami bank's performance was better than city bank ltd. regarding import business.

v). Export Business:

Bangladesh is going to be export oriented country, every year which export huge amount of agro-products, medicine and garments product in different countries all over the world. In these activities banks play a vital role to conduct that business. To conduct that operation bank gains different service charges and others. Here city bank ltd. and social Islami bank ltd. both conduct the same operation.

This graph showed the export business of city bank ltd. and social Islami bank ltd. from the years 2011 to 2014. Social Islami bank's trend was upward and city bank's export business trend was downward from the year 2011 to 2012 after that it was growing. Generally, we can say that SIBL's export business was more than city bank ltd. Comparatively, social Islami bank's performance was better than city bank ltd. regarding export business.

vi). Remittance Business :

The graph- provides the comparative position between The City Bank Ltd. and Social Islami Bank Ltd. regarding remittance business.

Bangladesh is considered as one of the major labor exporting country of the world. Since independence huge number of Bangladeshis went abroad and also in every year the numbers of expatriate are growing which lead to increase the foreign remittance of Bangladesh government. To conduct that operation bank gains different service charges and others. Here city bank ltd. and social Islami bank ltd. both conduct the same operation.

This graph showed the remittance business of city bank ltd. and social Islami bank ltd. from the years 2011 to 2014. City bank's trend was upward and social Islami bank's remittance business trend was downward from the year 2011 to 2013 after that it was growing. Generally, we can say that city bank's remittance business was more than social Islami bank ltd. Comparatively, city bank's performance was better than social Islami bank ltd. regarding remittance business.

vii). Foreign Exchange Business :

The graph- provides the comparative position between The City Bank Ltd. and Social Islami Bank Ltd. regarding foreign exchange business.

The graph showed the foreign exchange business of city bank ltd. and social Islami bank ltd. that was growing from the years 2011 to 2014. Both bank's trend was upward. In 2011 both bank's foreign exchange business stand in a same point. Generally, we can say that city bank's foreign exchange business was more than the social Islami bank ltd from the year 2011 to 2013. Comparatively, city bank's performance was better than the social Islami bank ltd. regarding foreign exchange business.

5.11 Comparative Ratio Analysis of City Bank & SIBL

i). Return on Equity (ROE)

Table-26: Return on Equity (ROE)

Return on Equity (ROE)		
Years	**City Bank**	**SIBL**
2011	11.20%	10.82%
2012	16.20%	12.14%
2013	21.30%	15.31%
2014	13.70%	13.44%

Source: Annual Reports 2011-2014.

The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. The ROE is useful for comparing the profitability of a company to that of other firms in the same industry. If the ratio is higher, it indicate that the firms effective utilization of equity. Here the city banks performance is better than SIBL. The ROE of city bank fluctuating over the years but SIBL's ROE is growing. In 2012 both bank's ROE is declining. Comparatively, city banks performance is better than SIBL

ii). Return on Assets (ROA)

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. The formula for return on assets is:

Table-27: Return on Assets (ROA)

Return on Assets (ROA)		
Years	**City Bank**	**SIBL**
2011	0.80%	0.68%
2012	1.20%	1.08%
2013	2.20%	1.17%
2014	2.00%	1.50%

Source: Annual Reports 2011-2014.

ROA tells you what earnings were generated from invested assets. ROA for public companies can vary substantially and will be highly dependent on the industry. This is why when using ROA as a comparative measure, it is best to compare it against the ROA of a similar company. Here both banks ROA was growing over the years. Comparatively city bank's percentage of ROA was greater than the SIBL. In 2014 city bank's ROA was declining and SIBL's ROA is growing.

iii). Return on Investment (ROI)

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio. The formula of return on investment is:

Table-28: Return on Investment (ROI)

Return on Investment (ROI)		
Years	**City Bank**	**SIBL**
2011	4.39%	23.68%
2012	7.74%	32.92%
2013	14.82%	21.08%
2014	12.51%	24.14%

Source: Annual Reports 2011-2014.

Return on investment is a very popular metric because of its versatility and simplicity. That is, if an investment does not have a positive ROI, or if there are other opportunities with a higher ROI, then the investment should be not be undertaken. Here SIBL's ROI was greater than the city bank, so we can say that comparatively SIBL's investment was effectively utilized than the city bank. It was true that SIBL's ROI was fluctuated, but that was above the city bank's graph.

iv). Earnings per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. The formula of EPS is:

Table-29: Earnings per Share (EPS)

Earning Per Share		
Years	**City Bank**	**SIBL**
2011	25.3	17.2
2012	52.1	18.39
2013	3.7	2.15
2014	4.2	1.50

Source: Annual Reports 2011-2014.

Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. Here most of the times city banks EPS was grater than the SIBL's EPS. In 2010 both condition was poor for declining the EPS but after that both EPS was growing. Comparatively, we can say that city banks performance was good.

v). Equity Multiplier

Like all debt management ratios, the equity multiplier is a way of examining how a company uses debt to finance its assets also known as the financial leverage ratio or leverage ratio.

Table-30: Equity Multiplier

Equity Multiplier (Times)		
Years	**City Bank**	**SIBL**
2011	13.54	15.96
2012	13.04	11.24
2013	7.89	13.14

2014	6.48	8.97

Source: Annual Reports 2011-2014.

In other words, this ratio shows a company's total assets per dollar of stockholders' equity. A higher equity multiplier indicates higher financial leverage, which means the company is relying more on debt to finance its assets. Here both bank's equity multiplier was declining over the years. Comparatively it's too difficult to say which position was good.

vi) Total operating income per employee

Total operating income per employee measures management's ability to use their employee resources effectively to create profits for the company. The formula of total operating income per employee is:

Table-31: Total operating income per employee

Total operating income per employee (million)		
Years	**City Bank**	**SIBL**
2011	1.60	1.05
2012	1.80	1.12
2013	2.70	1.31
2014	2.80	2.01
2012	2.90	2.20

Source: Annual Reports 2011-2014.

When making a comparison between two banks, the business with the higher value for income per employee is the more efficient bank. When drawing conclusions about the comparative performance analysis of a bank its one of the effective tools to judge the efficiency of management. Here both banks income per employee was growing. Comparatively we can say, city banks performance was better than SIBL.

vii). Assets Utilization Ratio

The asset utilization ratio measures management's ability to make the best use of its assets to generate revenue. Like all ratios, this is just an indicator. A high ratio may mean more efficient management. The formula of assets utilization ratio is:

Table-32: Assets Utilization Ratio

Assets Utilization Ratio(Times)		
Years	**City Bank**	**SIBL**
2011	0.03	0.02

2012	0.03	0.03
2013	0.05	0.03
2014	0.04	0.04

Source: Annual Reports 2011-2014.

Here city bank's asset utilization ratio was similar from the year 2008 to 2009, after that it was growing. In 2014 city bank's asset utilization ratio was downward. From year 2011 to 2013 SIBL's asset utilization ratio was growing after that it was constant. Comparatively, we can say that city bank's performance was better than SIBL.

viii). Tax Management Efficiency Ratio

The tax management efficiency ratio of a fund measures what percentage of a fund earnings are lost to taxation. Funds that lose a lot of money to taxes have low efficiency and are less desirable, while those that lose little to taxes have a high tax management efficiency ratio and greater desirability. The formula of tax management efficiency ratio is:

Table-33: Tax Management Efficiency Ratio

Tax Management Efficiency Ratio		
Years	**City Bank**	**SIBL**
2011	23%	26%
2012	36%	41%
2013	45%	39%
2014	50%	48%

Source: Annual Reports 2011-2014.

Here, from 2011 to 2012 city bank's tax management efficiency ratio was declined after that it was growing that lead to upward trend. SIBL's tax management efficiency ratio was fluctuated from the year 2011 to 2014. Comparatively we can say that city bank's performance was better than SIBL regarding tax management efficiency ratio.

ix). Findings & Conclusion

1)Findings of City Bank Ltd

During the period of project I have achieved vast experiences that enrich my knowledge of banking extensively. Here I have tried to present my experiences and knowledge in order to provide a better judgment. CBL is one of the fasts growing and committed private commercial bank in the country. It conducts business activities efficiently around the country to achieve its objectives, and goals and gradually forwarding towards its mission and vision. The bank have been achieving continuous growth rate in all spares of banking operation since its establishment.

2) More findings about the Organization

Understanding customers' savings trend and market demand the bank focus on different financial innovation to promote their financial growth.

Its profit is growing over the years.

Total assets growth trend is positive and upward.

Shareholder's equity of city bank is growing over the years.

Earnings per share condition are too poor that is declining.

Revenue from import and export business is growing.

City bank is more conscious about the liquidity of bank.

Top management gives its highest attention in the operation of fund management.

3) Findings of Social Islami Bank Ltd

The Social Islami Bank Ltd. has been trying to operate its business successfully in Bangladesh since 1995. Social Islami Bank Ltd. has already developed an image and goodwill among its clients by offering its excellent service. This success has resulted from the dedication, commitment and dynamic leadership of its management over the periods. During the short span of time of its operation the bank has successfully grabbed a position itself as a progressive and dynamic financial in the country. If the bank goes this way, it is expected that near future Social Islami Bank Ltd. become one of the giant in this banking sector.

4) More findings about the Organization

Social Islami Banks profit was growing over the years.

Total assets growth trend was upward from the year 2011 to 2014.

Shareholder's equity was growing over the years.

Earnings per share condition weren't good which is declining.

Revenue from import and export business is growing which is more than city bank.

Top management gives its highest attention in the operation of fund management.

Foreign exchange business condition was good.

ROA and ROE showed the sound position, but comparatively condition was poor than City bank ltd.

ROI was fluctuating, but comparatively its better than city bank ltd.

5.12 IBBL vs. IFIC Bank:

Overall Scenario of IBBL

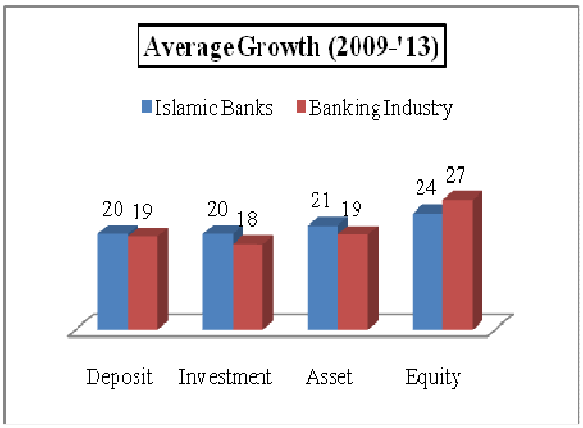
Now, a total of 23 public and private commercial banks are operating full-fledged or partially Islamic banking operations in Bangladesh. Among them, 8 full-fledged Islamic banks are operating with 843 branches, 8 conventional commercial banks with 19

Islamic banking branches and 7commercial banks with 25 Islamic banking windows in the country. A total of 26,135 employees are working in 887 Islamic banking branches and windows.

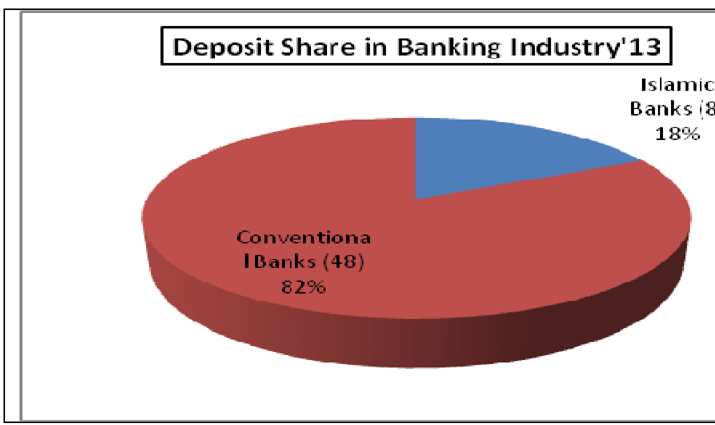
The average growth of deposit in the banking sector in last five years (2009-2013) was 19% which was 20% for Islamic banks.

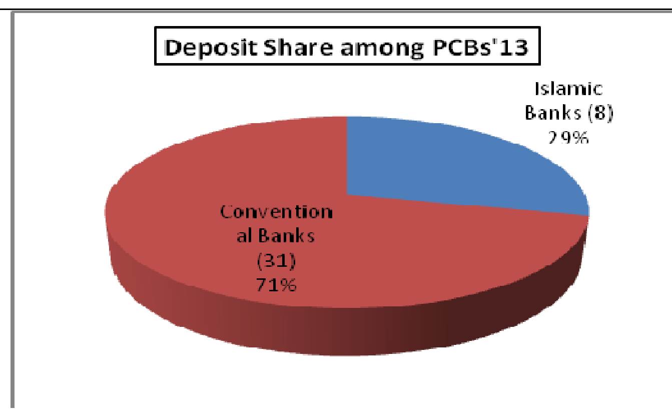
During this period the average investment growth of country's banking sector was 18%, which was 20% for Islamic banks. For the same period, the total assets in banking sector increased by 19%. In contrast, Islamic banks have achieved 21% growth.

In the last five years, mentioned above, the average growth of equities in Islamic banks was 24%, which was 27% for the total banking sector of the country. A number of public banks have increased their capital in 2013, which has contributed to raise the equity index.

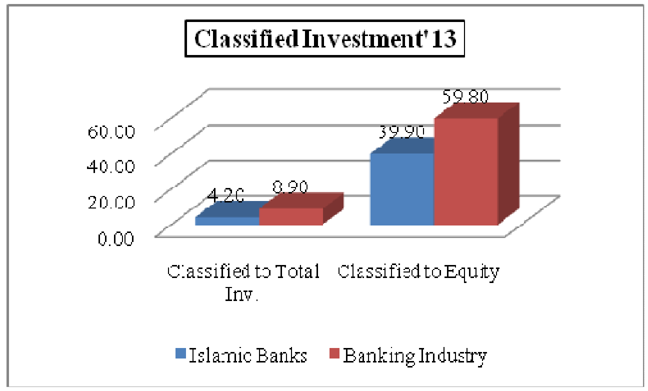


i. Deposits





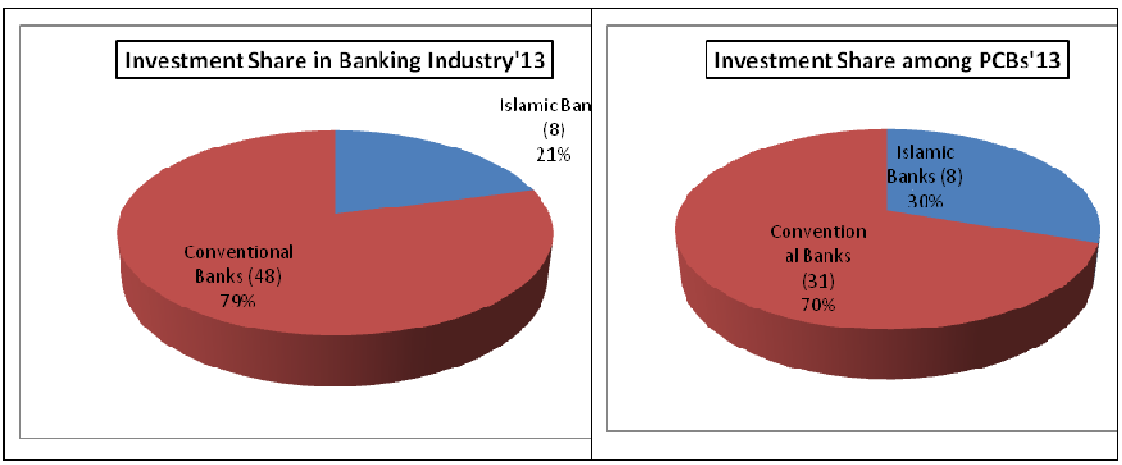
Total deposit of the Islamic banks stood at Tk. 1,13,360 crore in December 2013, which was 18.00% of total deposits of the country and 29% deposits of the private commercial banks. Total deposits of the Islamic banks stood at Tk. 1,33,561 crore in June 2014.



ii. Number of depositors

In March 2014, the customer deposits of Islamic banks in the country were 1 crore and 17 lakh, which was 17.92% of the total customer deposits. Until this period, country's total customer deposits for all private commercial banks were 2 crore and 78 lakh, of them 42.12% was in the Islamic banks.

iii. Investment

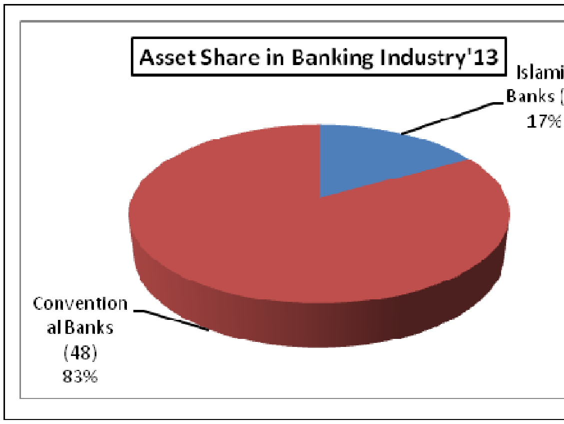


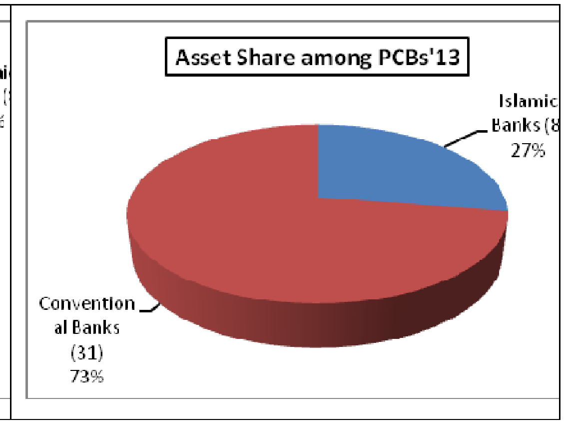
Total investment of the Islamic banks was Tk. 97,530 crore on December 2013, which was 21% of total investments in the country's banking sector and 30% investment of the private commercial banks. Islamic banks' investment stood at Tk. 113,796 crore on June 2014.

iv. Classified Investment

On December 2013, 8.90% investment of the country's banking sector was in classified, which was 4.2% for Islamic banks. At the same time, the amount of classified investments in Islamic banks, compared to equity was 39.9%, which was 20% lower than the country's banking sector.

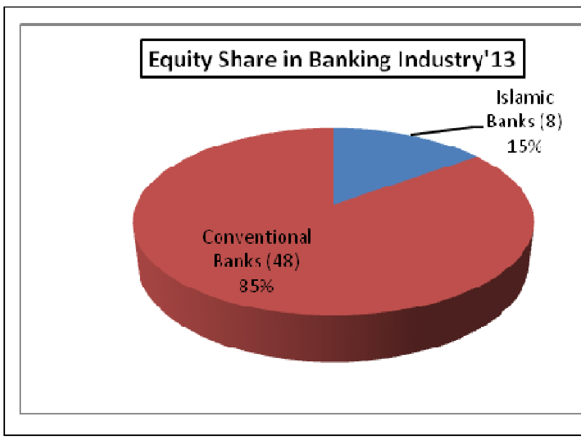
v. Assets

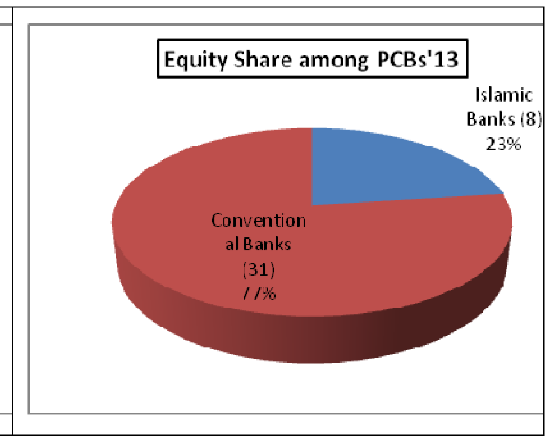




On December 2013, the size of Islamic banks assets stood at Tk. 135,900 crore, which was 17 % of country's banking assets and 27.40% of the total assets of private commercial banks. Total amount of assets of Islamic banks was Tk. 147,604 crore on June 2014.

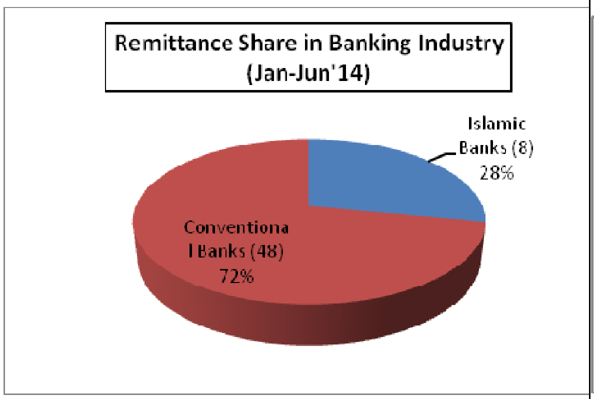
Vi. Equity

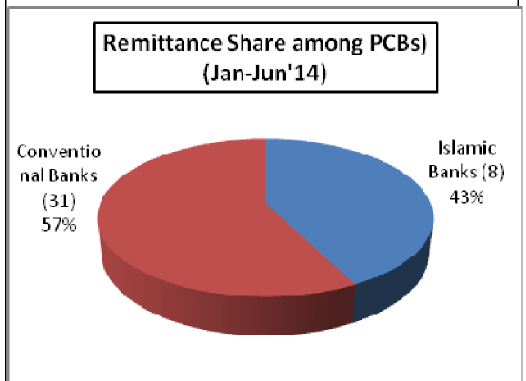




By following the principles of capital adequacy rules set by the central bank, Islamic banks' share in total equity was in a satisfactory level in the past years. Total equity of Islamic banks was Tk. 10,280 crore on December 2013. It is 15 percent equity of the country's banking sector and 23 percent equity share of private commercial banks. Total equity of the country's Islamic banks stood at Tk. 11,382 crore in June 2014.

vii. Remittance

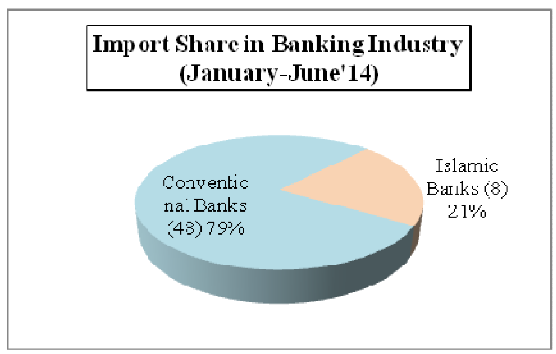




Hard-earned remittance by Bangladeshi expatriates is one of the main pillars of country's overall economy. Islamic banks play a significant role in transferring it to beneficiaries. Bangladesh received a total of Tk. 57,044 crore in first 6 months (January-June) of 2014. Of the amount, Tk. 15,952 crore has come through the Islamic banks, which was 28% of the total remittance inflow in the country and 43% of PCB's.

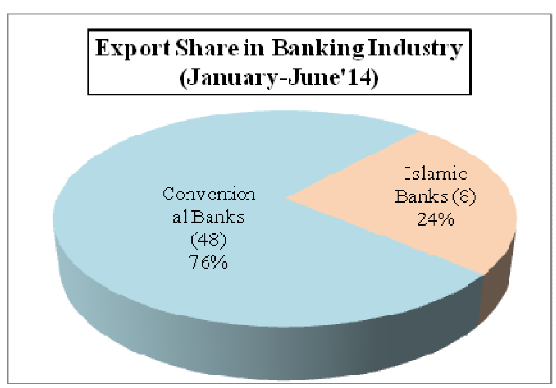
viii. Import

The amount of total imports in Bangladesh, during January-June of 2014, was Tk. 167,014 crore. Islamic banks imported over Tk. 34,952 crore; which was 21% of the total imports. The Islamic banks were at the forefront in importing various raw materials and essential goods including fertilizers, cotton, rice, wheat, etc.



ix. Export

Total exports of the country, during January-June 2014 period, stood at Tk. 110,096 crore. The amount of Tk. 26,787 crore has been exported through the Islamic banks, which was 4% of total national exports. Islamic banks have been playing a leading role in drawing of foreign exchange through the export of various products including ready-made garments.

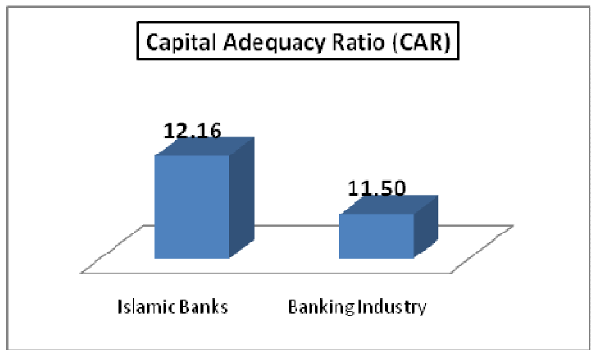


x. Deposit-investment ratio

The Central bank has set the deposit-investment ratio at 90%, in contrast, the deposit-investment ratio of Islamic banks was 85.10% in December 2013. This ratio was 71.18% in the country's overall banking sector.

5.13 Capital Adequacy Ratio (CAR), ROA, and ROE

Compared to 10 percent Capital Adequacy Ratio (CAR) set by the Central bank, country's banking sector CAR was 11.50% in December 2013. At that time, capital adequacy ratio of the Islamic banks was 12.16%.



Total asset-based average net profit (Return on Asset-ROA) for the Islamic banks was Tk. 0.98 during 2012 and 2013. Total equity-based average net profit (Return on Equity-ROE) was Tk. 13.05 and the amount was Tk. 14.11 for the overall banking sector in the same period.

Chapter 6

Overall Findings Prospect, Recommendation, Suggestion & Conclusion

6.1Findings

Bangladesh is not a full Islamized country, all activities are not operating according to the Shariah of Islam. But the SIBL is trying to operate their activities as much as possible. Yet some limitations and problems are arising and that's why to encapsulate the overall study we need to detect some findings which are present below:

- Islamic Banking is a new phenomenon in our country during last two decades. So majority of our people have no proper knowledge about the activities of Islamic Banking as well as its investment mechanism hamper large scope of investment of SIBL.
- No Islami money market is available. Easily money transaction is no possible for the interest free banking system. Call rate money is not responded according to Islami Shariah Most of the people in our country have a bad impression of SIBL's operations regarding indirect generation of interest which meaning no difference between investment of SIBL loan / Credit / advance of conventional banks for this reason, they are not too much interested to make investment with SIBL.Because of improper insufficient application of Islamic Banking rule in our country. The investment operations of SIBL can't run smoothly.
- SIBL, which is committed to avoid interest, can't invest the permissible part of its statutory liquidity Reserve and short Term liquidity surplus in those securities.
- This Bank can't invest in all economic sectors, which are prohibited by the law of Islam.
- Profitable investment portfolio of SIBL requires clear investment knowledge according to Islamic Shariah. But sometimes SIBL can't invest its assets in proper portfolio due to insufficient and unskilled manpower in these regards .As a result, there is a large amount of money being idle and thus potential profit is not increasing.
- This Bank revalues its investment operations within limited number of investment modes and does not initiate investment modes according to changing |diverse needs of people
- Sometimes investment operations of SIBL are hampered due to increase, dishonest, indiscreet, hypocritical nature of people.
- SIBL has no strong promotional activities to increase motivate its present and potential investment client. SIBL does not grant investment portfolio for new entrepreneurs new businessmen new companies etc., which ultimately create "Class Banking".

- There is no Shariah Board in Bangladesh for foreign exchange business which can guide them in their activities.
- Investment is rising rapidly and a good response is getting from the clients is different investment scheme.
- All operational improvement with profit leads us to say that value of customer service of SIBL is in the positive situation.

6.2 Prospects

- In spite of the present limitations Islamic Banking System has tremendous
- Potentiality and prospects in Bangladesh.
- The successfully launching and operation of Islami Banks in Bangladesh has established the fact that banking without interest is feasible.
- Islami banks have brought together money deposits and entrepreneurs under their fold and coverage. These depositors and entrepreneurs so long avoided interest based banking on grounds of religious injunctions.

6.3 Recommendation

- To ensure better customer services coping with the growth of overall business of the Branch additional space may kindly be allocated immediately for the branch.
- Business Discretionary power may be revised.
- Expenditure ceiling may be revised considering the grade of the Branch.
  Evening banking allowance may be increased.
- Automation of Foreign Exchange portfolio.
- Revision of Foreign Exchange related charges.
- Arrangement of monthly /quarterly training courses /workshops for the clients selected by the Branches in order to promote Investment clients of the desired level.
- Effective human resources should be placed at every department of SIBL for more speedy and smooth banking operation. Women employee should be increase more in order to deal women entrepreneurs for create demand for investment.
- To fulfill the vision of "mass banking" this Bank should grants investment portfolio to new entrepreneurs /new businessmen new companies etc.
- The Bank should disburse total invested money at once to the clients to achieve full benefits of invested money.
- To gain success in the programs like "Poverty Alleviation and "Self Reliant" especially in rural areas, this bank should provides investment facilities on the basis of individual.
- To create syndicate banking system for foreign exchange business
- Decision making process should be free of ambiguity and be time conscious
- Ensure reasonable spread and return on assets.
- Build good value for sponsors and shareholders.

- Formulation of Recruitment / remuneration policy should be outstanding.
- Enhancement of remuneration package should be competitive and attractive.
- The Bank should go aggressive advertising and promotional activities to get a broad geographic coverage.
- SIBL should utilize "Internship Program" as one kind of promotion policy to encourage its present and potential investment clients. To do so this Bank should provides facilities to the internees through proper placement and practical operations as well as job certainty to those who bring introduce themselves the best performers in doing their particulars.
- SIBL should appoint a sufficient number of women employees to deal women entrepreneurs and professionals and understand their needs and thus create demand for investment.
- To fulfill the vision of "mass banking" this Bank should grants investment portfolio to new entrepreneurs /new businessmen new companies etc.
- To remove image problem, IBBL should take various advertisement programs.
- Inclusion of more subjects based on the Quran and Sunnah in the Training courses of the Islami Bank Training & Research Academy in order to develop human resources having moral.
- SIBL should introduce update technology to render competitive banking service, launching ATM, SWIFT and on line banking system in all of its branches.

6.4 Suggestions

- To develop customers service with harmony.
- Prompt customers' service is needed, like –one stop services.
- To strengthen sufficient logistic supports.
- To easy procurement & procedures in respect of all transactions.
- To recruit sufficient skilled manpower with sound computer literacy and English proficiency.
- To provide online services all over the country immediately.
- To directly credit the foreign remittances through online banking.
- To analyze & build-up consciousness of competitors strategies.
- To motivate the human resources for mobilizing deposit, reduction of overdue etc.
- To enhance employees' remuneration comparing to others.

6.5CONCLUSION

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

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PERFORMANCE AT A GLANCE

In BDT Millions

	2014	2013	2012	2011	2010
Balance Sheet					
Authorized Capital	10,000	10,000	10,000	10,000	10,000
Paid-up Capital	8,341	6,951	6,319	5,055	3,889
Reserve Fund & Surplus	14,777	11,574	11,643	12,801	7,630
Total Shareholders' Equity	23,118	18,525	17,961	17,856	11,519
Tier-II Subordinated Bond	3,000	-	-	-	-
Deposits	118,727	107,497	94,099	83,818	67,420
Borrowings	16,944	7,904	5,367	2,264	2,808
Loans and Advances	116,621	89,879	83,333	76,807	60,327
Credit to deposit ratio (excluding OBU loans)	83.5%	76.3%	82.7%	85.7%	89.6%
Liabilities to shareholders equity (times)	6.7	7.0	6.2	5.5	6.9
Investments	28,710	26,492	20,291	15,431	12,474
Fixed Assets	8,106	6,809	5,921	5,950	3,206
Earning assets	159,656	130,067	113,699	101,768	79,537
Total Assets	177,228	147,472	130,186	115,736	90,898
Off-Balance Sheet Exposures	46,342	47,962	37,742	15,866	20,387
Income Statement					
Net interest income (excluding investmen income)	5,122	5,019	4,770	4,418	3,573
Investment income	2,790	1,654	1,819	1,327	2,140
Non-interest income	2,626	2,100	1,971	2,011	1,588
Operating income	10,539	8,773	8,560	7,756	7,301
Operating expenses	5,403	4,627	3,993	3,560	3,201
Operating profit (profit before provision and tax)	5,136	4,146	4,567	4,196	4,100
Provision for loans, investment and other assets	1,540	2,340	2,805	728	1,101
Profit before tax	3,596	1,806	1,763	3,468	2,999
Profit After Tax	2,215	911	763	2,018	1,849
BIS Capital Measures*					
Risk Weighted Assets (RWA)	152,292	143,377	134,013	117,031	111,209
Core Capital (Tier I)	15,184	12,958	12,036	11,263	9,239
Supplementary Capital (Tier II)	8,300	3,739	3,646	3,714	3,120
Total/Regulatory capital (Tier-I and II)	23,484	16,697	15,682	14,977	12,359
Tier I Capital Ratio	10.0%	9.0%	9.0%	9.6%	8.3%
Tier II Capital Ratio	5.4%	2.6%	2.7%	3.2%	2.8%
Total Capital Adequacy Ratio	15.4%	11.6%	11.7%	12.8%	11.1%
RWA to total assets	85.9%	97.2%	102.9%	101.1%	122.3%
Credit Quality					
Non performing/classified loans (NPLs)	6,859	7,251	6,231	2,644	2,669
Percentage of NPL over Total Loans and Advances	5.9%	8.1%	7.5%	3.4%	4.4%
Provision for Unclassified Loans	1,960	1,200	1,170	1,400	1,040
Provision for Classified Loans	2,972	3,645	3,410	1,101	970
Foreign Exchange Business					
Export	47,887	19,043	13,800	22,033	18,646
Import	65,374	61,909	58,420	43,474	38,155
Remittance	23,768	25,943	24,594	42,189	24,496
Efficiency/Productivity Ratio					
Return on Average Equity (ROE)	10.6%	7.3%	4.3%	13.7%	21.3%
Return on Average Assets (ROA)	1.4%	0.7%	0.6%	2.0%	2.2%
Cost to income ratio	51.3%	53.4%	46.6%	45.9%	43.8%
Yield on Advance based on average EOD balance	13.1%	15.1%	14.9%	13.1%	12.7%
Cost of Deposit based on average EOD balance	6.9%	8.4%	8.5%	6.4%	5.3%
Net interest margin ratio	6.1%	6.7%	6.3%	6.7%	7.4%
Statutory liquidity ratio (SLR)-at the close of the year***	22.6%	24.2%	20.3%	15.7%	15.9%
Cash reserve ratio (CRR)-at the close of the year	6.8%	7.1%	6.3%	6.9%	6.0%
Operating profit per employee	2.0	1.6	1.7	1.5	1.5
Operating profit per branch	46	40	45	41	41
Share Information					
No of Shares Outstanding (in million)	834.1	695.1	631.9	505.5	38.9
Operating profit per share	6.2	6.0	7.2	8.3	105.4
Earnings Per Share	2.7	1.1	1.2	4.0	3.7
Market price per share (BDT) as on close of the year DSE	21.8	20.2	26.8	52.6	100.0
Price Earning Ratio (Times)	8.2	18.5	22.3	13.2	27.0
Net Assets Value Per Share (Taka)	27.7	26.7	28.4	35.3	29.6
Dividend Cover Ratio (EPS/DPS)	132.8%	55%	120.0%	160.0%	123.3%
Basic	2.7	1.1	1.2	4.0	3.7
Diluted	-	-	-	-	-
Cash Dividend**	15%	-	-	-	-
Stock Dividend**	5%	20%	10.0%	25.0%	30.0%
Distribution Network					
Number of Branches	100	92	90	90	88
Number of SME Center & Agri Branches	12	12	12	12	11
Number of ATM	239	210	163	122	72
Number of Employees	2,535	2,647	2,765	2,772	2,685
Number of Foreign Correspondents	574	570	548	538	533
No. of CDM Machine	20	20			
No. of priority center	4	3	-	-	-

SIBL at a Glance

Fig in million Taka

Sl no	Particulars	2009	2010	2011	2012	2013	2014
01	Authorized Capital	4000.00	10000.00	10000.00	10000.00	10000.00	10000.00
02	Paid-up Capital	2691.72	2987.81	63693.92	6393.92	7031.42	7031.42
03	Total Shareholders Equity	3555.75	4198.77	9412.21	10181.97	11083.43	12143.38
04	Capital Base (Tier I & II)	3914.62	4678.56	9534.52	10596.51	11623.52	13078.26
05	Total Deposits	31588.16	44850.77	66852.55	93594.29	102104.48	124535.01
06	Client Deposits	27663.62	39833.37	56661.16	81091.39	95984.82	109040.63
07	Investments (General)	26580.58	36680.28	53908.58	76024.97	85922.33	107899.96
08	Investments (Shares & Securities)	1310.66	3049.72	5241.36	6144.01	8538.18	7823.73
09	Foreign Exchange Business	39110.00	61931.00	108308.30	126519.90	132374.70	139910.11
10	Operating Pro t	1064.31	1638.63	2768.80	3617.82	2924.55	3964.27
11	Pro t before Tax	726.88	1136.69	1901.28	2747.89	2024.66	3307.52
12	Fixed Assets	649.61	914.74	2134.87	2249.95	2653.88	2675.86
13	Total Assets	39980.82	55168.54	84406.18	115165.95	126616.56	1537374.67
14	Stock Dividend Cash Dividend	11% -	14% -	- 10.50%	10.00% 5.00%	0.00% 12.00%	0.00% 18.00%
15	Investments as a % of total deposits	84.15%	81.78%	80.63%	81.23%	84.15%	86.64%
16	Investments as a % of Client deposits	96.08%	92.08%	94.65%	89.19%	86.78%	89.52%
17	Risk Weighted Capital Adequacy Ratio	14.97%	9.33%	13.17%	11.52%	11.64%	11.36%
18	Ratio of Classi ed Investments to Total Investments	3.19%	4.76%	3.93%	3.33%	5.35%	4.56%
19	No. of Foreign Correspondents	2250	2250	2250	2230	2230	2230
20	Number of Employees	950	1252	1375	1625	1802	1922
21	Number of Branches	52	64	76	86	94	100
22	Book Value per Share	100	10	10	10	10	10
23	Earning per Share	18.39	2.15	1.81	2.25	1.74	2.71
24	Credit Rating by Long Term Short Term	CRISL A+ ST-2	CRISL A+ ST-2	CRISL A+ ST-2	ECRL AA- ECRL-2	**ECRL AA- ECRL-2	ECRL AA- ECRL-2

Value Added Statement

for the year ended 31 December 2014

Fig in million Taka

Particulars	Year 2014	Year 2013
Investment Income	13,943.27	13,629.42
Income from Investment in Shares and Securities	296.95	325.67
Commission, Exchange and Brokerage	1188.38	1026.57
Other Operating Income	289.59	204.70
	15,718.09	**15,186.16**
Less Cost of Services & Supplies		
Pro t paid on Deposits	9,007.20	9706.87
Rent, Taxes, Insurances, Electricity etc.	253.25	227.85
Legal Expenses	8.14	7.93
Postage, Stamps, Telecommunication etc.	8.00	8.23
Stationery, Printings, Advertisements etc.	80.83	91.00
Directors' Fees & Expenses	6.40	4.26
Shariah Supervisory Committee's Fees & Expenses	0.34	0.25
Auditors' Fees	0.72	0.52
Repair of Bank's Assets	27.00	17.89
Other Expenses	369.89	431.52
	9,761.77	**10,496.32**
Value added by Banking Services	**5,956.32**	**4,689.85**
Less Provisions related to Investment		
Speci c provisions for Investment	270.37	752.69
General Provisions for Investment	364.47	84.74
General Provisions for off-Balance Sheet exposure	16.92	27.06
Provision for other assets	5.00	4.91
Provision for diminution in value of shares	-	-
	656.76	**869.40**
Total Value Addition	**5,299.56**	**3,820.45**

Appendix-1

SOCIAL ISLAMI BANK LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note(s)	2014 Taka	2013 Taka
PROPERTY AND ASSETS			
Cash			
Cash in hand (Including Foreign Currencies)	3(a)	976,302,191	1,267,213,967
Balance with Bangladesh Bank & its Agent Banks	3.1		
(Including Foreign Currencies)		11,145,075,318	7,627,790,250
		12,121,377,509	8,895,004,217
Balance with other Banks and Financial Institutions	4(a)		
In Bangladesh		2,577,414,418	1,899,243,196
Outside Bangladesh		332,880,245	1,178,527,956
		2,910,294,663	3,077,771,152
Placement with Banks & other Financial Institutions	5	9,474,249,214	9,064,879,564
Investments in Shares & Securities	6(a)		
Government		5,116,000,000	5,500,000,000
Others		1,227,727,286	1,558,185,070
		6,343,727,286	7,058,185,070
Investments	7 (a)		
General Investment etc.		98,511,135,398	76,348,581,962
Bills Purchased and Discounted		9,288,823,913	9,523,749,964
		107,799,959,311	85,872,331,926
Fixed Assets including Premises, Furnitures and Fixtures	8(a)	2,683,691,549	2,662,660,343
Other Assets	9(a)	12,252,008,976	9,770,561,641
Non Banking Assets		-	-
Total Assets		153,585,308,507	126,401,393,912
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	10	6,150,000,000	4,700,000,000
Deposits and Other Accounts	11		
Mudaraba Savings Deposits		9,818,279,970	6,468,729,754
Mudaraba Term Deposits		75,356,410,289	62,746,867,195
Other Mudaraba Deposits		23,923,887,375	19,288,768,828
Al-Wadeeah Current & Other Deposit Accounts	11.2(a)	12,789,580,088	11,936,321,181
Bills Payable	11.3	2,277,639,901	1,316,909,958
Cash Waqf Fund		99,275,350	84,577,685
		124,265,072,973	101,842,174,601
Other Liabilities	12(a)	10,992,324,637	8,770,196,845
Deffered Tax Liabilities/ (Assets)	13	4,924,028	1,577,248
Total Liabilities		141,412,321,638	115,313,948,694
Shareholders' Equity			
Paid-up Capital	14.2	7,031,415,640	7,031,415,640
Statutory Reserve	15	2,784,497,917	2,122,994,344
General reserve		2,790,193	1,864,080
Revaluation reserve on Fixed Assets	16	1,055,679,727	1,082,485,102
Retained Earnings	17(a)	1,298,601,774	848,684,454
Total Shareholders' Equity of Parent Company, SIBL		12,172,985,252	11,087,443,620
Non controlling Interest	17(b)	1,617	1,597
Total Liabilities & Shareholders' Equity of the Group		153,585,308,507	126,401,393,912

Appendix-2

Performance of the Bank at Glance

Social Islami Bank Limited

HIGHLIGHTS OF PERFORMANCE (Only Bank-Solo basis)

(Amount in Taka)

SL no.	Particulatars	2014	2013
1	Paid up Capital	7,031,415,640	7,031,415,640
2	Total Capital (Core + Supplementary)	13,078,262,485	11,623,517,680
3	Capital Surplus/(De cit)	1,566,311,985	1,640,101,680
4	Capital Adequacy Ratio (CAR)	11.36%	11.64%
5	Total Assets	153,737,467,324	126,616,564,745
6	Total Deposit	124,535,009,515	102,104,479,583
7	General Investment	107,899,959,311	85,922,331,926
8	Total Contingent Liabilities and Commitments	32,161,854,799	30,470,229,787
9	Investment-Deposit (ID) Ratio (%)	89.52%	86.78%
10	Percentage of classi ed investment against total investments	4.56%	5.35%
11	Pro t before Tax and Provision	3,964,274,678	2,894,061,722
12	Pro t after Tax and Provision	1,903,724,926	1,220,201,438
13	Amount of classi ed investment	4,921,569,000	4,593,330,630
14	Provisions kept against classi ed investment	1,578,585,257	1,692,052,956
15	Provisions surplus	-	-
16	Cost of Deposits	7.66%	9.04%
17	Pro t Earning Assets	128,042,124,297	106,574,036,365
18	Non-Pro t Earning Assets	25,695,343,026	20,042,528,379
19	Return on Investment in Securities	3.80%	3.81%
20	Return on average Assets (ROA)	2.36%	1.67%
21	Return on equity (ROE)	15.68%	11.01%
22	Income from Investment in Securities	296,946,697	325,466,389
23	Earning Per Share (EPS)	2.71	1.74
24	Consolidated Earning Per Share (CEPS)	2.74	1.78
25	Net Income Per Share	2.71	1.74
26	Price Earning Ratio (Times)	5.02	7.66

Finan