

Overall Banking System of IBBL

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Dear Madam

It gives me immense pleasure in presenting this report, which was assigned to me as a partial fulfillment of my Internship in Islami Bank Bangladesh Ltd. This report gave me the opportunity to have an in-depth insight on the Islami banking system, their working procedure of the bank and to have a general idea of the banking system. I have tried my best to fulfill the requirement of the report.

The report is priceless to me as it helped me to gain experience from the practical field of banking and it also gave me the chance to know the operation procedure of a bank.

I must mention here that I am extremely grateful to you for your valuable guidance, tireless effort and constant attention as and when required in accomplishing the report.

I shall be pleased to answer any sort of query you think necessary as and when needed.

With best regards



Mir Md. Mussaddek Ali
Internee
Islami Bank Bangladesh Limited.

Acknowledgement

It is my great privilege to express my gratitude to the creator Allah (SWT) for such great opportunity to be in touch with Islami Bank Bangladesh Limited (IBBL) for the following days. I also put my heartened feelings and gratitude to those who helped me to prepare this report. Without their kindness and assistance it was impossible for me to complete this report as on the topic “ Overall Banking System of IBBL.” In preparing the proposed report I have taken great assistance support and guidance from my supervisor, persons of Islami Bank Training and Research Academy (IBTRA) and persons of the Kawran Bazar Branch.

At first I would like to express my heart full thanks to Miss. Sarwat Amina, she is my supervisor. Without her help it was impossible for me to complete this report. I am very grateful to her because she gave her enough time, consultation and guidelines. Whenever I faced any problem I went to her and she showed me the right direction.

I also want to thank to all the faculty members of Islami Bank Training and Research Academy (IBTRA). Especially to Mohammad Ismail Hossain, Director General of IBTRA. Also to Jb. Abul Hossain (SVP & Director, IBTRA), Jb. Habibur Rahaman (SPO & FM, IBTRA) Jb. Md. Hasan Mosna (VP, IBTRA), all other faculty members as well as all the employees from top to bottom of IBTRA, who gave me necessary information and excellent guidance to prepare this internship report.

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Executive Summary

This report is prepared as requirement of the internship of BBA program of East West University. This report focuses two months working experiences in Kawran Bazar Branch, Islami bank Bangladesh limited. This report will give a clear idea about activities and operational strategies of IBBL. Especially this report focuses on the general view of IBBL.

Islami bank Bangladesh limited was established in March 1983 with a clear manifesto of demonstrating the operational meanings of participatory economy, banking and financial activities as an integral part of an Islamic code of life. The philosophy of Islami banks is to establish an egalitarian society based on the principle of social justice and equity. As an integral part of this process Islami banks introduced measures to abolish interest and charge or pay fixed interest on loans or deposits. Interest of pre determined interest on deposits; the depositors participate in the profit of the bank as an agreed ratio. Whereas, interest based conventional banks pay a fixed interest on savings and time deposits and grant loans with interest for any purpose.

Basically IBBL is an Islamic Bank based on "ISLAMIC SHARIAH". It follows the alternative concept of Islamic Banking. Which represents unique human approach to credit and banking based on profit-oriented economy devoid of interest, in this regard IBBL has introduced a number of income generating programs for the millions of urban and rural poor. With the objective in view IBBL has formulated a profitable life in a better society with greater security and peace. IBBL is operating in a three sectors banking system, such as formal, non-formal and voluntary sector. General banking, Investment and foreign exchange are operated under the formal sector. Development management of Waqf and mosque properties, management of inheritance properties, joint venture project for management of non-profit foundations, charitable trusts and organizations are executed under the voluntary sector.

It is an important feature that Islam bank do not deal with money lending rather they deal with goods. They invest money in various profitable business activities, either directly by themselves or in partnership with others, seeking to earn or share legitimate (Halal) profit. They have provision for Qard Hasana or beneficent loan in deserving cases without any consideration of profit but return on the same. These are returnable, if and when the beneficiary is able to repay. Investment management by Islami Bank and credit management by conventional interest based bank is synonymous. But Islami Bank deals with goods, which is measured by money and share profit or loss with the beneficiaries. On the other hand conventional bank directly deals with money or credit by the contract of pre-agreed fixed interest rate.

As a kid in the banking industry IBBL is performing well as it has acquired the assets and human resources of higher quality. IBBL will be more effective in our economy by adopting modern financial technology by extending their activities in human & social welfare.

PREFACE

Theoretical and practical knowledge does 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 university 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 an immense opportunity to minimize the gap between theoretical and practical knowledge. As a BBA student, it is our great pleasure to be in touch with the organization as Islami Bank Bangladesh Ltd. that is undoubtedly the most efficient and best performing banking institution in our country. Our practical experience through performing different activities of the bank including General Banking, Investment and Foreign Exchange has enhanced our view, mission, and acceptability as we as has increased our overall experience about to deal in real world phenomenon.

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INTRODUCTION



1. INTRODUCTION

Banks are financial institutions engaged in boosting national savings and capital formation as well as constitutes infrastructure through financing of various development projects. In performing multidimensional activities like borrowing and lending of money, drawing, collecting and discounting bills, transferring fund, safe deposit, vault/locker service, foreign exchange transaction etc. the world of banking is under going a transformation. Banking today has evolved into a highly competitive and sophisticated business in which technology increasingly provides the edge. Today's customers want service and information to be provided at all times and places. All that described above express the importance and versatility of banking. From this sense of importance, banking activities evolved many years ago.

Most of the social scientists agreed that the term "Bank" came from the land of Italy. From the history of Bank, we know that institutional banking started in the eleventh century. Today's banking has changed a lot from that of that day's banking, because of socio-cultural changes. This change can be attributed to the social, cultural, geographical and political factors. Banking mainly got dynamism in its activity by the innovation and progress of technology. So, now- a – days banking is not only business of dealing with money, but also patronizing people in the business and other day-to-day affairs.

After the independence of our country, as bank was essential component to rotate the wheel of national economy, it became the duty of Government to establish a banking system all over the country. Keeping it in mind, then government, upon their financial philosophy, established a banking system, which is now known to us as nationalized banking system. After independence Bangladesh Government established six banks named Sonali, Agrani, Janata, Rupali, Pubali and Uttara, which were of private ownership. As time changed, philosophy also changed; especially market economy became familiar to business world. As a result, Government thought that Banks should not be only owned by it. Because of this liberalization, in 1983 few privates banks got chance to start their service in this land. From the judgment of getting indent from the government, the city Bank Limited was actually the first ever-private bank of Bangladesh. It is first generation private bank. After 1983, in our country, there were two types of banks- nationalized and private banks. With the passage of time, second generation and third generation private were established. Now, 52 scheduled banks are operating in our country. In the last decade, promoters tried to upgrade the banking system mainly from the manual system to the technology based system. What were done after the independence up to late eighty's, now become a matter of history? The Islami Bank Bangladesh Bank Ltd. having 131 branches all over the country and oldest private Bank in our country is always very aware of developing its banking system.

I have been posted here immediately after completion of the Foundation Training course and have been advised by the honorable management to submit my practical learning in written form at different phases. Being stimulated by this constructive thought of the management I am submitting my paper for this phase mainly focused on the General Banking.



1.1 Background of the study:

This report is based on an internship program. The Career Counseling Center (CCC) of East West University arranges internship program in attachment with different business organizations for its students after the completion of theoretical courses of program of Bachelor in Business Administration (BBA). The interns must carry out a specific project, which is assigned by their concerned supervisors. Consequently a report based on the projects is to be submitted to the supervisor.

In this particular report, the author is the intern of the previously mentioned program and the organization he worked on Islamic Bank Bangladesh Limited (IBBL). Which is a prominent private and the first Bank of Bangladesh that based on Islamic Shariah.

As instructed by Janab Mohd. Habibur Rahman, program coordinator, Senior Principle Officer, IBTRA assigned to work in Kawran Bazar Branch of IBBL. And since then I have started my practical orientation program in General Banking, Investment & foreign exchange department. The report gives an general view of all the three departments.

1.2 Rationale of the Study

In our economy, three types of schedule commercial banks are in operation. They are Nationalized Commercial Banks, Local Private Commercial Bank And Foreign Private Commercial Banks. Although commercial banks are involved in marketing of their services, all of them don't have organized & well functioning marketing department. They are marketing their services without advertising. All foreign banks and a few local; private banks in our country have organized marketing departments. Some other private banks are at doorsteps of starting marketing activities.

This study is centered with Islami Bank Bangladesh Ltd. It is one of the best private commercial banks operating in the country. It retains the 1st position in CAMEL (Capital, Assets, Management, Earning and Liquidity) rating made by Bangladesh Bank. It holds the highest amount of Liquidity among all banks and its ability to keep return on assets at 1.07 percent is well above the banking sectors average of 0.33 percent. (Ref. The Financial Express, Dhaka commented in its issue of May 28, 1998.) The "Holiday" in its 29th August, 1997 issue carried out a report under the heading "Setting a precedence of sound Banking" and commented that Islami Bank Bangladesh Ltd. Had created a unique

Precedence by improving its resent and deposit positions substantially, making hand some profits and offering attractive dividends to its share holders and depositors. As per Bankers Almanac (January 1999 edition) published by the Read Business Information, Windsor Court, England, IBBL's World Rank is 2100 among 4500 banks mound the world selected by them. IBBL's country rank is 1 among 48 banks as per ratings made by the above Almanac on the basis of IBBL's Financial Statements for the year 2002.



1.3 Objectives of the study:

The Broad Objective of the study is to evaluate the implication of marketing on the financial performance of commercial banks. In line with the broad objective, the detailed objectives of the study may be spelled out as follows:

- (i) To know the various deposit and investment schemes of commercial banks.
- (ii) To identify the different marketing techniques followed by the Banks for publicity of different schemes.
- (iii) To explain the differences among the schemes practiced by both Interests based bank and Islami Bank.
- (iv) To show through a trend analysis the relationship between cost of marketing deposit and investment performance of the bank.
- (v) To compare performance of Islami Bank Bangladesh Ltd. With that of other banks.
- (vi) To compare Islami Bank Bangladesh Ltd. With the other banks with respect to policies adopted in extending services.
- (vii) To identify customer requirements.
- (viii) To aim at improving profit performance.
- (ix) To justify the importance of marketing on the wide spring/range of the functional horizon banks.
- (x) To select customer segments for emphasis.
- (xi) To design service package to the customers satisfaction.

1.4 Methodology

Data collection Method:

This paper contains information gathered from both primary and secondary sources of IBBL. Most of the information comes from a series of interviews with executives who are the top and middle positions of the management. The data collection method of this study was consisted of both primary and secondary sources. A major portion of the needed information was collected from secondary sources.

**Data sources:****a) Primary source:**

The primary sources included interviews with

- ✘ Top level management of IBBL.

b) Secondary sources:

The secondary sources collected from the following sources

- ✘ Annual report of IBBL.
- ✘ Finance Ministry reports on financial sector.
- ✘ Statistic Department of Bangladesh Bank.
- ✘ Memorandum, articles and handbook of the bank.
- ✘ Literature survey of introductory Finance and Management books helped to formulate the report content.

1.5 Significance

This study will show an empirical analysis to justify the role of marketing on financial performance of banks. Marketing is an integral part of the strategic planning process. It represents a fundamental philosophy of banking in which management recognizes that the bank should be market driven, and thus adopts strategies that focus on meeting consumer needs. Coincident with a profit plan banks should have a marketing plan which consists of conducting a situation analysis, setting objectives, selecting target markets, designing a marketing strategy, implementing the plan and conducting a post-audit. Growth of financial performance of a bank is directly related to its marketing strategy. In today's ever-growing and competitive environment, bank can achieve its goals only by applying marketing tools and techniques. In order to respond to the changes of the industry, a bank must differentiate its service and promote them man innovative way.

In today's service oriented economy, all individual business firms, manufacturers and all types of service organizations can't but have a touch of banking operations. This study can be a guideline for following interest groups:

- Entrepreneurs
- Stake holders of banks
- Management of banks
- Present & future customers
- Bankers
- All business companies & corporate bodies
- Government agencies and
- Public at large



1.6 Implication of the Study:

The study has been considered in view to provide information on the following aspects of the sample banks:

- (a) Deposit and investment schemes of banks.
- (b) Mechanism of the banks investment.
- (c) Communicating media used by banks to reach their messages to the customers.
- (d) Present status of the banks marketing services.
- (e) Differences between services of Islami Bank Bangladesh Ltd. and that of other interest basis banks.
- (f) Activities of Islami Bank Bangladesh Ltd.
- (g) Methods followed by banks to popularize their service to the customers.
- (h) Influences of marketing bank services on its financial performance.

1.7 Limitations of the Study:

From the beginning to end, the study has been conducted with the intention of making it's a complete and truthful one. 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 banks although the financial statements and other information regarding the study have been considered. The study considers following limitations:

- All the branches of the sample banks were not physically visited.
- All concerned personnel of individual banks have not been interviewed.
- In data collection stage, the sample bank's representative did not provide the required information due to their some official problems.
- The personnel management system and recruiting system of the sample banks have not been reviewed.
- In some cases actual data cannot be gathered for non-availability of sources.
- The scope of study has been confined to some selected sample banks because of time constraints.

PROFILE OF

ISLAMI BANK BANGLADESH LIMITED
(IBBL)



2. PROFILE OF

ISLAMI BANK BANGLADESH LIMITED (IBBL)

2.1 Concepts of Islamic Banking:

The concepts of Islamic Banking represents a radical departure from traditional banking Islamic banking has to derive its inspiration from the religious edicts of Islam and has to mould its operations within the framework of the teaching of Islam. The most distinctive feature of Islamic Banking is its total abstinence from interest in observance of Islamic banking and prohibition of all interest based transactions. The Islamic banks organize their operations on the basis of profit/loss sharing and other modes, which are permitted in Islam.

Islamic Banking act 1983 of Malaysia (Act No. 276) has given the following definition:

“Islamic Banking” means any company, which carries on Islamic Banking business and holds a valid license, and all the offices and branches in Malaysia of such a bank shall be deemed to be one bank.

“ Islamic Banking: O/C “An Islamic Bank is a financial institution whose statutes, to the banking of the receipt and payment of interest on any of its operation”

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

According to Islamic Banking Act. 1983 of Malaysia: an Islamic Bank is a company which carrying 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 of Islam.

2.2 History & Growth of Islamic Banking:

The Islamic Banking movement as we know it to day is recent phenomenon. The history of modern Islamic Banking dates back to the 1950,s when a small private Islamic Bank appeared in Pakistan but subsequently would up. In the decade of 1950,s the concept of Islamic Banking was a matter of thinking & research and the result was preserved in the papers of different scholars of the Muslim World. The 1960,s was the decade for practical experiment and 1970,s 1980,s and 1990,s were decade for establishment. The current millennium is expected to be the decade of success and expansion at a faster rate.

During 1960,s it was observed that the Muslims of Malaysia used to save primarily for performing Hajj and such saving were mostly kept idle in pillows, under mattresses and floors



for avoiding interest which was unproductive & damaging for the growth & development of the economy. For utilizing these savings the Malaysia government in 1962 established an interest free financial institution known as “Pilgrims Savings Corporation”. Through it was not a full-fledged bank. Even then we can say that it was the beginning of an institution free of interest which is unconditionally prohibited in Islam.

“Mitgharm Bank” is the pioneer of modern Islamic Banking, which was established by Dr. Ahmed-El-Naggar in 1963 by his personal endeavor at Mitgharm in Egypt with a view to bringing some development in socio-economic field in the process of Islam. The bank conducted its banking operation successfully in the light of Islamic Shariah for about five years. Now the Islamic Bankers of the world have treated the short life of Mitgharm Bank as the first model of Islamic Banking. A survey report by the National Institute for Management development, Cairo, Egypt, shows that the Mitgharm Bank was tremendously successful in achieving its objectives and the tremendous success of the Bank was the cause of its closure by the vested interest in 1967.

Islamic Development Bank was established in 1975 and during the following three years (seven) Islamic Banks & financial institutions namely (1) Dubai Islamic Bank, (2) Kuwait Finance House, (3) Faisal Islamic Bank, Sudan, (4) Jordan Islamic Bank for finance and investment, (5) Islamic Banking System International Holding S.A. Luxembourg, (6) Faisal Islamic Bank of Egypt, (7) Islamic Investment Co. Ltd., Sarjah, were established.

In 1978 Islamic Foreign Ministers Conference in their Dakar (Senegal) meeting recommended to the members of OIC to make systematic efforts to establish Islamic Banks gradually and during the next three years of their recommendation 20 Islamic Banks and financial institutions came into existence.

2.3 Birth History of IBBL

Bangladesh is one of the largest Muslim countries in the world. Its people are deeply committed to Islamic way of life as enshrined in the Holy Quran and the Sunnah, it remains a deep cry in their hearts to fashion and design their economic lives in accordance with the precepts of Islam. With these ends in view in August 1974, Bangladesh signed the charter of Islamic Development Bank and committed itself to recognize its economy and financial systems as per Islamic Shariah.

In January 1981, the Head of the Government, President of the Republic of Bangladesh while addressing the 3rd Islamic Conference held at Makkah and Taif suggested, “The Islamic countries should develop a separate Banking system of their own in order to facilitate their trade and commerce”. This statement of the President indicated favorable attitude of Bangladesh towards establishing Islamic Banks and financial institutions of the country.

Earlier, in November 1980, Bangladesh Bank, the country’s central bank, sent a representative to study the working systems of several Islamic Banks abroad.



In November 1982, a delegation of Development Bank (IDB) visited Bangladesh and showed keen interest to participate in establishing a joint venture Islamic Bank in the private sector. They found a lot of works have already been done and Islamic Banking was in a ready form for immediate introduction. Two professional bodies namely Islamic Economics Research Bureau (IERB) and Bangladesh Islamic Bankers Association (BIBA) made significant contribution towards introduction of Islamic Banking in Bangladesh. They came forward to provide training on Islamic Banking to top Bankers and Economists to fill-up the vacuum of leadership for the future Islamic Banks in Bangladesh. They also held seminars, symposium, and workshops on Islamic Economics and Banking throughout the country to mobilize public opinions in favor of Islamic Banking. Their professional activities were reinforced by a number of Muslim entrepreneurs working under the aegis of Muslim Businessmen-society. These organizations concentrated mainly in mobilizing equity capital for the emerging Islamic Bank.

At last, the long drawn struggle to establish an Islamic Bank in Bangladesh became a reality and Islamic Bank Bangladesh limited was incorporated on 13th march, 1983 and commenced banking operations on and from 30th march, 1983 as the first Islamic Bank in South East Asia. It is the first joint venture Bank in Bangladesh. 11 foreign Islamic Banks and institutions, two foreign nationals, 4 Islamic Institutions and 19 local Industrialists and Philanthropists, contributed the initial capital of Taka 56 million of the Bank.

The Bank is committed to run all its activities as per Islamic Shariah. IBBL through its steady progress and continued success has, by now, earned the reputation of being one of the leading Private Sector Banks of the country.

2.4 Mission of the Bank:

To establish Islamic banking through the introduction of a welfare oriented banking system and also ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development through diversified investment operation particularly in the priority sectors and less development areas of the country. To encourage socio-economic upliftment and financial service to the low-income community particularly in the rural areas.

2.5 Vision of the Bank

The vision of the bank is to always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance.

- ❖ The vision of the bank is to establish and maintain the modern banking techniques, to ensure the soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professionals, working for the people, based upon accountability, transparency and integrity in order to ensure the stability of financial system.



- ❖ We will to encourage saving in the form of direct investment.
- ❖ We will also try encouraging investment particularly in project, which are more likely to lead to higher employment.

2.6 The Features of IBBL:

All its activities are conducted on interest-free system according to Islamic Shariah.

- ❖ The Bank-Clientele relationship in this Bank is participatory instead of the debtor-creditor relationship of the conventional system.
- ❖ Investment on the basis of profit sharing and risk-bearing system.
- ❖ Investment is made through different modes permitted under Islamic Shariah.
- ❖ Investment-income of the bank is shared with the Mudaraba depositors according to a ratio to ensure a reasonably fair rate of return on their deposits.
- ❖ Its aims are to introduce a welfare-oriented banking system and also to establish equity and justice in the field of all economic activities.
- ❖ It extends co-operation to the poor, helpless, and low-income group of the people for their economic upliftment particularly in the rural areas.
- ❖ It plays a vital role in human resource development and employment-generation, particularly for the unemployed youths.
- ❖ Its aim is to achieve balanced growth & development of the country through investment operations, particularly in the less developed areas.

2.7 The functions of Islami bank Bangladesh Ltd.:

- (a) To maintain all types of deposit accounts.
- (b) To make investment.
- (c) To conduct foreign exchange business.
- (d) To extend other banking services.



24 Board of Directors manages Islami Bank Bangladesh Limited. Of the Directors, 9 are foreigners and 15 local. The Board of Directors for efficient operations of the Bank has formed a 9 Member Executive Committee. A Shariah Council consisting of Ulamas, Economists, Financial and Legal Experts advises the Board on Shariah issues concerning operations of banking business. Besides, a Management Committee comprising of the Senior Executives and headed by the Executive President looks after the affairs of the Bank. Day to day management is entrusted to the Executive President who is assisted by the Management Committee and Member-Secretary, Shariah Council. IBBL serves its customers through 141 Branches. (As on 31.03.03)

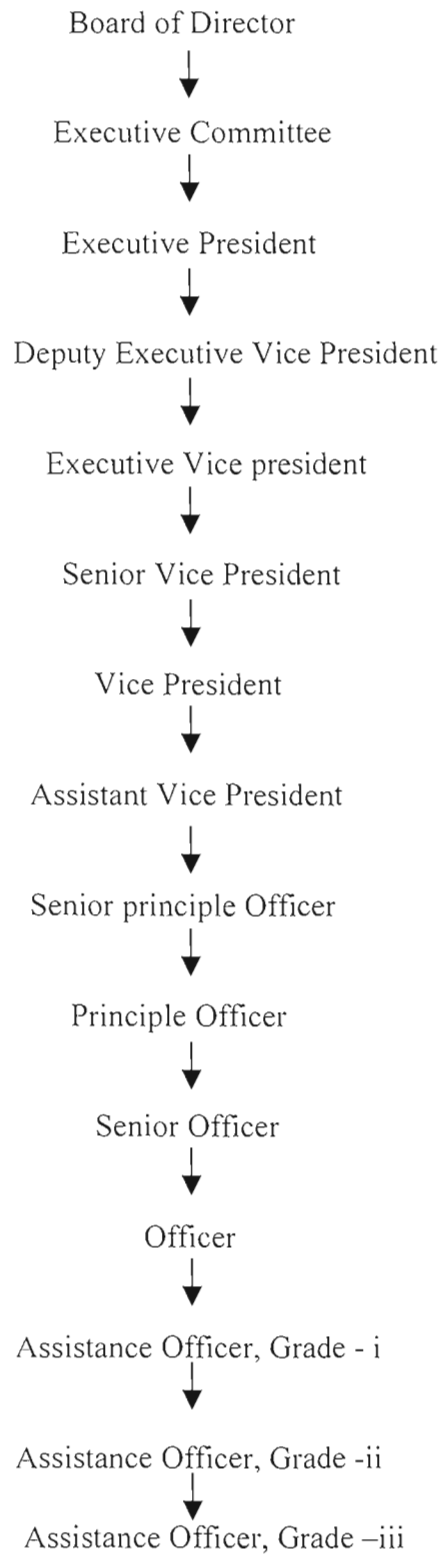
The Board of Directors and the Executive Committee are highly efficient teams consisting of industrialists, businessmen, bankers, technocrats, management experts, and parliamentarian. The Shariah Council members are renowned ulamas, economists, researches and one of them is member of the National assembly. The Executive management consists of professional Bankers deeply dedicated to run the bank efficiently.

The Islamic Bank Foundation established for providing financial assistance to the poor and needy people through various income generating, health care, relief and rehabilitation, education and special programs is a result of social welfare commitment of IBBL.



2.8 Legitimate Hierarchy of Management of IBBL:

Legitimate Hierarchy of Management:





Other Employees:

1. Senior Assistant
2. Cashier – Cum – Assistance
3. Senior Messenger-Cum- Guard/Senior Security Guard/ Senior Godown Guard
4. Messenger --Cum-Guard Grade-1/Security Guard –1/Godown Guard Grade-1
5. Messenger-Cum-Guard Grade-11/Security Grade-11/ Godown Guard Grade-11

Technical and Blocked Cadres:

1. Mechanic/Electronic/Driver Grade-1
2. Driver Grade-11
3. Mail/Cleaner

2.9 Shariah Council

Islam is not merely a religion but complete code of life. This code is enshrined in the Islamic Shariah the body of laws is the primary source of guidance for Muslim on all aspects of life.

The Shariah Council of the banking is playing a vital role in advising, guiding & supervising the implementation and compliance of Shariah principle in all business activities of the bank. The Council, which enjoys a high status in the structure of the bank, consists of prominent Ulama, reputed bankers, renowned lawyers, and eminent economist. Member of the Shariah Council meet frequently and deliberate on different issues confronting the bank on Shariah matters.

They also conduct Shariah inspection of Branches regularly, so as to ensure that the Shariah principle are implemented and complied with meticulously by the Branches of the bank. It may be mentioned here that Shariah Council also examines the Final Account of the Bank and submit a separate report in this respect.

2.10 Islamic Bank Training & Research Academy (IBTRA)

Islamic Bank Training & Research (IBTRA) was established simultaneously with the establishment of the Bank in the year 1983 for the purpose of imparting training to manpower of all levels and conducting research programs. To cater increasing training and research needs. The Academy has been up-grade in 1994 and an Academy Council has been formed to formulate policies to provide special emphasis on (i) Islamic Economic and Banking and (ii) practical operations on both Conventional and Islamic banking system.



The activities of IBTRA cover both training and research on various aspects Islamic banking. The Academy developed a rich Library of its own with treasure of valuable book on different subject including Islamic Economics, Banking, comparative and Journal of home and abroad and research articles and documents. Employees of he Bank, learners, and researches have been taking full advantages of the Library.

Academy conducts the different training course of the Islamic Bank's Officials for their development. The Academy also conducts workshops, Executive Development Program, Seminars and Internship Program of BBA, MBA and final year students of Management Department of the University Dhaka.

Besides, a motivation program is introduced for the clients of the Bank Client Orientation Program are arranged at different branches for dissemination the concept of Islamic economics and Banking and to acquaint the clients with operation of Islamic Banking System.

2.11 Publicity and Public Relation

The Bank, since its birth, has been relentlessly working to project and promote the ideal of Islam in the fields of economics and Banking and to reach the people of all walks of life and bring home to them the concept of Islamic Banking. Thus, it has been able to create a favorable image about Islamic Banking among the people. The Bank release advertisement through Radio, Television and newspaper to make urban and rural masses aware of the ever-growing concept, modes of operation. Schemes and service of the bank and to focus on its progress and motivate traders, businessmen and industrials to establish and broaden their business links with the bank. To promote healthy growth of art and literature in the country, literary magazine etc patronized. Attractive multicolor poster are also being published for depicting the aims and objectives of people oriented special investment Schemes of the bank.

2.12 Organizational Profile:

The first Branch of the Bank Local Office, Motijheel, Dhaka started functioning on 30th March 1983. The Bank was formally inaugurated on 12th August 1983. Authorized Capital of the bank is TK. 1,000.00 million; paid-up capital is TK. 640.00 million. Foreign and local shareholders have subscribed 59 and 41 per cent of the paid-up capital respectively. The Bank's Corporate Headquarter is situated in its own 18-storied building at 40, Dilkusha Commercial Area, Dhaka.

2.13 Branches of IBBL:

Eighteen (18) new branches have got the nod to open during this year raising the total number of branches to 171 from 153 of the previous year. The Bank plans to gradually open more branches covering important commercial places both in urban 7 rural areas. Seven (70) Administrative Offices/Zones are functioning all over the country for effective control, close supervision and proper monitoring of the total operations of the branches as well as assisting them in the development of business.

**International Correspondents:**

At the end of the year 2001 the number of foreign correspondents were 815 with 217 Banks in 72 countries. This correspondent's relationship accrued substantial benefit to the bank by way of expansion in its services areas related to foreign trade and foreign exchange business. The Bank endeavors to increase its banking relationship with international financial institution to offer smooth and efficient service to the customers.

Membership in International Bodies:

This Bank is a member of-

- (i) International Association of Islamic Banks (IAIB), Jeddah, KSA.
- (ii) Accounting and auditing organizations for Islamic Financial Institutions (AAOIFI), Manama, Bahrain.
- (iii) General Council for Islamic Banks and Financial Institutions (GCIBFI), Manama, Bahrain and also become member of the executive Committee of GCIBFI.
- (iv) International Chamber of Commerce-Bangladesh.

2.14 Automation & Information Technology:

To meet the growing demand for rendering prompt and tailor made services to the customers, the bank exert its efforts continuously to automate all sorts of transactions in the branches. Initiatives have been taken to preserve and verify photos and specimen signature of the clients through computer, which would help to introduce accuracy, efficiency and one-stop service in the branches. Besides, the bank has approved a plan for developing WAN (Worldwide Area network) enabled banking software by in-house developers. Presently, all 121 Branches are conducting their deposit and investment operation through the support of computer automated software. Twenty new branches have come under Local Area Network (LAN) in the year 2001, raising LAN facilities to 40 Branches.

A. Shared ATM (Automated teller Machine) Network

Islami Bank has made giant strides in the field of technology enabled banking with its introduction of E-Cash service- a shared Automated Teller Machine (ATM) network comprised of eight (8) banks of the country. Islami Bank Bangladesh Ltd. has joined as founder member of E-cash. Now, customers of Islami Bank Bangladesh Ltd. may withdraw cash; check balance from these machines round the clock. The service has come into live operation from August 2001. Sixteen Automated Teller Machines have already been installed in Dhaka & Sylhet.



B. SWIFT:

IBBL become member of SWIFT (Society for Worldwide Inter-Bank Financial Telecommunication) in 1999 and thus providing a secured and accurate communication network for financial transactions including L/C, Remittance etc. SWIFT has been installed in 28 Ad (authorized Dealer in Foreign Exchange Business) Branches for rendering better services to the exporters, importers and remittance business.

C. Reuters:

In today's globally connected world, information faster than the speed of light brings organizational success. For ensuring maximum strategic advantages through access to global information, the bank has also become members of REUTERS. This membership allows the bank to receive regular updated information regarding exchange rates, metal markets and other commodity prices, which help IBBL in making correct and prompt business decisions.



3. INTRODUCTION OF GENERAL BANKING

To commence the view, first we should know what bank do, like IBBL. In the economy, the commercial banks are the financial intermediaries that supply financial services between the surplus units & deficit units of a country. To facilitate the flow of funds between surplus and deficit unit financial intermediaries create two separate markets. From the deficit units they purchase primary securities and sell secondary indirect liabilities to surplus units. By this process bank achieve the goal. But IBBL is totally different because it is operating banking business under “ISLAMI SHARIAH” i.e. profit & loss sharing basis instead of interest.

3.1 DIFFERENT DEPOSIT SCHEMES OF IBBL:

Islami Bank gives special importance on savings. The objectives and principles of 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.
- To mobilize deposits through the operation of following accounts:

1) Al-Wadeeah:

It is one of the Islamic Principles based on which transactions of economic & non- economic natures are performed.

The root word of Al-Wadiah is ‘Wada’ which means to keep some thing with somebody with trust with the permission of use. The word Al-Wadeeah denotes the thing or fund kept with some persons.

The word ‘Amanah’ also the similar meaning, which is commonly used, but there is distinct difference between Al-Wadeesh and Al-Amanah.

In Al-wadiah principle, the person receiving the thing or fund can use it with the permission of the giver, and if it is a fungible type of items (that which is consumed in one use) return a similar type of things on demand to the giver. On the other hand, in Amanah, the very thing, goods or fund are required to be returned and there is on permission of using the same.

Al-wadeeah deposit Accounts are as under:

- (a) Current Account.
- (b) Non-Resident Taka Account.
- (c) Convertible Taka Account.
- (d) Other Accounts

INTRODUCTION OF GENERAL BANKING



- i. Sundry Deposit Account.
- ii. Drafts Payable Account.
- iii. Payment Order Payable Account.
- iv. Profit Payable Account.
- v. TT Payable Account.

II) Al-Mudaraba:

It is one of the important modes of investment and business in the Islamic Shariah. Rather, it is a mode towards which the Islamic Banks all over the world have set their goal to arrive at. Mudaraba is the name of the business or enterprise done under a contract between two parties one of them provides funds and the other provides labor.

The party who is financing is known as Sahib-al -Maal and the one who uses the fund is known as Mudarib. The results of the enterprise, if it is profit, is shared as per ratio agreed upon previously in the contract; if it is loss, it is entirely borne by the fund giver. The financier has on scope of taking part in the operational aspect of business. However, if it the loss is incurred due to the inefficiency or negligence of the Mudarib, the loss will have to be shared by him.

Al-Mudaraba Accounts are given below:

- (a) Savings Account
- (b) Savings Bond
- (c) Hajj Savings Account
- (d) Special Savings (Pension Scheme) Account
- (e) Term Deposits Account
- (f) Special Notice Deposit Account

3.2 Features of Various Deposit Schemes

➤ Al-Wadeeah:

(a) Current Account:

- i. Current account can be opened by firms, companies and individuals etc.with a minimum balance of Taka 500/- only.
- ii. Current A/c can be operated by cheque.
- iii. No Profit is paid on current A/c.
- iv. Statement of a/c is provided monthly to the A/c holder.



(b) Non-Resident Taka Account:

- i. Non-Resident Taka Account can be opened by overseas banks and correspondents.
- ii. This account may be opened with initial deposit sent from abroad in a freely convertible currency.

(c) Convertible Taka account:

- i. Convertible Taka Account may be opened in the names of foreign organizations/nationals viz-diplomatic missions, UN organizations etc.
- ii. These accounts may be credited with foreign currency brought in or remitted from abroad or transferred from a Foreign Currency account or any other Non Resident Taka Account.

(d) Foreign Currency Deposit Account:

- i. Foreign Currency Deposit Accounts may be opened in the names of Bangladeshi national residing abroad, foreign nationals residing abroad or in Bangladesh and also foreign firms, foreign missions and their expatriate employees.
- ii. Payments outside the country may be made freely from this account to the extent of balances lying therein.
- iii. No Payment in foreign exchange may be made to or on behalf of any resident in Bangladesh out of the foreign currency account.

(e) Other Account:

- i. Sundry deposit account
- ii. Drafts payable account
- iii. Payment order payable account
- iv. Profit payable account
- v. TT payable account

➤ **Al-Mudaraba:**

(a) Savings account:

- i. Savings account can be opened in the name of individuals singly & jointly, education institutions, clubs, associations and socio-economic institutions.
- ii. Minimum balance of taka 100.00 is required for opening the account.



- iii. Account can be operated by cheque.

(b) Savings bond:

- i. Savings bond can be purchased by individual aged 18 years and above, education institutions, clubs, associations, and other socio-economic institutions.
- ii. 8 years and 5 years term bonds are available.
- iii. Taka-5, 000, Taka-10, 000, Taka 25,000, Taka 50,000, taka100, 000, Taka 500,000 denominated bonds are issued.
- iv. 125% and 1105 weight ages are assigned to savings bond of 8 years and 5 years respectively.

(c) Hajj savings account:

- i. Hajj savings account can be opened only in the name of individuals.
- ii. The period of deposit is 1 year to 25 years.
- iii. 1105 weight age is given to Hajj savings account.

(d) Special savings (Pension Scheme) account:

- i. Persons of 18 years and above can open special savings (Pension Scheme) A/c either for 5 years or 10 years duration.
- ii. Monthly installment ranges from Taka 100 to Taka 1000 per month.
- iii. 130% weightage is assigned to 10 years deposit and 110% to 5 years deposit.

(e) Term deposit account:

- i. Deposits under the above scheme can be made for 3,6,12, 24, 36 months at a multiple of taka 1000 and above by an individuals, clubs, associates etc.
- ii. The following weightages are assigned to term depositors:



36	Months	-	100%	Weightage
24	„	-	98%	„
12	„	-	96%	„
6	„	-	92%	„
3	„	-	88%	„

(f) Special Notice Deposit account:

- i. Special notice deposit a/c can be opened by firms, companies Societies.
- ii. Deposits and Withdrawals by cheque giving prior notice.
- iii. 55% weightage has been assigned to short notice deposit.

3.3 GENERAL BANKING DEPARTMENT FUCTIONS:

DESPATCH

A) Inward:

The letters which we receive at your end may be called inward dispatch in foreign exchange Office practice we maintain registers.

- 1) General Banking (G.B)
- 2) Foreign Exchange (F.Ex)
- 3) **Investment (INV)**

WORKING PROCEDURE

- Open Envelop
- Press seal
- Sent to concern officer
- Put Initial / Mark on Seal
- Mention Authorized Officer
- Entry in Register (for foreign cheque, D D. ,P.O , OBC etc)

B) Outward:

The letters which we dispatch for our end called out word dispatch.

**MAINTAIN REGISTER**

- ❖ For post office
- ❖ For courier service
- ❖ For overseas

FRANKING MACHINE

To avoid crowd at post office & wastage of time again and again for going to post office, local office use franking machine. It is a contribution of modern technology. Envelop are marked with revenue stamp through pressing the machine instead of affixing the postal ticket stamps. The machine is maintained in the local office as per guidance of postal authority. The amount involved through pressing the machine is transferred to postal Department on interval. So the franking machine facilities to avoid labour of posting / Affixing the postal stamps.

PASSING ENTRIES

Expenses Account – postage DR P.O / Cash
(At the end of the month)

3.4 OPENNING OF ACCOUNT**MUDARABA SAVINGS A/C AND AL-WADEEAH CURRENT A/C**

Following formalities are required to be completed before such account is opened in IBBL.

- ❖ Application in the prescribed form.
- ❖ Introducer / reference name.
- ❖ Introduction by bank officer.
- ❖ Specimen signature in card.
- ❖ Mandate for operation of the account.
- ❖ Intimation for operation.
- ❖ Obtaining required document (if private, limited or club etc).
- ❖ Photographs.
- ❖ Verification of introducer's signature.
- ❖ Approval from the AVP sir.
- ❖ Admittance of signature.
- ❖ Opening of the Account.
- ❖ Entry in the register.
- ❖ Allotment of the account number.



MUDARABA TERM DEPOSIT A/C**Features**

Term	: 3, 6, 12, 24, 36 months & above
Rules	: No photograph, No introducer required, No Checkbook Issue, Maintenance of due data diary.
Profit	: on maturity
Premature	: 3 months profit will be deducted
Profit maturity	: final rate of profit be given even closure of accounts by P.O.
Products	: Calculated on daily balance

MUDARABA HAJI SAVINGS A/C :

To facilitate the intending Muslim to perform Hajj properly at appropriate age. This is purely a savings scheme for Hajj. Any muslim intending to perform Hajj by building up deposit required for meeting Hajj expenses will select one of the 25 alternative choices based on duration of period from 1 to 25 years for building up savings by monthly installment under this scheme.

RULES:

- Fill up Hajj AOF (F-201).
- No Photograph required.
- Transferable from one branch to another.
- Installment be deposited with in 10th of every month.
- Advance deposit acceptable.

MUDARABA SAVINGS BOND:

Eligibility	: Individual aged 18 years.
Amount	: Any Amount.
Denomination	: Tk 1,000, Tk 5,000, Tk 25,000, Tk 100,000, Tk 500,000.

RULES:

- Fill up MSB AOF (F-232).
- No Photograph required.
- Nominee required.
- Profit on anniversary..
- No profit on maturity if not encashed on maturity.
- No profit if encashed before expiry of one year.
- Profit on anniversary.
- No profit on maturity if not encashed on maturity.
- No profit if encashed before expiry before expiry of one year.

**ENCASEMENT IN CASE OF DEATH OF MBA HOLDER:**

- Nominee entitled to receive the money.
- No succession Certificate required.
- Required Identification certificates of the nominees.
- Duly attested photographs of the nominees.
- Indemnity bond as per DF-12 by nominee with two valued clients.

MUDARABA SPECIAL NOTICE DEPOSIT A/C:**FEATURE:**

Operation may be categorized as that of AWCA excepting that these deposits share in profit /loss of the Banks overall performance & its withdrawal is subject to 7 days prior notice for any amount.

RULES:

- Initial deposit & minimum Balance is Tk 25,000.
- Incidental charge every half yearly closing while the balance comes below Tk. 25,000.
- A letter of thanks shall be sent to the introducer & account opener.
- The balance Confirmation Certificate (F-157) to be issued periodically.
- Product is calculated on daily minimum balance.

MUDARABA SPECIAL SCHEMES A/C:**FEATURE:**

This scheme may be opened for monthly deposit of Tk 100, Tk 400, Tk 500, 7 Tk 1,000 to be made before 10th day of the month depending on the choice of the customer for 5 to 10 years period. The product shall be calculated on daily product basis.

RULES:

- No change allowed for amount & time of MSS.
- Introduction and Nominee required.
- No need of succession certification for the nominee.
- No profit, if encashed within one year.



3.5 CASH SECTION:

Cash section is important part of our local office. Most of the activities this are related to cash section. The function of cash section is receipt & payment of cash.

RECEIPT OF CASH:

Pay-in slip for deposit & investment accounts, Application Form for P.O./ D.D./T.T and credit vouchers daily filled in are given to the receiving cashier with cash. At the time of receiving cash the cashier checks the deposit slip voucher in respect of the following:

- The total of account with its number.
- Amount in words & figures.
- Date & signature of the depositor/Authorized officers.

PROCEDURE:

- Receive cash duly counted.
- Amount in figures & words.
- Scroll & entry in cash receiving register.
- Posting in ledger.
- After day end handover to cash-in-charge.

PAYMENT OF CASH:

Cash in paid against installment like cheque, Draft, P.O. & Debit voucher

PROCEDURE:

Issue Counter
V
Computers Posting
V
Passing officer
V
Payment counter

PRECAUTION:

- (a) Account No.
- (b) Balance Position.
- (c) Cheque serial No.
- (d) Date.
- (e) Endorsement.

**CLOSING CASH:**

At the close of the day the cash in charge receives the entire amount of cash from the receiving cashier & the balance amount of cash from the paying cashier. He enters the closing balance in the closing cashbook showing denomination wise break-up. A Statement in cash position slip is prepared under the joint signature of cash-in-charge & the joint Custodian, which is kept with the daily vouchers of the Local Office.

DEMAND DRAFT:**ISSUANCE:**

- Applied on prescribed form.
- Deposit money in cash or transfer advice.
- Two Authorized signatures required.
- Entry on DD issue registers.

VOUCHER:

Local Office cash A/C	DR
IB General A/C	CR
Commission A/C	CR

PAYMENT:**Payment is made on three modes:**

- ❖ DD paid with advice.
- ❖ DD paid without advice.
- ❖ DD paid without advice & drafts payable A/C.

VOUCHERS:**DD Paid without advice:**

DD Paid without advice	DR	Party A/C	CR
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DD advice received without instruments:

IB General A/C	DR	D.D. payable A/C	CR
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After receiving D.D. instruments:

D.D. payable A/C	DR	Party A/C	CR
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**TELEPHONIC TRANSFER (T.T):****ISSUANCE:**

- Applied on prescribed form. Deposit on receiver Amount.
- Sent T.T. message to receiver Branch.
- Receiver Branch test T.T. message & credited to party A/C.

VOUCHER:

Local Office Cash A/C	DR
IB General A/C	CR
Commission A/C	CR
Telephone A/C	CR

PAYMENT:

- Received T.T. message.
- T.T. test (Confidential).
- Received IBCA.
- Credited to party A/C.

VOUCHER:

IB General A/C	DR	Party A/C	CR
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PAY ORDER (P.O):**ISSUANCE:**

- Applied in prescribed form.
- Deposit money in cash or transfer.
- Two Authorized Signature required.
- Figure mentioned by protectographi
- Entry in P.O. issues register.

VOUCHER:

Local office cash A/C	DR
Payment order A/C	CR
Commission A/C	CR



PAYMENT:

- Verify endorsement.
- Verify Authorized Signature.
- Verify Monogram of IBBL.
- Reverse in P.O. entry register.
- Sent to computer department for transfer.

ENDORSEMENT MODE:

Payee A/C credited	ABC & Co.
Received & payment	Janata Bank for clearing
Payee A/C Credited & Received & payment.	Janata Bank in favour of ABC & Co.

VOUCHER:

Payment order A/C DR Party A/C or cash CR

CLEARING:

In local office practice there have a six members strong team worked lead by Jb. Shididul Hoque (S.O.).

- ❖ Firstly, an Asstt. Officer makes entry of the entire instrument in the clearing register & gets all the figure totaled.
- ❖ Secondly, prepare the schedules of all cheques, drafts etc. as per Bank- wise and makes the total. And ensures that the total of all the schedules must agree with that of the clearing register.
- ❖ Thirdly, all the instruments should be crossed stamped & endorsed correctly.
- ❖ With all the instrument the clearing section of the Local Office goes to the clearinghouse.

3.6 HOW DOES A CLEARING HOUSE WORKS:

Usually the central bank provides leadership to all other banks who from the clearing house. All the member banks maintain their accounts with the central bank so as the settle their undivided drawings.



All the members Banks representatives daily conduct two meetings, these are:

- 1st house.
- Return house.

In the 1st house they handover Cheque & drafts etc. drawn upon each other for payment, which received, from their different branches of the town.

All the representatives then return to their respective banks & distribute the cheques & draft etc. to the messenger of the branches for getting the instruments passed which are drawn upon then. Increased there certain cheques, which could not be honour the same are return to the presenting bank with the reason of now payment in the return meeting at the clearing house.

ADVANTAGES:

- Time and labour is save.
- The work of payment & collection of cheques is very easily & efficiently handled at a clearinghouse.
- Not required the handling of cash & the transacting between Banks are settled by debiting & crediting their respecting accounts.

VOUCHERS:

Local office passed the following vouchers:

Br. IBDA along with DD, Cheques P.O etc.

IB General A/C	DR	Clearing Adjustment A/C	CR
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PAYING:

Branch passed the following vouchers:

Party A/C	DR	IB General	CR
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(Respond IBDA only without preparing any other voucher)

IF DISHONOUR:

IB General A/C Local Office	DR	Clearing Adjustment A/C	CR
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(With return cheques)

**FOR CLEARING FROM BRANCH TO LOCAL OFFICE:**

IB general A/C local office DR Clearing Adjusting A/C CR

AFTER CONFIRMATION L.O. NEXT DAY MORNING:

Clearing Adjustment A/C DR Party A/C CR

L.O. WILL DO AS FOLLOWS:

Party A/C by cheque Dr IB General A/C (Branch) CR

IF DISHONOUR THE CHEQUES/D.D.:

1. IB General A/C (BR) DR (IBDA attached returned cheques)

Clearing Adjustment A/C CR

2. Clearing Adjustment A/C DR

IB General A/C (L.O.) CR

(Respond IBDA only without preparing any other voucher)

3.7 INCOME & EXPENDITURE ACCOUNT:

- ❖ It is a head of account in Clean Cash Book cum GL which should total income earned, accrued and accounted for from different subheads.
- ❖ All income earned by the Bank accounted for in a day credited in the respecting subheads of income account of the Income & Expenditure Ledger (B.F).
- ❖ The subhead wise subtotal of the income for each year is maintained cumulatively.
- ❖ The following once the main source of income of our L.):
 - i. Profit against instrument made under different modes.
 - ii. Commission & Charged earned from banking services rendered to the clients.
 - iii. Charges recovered (Tel./Tex./P. & T. etc.).
 - iv. Amount recovered against the profit kept in Profit Suspense Account in cash of classified investments.
 - v. Gain due to disposal of any assets (Higher than WDV).
 - vi. Profit on IBG account.

EXPENDITURE ACCOUNT:

- ❖ It is a head of a account in Clean Cash Book cum GL which should to expenditure of the Local Office already incurred.
- ❖ All expenditure account for in a day is debited from the respective subheads of Expenditure account of the income & expenditure ledger (B-7).



- ❖ The subhead-wise summation of expenditure for one year is maintained.
- ❖ The format of the Income & Expenditure Ledger is shown in separate sheet for more details.
- ❖ At the end of the year the balance of both Income & Expenditure A/C become nil due to transferring the balance to profit & Loss Account to the L.O. to Head Office.

SUSPENSE ACCOUNT:

- ❖ It is an account in Clean Cash Book cum GL for keeping the accrued amount of profit. Superlatively in case of investment deals identified as classified.
- ❖ Detailed particulars of transacting are maintained in suspense/Sunday Deposit Register (B-4).
- ❖ Actual amount recovered against the profit kept in profit Suspense Account in transferred to Income Account when realized.

VOUCHERS:

i. Profit Receivable A/C	DR	Profit Suspense A/C	CR
ii. Profit Suspense A/C	DR	Income A/C	CR

COMPENSATION SUSPENSE ACCOUNT:

- ❖ It is an account in Clean Cash Book cum GL when the accrued compensation is kept against any classified and Bai-Muajjal / Bai-Murabaha investment deal.
- ❖ Detailed particulars of transactions are maintained in Suspense / Sunday Deposit accounts Register (B-4).
- ❖ Actual amount recovered against the comparative kept in Compensation Suspense Account is transferred to compensation Realized account

VOUCHERS:

i. Investment A/C	DR	Compensation Suspense A/C	CR
ii. Compensation Suspense A/C	DR	Compensation Realized A/C	CR

At the end of the year the balance of the accounts Compensation Realized and Compensation Realized Are transferred to H.O. CAD through IBCA compensation except balance of Compensation Suspense & profit Suspense A/C.

SUNDRY DEPOSIT ACCOUNT:

- ❖ It is a deposit account in which the receipts that cannot be identified/categorized in any specific head of accounts of the Clean Cash Book cum GL are maintained.
- ❖ It is the transiting account for Sundry Creditors.



- ❖ Detailed particulars of transaction are maintained in Suspense / Sundry deposit accounts register.
- ❖ The sum total of its subheads is shown in the liability side of Clean Cash Book cum GL.
- ❖ After proper identification / categorization the receipts of this account are reversed on a subsequent date for crediting the actual head.
- ❖ The reversal entries are to be reflected in Suspense / Sunday Deposit Account Register making contra date.

VOUCHERS:

i. Cash A/C	DR	Sunday Deposit A/C	CR	(Prov.)
ii. Sunday Deposit A/C	DR	Actual Account	CR	(Rev.)

SUSPENSE ACCOUNT:

- It is an account for maintaining records of various types of payment made for various purposes which cannot be accounted for into Clean Cash Book cum GL at the time of payment.
- It is an account for Sundry Creditors.]
- Detailed particulars of transactions are maintained in Suspense/Sunday Deposit Accounts Register.
- The sum total of its subheads in shown in the assets side of GL.

CILEAN CASH BOOK CUM GL:

- After necessary approval/ specification of head the payments are accounted for into an actual head of account in Clean Cash Book cum GL.
- The reversal entries are to be reflected in Suspense/Sunday Deposit Account Register making contra date.

VOUCHERS:

i. Suspense A/C	DR	Cash Transfer	CR	(Prov.)
ii. Specific A/C	DR	Suspense A/C	CR	(Rev.)

STATEMENT OF AFFAIRS:

- Shows sources of Bank funds (Liabilities) & uses to which they are put (Assets).
- Prepared as per “Double Entry System”.
- Prepared on monthly basis telling date from Clean Cash cum GL of the L.O.



- SOA contains the Balance figure of GL on month end day.
- Affairs contain the total information of Assets and Liabilities of a branch for a particular date in a prescribed form (F-63).
- It reflects the Total Deposit, Total Investment, Total Income, Total Expenditure etc. and thus Net Profit or Los

INVESTMENT SCHEMES OF IBBL

4. INVESTMENT SCHEMES OF IBBL:

The special feature of the investment policy of the bank is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of Islamic Shariah. Earning profit is not motive and objective of the banks investment policy rather; emphasis is given in attaining social welfare and in creating employment opportunities. The principles of investment operations of the bank are:

- To invest fund strictly in accordance with principles Shariah.
- To diversify its investment portfolio by size of investment, by sector of investment, by industrial, commercial, agricultural and by geographical are.
- To ensure mutual benefit-both for the bank and the investment client- by professional appraisal of investment proposals, judicious sanction of investment, close and constant supervision and monitoring there of.
- To make investment keeping the socio-economic requirement of the country in view.
- To increase the number of potential inventors by main participatory and productive investment.
- To finance various development schemes for poverty alleviation, income and employment generation with a view to a accelerating sustainable socio-economic growth and upliftment of the society.
- To invest in the form of goods and commodities rather than giving out cash money to the investment clients.
- To encourage social upliftment enterprises.
- To shun even high profitable investment in fields forbidden under Islamic Shariah and are harmful for the society.

The bank extends investments under the principles of following mode of investment:

- (1) Bai-Murabaha
- (2) Bai-Muazzal
- (3) Hire-Purchase
- (4) Musharaka
- (5) Mudaraba
- (6) Ijrara
- (7) Bai-Salam
- (8) Istisna
- (9) Quard
- (10) Welfare-Oriented Investment Schemes:
 - a. Small transport investment scheme.
 - b. Transport investment schemes.
 - c. Doctors investment schemes.
 - d. Small business investment schemes.

- e. Agriculture investment schemes.
- f. Poultry investment schemes
- g. House hold durable investment schemes.
- h. Housing investment scheme.
- i. Rural development scheme.
- j. Car investment scheme.
- k. Real estate investment program.
- l. Micro-industry investments scheme.
- m. Mirpur silk weavers investment scheme.

4.1 Features of Various Investment Schemes:

i. Bai-Murabaha:

It is a contract in which a client wishing to purchase raw materials, finished goods, commodities, spares, machinery equipments or any other goods request the bank to procure the items and sell them to him at cost plus a declaimed profit payable at the time of taking delivery of the goods.

Important Features:

- ❖ Cost of the goods sold and the amount of profit added herewith should be made known to the client
- ❖ Bank procures and stores the goods, in this own or hired godown.
- ❖ Delivery of the goods to the clients is made only against payment of cash-plus profit either at a time or in installments as agreed upon.
- ❖ On expiry of the stipulated period, bank can charge compensation and dispose of the goods at its own discretion.
- ❖ Examine shariah permissibility of the items. Reject proposal outright to not permitted by Shariah.

ii. Bai-Muazzal (Differed Sale):

It is a contract in which a client wishing to purchase raw materials, finished goods, commodities, spares, machines, equipments or any other goods request the bank to procure the items and sell them to him at a price payable at a future date in lump sum or in installments.

- It is a credit sale. Ownership and possession of the goods is transferred by the Bank to the clients before receipt of sale price.
- Sale price of goods is payable by the client at a specified future date.

**iii. Hire Purchase:**

It is a contract under which the Bank invests in equipment, machinery, transport or other durable articles for the clients against an agreed rental together with an undertaking from the clients to make full payment of price to the Bank of periodical installment for the purpose of essential purchase of the concerned rented article.

- Bank retains ownership of the asset and is entitled to receive agreed rental unit full payment of purchase price thereof by the client is meant up.
- Possession of the asset is passed on to the client for his exclusive use. Bank as the owner and the client as the hirer.
- In case of Hire Purchase, the hire acquires ownership of the asset on full payment of agreed value but in case of leasing operations, ownership of asset is not transferred to the lessee.

iv. Musharaka:

Musharaka (partnership) is another type of financing utilized by Islamic Banks. In this form of financing, two or more financiers provide the finance for a project. All the partners are entitled to a share in the total profits of the project according to a ratio, which has been mutually agreed upon. However, any losses are to be shared exactly in proportion to the capital contributed. All the partners have a right to participate in the management of the project. However, they may also waive this right in favor of any specific partner.

v. Mudaraba:

Mudaraba is a deed on the basis of which an agreement is signed between a Bank and a person (Real person or a legal entity) in order to enter into a commercial (Purchase and a sale of goods) investment and jobbing transaction. In this kind of agreement, the bank as the owner, acts as the supplier of the necessary cash and the other party as the mudarib or amel. Capital owner is the Saheb E Mal and capital user is called Mudarib.

All profits earned through the relevant transactions, shall be decided between the bank and the amel. On the winding up of the job, the ratios for this divided shall be those initially agreed upon.

The modern Islamic Bank is based on a framework, which may be called a triple Mudaraba. This is structured as follows:

The group of individuals who wish to invest their capital, i.e. the depositors of a bank. The Mudarib to whom the individuals entrust their capital by contract i.e. the bank. The entrepreneur, with whom the Mudarib signs a separate contract, passing to him the capital which was originally entrusted to him by the investors.



The complete freedom given to the Mudarib from any liability for capital in the event of loss and the disjunction between the owner of the capital and the third parties involved constitutes the distinctive of the Mudaraba.

vi. Ijara (Leasing):

Islamic leasing is not unlike its western counterpart. Islamic banks use these capital goods to industry. charging a fixed rental with the repayment installment basis leasing method ending with the client owning the good leased.

vii. Bai-Salam or Bai- Salaf:

This is a system of agricultural finance where by small farmers are provided with their daily needs during the season and sometimes with cash for agricultural operations. It is, however, open to abuse and does not reward the farmer so has not so far been used by Islamic banks.

The product is delivered at a future date for a price in advance. Muslim jurists have laid down several important conditions for this procedure:

- The price agreed for the product should be paid in full in cash at the time of the contract. In this way, the total risk, the total risk is borne by the financier. This is meant to avoid the unfair practice, known as shail, where financier pay low installments throughout the reason in order to ensure their profits and hedge against failure of delivery. Without this condition, the jurists are agreed that the salaam contract is null and avoid.
- Delivery of the goods must be postponed for a fixed time. If the contract were used to acquire the good immediately, it would, in fact, be a trick to get them at a reduced price.
- The goods must be of a type that is commonly available at the time fixed for delivery. This ensures that the financier does not carry unnecessary risk and enables the farmer to obtain the product from another source if need be. The contract must specify clearly the kind and quality of goods to be delivered.

This modality would seem to be a fair way of providing forward financing for small-and medium range farmers.

viii. “Istishna” Mode of Investment:

The word Istishna has derived from SANA-AA. Which mean manufacturing and construction.

- Value /price is to be paid before delivery of goods.
- Both delivery and price may be deferred as per HANAFI school of thought.
- Risk and conversion both are permitted
- Goods may be fungible or non- fungible.

**ix. Quard-e Hasana (Profit Free Loans):**

Most Islamic banks also provide profit free loans (Quard E Hasana) to their customers. However, practices differ in this respect. Some banks provide the privilege of-profit free loans to the holder of investment account at the bank. Other banks provide profit free loans to needy students and the economically weaker sections of society. Yet others provide profit-free loans to small producers, farmers and entrepreneurs who are not qualified to receive financing from other source. The purpose of these profits – free loans is to help them to become independent or to raise their incomes and standard of living.

Second-helping to increase production with due emphasis on agricultural, livestock, and industrial production.

x. Welfare-Oriented Investment Schemes of IBBL:

The Bank, since its inception, has been working for the upliftment and emancipation of the under privileged, down trodden and neglected sections of the populace and has taken up various schemes for their well being. The objectives of these Schemes are to raise the standard of living of low-income group, development of human resources and creation of avenues for self-employment.

a) Small Transport Investment Schemes:

Under the scheme, the Bank's providing Baby taxi, Tempo and Mishuk (a locally produced three wheeler auto transport) to the educated youths for their self-employment and to replace the traditional slow-moving transport system of the metropolis. Such employment, it is hoped, will invigorate the moral fiber of the society. Present member of clients under the scheme is 221, amount disbursed in Taka 10 million.

b) Transport Investment Scheme:

To ease existing transportation problem and ensure speedy economic growth and development of the country, particularly the expansion of trade, commerce, and industry, the Bank has taken up this scheme. Under this scheme, investment is being allowed to the existing successful businessmen and potential entrepreneurs in this sector for all types of road and water transport like bus, mini-bus, truck, launch, cargo-vessel, transport for rent a car service and baby taxi, tempo, pick-up van for self-employment and ambulance for clinic & hospital.

c. Doctors Investment Schemes:

The Bank has taken up this scheme to help un-employed qualified doctors to go for self-employment and to provide the latest medical equipments to specialist doctors to extend modern Medicare facilities throughout the country. Amount disbursed under the scheme is Taka 50 million and number of clients is 52.

**d. Small Business Investment Scheme:**

This scheme has been taken up for self-employment of educated unemployed youths of rural and urban areas and to provide investment to small businessmen and entrepreneurs. Investment is extended for about 200 economic activities in sectors as live-stock, fishery, agro-farming, processing and business, manufacturing, trading/shop keeping, transportation, agricultural implements, forestry and service viz laundry, signboard painting etc. Under this scheme, small businessmen and entrepreneurs are given investment up to Taka 30 thousand without any collateral and up to Taka 50 thousand on easy terms and conditions. Taka 440 million has so far been disbursed under the scheme and number of clients is 10107.

e. Agriculture Implements Investment Scheme:

In keeping with the people oriented and welfare objects of the Bank, this scheme has been introduced to provide power tillers, power pumps, shallow tubewells, thrasher machines etc. on easy terms to unemployed rural youths for self-employment and to the farmers to help augment production in agricultural sector. Number of clients in this sector is 701 and amount disbursed is Taka 20 million.

f. Poultry Investment scheme:

To create opportunities for self-employment of educated youths and small entrepreneurs and to meet the country's growing demand of protein food like chicken, eggs etc. this scheme has been introduced. Number of clients in this scheme is 2 and investment disbursed is Taka 1 million.

g. Household Durables Investment Scheme:

The objective of the scheme is to increase standard of living and quality of life of the fixed income group by extending them investment facilities to purchase household articles such as furniture, electric and electronic like television, refrigerator, gas cooker etc. Number of clients under this scheme is 58741; amount disbursed is Taka 1590 million.

h. Housing Investment Scheme:

The Bank has introduced this scheme recently to ease the serious housing problem in the urban areas and to make arrangement for comfortable accommodation of the fixed income group. Number of clients here is 117 and amount disbursed is Taka 130 million.

i. Rural Development Scheme:

Bangladesh is predominantly an agricultural country with vast majority living in rural areas. More than 50% of the rural people live under the poverty line, seasonal unemployment and underemployment is so acute that many people remain idle and without job in most of the time of the year. As a result, people in large number are migrating to urban areas, particularly in metropolis in search of employment thereby creating social and environment hazards. Islami



bank has, therefore, taken up a scheme to reactivate thermal economy and development model villages through intergraded approach.

The objective of the scheme is to create income generating and productive self-employment opportunities through extension of investment for the development of rural areas and thereby contribute in alleviating rural poverty.

The scheme has, by now, been introduced in 38 districts through 52 branches of the bank, which will gradually be extended throughout the country. Investment under the scheme is allowed for the purpose of, amongst others, production of 21 type so main crops viz. food, cereals and cash crops, off farm activities like dairy, beef fattening, goat rearing, poultry, shop keeping, peddling etc. rural transport like rickshaw van, cart etc. irrigation equipment, hand tubewell housing materials, in all cover about 343 type of economic activities. Under the scheme, the IBBL has so far provided investment of Tk. 90 million to 14123 clients. Islamic bank foundation, a subsidiary of the bank, engaged in social welfare activities shall, side by side, take care of the requirement of sanitation, Medicare and education of the village through integrated area development approach under Islamic model.

The rural development scheme is operating very successfully. The recovery rate under the scheme is 99%.

The rural development scheme IBBL is a very popular investment scheme. This scheme so competitive that the NGOs providing micro credit on traditional interest system find it difficult to continue their activities in the areas where IBBL's Scheme is functioning.

j. Car Investment Scheme:

Car is considered as an essential mode of transport in the modern society. Particularly by a section of the officials, business houses and business executives and established professionals for movement in discharging their duties and responsibilities punctually and efficiently. To meet this need, Islami Bank Bangladesh Limited has introduced the "Car Investment Scheme" for the mid and high-ranking officials of government and semi government organizations. Companies and also for persons of different professional groups on easy payment terms and conditions.

k. Real Estate Investment Program:

Professionals, Service holders, Businessmen, Real Estate Developers and other categories of people who are not entitled for availing investment facilities under Housing Investment Scheme, shall be eligible under and for extension/completion of the house already constructed, commercial building, shopping complex, flat/apartment etc.

l. Micro Industries Investment Scheme:

To create wider base for industries as well as to encourage establishment of micro-industries in different areas of the country by the potential entrepreneurs and for diversification of the Bank's investment portfolio, the Bank introduced Micro-industries Investment Scheme. Different sectors including food and agriculture based industries, plastic & rubber industries, forestry and



furniture industries, engineering industries, leather-industries, chemical industries, textile industries, recycling industries, service industries, electric accessories industries, handicrafts industries, fishery & live stock farming, hollow bricks, roof tiles and any other viable micro-industries have been identified for financing under the Scheme.

m. Mirpur Silk Weaver Investment Scheme;

The Scheme has been taken up to assist the silk weavers of Mirpur area particularly in respect of requirement of working capital. BMRE of existing unit. By adding further machinery, to develop new entrepreneurs and to assist the workers for getting further training for producing products of various modern design and for modernization of the silk sector.

The major part of a bank's fund is employed by way of investment which is the most profitable employment of funds. Islamic Bank invest fund in profitable Halal concerning observing the rules of Shariah. These are Safety, Liquidity, Profitability the purpose of investment. This principle of diversification of risks national policy and objective. Bank's policy, Shariah permissibly / Credit worthiness of borrows capacity capital Collateral, CIB report, Market Report.

4.2 Three Modes of deploying funds

- *** Trading Mode
- *** Leasing Mode
- **** Finance Mode

***** CHECK LIST FOR LIMIT PROPOSAL:**

- *** Application in Prescribed Form (F-167).
- *** Fill up Appraisal Form (F167 B).
- *** 2 P.P. size photograph of each Director.
- *** M/A & A/A.
- *** Certificate Of Incorporation.
- *** Declaration of Liability.
- *** Other Bank opinion.
- *** Trade License.
- *** TIN, IRC, Bond License.
- *** Declaration of Assets & Liabilities of Director.
- *** Particulars of Directors.
- *** Details of Collateral & its valuation.
- **** Resolution of the company.
- **** Last 3 years Audited B/S.
- *** CIB Inquiry.
- *** Performance / Turnover for last 3 year.
- *** IRA.
- *** Stock Report.



4.3 DOCUMENTATION:

The following papers & charge Documents are to be obtained duly, filed in signed, stamp, verified.

- *** A copy of Sanction Advice duly signed by client.
- *** Mode wise Agreement.
- *** Single party D.P. note (If there in no guarantor).
- *** Joint & Several party D.P. Note (All directors for Ltd. Co).
- *** D.P. note delivery letter (By client & Guarantor).
- *** Letter of Hypo (Statement of stock in trade to be obtained).
- *** Letter of Disclaimer (If goods in party godown).
- *** Insurance policies (Stored in party godown).
- *** Agreement for Pledge of goods.
- *** T.R. Cheques & D.O.
- *** Balance Confirmation Letter.
- *** Letter of Guarantee.
- *** Letter of Installment.

If the instrument is made against Collateral Security. Obtain the following documents:

- *** Memorandum of deposit of Title Deed signed by the owner of the property in cash of equitable mortgage.
- *** In legal of legal mortgage. Registered mortgage deed should be obtained. Personal guarantee of the owner.
- ***** Original Title Deed with C.S. R.S. S.A. Mutation parcha, field survey record DCR of the property and mutation records.

- *** Up to date Rent receipt.
- *** Non-Encumbrance Certificate.
- *** Site plan of the mortgaged property.
- *** Valuation Certificate.
- *** Lawyers Certificate.

Where the investment is secured by hypothecation of stock-in-trade. Machineries etc, obtain the following documents:

- *** Letter of Hypothecation.
- *** Trust Receipt.
- *** Legal Mortgaged.

In our Foreign exchange Office, we have sent the papers with proposal to H.O. After getting H.O. approval, we are disbursed the fund to client A/C.



4.4 FOLLOW UP SUPERVISION & RECOVERY:

- *** Complete the file Client wise.
- *** Maintain Due date book.

- *** Realize the Bank due.

- *** Collect market position.

- **** Obtain client business position. (P/L & B/S).

If any investment becomes over due, all persuasive measures must be taken to recover the outstanding amount immediately.

FOREIGN EXCHANGE DEPARTMENT



5. FOREIGN EXCHANGE DEPARTMENT:

5.1 What is Foreign Exchange?

Foreign Exchange generally means the exchange of one country's currency with another country's currency or instruments applied in making payment between countries. Foreign trade can be easily defined as a business activity, which transcends national boundaries. These may be between parties and government ones.

"Foreign Exchange" means foreign currency and includes any instrument drawn, accepted, made or issued 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 can usually be justified on the principle of comparative advantages. According to this economic principle, it is economically profitable for a country to specialize in the production of that commodity in which the producer country has the greater comparative advantages and to allow the other country to produce that commodity in which it has the lesser comparative advantages.

5.2 What is Authorized Dealer?

The term Authorized Dealer or AD would mean a bank authorized by Bangladesh Bank to deal in foreign exchange under the FER act, 1947.

Correspondent Bank

A bank in one country which acts as agent for a bank of another country by signing / establishing agency agreement / arrangement. Such arrangement is made / established on the basis of status / position of the bank and business take place between the countries on the basis of business already taken place between the two banks. By establishing correspondent relationship, both banks exchanged their control documents, namely Test Key, Authorized Signature Booklet, Tariff conditions etc for authenticating their banking transactions to be routed as per arrangement. Standard Chartered Bank Ltd. is playing the vital role as a correspondent bank of CBL and the bank has some other correspondent bank like, AMEX, HSBC, Arab Bangladesh Bank, The of TOKYO Mitsubishi, ABN Amro Bank etc.

5.3 Definition of Export

The goods and services sold by one country to another foreign households, businessmen and Government are called export. In short term, goods send to rest of the world from Bangladesh. The export trade of the Bangladesh is regulated by the imports and exports (Control) Act, 1950. There are a number of formalities that an exporter has to fulfill before and after shipment of goods.



5.4 Definition of Import

The goods and services bought one country from another foreign households, businessmen and Government are called import. In short term, goods coming from outside into Bangladesh. To import, a person should be competent to be an 'importer'. According to import and export control Act, 1950, the Office of Chief controller of import and export provides the registration (IRC) to the importer.

5.5 Definition of Remittance

Remittance is one of the main sources of income. Remittance is mainly two types.

*** Local Remittance.

*** Foreign Remittance.

Transaction in foreign exchange involves inward and outward remittances from one country to another country. In order to cover foreign remittances, the authorized dealer makes Sale / Purchase of equivalent foreign currency on spot or forward basis.

Instruments are used as; TT, MT, FD, TC and currency notes. Incase of local remittance bank uses pay order and incase of foreign remittance demand drafts are commonly used.

5.6 Rate of Exchange

It means the price of one currency expressed in terms of another currency. Rate of exchange is the rate by which the relation among different foreign currencies is established in terms of local currency of that country or, the value at which one country's currency can be converted into another country's currency.

5.7 Types of Exchange rate

a) Pence Rate / Direct Quotation

Rates are quoted in terms of foreign currency per one unit of foreign currency.

b) Currency Rate / Indirect Quotation

Rates are quoted in terms of foreign currency per one unit of home currency.

c) Spot Rate

Spot Rates are quoted for transaction where the foreign currency bought or, sold is to be received or delivered immediately. The current rate of exchange quoted in the foreign exchange markets.

d) Forward Rate

When a rate is applied to a future date it is called forward at which foreign exchange can be sold or bought for delivery at a future time.

**i) Discount forward Rate:**

When forward rate is higher than that of spot rate.

ii) Premium Forward Rate:

When forward rate is lower than that of spot rate.

c) Cross Rate

The rates of exchange quoted by expressing the quotations for any two currencies in terms of a third country.

f) Swap

Spot sale against forward purchase or, spot purchase against forward sale.

g) Buying Rate

This is applied by Authorized Dealer at the time of purchasing / negotiating of export documents and payment against TT, MT, Cheque / Drafts received from abroad.

h) Selling Rate

Authorized Dealers apply this rate at the time of lodgment of import documents, realization of L/C margin from import and other foreign exchange transaction on overseas banks.

i) Tel quel Rate

This is the rate when rate of foreign currency is quoted according to the terms / Usance of the bill.

. Several concepts to define Exchange rate

***** Method 1 Domestic currency unit per unit of foreign currency**

A rise in the Tk./\$ per exchange rate (Tk.50/\$1 Tk.55/\$1) means more taka to be required or given to obtain one dollar. It also means taka starting as depreciated in terms of value.

******* Method 2 Foreign currency unit per unit of domestic currency**

A rise in the \$ / Tk. per exchange rate (\$0.018/Tk.1 \$0.02/Tk.1) means more dollar to be required or given to obtain one taka. It also means taka starting as appreciated in terms of value.

5.8 The Documentary Letter of Credit

Letter of credit is a credit contracts whereby the buyer's bank, on behalf of the buyer is committed to place an agreed amount of money at seller's disposal under some agreed terms and conditions. Since the agreed conditions include, amongst other things, the presentation of some specified documents, the letter of credit is called documentary letter of credit. The UCPDC Published by International Chamber of Commerce (1993) Revision, publication no.-500 defines documentary credit:



“Any arrangement, however named or described where by a bank (the issuing bank) acting at the request and on the instructions and on the instruction of customer (the Applicant) or on its own behalf.

To made a payment to or to the order of third party (the beneficiary) or is to accept and pay bill of exchange (draft) drawn by the beneficiary”.

Parties to an L/C

- *** Importer / Buyer /Applicant
- **** Exporter / Seller / Beneficiary /Supplier
- Issuing Bank / Operating Bank
- *** Advising Bank / Notifying Bank
- *** Confirming Bank
- *** Negotiating Bank
- ***** Paying Bank / Reimbursing Bank

To import goods or services, the buyer approaches his / her bank to open Letter of Credit through its branches and correspondents abroad.

- **Importer:** The person who requests the Issuing Bank to open a L/C
- **Exporter:** The party in whose favor L/C is established.
- *** **Issuing Bank:** The Bank which opens /issues L/C.
- *** **Advising Bank:** The Bank through which L/C is advised.
- *** **Confirming Bank:** The Bank, which adds its confirmation to the credit.
- **** **Negotiating Bank:** The Bank, which negotiates the bill.
- **** **Paying Bank:** The Bank, which effects reimbursements.

At the instruction of the Opening Bank, Advising Bank may confirm the L/C and negotiate documents and also be the Reimbursing Bank under the credit. The Reimbursing Bank may be different and even may be located in third country. Intermediary Bank is usually the foreign correspondent of the Importer’s Bank through which the L/C is advised to the supplier. If the Intermediary Bank simply advises / notifies the L/C to the exporter without any obligation on its part, it is called as Advising Bank. If it adds undertaking to honor the credit while advising the same to the beneficiary, it becomes the Confirming Bank.

5.9 TYPES OF L/C

- **Revocable Credit:** A documentary credit can be revoked at any time without prior notice to the beneficiary.
- **Irrevocable Credit:** A credit can not be revoked / amended / cancelled without consent of all parties their to.
- **Confirmed irrevocable Credit:** At the request of seller, the buyers can ask for an irrevocable credit to be confirmed by the Advising Bank.



- **Unconfirmed Credit:** An unconfirmed credit is one in which no confirmation of advice as bank or another bank is added.
- **Transferable Credit:** L/C under which beneficiary has the right to request the Negotiating Bank to make the credit available in whole or in part to one or more parties.
- **Non-transferable Credit:** A credit, which is not transferable by the first beneficiary to the subsequent beneficiary that means transfer of credit, is restricted.
- **Restricted L/C:** Negotiation of documents is restricted to a particular bank.
- **Open Credit:** The beneficiary may present the documents for negotiation to any bank.
- **Documentary Credit:** The credit calls for submission / presentation of some documents.
- **Clean Credit:** The credit does not call for any presentation of documents.
- **Sight L/C:** A credit in which the Issuing Bank commits to pay the beneficiary on the presentation of documents.
- **Usance L/C:** A documentary credit in which the bank commits to pay the beneficiary at a future specified date.
- **Anticipatory Credit:** The anticipatory credits make provisions for pre-shipment finance to the beneficiary in anticipation of effecting the shipment as per the terms. It has also two different categories, that's are also discuss in the next page
 - a) **Red Clause:** When the credit authorizes as the negotiating bank to provide pre-shipment advance / finance to the beneficiary is printed / typed in red ink, the credit is called clause credit.
 - b) **Green Clause:** It is printed / typed in green ink in extension of red clause which authorizes the negotiating bank to grant finance to the beneficiary for strong facility at the port in addition to the pre-shipment finance.
- **Back-to-Back L/C:** A new credit is opened on the basis of an existing credit is opened on the basis of an existing credit (Master Export L/C) in favor of the new beneficiary. One credit backs another.
- **Revolving Credit:** The revolving credit is one, which provides for restoring the credit to the original amount after it has been utilized and how many times it will be utilized and the time period within the utilization will be taking place must be specified in the credit.
- **Stand-by L/C:** A contractual agreement between one bank to another or bank to its customer to provide agreed amount of funds as per arrangement set in the agreement.
 - It is a guarantee in the form of L/C.
 - An instrument payable against presentation of documents.
 - American Banks invited it about 50 years ago.



Form of L/C (Revocable / Irrevocable)

- a) L/C no. & Date.
- b) Date & Place of Expiry
- c) Applicant (Name & Address)
- d) Beneficiary (Name & Address)
- e) L/C amount
- f) Negotiation (Restricted or Not)
- g) Tenor (Sight / Usance)
- h) Partial Shipment (Allowed or Not)
- i) Transshipment (Allowed or Not)
- j) Port of Shipment.
- k) Place of Delivery.
- l) Date of Shipment.
- m) Period of Presentation of documents.
- n) Description of goods / services
- o) Documents required
- p) Additional Conditions.
- q) Reimbursement Instruction.
- r) Charges (Charges to be born by whom)
- s) Confirmation Instruction.
- t) Advising Bank.
- u) Reference of UCPDC.

5.10 Documents Required in L/C Operation

According to documentary credit the Negotiating Bank requires some documents. That's are stated below.

Financial documents

Bill of exchange

It is a financial document. Bill of Exchange is defined as unconditional order in writing, addressed by one to another. And sign by the person, requesting to whom, it be addressed to pay on demand or, at a fixed or, determine future time a sum of money or, to the order of or, a specified person or, to bearer. The three parties in a bill of exchange,

- **** **Drawer -** The person who draw the bill.
- *** **Drawee -** On whom the bill of exchange is drawn for payment.
- **** **Payee -** The person to whom the payment is to be made.

Invoice

It means Seller's bill / Bill of supplier favor of importer, it includes include, quantity, description of goods, price.



5.11 Types of Invoice

- **** **Performa Invoice**: A form of quotation to potential buyer inviting him to buy the goods on stated terms.
- **** **Commercial Invoice**: It means Seller's bill for merchandise, after making shipment.
- ***** **Consular Invoice**: Consular Invoice made out on a prescribed format certified by the consulate of the imported country stationed in the exporting country.
- **** **Legalized Invoice**: Exporter's own cover invoice authenticated by the stationed embassy.
- *** **Customer Invoice**: It is the requirement in prescribed form or fill up by shipper, exporter, and sign by the exporter.

C. Packing List

List of packing of goods showing net weight, gross weight, no of box etc. issued by the beneficiary / shipper.

D. Certificate of origin

This certificate that the goods produced in the particular country. Normally this kind of certificate issued by the manufacturer or, Chamber of Commerce, or competent authority.

E. Inspection Certificate

This Certificate issued by the neutral organization confirming that the goods have been inspected prior to the shipment and find as per requirement of the client some reputed inspection organization.

F. Insurance

Based on (Marine Insurance Policy) it is necessary to ensure the goods against the risk of loss or damage. Insurance is contracting where by the insurer is under taking to indemnify the ensured to the agreed manner. Insurance is therefore to contract or indemnity. The document in which contract or indemnity embodied is called a policy.

G. Marine Insurance Policy

Marine insurance policy is common and widely used insurance documents accompanying with the shipping documents. Since, it very large proportion of



internationally traded goods takes place through waterways. 90% trading is done by maiden way.

Three types of Marine Insurance Policy

ICC Institute Cargo Clause

- * ICC (C) : Cover minimum risks.
- * ICC (B) : Cover moderate risks
- * ICC (A) : Cover maximum risks.

UCPDC Categories shipping document in four types

- Transport document
- Insurance document
- Commercial Invoice
- Other documents

Explanation of Transport documents

- j) **Bill of lading** : It is a document signed either by the carrier or the master of ship or their agent acknowledging receipt of goods for carrier transportable to a stated destination from the specified port of shipment.

Types of bill of lading

- a) Liner bill of lading
 - b) State bill of lading
 - c) Through
 - d) Clean bill of lading
 - e) Combined Bill of lading
 - f) Clause of Bill of lading
 - Short form bill of lading
 - Strength bill of lading
 - Portable Cost
- ii) **Non-negotiable**: Title of Cargo cannot be transport by endorsement
- iii) **Charter Party**: Bill of lading issued by the party which take lease for the Vassal.
- iv) **Postal courier**: By receiving goods the courier agent will give a receipt.
- v) **Air way bill**: Issued by the airlines against receive of goods for transportation to a specified airport form a certain airport.



- vi) **Railway bill:** Document issued by the concerned authority for transportation goods from one place to another place.
- vii) **Combined bill of lading:** This is one kind of transport documents, which is normally issued when carriage of goods are made involving at least two modes of transport.
- viii) **Forwarder Cargo Receipt:** It is a receipt issued by a forwarding agent for goods received.

5.12 Incoterm

Incoterms simply mean International Commercial Terms. These are also known as contract terms or Trade Term or Delivery / Sales / Purchase Terms. These terms are used in the field of International Trade or Foreign Trade. These terms have been prepared and named by the International Chambers of Commerce (ICC), Paris, France.

The purpose of "Incoterms" is to provide a set of international rules for the interpretation of the most commonly used trade term in foreign trade. Thus uncertainties of different interpretation of such terms in different countries can be avoided or at least reduce to a considerable degree.

The International Chamber of Commerce (ICC) has revised present International Commercial Terms in 1990. These are as follows:

- i) **EXW (EX Works):** It means that the seller fulfills his obligation to deliver when he made the goods available at his premises (i.e. works, factory etc.) to the buyer.
- ii) **FAS (Free Alongside Ship):** It means that the seller fulfills his obligation to deliver when the goods have been placed alongside the vessel on the quay or in the lighters at the named port of shipment.
- iii) **FCA (Free Carriage):** The seller fulfills his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point.
- iv) **FOB (Free on Board):** The seller fulfills his obligation to deliver when the goods have reached over the ship at the named port of shipment.
- v) **CFR (Cost and Freight):** The seller must pay the cost and freight necessary to bring the goods to the named port of destination. But the risk of loss or damages to the goods as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel.
- vi) **CIF (Cost Insurance and Freight):** The seller has the same obligation under CFR but with the addition that he has to procure marine insurance against the buyer's risk of loss or damage to the goods during the carriage.



- vii) **CPT (Carriage Paid To):** The seller pays freight for the carriage of the goods to the named destination. The risk of loss or damage to the goods as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier is transferred from the seller to the buyer when the goods have been delivered into the custody of the carrier.
- viii) **CIP (Carriage and Insurance Paid To):** The seller has to same obligation as under CPT but with the addition that the seller has to cargo insurance against the buyer's risk of loss or damage to the goods during the carriage.
- ix) **DAF (Delivered At Frontier):** The seller fulfills the obligation to deliver when the goods have been made available cleared for export at the named point and place of the frontier.

5.13 Types of A/C

- **Nostro A/C:** Accounts maintained by home banks with banks abroad. Example, a bank of Bangladesh is maintaining its nostro account with a bank in Hong Kong.
- **Vostro A/C:** The nostro account when referred to its account holder (foreign bank) by the home bank relating to any credit or debit is then termed as Vostro Account.
- **Loro A/C:** These are the accounts of third party maintained in domestic or foreign currency.

UCPDC

The ICC Uniform Customs and practice for Documentary Credits (UCPDC) published by ICC. It first published in 1933, are the universally recognized set of Rules governing the use of the Documentary Credit in international commerce. Banking associations and individual banks in more than 100 countries and territories adopted the previous revision of 1983. This revision of the UCP, the first for 10 years, takes into account a range of important considerations-including international judicial decisions, technological innovations in banking and other industries, case studies and day-to-day practice-to offer a thoroughly revised and up-to-date series of Rules.

Three years in preparation, the 49 Articles of the new UCP-which will come into effect on January 1st, 1994-are indispensable guides to documentary credit usage. They provide a comprehensive and practical working aid to bankers, lawyers, importers, exporters, transport executives and everyone involved in international trade.

Additional copies of the revised UCP can be obtained from ICC National Committees and Councils in cover 60 Countries.

Insurance Cover Note

The payment for which insurer undertakes to indemnify is terms as premium. Three types of Marine insurance policy.

**ICC (A) : Covers maximum risk**

It covers all risk of loss or damage but it does not state any specific risk as Bonded

ICC (B) : Covers moderate risk**Same as ICC (C) and in addition:**

1. Earthquake Volcanic eruption or lightning.
2. Jettison or washing overboard.
3. Entry of Sea lake or river water into vassal craft holds consequence container lift van or place of storage.
4. Total loss of any package lost, Overboard or dropped whilst loading on to or including from vassal or craft.

ICC (c) covers minimum risk.

1. Loss of damage to the subject matter insured reasonably attributes to.
2. Fire or explosion
3. Vassal or credit being stranded grounded sunk or capsized.
4. Overturning or derailment of- Land coverage.
5. Collusion or contact of vassal draft.
6. Discharge of cargo at a port of distress.
7. Jettison.

5.14 Export

Exchange Control Regulation imposed by Bangladesh Bank are as follows:

1. Foreign exchange regulations regarding exports cover all goods exported to all destinations regardless of whether they are subject to Export Trade Control Regulations.
2. Export exempted repatriation of export proceeds.
 - a) Bonalide trade sample sent by registered exporter up to the value prescribed in the export policy in force.
 - b) Personal effects of travelers.
 - c) Ship stores and transshipment cargo.
 - d) Gift pockets.
3. All export, to which the requirement of declaration applies, must be declared on the EXP form.
4. Payments for goods exported from Bangladesh should receive through an AD in freely convertible foreign currency or in take from a non-resident Taka account.
5. The ADs should before certifying any export form; ensure that the exporter is registered with the CCI&E (Chief Controller of Import & Export) under the registration order 1952.



6. In respect of export of goods from Bangladesh (export A type industry) to foreign countries by hand or by sea, the Railway Receipt, Bill of Lading and any other documents of title to cargo should be drawn only to the order of an AD designated. For this purpose by the respective exporter and delivered to the authorized respective of the ADs concerned and to none else.
7. Incase of advance payment received by the exporter through the AD, bill of lading and other documents may be endorsed by the AD in favour of foreign importers and this it may be sent directly to the importers abroad by the AD.
8. Incase of goods exported to the neighborly countries by land route or even by cargo vassals reach earlier than the relative Bill of lading, Truck Receipt etc. this causes inconvenient and involves payment of demurrage at the port of destination due to delay in respect of shipping documents. To overcome this problem shipping company may at the request of the negotiating bank in Bangladesh issue Telegraphic delivery orders on other agents in the relevant center directing them to deliver the goods to the order of the AD bank's correspondents in the buyer's country.
A copy of the telegram/telex message duly authenticated by the shipping company/agent should be passed on to the relevant AD branch. Who would send his own tested cable/telex instructions to his overseas correspondents asking the letter to hand over the delivery order to the consignee and stating the amount to be realized from the consignee before the delivery order is released. The usual documents may be dispatched to the correspondent bank as usual.
9. Incase of shipment by Air (excepting Type- An industry) the Airway bill and other documents of title to cargo should be drawn to the order of a bank in the country of import nominated by the AD. And designated for this purpose by the exporter and delivered to the Authorized representative of the AD.
10. In case of export of goods by Air, the exporter in advance through the AD has Received full payment for which, the AD may allow the carrier to draw the documents to its own (AD's) order. Then endorse documents including the same to be sent by the AD to the importer directly.
11. The ADs to whose order the relative Railway Receipts, Bill of Lading etc. are drawn shall endorse the same to the order of their foreign correspondents. But in no case they shall make any blank endorsement or endorse it to the order of the consignee unless they have obtained specific or generate approval of Bangladesh therefore.
12. Commission, brokerage or other trade charges due to be paid to foreign importers against by exporter in Bangladesh. Relating to the particular shipment amount or the amount of sale proceeds or remitted from Bangladesh after the full proceeds have been realized only upto a maximum of 5% of value of the goods.
13. Reporting of overdue cases: AD will submit the overdue cases to the Foreign Exchange Policy Department Bangladesh Bank, Head of Office, Dhaka.



14. Short Shipment: In all cases of short shipment, the exporter should give notice of short shipment or the prescribed form in duplicate to the customs who will forward or certified copy of the notice to Bangladesh Bank. Thus notice must bear the number and the date of the relative EXP form in respect of which goods have been short shipped.
15. Shipment shut out entirely: Where a shipment is entirely shut out and is being reshipped immediately by any other vassal, the exporter should duplicate. The customs will forward verified copy of the notice in respect of the shipment entirely shut out Bangladesh Bank in order that the EXP form may be treated as cancelled.
16. Shipment host or damaged in transit: If shipment from Bangladesh are lost in transit For which payment has not already been received either by a direct remittance or by Negotiating of bills under an L/C, the ADs must see that a insurance made as soon as the loss is known. The triplicate copy of the EXP form should be returned to the Bangladesh Bank with a statement on the reverse therefore, under the stamp and Signature of the AD that the shipment has been lost.
17. Receipt of advance Remittance against Export: Before paying out money against remittance received from abroad, in case where purpose of the remittance is stated to be advance receipt for goods to be exported from Bangladesh, the AD should obtain a declaration from the beneficiary on the “Advance Receipt Voucher” for certifying the purpose of remittance. Verification of Export Proceeds Realization Certificate: Proceeds Realization Certificate (PRC) may be issued by the ADs in the proscribed form.

5.15 Export procedure

The exports from Bangladesh are subject to export trade control exercised by the Ministry of Commerce through Chief Controller of Imports and Exports (CCI & E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI & E and holds valid Export Registration Certificate (ERC). The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP forms and other documents connected with exports.

The formalities & procedures are enumerated as follows:

- **** Obtaining export L/C: To get export L/C form from exporter, issued by the importer.
- **** Submissions of export documents: Exporter has to submit all necessary documents to the collecting bank after shipment of goods.
- **** Checking of export documents: After getting the documents, banker used to check the documents as per L/C terms.
- **** Negotiation of export documents: If the bank accept the documents and pay the value draft to the exporter and forward the documents to issuing bank that is called a negotiating bank. If the bank does not by the L/C then the bank normally act as a collecting bank.

Realization of proceeds: This is the period when the issuing bank has realized the payment.



- *** Reporting to the Bangladesh Bank: As per instruction by Bangladesh Bank, the bank has to report to respective department of Bangladesh Bank by mentioning latest payment.
Issue of Proceed Realization Certificate (PRC): Bank has to issued PRC of export L/C to the supplier / exporter for getting cash assistant.

Papers required from Exporter to obtained L/C

Following papers to be obtained from the new exporter while they desire to make export through IBBL:

- i) ERC (Export Registration Certificate)
- ii) Trade License
- iii) Membership Certificate from the Chamber / EPB (Export Promotion Bureau)
- iv) Account to be maintained with bank
- v) EXP form to be certified
- vi) Export L/C or Contract
- vii) TIN (Tax Identification No) certified
- viii) VAT (Value Added Tax) Certificate
- ix) Memorandum and Article of Association of the company.
- x) NOC (No Objection Certificate) to be obtained from their previous bank.
- xi) Confidential Credit Report to be obtained of the importers.
- xii) Registered Partnership deed in case of partnership concern.

Supporting Papers for opening L/C:

- Sanction Advice (Mudaraba investment)
- Mudaraba Agreement
- Requesting letter for purchasing under HPSM, MAIM.
- T.R.
- Letter of Guarantee.
- Letter of Disbursement.
- Balance Confirmation.
- Delivery Letter

After Collecting the above paper bank will prepare the following report;

- Pre-Audit Inspection Report
- Credit Report
- Irrevocable Documentary report.



5.16 Different modes of Finance in Export

Musharaka Pre-shipment Finance

Pre-shipment finance is an advance granted by a bank to an exporter to meet the cost up to the packing of goods for export to overseas buyer. This is done in pre-shipment stage.

So, it is also called pre-shipment advance. The purpose of the investment is for purchase of raw materials, finished goods, manufacturing, processing, packing, transporting up to warehousing/port of shipment etc. for export. Pre-shipment is an advance for procurement of finished goods.

On receipt of the goods in the godown or warehouse banker should inspect the goods and process the proposal for making payment @9% on FOB value of master L/C for 180 days.

Accounting Procedure

Dr. Musharaka pre-shipment A/C

Cr. Party's A/C

Cr. Commission A/C

Cr. P&T A/C

Dr. Party's A/C

Cr. Income A/C (Estimated profit after realization of the proceeds)

Baimuazzal

It is a contract in which a client wishing to purchase raw materials, finished goods, commodities, spares, machineries, equipment or any other goods request the bank to procure the items and sell them to him at a price payable at a future date in lumpsum or in installment

- It is a credit sale. The bank transfers ownership and possession of the goods to the client before receipt of sale price.
- Sale price of the goods is payable by the client at a specified future date.

- **Documentation**

1. D.P. Note
2. D.P. Note Delivery letter
3. Baimuazzal Agreement
4. Letter of Hypothecation

- **Accounting Procedure**

Dr. BAIM Investment A/C

Cr. Payment order A/C favoring seller of the goods.

Cr. Profit Receivable A/C



Dr. Party's A/C
Cr. BAIM Investment A/C
Dr. Profit Receivable A/C
Cr. Income A/C. Monthly product basis

- The party should make insurance: Ask the client to obtain insurance policy equal to the sale price of the goods.

On behalf of the readymade garments industries clients open deferred payment L/C for import of fabrics and other accessories under back to back arrangement on understanding that the importers will arrange payment on or before the due date by repatriation of proceeds of exports of their products. In some cases they cannot execute exports in time resulting in their failure to repatriate export proceeds to make import payment on its maturity. But the bank in order to keep its commitments has to pay on due date irrespective of relative export proceeds realized or not. Such overdue import payment is to be made by purchase of foreign currency from WES/SEM and the importers will have to arrange for the same.

On failure of the party to arrange import payment on or before the maturity date, the branch will effect the remittance by purchasing the required foreign currency at SEM rate by debit to Bai-Muazzal WES Bills A/C giving effect to the relevant agreement under intimation to the clients of the equivalent taka and due date for their repayment.

Then the branch will approach the Bangladesh bank for their post facto approval along with the following documents/papers:

1. Party's letter addressed to NBR
2. Bill of entry (exchange control copy)
3. Export L/C copy
4. Back to back L/C copy
5. Proforma invoice
6. Position of the goods

The branches will need vigorous follow-up for recovery of the bank's dues within due date of the agreement positively. In case of the party's failure to repay the bank's dues as per agreement, the branch will arrange for disposal of the stock after obtaining necessary clearance from the competent government agencies and head office also. The branch will submit a monthly statement of outstanding Bai-muazzal WES bills as per head office proforma.

Accounting procedure of the Bai-muazzal WES bill investment:

C.C. Voucher
Dr. FC. Deposit (WES Fund held) A/C
Cr. GB General A/C Head office, I.D.
Taka Voucher
Dr. Bai-muazzal WES(bills) A/C
Cr. WES fund purchased A/C
Cr. F.C.C. A/C



Cr. Telex Recovery A/C
Cr. Commission A/C
Cr. P&T A/C
Cr. Investment income A/C

The rest of the financing mode like mudara pre-shipment finance, bai-salam, quard hasana and istishna are same as discussed in the import section.

5.17 Import Procedure

To Import, a person should be competent to be a 'importer'. According to Import and Export Control Act, 1950, the Office of Chief Controller of Import and Export provides the registration (IRC) to the importer. After obtaining this the person has to secure a Letterer of Credit Authorization (LCA) from Bangladesh bank. And then a person becomes a qualified importer. He is the person who requests or instructs to open an L/C. He is also called opener or applicant of the credit.

Importer's application for L/C limit margin

To have an import L/C limit, an importer submits an application to the department of IBBL furnishing the following information.

- Full particulars of bank account
- Nature of business.
- Required amount of limit.
- Payment terms and conditions.
- Goods to be imported
- Offered security
- Repayment schedule

Now if the officer thinks fit the application to open an L/C, the following entries is given realize the L/C commission, charges, postage L/C margin etc.

Presentation of the documents

The seller being satisfied with the terms and the conditions of the credit proceeds to dispatch the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the negotiating bank on or before the stipulated expiry

Date of the credit. After receiving all documents, the negotiating bank then checks the documents against the credit, if the documents are found in order, the bank will pay, accept or negotiate to CBL. CBL checks the documents. The usual documents are stated below,

- Invoice
- Bill of Lading
- Certificate of origin
- Packing list



- Weight list
- Shipping advice
- Non negotiable copy of bill of lading
- Bill of exchange
- Pre-shipment inspection report.
- Shipment certificate.

Papers required for new importer while opening an L/C

Following papers required for new importer opening an L/C;

- 1) Valid IRC (Import Registration Certificate)
- 2) Agreement form (under Islamic shariah)
- 3) Trade License
- 4) TIN Certificate
- 5) VAT Certificate
- 6) 3 (Three) Copies declaration by the importer. That they have paid or, submitted return of income tax of preceding or, last year.
- 7) Membership Certificate of Chamber of Commerce Industry.
- 8) Account to be maintained with the bank
- 9) Membership Certificate (BGMEA) incase of Garments Ltd.
- 10) Bonded warehouse license (Inc case of export oriented industry.)
- 11) LCA Form.
- 12) Insurance cover note.
- 13) Pro forma invoice/indent
- 14) Application for opening of L/C duty filled in and signed.
- 15) IMP form duty signed
- 16) Memorandum and Article of Association of the company.
- 17) Certificate of incorporation with RJSC
- 18) Certificate of Commencement
- 19) Resolution of Board of Directors
- 20) NOC to be obtained from their previous bank
- 21) Confidential Report to be obtained from their previous line.
- 22) Report/ inquiry to be obtained from CIB of Bangladesh Bank.
- 23) Credit Report to be obtained on correspondent bank / internationally reputed Agency in respect of the supplier.
- 24) Lending Risk Analysis (LRA) to be made in case of big liability.

Advising L/C

When export L/C is transmitted to the bank for advising, the bank for advising, the bank sends an Advising Letter to the beneficiary depicting that L/C has been issued.



Test key arrangement

Test key arrangement is a secret code maintained by the banks for the authentication for their telex messages. It is a systematic procedure by which a test number is given and the person to whom this number is given can easily authenticate the same test number by maintaining that same procedure. CBL has test key arrangements with so many banks for the authentication action of L/C messages and for making payment.

Amendment of letter of credit

Parties involved in a L/C, particularly the seller and the buyer cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reason. In such a situation the credit should be amended. CBL transmits the amendment by telex to the advising bank. In case of revocable credit, it can be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. But in case of irrevocable letter of credit, it can neither be amended nor cancelled without the agreement of the issuing bank, the confirming bank (if any) and the beneficiary. If the L/C is amended, service charge and telex charge is debited from the party account accordingly.

5.18 Payment procedure of the import documents

This is the most sensitive task of the import Department. The officials have to be very much careful while making payment. This task constitutes the following

- **Date of payment:** Usually payment is made within seven days after the documents have been received. If the payment is become deferred, the negotiating bank may claim interest for making delay.
- **** **Preparing sale memo:** A sale memo is made at B.C rate to the customer. As T.T & O.D rate is paid to the ID, the difference between these two rates is exchanged. Finally, an Inter Branch Exchange Trading Credit Advice is sent to ID.
- **** **Requisition for the foreign currency:** For arranging necessary funds for payment, a requisition is sent to International Department.
- *** **Transmission of telex:** A telex is transmitted to the correspondent bank ensuring that payment is being made.

The following points are to be looked for to examine the L/C

- I) The terms of the L/C are conformity with those of the contract.
- II) The L/C is an irrevocable one, preferably confirmed by the advising bank.
- III) The L/C allows sufficient time for shipment and a reasonable time for registration.
- IV) If the exporter wants the L/C to be transferable, divisible and advisable, he should ensure those stipulations are specially mentioned in the L/C



- 5) Endorsement showing 'Received payment' on the back bill of exchange when retired at L/C opening banker's counter.
- 6) Acknowledgement received on the office copy of the cost memo from the importer or his authorized agent.
- 7) Bill of entry, bill of lading and invoice are sent together with a statement to Bangladesh Bank in time.
- 8) Proper filling of the office copy.
- 9) Voucher:
 - Dr. Party's A/C
 - Dr. Margin on L/C A/C
 - Cr. PAD A/C
 - Cr. I/A Interest on PAD.

5.19 Different Modes of Financing in Import

Murabaha L/C

Meaning of Murabaha

It is contract in which a client wishing to purchase raw materials, finished goods, commodities, spares, machinery's equipment or any other goods requests the bank to procure the items and sell them to him at cost plus a declared profit payable at the time of taking delivery of the goods.

Important Features

- Cost of the goods sold and the amount of profit added therewith should be made known to the client.
- Bank procures and stores the goods, in its own or hired godown.
- Delivery of the goods to the client is made only against payment of cost plus profit either at a time or in installments as agreed upon.
- On expiry of the stipulated period, bank can charge compensation and dispose of the goods at its own discretion.
- Examine Shariah permissibility of the items. Reject proposal outright if not permitted by shariah.

Accounting Procedure for opening L/C

The following accounting system is followed in documentary credits. The register shall be posted immediately on receipt of approval from the manager to open a L/C. This register shall control the numbers of the L/C.

Currency Voucher

Dr. Assets as per contra (L/C cash)



Cr. Liability as per contra (L/C cash)
Dr. F.C. Deposit (WES Fund held A/C)
Cr. F.C. Deposit (WES L/C cover A/C) if the fund is purchased at the time of opening L/C.
Dr. Party's A/C
Cr. Sundry Deposit (Security Deposit L/C WES A/C)
Cr. Telex Recovery A/c
Cr. Commission A/C
Cr. P&T A/C
Dr. Murabaha Import L/C (Including Receivable profit)
Cr. WES Fund purchased A/C
Cr. Profit receivable A/C
Dr. Profit receivable A/C (Monthly daily product basis)
Cr. Investment Income A/C

Lodgment/Retirement

When the documents are received from the foreign correspondent and checked with L/C file by two persons to ascertain the correctness, if it is found in order at that time make entry in the bill register and pass the necessary vouchers (Reverse the liability entry). This process is known as lodgment. Documents must be lodged within 72 hours

When the party retires the documents by cash payment or by MPI, Mudaraba, Musharaka, Baimuazzel, or T.R. arrangement is known as retirement.

Checking of Documents

Before lodgment, documents must be checked with the file as under:

1. Invoice
2. Bill of Lading
3. Draft
4. Bank forwarding date
5. Packing List
6. Inspection Certificate
7. Radiation free certificate (Incase of food item)

Maintenance of Register

Give serial number of the documents according to the entry in the relevant bill register. Full particulars of all the documents are recoded including the details of shipment, merchandise and amount etc. The import Bill register must be marked of with the notation "Paid" showing the date of payment when the documents are retired by the importer against payment.

Application of rate: B.C. Selling rate

Exchange control form: IMP & TM form

Endorsement of LCAF

Documents must be kept under lock and key of the bank with under the custody of a responsible officer.



Accounting procedure in the lodgment in cash:

Dr. Liability as per contra A/C

Cr. Assets as per contra

Dr. Bill of exchange A/C

Dr. F.C.C. A/C

Cr. I.B. General (H.O., ID.)

Reporting

After completion of the above procedure the relevant exchange control forms (for bill value IMP & F.C.C.. TM form) prescribed by the Bangladesh Bank Exchange Control Department vide Schedule No. S-1, S-3.

Retirement

The importer must retire all the import bills immediately after receipt against payment.

Accounting procedure is as follows:

Dr. F.C. Deposit (WES L/C cover)

Cr. Bill of exchange A/C

Cr. F.C.C. A/C

Dr. Party's A/C

Dr. Security Deposit A/C

Murabaha Import Bills

Cr. Income A/C

Cr. Commission A/C

Cr. P&T Recovery A/C

Documents must not be handed over to the importer without payment or without making any arrangement for disposal.

Murabaha Post Import Finance

After shipment of goods the importer requests the bank in the respective bank's printed format for clearance of goods from the port. Before clearance bank charges further margin to cover the duty/sale tax etc. A definite repayment schedule is given to the importer for retirement of documents or to take delivery of goods from the bank's custody against payment.

Letter of Trust Receipt

Like MPI, while applying for LTR facilities the importer is to offer sufficient tangible securities as acceptable to the bank equivalent to loan amount. Accounting procedure is as follows:

Dr. LTR A/C

Cr. W.F. purchase A/C

Cr. Income A/C

Cr. P&T A/C

Dr. Profit Receivable A/C

Cr. Income A/C. (Monthly, daily product basis)



Baimuazzal

It is a contract in which a client wishing to purchase raw materials, finished goods, commodities, spares, machineries, equipment or any other goods request the bank to procure the items and sell them to him at a price payable at a future date in lumpsum or in installment.

- It is a credit sale. The bank transfers ownership and possession of the goods to the client before receipt of sale price.
- Sale price of the goods is payable by the client at a specified future date.

- **Documentation**

1. D.P. Note
2. D.P. Note Delivery letter
3. Baimuazzal Agreement
4. Letter of Hypothecation

- **Accounting Procedure**

Dr. BAIM Investment A/C
Cr. Payment order A/C favoring seller of the goods.
Cr. Profit Receivable A/C
Dr. Party's A/C
Cr. BAIM Investment A/C
Cr. Investment Income A/C
Dr. Profit Receivable A/C
Cr. Income A/C. Monthly product basis

- Insurance should be made by the party.

Ask the client to obtain insurance policy equal to the sale price of the goods.

Hire Purchase

It is contract under which the bank invests in equipment, machinery, transport or other durable article for the client against an agreed rental together with on under taking from the client to make full payment of price to the bank of periodical installment for the purpose of essential purchase of the concerned rented article.

- Bank retains ownership of the assets and is entitled to receive agreed rental until full payment of purchase price thereof by the client is meant up.
- Possession of the asset is passed on to the client for his exclusive use. Bank as the owner and the client as the hirer.
- In case of hire purchase, the hirer acquires ownership of the asset on full payment of agreed value but in case of leasing operations, ownership of asset is not transferred to the lessee



Musharaka

It is a contract under which the bank invests in partnership basis. Share of the partner may be equal or share may involve any amount. Profit will be distributed among the partners as per agreed ratio and loss will be shared as per capital ratio. Both the party may be involved in the business but it is no mandatory.

Mudaraba

Mudaraba is a deed on the basis of which an agreement is signed between a bank and a person (real person or a legal entity) in order to enter into a commercial (purchase and/or sale of goods) investment and jobbing transaction. In this kind of agreement, the bank, as the owner, acts as the supplier of the necessary cash and the other party as the modhareb or amel. Capital owner is the Saheb E Mal and capital user is called Mudareb. All profits, earned through the relevant transaction, shall be divided between the bank and the amel. On the winding up of the job, the ratios for this dividend shall be those initially agreed upon.

Bai-Salam or Bai-Salaf

This is a deferred delivery transaction under which banks may finance purchases on a client's behalf. There is a distinction drawn between such purchases and future trading which is regarded as speculative and therefore, prohibited. Under a forward purchase the bank pays for the commodity being traded on behalf of the import agent or whole seller who will repay the bank when resells the merchandise to the retailer or final customer. The banks can pre-purchase the future output of the firms at agreed price with specifications of the goods and stipulated time/date of delivery. They, however, cannot sell the product until they have taken physical possession of goods.

Quarde Hasana (Profit free loans)

Most Islamic banks also provide profit-free loans (quard Ehasana) to their customers. However, practice differs in this respect. Some banks provide the privilege of profit-free loans to the holder of investment accounts at the bank. Other banks provide profit-free loans to needy students and economically weaker sections of society. Yet others provide profit-free loans to small producers, farmers and entrepreneurs who are not qualified to receive financing from other sources. The purpose of these profit-free loans is to help them to become independent or to raise their incomes and standard of living.

Ijtishna mode of Investment

The word "Ijtishna" has derived from SANA_AA, which means manufacturing and construction. It has the following Characteristics:

- Value / Price is to be paid before delivery of goods.
- Both delivery and price may be deferred as per HANAFI school of thought.
- Risk and conversion both are permitted.
- Goods may be fungible or non-fungible.



5.20 Back-to-Back Letter of Credit

A back-to-back letter of credit is a new credit. It is different from the original credit based on which the bank undertakes the risk. In this case, the bank's main security is the original credit. The original credit (selling credit) and the back-to-back credit (buying credit) are separate instruments independent of each other and in no way legally connected, although they both form part of the same business operation. The supplier (beneficiary of the back-to-back credit) ships goods to the Importer of supplies goods to the exporter and presents documents to the bank as is specified in the credit. It is intended that the exporter would substitute his own documents and ship the goods to the importer, if necessary. And present documents for negotiation under the original credit, his liability under the back-to-back credit would be adjusted out of these proceeds. The export L/C is marked lien and no margin is taken.

5.21 Papers required for Back-to-Back L/C

In CBL, papers & documents required for submission for opening of back-to-back L/C:

- Master L/C
- Valid Import Registration Certificate (IRC) & Export Registration Certificate (ERC)
- L/C application & LCA form duly filled in signed.
- Performa Invoice or Indent.
- Insurance Cover Note With money Receipt.
- IMP for duly signed.

In addition to the above the following papers/documents are also required for Export oriented garment industries while requesting for opening of back to back Letter of credit;

- Textile permission
- Valid Bonded Warehouse License
- Quota allocation letter issued by Export Promotion Bureau (EPB) in favor of the applicant in case of quota items.
- In case the Factory Premises is a rented one, Letter of Disclaimer duly executed by the owner of the house/premises to be submitted.

Payment of back to back Letter of Credit

In case back to back as 60-90-120-180 days of maturity period-deferred payment is made. Payment is given after realizing export proceeds from the L/C issuing bank.

FDBP (Foreign Documentary Bill Purchase)

Banks purchase exports bills of to cater to the working capital needs of the customer. Exporter submits all these documents along with a letter of Indemnity to CBL for negotiation. An officer scrutinizes all the documents. If the document is a clean one CBL purchases the documents on the basis of banker – customer relationship. This is known as Foreign Documentary Bill Purchase (FDBP).



IDBP & IDBC

Purchase of local documentary bill is called IDBP. When that bill is received for collection the it is called IDBC.

The service of SWIFT

S.W.I.F.T. “The Society for Worldwide Interbank Financial Telecommunication”, is a co-operative society under Belgian law and is owned and controlled by its member banks. It has a Board of up to 25 directors who are responsible for overseeing and governing the company.

S.W.I.F.T. is establishing in 1973 by a group of banks to manage their international telecommunication activities. It provides secure global communication to 6800 financial institutions in 189 countries. Its customer includes banks, brokers-dealers, securities depositories and clearing organizations, investment managers and stock exchange. They depend on SWIFT for fast, reliable messaging to reduce costs, improve automation and manage risk.

Customer use the network to send over five million messages valued in trillions of dollars. That is over one billion messages a year. It maintains an open dialogue with regulatory authorities, while working across the company to guarantee the highest levels of system performance. Now SWIFT owned 2900 member banks; SWIFT is the logic choice for most international financial transactions, because;

- With over 5900 connections among the world’s major banks.
- *** The SWIFT network provides facilities for ensuring that messages are transmitted in standard, internationally accepted formats, simplifying processing and permitting end to end automation of many banking transactions.
- **** SWIFT is highly secure, with elaborate mechanisms to ensure that information remains confidential, authentic and intact.
- **** SWIFT is highly reliable, with close to 100% availability and regal guarantees of deliveries and messages to counter parties.
- ***** With an extremely low unit transaction cost, SWIFT is nearly always the most cost-effective means of transmitting an international message.

Furthermore the SWIFT organization provides a number of related services to banks such as training, conferences and software systems to process SWIFT messages.

Charges Requirements by the IBBL.

Incase of foreign Trade & Foreign Remittance, CBL takes different charges to provide service. Those are stated as below;

- ***** Commission: 0.5%; cash.,.6% on grant
- ***** VAT (Value Added Tax): Bank charges 15%



- ***** Postage Tk250.
- ***** Courier Service: Bank also charges Tk.1500 as courier charges under income a/c courier. .
- ***** SWIFT charge: Tk.2500, which is fixed.
- ***** Incase of FDD charge,
- * Commission per DD. Tk.300
- ***** Selling of per T.C. & Cash Dollar
- ***** Per passport as endorsement charge Tk.100
- ***** Commission charge 1% of total foreign currency.

5.22 Foreign Remittance

- a) Foreign nationals who are resident in Bangladesh and who have an income in Bangladesh are permitted to make monthly remittance to the savings up to 50% of their net income to cover their commitment abroad.
- b) This facility is not available to foreign born wives of Bangladeshi nationals.
- c) For effective such remittance, from along with TM form and attested copy of the employment contract duly approve by the BOI.
- d) The AD may release foreign exchange towards remittance.
- e) Admission fees of professional of scientific.
- f) Fees for application, registration, admission, examination, (TOEFL, SAT etc.) such remittance may be effected on the basis of written application supported by demand notice/ letter from the foreign institution showing the amount to the remitted.
- g) The draft/TT to be issues for such remittance should be payable direct to the institution concerned and the transaction should be reported to Bangladesh Bank supported by the TM form in the usual monthly return.
- h) Foreign exchange may be released for studies abroad by Bangladeshi nationals in all regular courses (subject to being consistent with the education policy of the Bangladesh Govt.) in recognized institution.
- i) None other than student (spouse of student or attendant) will be eligible for exchange policy other than the normal travel quota.
- j) Application for remittance of moderate amount of foreign currency for maintenance of family members (Dependent person spouse and children) living abroad may be forwarded by the ADs to the Bangladesh Bank for consideration and prior approval.



k) Application for remittance by private individuals for purpose other than those remittance should be stated and documentary evidence in support of the application be attached. The AD should certify the application after being satisfied and forward to Bangladesh Bank for consideration.

5.23 Foreign Currency A/Cs

Non-Resident Foreign Currency Deposit A/C:

Bangladeshi Nationals and persons of Bangladeshi origin resident abroad including those having dual nationality maintain money in a separate interest bearing time deposit account style Non Resident Foreign Currency Deposit (NFCD) A/C.

The A/C is in the nature of term deposits maturing after one month, three months, six months and one year. The accounts are to be maintained only in US Dollar and Pound Sterling. The profit on deposits into this account is exempt from the tax payable under income tax act.

Education Foreign Currency A/C (EFC A/C):

With a view to enabling overseas Bangladeshi nationals to meet educational expenses of his children, real brother sister or themselves abroad during and or even after leaving their foreign assignment, a scheme of special Foreign Currency A/C exist known as education F.C. A/C.

The A/C will be in the nature of profit bearing deposit A/C. It can be continued upto a period of 5 years after his return to Bangladesh. Bangladeshi national and person of Bangladeshi origin resident abroad including those having dual nationality who are now eligible to maintain NFCD A/C may also be allowed to open education F.C. A/C.

Convertible and Non-Convertible Taka A/Cs:

Authorized dealers may open convertible taka A/C in the names of the following categories of foreign nationals/organizations without prior approval of the Bangladesh Bank subject to restricted Credits & Debits to the A/C.

1. All diplomatic missions in Bangladesh.
2. All international non-profit organizations.
3. Foreign civil companies engaged in Bangladesh.
4. Foreign contractors, consultant engaged for specific projects in Bangladesh.

Private Non-resident Taka A/C:

The accounts of individuals, firms, or companies resident in countries outside Bangladesh are designated as non-resident A/C. All such accounts are regarded for exchange control purposes. The A/C should mark the non-resident person, former companies in their book as non resident A/C and also indicate clearly the country of their permanent residence as established.



5.24 Problems being faced by –IBW (TFMD)

- 1.** As per “Guidelines for Foreign Exchange Transactions” and Foreign Exchange Circulars issued from time to time AD Branches should submit Foreign Exchange Transaction Returns to Bangladesh Bank and Head Office within 5th of next month. But violating those instructions and a series of correspondences from our end, some A/D Branches are still-submitting Returns after the prescribed period.
- 2.** It is found that some A/D branches do not issue FET within normal period after effecting of transaction through the NOSTRO A/c though the advices are being issued from the Head Office in time.
- 3.** Some A/D branches hold the Fcs in F.C Fund Held A/C(s) for a considerable period of time.
- 4.** As per Bangladesh Bank Circular, F.C fund to be purchased upon lodgments, but some A/D branches do not follow the same.
- 5.** Misrepresenting of foreign exchange transactions in F.C Funds Position and foreign exchange returns hampering the overall fund management.
- 6.** Submission of F.C Fund position and foreign exchange returns irregularly in spite of head office’s repeated instructions.
- 7.** Some A/D branches are sending FET (Foreign Exchange Transaction) with single authorized signature/ without authorized signature/ as no/ origination date / IBCA / IBDA nos. / date of debit / credit by foreign banks etc.
- 8.** Some A/D branches are holding the original TT message at their end and not attending query (ies) as sent by foreign bank(s) / correspondent(s).
- 9.** The branches do not give replies to the letters received from the wage earners promptly. Moreover some branches do not even attend phone calls of wage earners.
- 10.** Addresses of expatriates A/c holders are not up dated in the record causing return of letters/ correspondences.
- 11.** For the unsettled FBCs and bills of entry, Bangladesh Bank is not allowing fresh A/D licenses to the IBBL.



Present Scenario of Foreign Exchange Business performance of IBBL as on 31.12.2004

IBBL have handled import business for Tk. 59,804 million during the year 2004 as against Tk. 46,237 million in the year 2003 demonstrating a growth of 29.34%. The amount of export business handled during the year 2004 is 29,151 million as against Tk. 21,738 million in the year 2003 indicating a growth of 34.10%. Moreover the bank received wage earners remittance of Tk. 23,669 million in the year 2004 as against Tk. 16,668 million in the year 2003 demonstrating growth rate of 42.00%.

The total amount of foreign exchange business handled by the bank during the year 2004 stands at Tk. 112,624 million as against Tk.84, 643 million in the year 2003 showing increase by 33.06%.

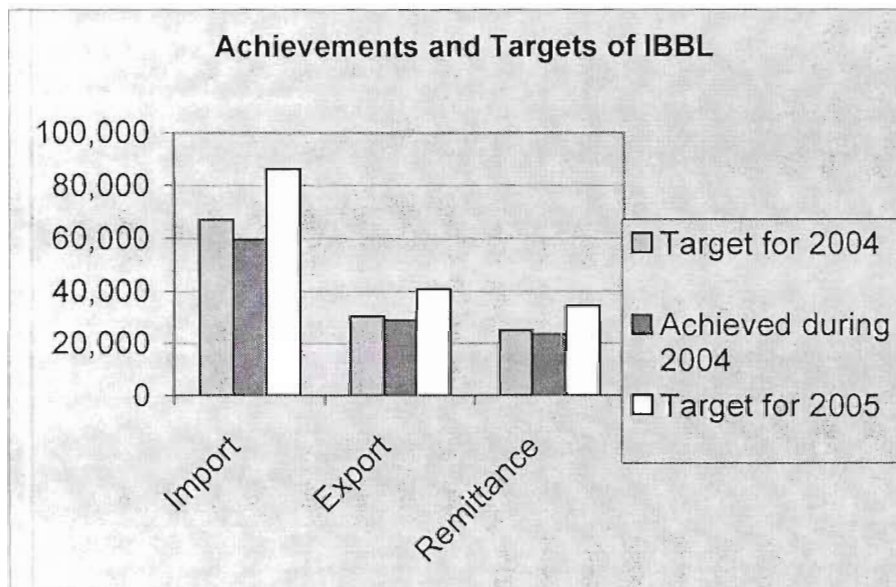
The executive committee have fixed-up the target for 2005 with 40% increase in import and export and 45% in remittance over that achieved in 2004. Import of some of the AD branches is below average. The minimum target for any AD branch is fixed at Tk. 500 million. As such, the aggregated import target for 2005 stands at 44%. There are 33 Authorized Dealer branches to deal in foreign exchange transactions directly and 53 forwarding branches that are routing their foreign exchange business through the authorized dealer branches.

In order to handle foreign exchange business smoothly and efficiently, they have at present correspondent relationship with 235 banks covering 850 branches / offices in 72 countries of the world. In addition they have Nostro accounts with 24 banks. Presently they have taka drawing arrangement with 35 bank / exchange houses for easy remittance of wage earners income.



The comparative figures are given below:

Sl. no.	Nature of Business	Target for 2004	Achieved during 2004	% Achieved over target 2004	% Growth over 2003	Target for 2005	Projected growth rate.
01.	Import	67,044	59,804	89.20%	29.34%	86,085	44%
02.	Export	30,433	29,151	95.79%	34.10%	40,811	40%
03.	Remittance	25,002	23,669	94.67%	42.00%	34,391	45%
Total		122,476	112,624	91.95%	33.06%	161,287	43%



ASSESSMENT OF IBBL



6. ASSESSMENT OF IBBL:

Bangladesh has adopted BIS standard for maintaining capital at the rate of 8% on risk-weighted assets from the year 1996. Prior to this, Banks on Bangladesh had to maintain CAR equal to 6% of their total deposits. IBBL has always maintained CAR at the desired level.

The Share of IBBL is currently traded in the Dhaka Stock Exchange Market @ Taka 4100 per share of Taka 1000. It shoot up to Taka 7400 per share during share market boom in the year 2002.

The Banks in Bangladesh have to maintain Cash Reserve Requirement (CRR) at the rate of 5% and statutory Liquidity Reserve (SLR) at the rate of 155 of their total demand and time liabilities in unencumbered approved securities. However, as there is on profit and loss bearing approved securities in Bangladesh, the Bangladesh Bank (the Central Bank of the country) has fixed the following CRR & SLR ratio for Islamic Banks.

CRR 5% in cash.

SLR 55 in cash.

Islami Bank has been regularly maintaining the above level of liquid assets since 1983 without any default. Some Banks in Bangladesh have experienced liquidity constraints and as a result, call money rate in Bangladesh had gone up to 28%.

The Bangladesh Bank has introduced revised produce of loan classification and provisioning from the year 1989. Since introduction of new system of loan classification and provisioning. IBBL has been maintaining provision for classified investment to the required extent through a good number of Banks in Bangladesh could not meet up these requirements and as a result, they have been identified as problem banks.

6.1 The successful stories & Achievements of IBBL

***** IBBL is the pioneer institution for introduction of Islamic Banking in Bangladesh.

- The success of IBBL has imbibed other sponsors at home and abroad to establish Islamic Banking in Bangladesh. Three national, one international Islamic banks have been establisher in the country. A private sector traditional bank has also established two full-fledged Islamic Banking branches. Several other existing and proposed traditional banks have also expressed their intention to introduce Islamic Banking.

IBBL's market share of deposit investment and ancillary business is steadily increasing.

**** IBBL though still a tiny bank, handle more than 10% of country's export and import.

**** IBBL has successfully mobilized deposits from a section of people who higher to before do any deposit with interest based banks.



**** The Islamic Banking products which are offered by IBBL through its 131 branches located at important centers all over the country and spontaneous acceptance of those products by the people proves the superiority of Islamic banking.

**** Among the contemporary commercial banks IBBL's position is first in respect of mobilization of deposit, deployed of fund and earning profit.

**** Investment in industrial sector occupies 52% of IBBL's investment portfolio. This is a unique example of industrial finance by a commercial Bank.

**** More than 105000 workers are employed in the industrial projects financed by IBBL. IBBL has thus made significant contribution to solving unemployment problem of the country.

**** Dhaka, the capital of Bangladesh being a Mega city-has acute transport problem. IBBL has jointed hands with an enterprising group to introduce a fleet of premium Bus service, which has attention of all section of the people and mitigated transportation problem of the city to some extent.

**** IBBL has contributed 850 million Taka as income tax to the Government Exchequer on its net profit over the last fifteen years.

***** At the initiative and drive of IBBL, several universities in Bangladesh have introduced courses on Islamic Banking and Finance.

**** IBBL launched a Rural Development Scheme for providing finance to down trodden section of the populace- an area where on other

- Commercial Bank has extended any finance. IBBL's mission is to reach to all 86000 villages of the country as early as possible.
- IBBL has introduced several other welfare oriented investment schemes, such as Small Transport Investment Scheme, Small Business Investment Scheme, Agriculture Implements Investment Scheme, Poultry Investment Scheme, Household Durable Investment Scheme, Housing Investment Scheme etc.

***** IBBL has organized a good number of national and international Seminars on Islamic Banking and economics. Importantly, IBBL sponsored a Seminar at Dhaka with a view to forming an Islamic Common Market.

***** IBBL has been continuously pursuing the Government to allow formation of Islamic Insurance Company. It has been learn that the Government is contemplating to grant licensed for establishing an Islamic Insurance Company in the year future.

**** IBBL has earned reputation in the country as a corruption free institution.

**** IBBL is held in high esteem in the banking circle as a good managed bank.



**** Under the leadership of IBBL, Bangladesh Association of Banks (BAB) has been formed. This is a platform to ventilate the standpoints on banking issues of the private sector banks.

**** IBBL has taken initiative to form an Association of Islamic Banks in Bangladesh for furtherance of the causes of Islamic Banking.

**** IBBL has established a foundation called Islami Bank Foundation for carrying out social welfare activities. The foundation has taken up a number of schemes covering the whole of Bangladesh. A sum of Taka 269 million has so far been spent in social welfare activities.

As one of the leading non-government voluntary organizations of the country, the Foundation is working with unique and special programs for the welfare of distressed humanity and to make poor, down trodden, landless and asset less people self-reliant. The aims and objectives of the Foundation are to serve the distressed humanity, promote people oriented mass education, extend health and Medicare facilities to the poverty stricken people in urban and rural areas, create facilities for productive self-employment and develop human resources for improving economic condition and quality of life, assist health growth of art, culture and literature, science and technology, sports, research and propagation of Islamic teachings. The foundation has taken up a number of schemes covering the whole of Bangladesh. Some important Schemes of the Foundation are:

**** **Income Generating Scheme:**

The objective of this scheme is to encourage unemployed youths in nation building activities and to make them self-reliant. This scheme has been taken up to train rural health workers and to fund poultry, pisciculture, cottage industry, small trading, in addition to providing rickshaws, sewing machines etc. for income and employment generation.

Educational Scheme:

Scholarship & stipend are awarded to the poor and meritorious students under this scheme.

Health Scheme:

This scheme has been taken up to establish child and maternity centers, charitable dispensaries, provide grants for medical treatment of the poor install tubewells for the supply of pure drinking water and build sanitary latrines in order to fulfill health needs of the rural people.

Humanitarian assistance:

Humanitarian assistance is provided to the poor, disabled persons, families affected by river erosion and for marriage of poor girls.

**Emergency Relief Operations:**

Financial assistance to the people affected by natural calamities is provided under this scheme.

Service Center:

The Foundation had been established permanent service centers on coastal areas and offshore islands to be used for the purpose of integrated social development as well as safe shelter during natural disaster.

HRD Program:

Under HRD program, the foundation has established several Technical Training Centers for imparting vocational training and Kindergarten Schools. Projects like mosque based income-generating centers and prisoner rehabilitation projects are expected to be established in the near future.

Assistance to mosque:

Financial assistance for construction, extension and renovation of mosque are provided under this scheme.

Dawa Program:

Islamic Research magazines and other Islamic Literatures are distributed under this program among academicians, journalists, judges, lawyers, high officials, bankers, littérateurs and important libraries and institutions of the country.

6.2 Foreign Exchange Business:

Total Foreign Exchange business during the year 2001 stood at Taka 51868.0 Million. The comparative figures are given below:

	2004	2003	2002
Particulars	Taka in Million	Taka in Million	Taka in million
Import	59804	46237	33788
Export	29192	21738	16673
Remittance	23669	16668	14670
Total	112665	84643	65131

Total foreign exchange business handled by the bank during the year demonstrated a growth in import 29% Export 34% & remittance 42% compared to that of 2003 to 2004.



Operating Result and profit:

Total Income of the Bank after making provision for Bad & Doubtful Investment and other usual provision as on 31st December, 2002 at Taka 4334.00 Million as against Taka 3482.00 Million of preceding year registering 24% growth over last year and which was 83% of the total income compared to 82% of the year ended 2001. and Taka 1938.36 Million as against Taka 1629.38 Million of the year 2001. The Bank made a pre-tax profit of Taka 127.43 Million in 2001 as against Taka 148.39 Million in 2000.

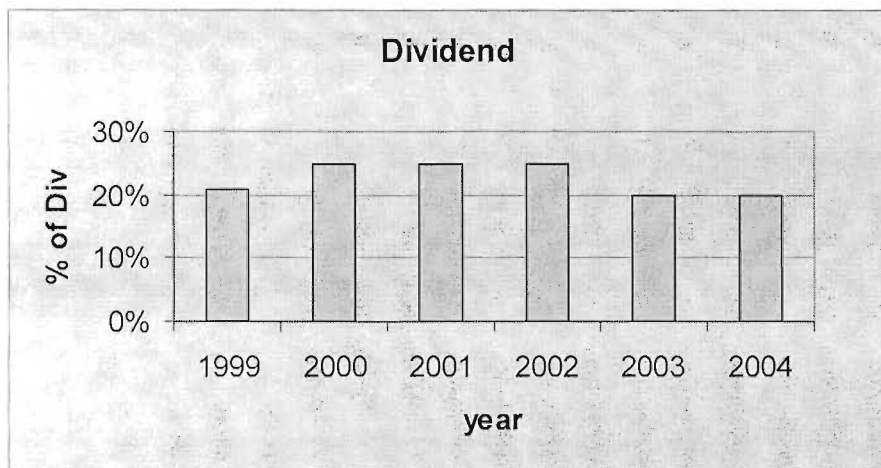
Dividend:

The Board of Directors recommends 25% dividend for 2001 & 2002 approval by the Shareholders in this Annual General Meeting, Subject to clearance of Bangladesh Bank. Six years position of Dividend Paid To Share Holders:

Dividend

1999	2000	2001	2002	2003	2004
21%	25%	25%	25%	20% (Stock)	20% (Stock)

Dividend trend : 1999 to 2004



**Profit Paid to Deposit:**

The Bank has distributed Taka 2187.13 million among the Mudaraba Depositors as profit in 2001 as against Taka 1846.89 million in 2000. Profit to the depositors for the year 2001 has been paid at the following rates, which are higher, the rates of 2000 of the Bank.

Type of Deposits	Time	Weightage	Profit Rate for 2001	Profit Rate for 2000
Mudaraba special savings (Pension):	10 Years	1.3	12.49%	12.36%
Do	5 Years	1.1	10.57%	10.46%
Mudaraba savings bond:	8 Years	1.25	12.01%	11.88%
Do	5 Years	1.1	10.57%	10.46%
Mudaraba Term Deposit:	36 Months	1	9.61%	9.51%
Do	24 Months	0.98	9.42%	9.32%
Do	12 Months	0.96	9.23%	9.13%
Do	06 Months	0.92	8.84%	8.75%
Do	03 Months	0.88	8.46%	8.37%
Mudaraba Hajj Savings		1.1	10.57%	10.46%
Mudaraba monthly Profit Savings		1.05	10.09%	-
Mudaraba Savings Deposits		0.75	7.69%	7.60%
Mudaraba Short term Deposit		0.55	5.77%	5.70%
Mudaraba foreign currency Deposit		0.75	4.00%	4.20%

6.3 Branch Expansion:

The total number of Branches has been raised up to 130 by February in 2003. It has been plan to gradually open more branches covering important places. 6 administrative offices/zones are functioning all over the country for effective control, close, supervision and proper monitoring police the total operations of the branches as well as assisting them in the development of business.

Office/zones	As on 05.04.2003
Branches under direct control of head office	4
Dhaka Zones (south)	23
Dhaka Zones (North)	29
Chittagong Zone	25
Khulna Zones	23
Bogra Zone	25
Comilla Zone	21
Total	150

Out of Total 150 Branches, almost 75% are in urban areas and almost 25% are in rural areas.

**Manpower:**

Total number of employees of the Bank stood at 2171 as on 31st December 2000 as against 1903 as on 31st December 1999. The manpower position of last years are given below:

Category	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Executive & Officers	2,552	2,692	2924	3,120
Sub-Staff	508	605	828	934
Total	3,060	3,297	3,752	4,054
Per Branch Manpower (Approx.)	25	26	27	27

Manpower Position of IBBL

Almost 350 officials were recruited in 2001 to meet the additional requirement of manpower to handle the increase volume of business and new branches. The bank took all necessary steps to bring all the officials within the training program of the Bank.

Y2K Issue:

To avoid the probable implications to business operations arising out of the year 2000 (Y2K Problem), the Bank has already initiated measures to ensure that operations become Y2k compliant prior.

6.4 National and International ratings of IBBL:

IBBL's past performances have been evaluated by Bangladesh Bank, several credit rating agencies home & abroad and by the local press.

Global Finance declared IBBL as the Best Emerging Market Banks 2005 in Bangladesh.

Global Finance, a world reputed financial magazine published from New York and circulated throughout 158 countries, has once again named Islami Bank Bangladesh Limited as the Best Bank in Bangladesh for the current year. Editors of the Global Finance with input from industry analysts, corporate executives and banking consultants selected the best emerging bank in the Asia region. Criteria for choosing the winner included growth in assets, profitability, strategic relationships, customer service, competitive pricing and innovative products.



Global Finance will conduct an Award Ceremony for the Best Emerging Market Bank winners in Washington on 26 September 2005 during the Annual Meeting of the IMF/World Bank. Islami Bank Bangladesh Limited has been invited to attend the award ceremony. Global Finance selected Islami Bank Bangladesh Limited twice in 1999 and 2000 as the best bank of Bangladesh.

International Press:

“In the midst of a difficult Banking System is known to be plagued by high non-performing loans (NPLs), one could easily conclude that it would be difficult to find a bank that is different from norm. However, IBBL provides a refreshing change and is, thus, a pleasant surprise. Although it does not command the market share as the 4 public sector banks, IBBL, which claims to have little interference in lending from the government. Has nonetheless, managed to find a niche market of its own-says the “BANK WATCH” a New York based international Credit Rating Agency in its January 30, 1998 issue. “As a market leader offering banking services based on the Islamic rule of Shariah, IBBL’s profitability trend has been quite impressive. The Bank’s ability to keep its return on asset (ROA) well above the industry’s average, deflected its resilience to possible shocks in the banking system. Concerns over massive NPLs and under provisioning are common amongst local banks. But this seems well resolved in IBBL. IBBL’s good performance and solid capital based have indeed provided refreshing change found within a banking system saddled and held back by huge NPLs” the above agency continued to comment in the same issue.

National Press:

“It is one of a few local banks according to CAMEL (Capital, Assets, Management, Earnings & Liquidity) rating made by the Bangladesh bank. It holds the highest amount of liquidity among all banks and its ability to keep return on assets at 1.07 percent is well above the banking sector’s average of 0.33 percent”- The Financial Express, Dhaka Commented in its issue of May 28, 1998.

“The Holiday” in its 29th august, 1997 issue carried out a report under the heading setting a precedence of sound banking and commented while the country’s banking system is burdened this bad debt portfolios and also suffers from a liquidity shortage, the Islamic Bank Bangladesh Ltd. (IBL) has created unique precedence by improving lists reserve and deposit positions substantially, making handsome profits and offering attractive dividends to its share holders and depositors.

IBBL World Rating

As per bankers almanac January 1999 edition published by the Reed business information, Windsor court, England IBBL’s world rank is 2100 among 4500 banks selected by them. IBBL’s rank is 1 among 52 banks assess per ratings made by the above almanac on the basis of IBBL’s financial statements of the year 2002.



The Islamic banking system is now a reality. It is functioning satisfactorily, but to be more efficient, the society in which it operates, need be reorganized on Islamic principles. True Islamic societies are the crying need of the hour to implement Islamic banking successfully. The gradual and successful globalization of Islamic banking coupled with growing awareness of the people about its financial and social benefits makes it clear that the next century is going to be the century of Islamic banking.

6.5 Constraints and Prospects of Islamic Banking in Bangladesh:

Legal and practical Constraints being faced by Islamic Banks in Bangladesh:

Despite tremendous popular support, spectacular success in terms of mobilization of deposit and distribution of profit, Islamic Banking in Bangladesh is yet to achieve the desired level of success due to the absence of appropriate legal framework for carrying out Islamic banking operations in the country. All the government-approved securities in Bangladesh are interest bearing. Besides, Islamic Money Market in Bangladesh is yet to be developed. As a result, the Islamic banks, which are committed to avoid interest, cannot invest the permissible part of their statutory liquidity reserve and short-term liquidity surplus in those securities.

There are such problems, such as-

- * Shortage of professional conversant with Islamic Banking.
- * Lack of familiarity with the Islamic products by the International Financial and financial sector.
- * Severe competition in the financial sector.
- * Economic slow down and political situation of the Country.
- * Inadequate record of accomplishment of Islamic Banking.
- * Absence of infrastructure for Islamic trade financing.
- * Income tax laws and structure are not conducive to Musharaka Mode of financing.
- * The Existing processes of investment recovery laws are lengthy and cumbersome and not appropriate for recovery of investments made under Islamic modes.

In spite of the present limitations, Islamic banking system has tremendous potentiality and good prospect in Bangladesh. Firstly, the successful launching and operation of Islamic banks in Bangladesh has established the fact that banking without interest and the launching of Islamic money market in the country are feasible, secondly Islami banks have brought together many depositors and entrepreneurs under their fold and coverage. These depositors and entrepreneurs so long avoided interest-based banking on grounds of religious injunctions.

6.6 Prospects of Islamic Banking in Bangladesh:

Despite the above problems and shortcomings the Islamic Banks have the following further goods prospects to grow:

- * Islamic bank investment portfolio can be diversified and extended for long term financing under Musharaka and Mudaraba.



- * The clients of the Islamic Bank may be equipped with knowledge of Islamic banking through seminars and symposiums.
- * Islamic banks can develop unanimous Shariah or guidelines for day-to-day consultation and clientele motivation.
- * Islamic banks can expand their network in the rural areas of Bangladesh. The research and development (R&D) for Islamic Economics, Banking and Finance can be geared up.
- * Co-operation among Islamic Banks can be extended throughout the world.
- * Muslim countries, who have established Islamic Banks, If involve with international trade on Islamic principles, that would contribute to grow international transactions under interest-free system. This will further help developing Islamic Banking with more responsibilities.
- * The Central banks of the Muslim Countries can help creation of environment for Islamic Banking with more responsibilities.
- * Uniform accounting systems and standards can be developed for providing consistency in accounting treatment of various operations and products of Islamic Banks.
- * New and innovative products can be designed for financing on profit and loss sharing basis.

6.7 Global Scenario of Islamic Banking in the 21st Century:

To face the challenges of the 21st century, necessary preparation is being taken from every corner of economics with the progressive forces. Judging from the progress of Islamic economics thus far, it is seemed that we could not develop a complete system of Islamic economics that could be considered as a viable or better alternative to the prevailing system. Because the 21st century is not going to provide us a similar economic environment anymore. With the complete implementation of the World Trade Organization (WTO) on the year 2003. In efficiencies and low productivity of the Islamic financial institutions will certainly jeopardize their success. Through the theme of Islamic economics is ancient. But its gradual development is found very lately. So, it has various lacking and problems for its development. The following are main problems facing regularly:

**** **Necessary Islamic Economist is not available:**

Islamic economic requires knowledge of “Shariah” and mastering Arabic. However, Shariah is a discipline in its own right that is not easy to be master by economics, especially for those who do not speak Arabic. Mixing both economics and Shariah seems to be required for Islamic economics to make measurable advances in the 21st century. Number of surah economist is very small.

**** **Shortage of Islamic Financial Institutions:**

Sufficient Islamic Financial Institutions has not yet been established to face the future competition in the 21st century.

**** **Un-Islamic Central Bank:**

In most Muslim countries, Central Bank is not Islamic. Under non-Islamic Central Bank, an Islamic Bank and other financial institutions cannot run smoothly.

*** **Un-Islamic Government:**

In most Muslim countries, Government is non-Islamic. So their administrative, legal, social, political system and financial policy is not favorable to establish of Islamic economics. In this situation, Islamic Financial Institutions have to face lot of obstacles.

**** **Information Technology:**

There is another domineering factor that will overwhelm us in the 21st century namely information age. We have noticed that knowledge-based-economics is becoming more and more fashionable, particularly in West. Yet not a single Muslim country is at par with any at there western nations thus, far either in terms of technological advancement, or in terms of participation.

**** **Shortage of efficient and skillful manpower:**

Shortage of efficient and skillful manpower is one of the main obstacles to reach the desired goal of Islamic Banking and other financial institutions.

6.8 Five Years Performance of IBBL at a Glance

(Taka in million)

Particulars	1999	2000	2001	2002	2003	2004
Authorized Capital	500	1,000.00	1,000.00	1000	3000	3000
Paid-up Capital	320	320	640	640	1920	2304
Reserves Fund	1,115.61	1,759.65	1,998.04	2852.07	3280.37	4329.92
Total Equity	1,659.26	2,671.06	2,993.24	3540.51	5266.47	6691.12
Total Deposits (Including bills payable)	25,190.65	32,112.81	41,640.94	56,246.37	70,552.65	88,452.18
Total Investments (Including Inv in Share)	22,198.26	29,563.20	37,648.75	49,185.92	62,755.90	83,893.63
Import Business	20,396.00	25,327.00	25907	33,788.00	46,237.00	59,804.00
Export Business	14,798.00	16,889.00	16082	16,673.00	21,738.00	29,192.00
Remittance	8,415.00	7,644.00	9879	14,670.00	16,668.00	23,669.00
Total Foreign Exchange Business	43,609.00	49,860.00	51868	65,131.00	84,643.00	112,665.00
Total Income	1966.24	3,207.81	4,259.55	5,234.07	6,841.29	8024.62
Total Expenditure	1,787.93	2,877.57	3,683.43	4,240.02	6039.28	5218.2
Net Profit before Tax	178.31	330.24	576.12	994.05	802.01	1842.99



Payment to Government (Income Tax)	92.79	184.62	275.52	450.55	373.25	146.53
Dividend	21%	25%	25%	25%	20% (Stock)	20% (Stock)
Total Assets (including Contra)	39,133.40	49,250.36	58,644.46	77,463.12	98,046.85	125,776.94
Total Assets (Excluding Contra)	31,314.82	39,362.27	49,551.87	65,080.12	81,704.74	102,149.28
Fixed Assets	498.9	1,121.15	1,276.89	1,725.53	2,036.65	2,552.7
No. of deposit account holder	922,232	1,116,006	1,355,053	1,651,122	1,994,266	2,291,269
No. of investment account holder	92,003	139,738	176,138	196,295	223,954	264,863
Cumulative amount of disbursement from RDS	326.75	714.93	1,323.87	2,029.67	2,923.6	4,216.77
Outstanding Investment of RDS	140.3	272.6	371.1	432.1	570.9	789.97
RDS no. of A / C holder	41,115	74,315	100,470	107,225	130,465	163,465
RDS no. of village	1,062	1,365	2,214	2,875	3,700	4,230
Number of Foreign Correspondents	675	775	815	830	840	850
Number of Shareholders	7,185	7,549	9,917	10,747	14,196	15,892
Number of Employees	2,302	2,685	3,060	3,297	3,752	4,261
Number of Branches	110	116	121	128	141	151
Book value per Share (Taka)	4781	6278	3519	4205	2181	2257
Earning per Share (Taka)	362	353	617	932	195.92	518.59
Market Value per Share (Taka) (Highest)	2,300	3,305	3,205	3,656	2,595	4,833
Capital Adequacy Ratio	8.90%	10.59%	9.24%	8.64%	9.43%	9.21%
(Note : One Million = Ten Lac)						

6.9 Financial Profile of IBBL

Capital:

The Authorized capital of the Bank is Tk. 2304 Million. Paid up Capital of the Bank Remain at Tk. 3000 Million as on 31.12.2004. The price quotation of Share of the Bank in the Stock Exchange was as high as Tk. 4100/- in 2004 as against face value of Tk. 1000.

Reserve:

The Reserve Fund of the Bank stood at Tk. 2363.17 Million as on 31st December 2004 as against Tk. 1810.13 million of the preceding year.

Equity:

Total equity of the Bank as on 31st December 2004 stood at Tk. 5479.55 Million as against Tk. 4341.65 Million as on 31st December 2003 Comparative position of equity of the year 2004 & 2003 is given below:



Composition of Equity

Particulars	2004	2003
	Taka in million	Taka in million
1. Paid-up capital	2304	1920
2. Statutory reserve	1256.12	887.51
3. Investment loss off setting	644.43	644.43
4. General reserve	462.62	278.37
5. Provision on unclassified inv.	773.97	572.93
6. Exchange equalization	38.41	38.41
Total	5479.55	4341.65

Deposit:

Total deposits stood at taka 88,452.18 Million as on 31.12.2004 as against taka 70,552.65 Million of the preceding year registering an increase of taka 17899.53 Million i.e. 33 percent as compared to the growth rate of 12 percent of the Banking Sector. Total number of depositors rose to 1651122 as on 31.12.2001 from 1355053 of the preceding year registering an increase of 22 percent.

Mode-wise deposit:

Mode-wise distribution of deposit as on 31st December 2004 is given the following page-

<u>Modes</u>	<u>% to total deposit</u>
Mudaraba savings	47.50%
Mudaraba Term	21.00%
Current & Contingency	13.67%
M.S. Bond	7.90%
Mudaraba SND	1.70%
Mudaraba Hajj	0.50%
Mudaraba Special Savings	6.10%
Others	1.90%
Total	100%

Investment:

Investment of the Bank stood at Tk. 83,893 Million as on 31.12.2001 as against Tk. 62,755 Million as on 31.12.2000 showing an increase of Tk. 7801 Million i.e. 33 percent as against 13 percent growth of investment of the Banking sector.

Working Experience



7. Working Report

I was informed from CCC (Career Counseling Center) that I got an offer from Islami Bank Bangladesh Limited (IBBL) to do the internship there. I had to join there from 17th of April 2005. The program was divided into two parts, theoretical and practical. The theoretical program was for 3 (three) weeks and the practical program was for 8 (eight) weeks, altogether 11 (eleven) weeks. I had to do the theoretical program in IBTRA (Islami Bank Training & Research Academy). After three weeks in IBTRA, I joined Islami Bank, Kawran Bazar Branch to complete my practical part. I worked there for eight weeks and got the practical experience.

7.1 Training program in IBTRA

In IBTRA there were 78 students who were invited to join the training program. The students were from different universities like, NSU, DU, IUB, and IIUC etc. So in the first day 17th of April, I had to introduce myself in front of the audience. That day we received the program schedule, and name list of the persons who will take our classes. We were also informed that we had to sit for the exam after the training classes. The program objectives of IBTRA was:

- To acquaint the internees with the concepts, principles, objectives and distinguishing features of Islam, Islamic economics, banking and finance.
- To familiarize the internees with the concepts of general banking, investment, foreign exchange and foreign trade.
- To familiarize the internees with the principles of Islamic Shariah and its implementation in the financial system.

In IBTRA I had to be present in the class from 9 o'clock to 1 o'clock. They had an attendance copy where the students had to write their names and the name of the university. At 11 o'clock



there was a breakfast. We also received handouts from the IBTRA, which covered the topics described by the faculties in the class. The faculties were introduced to the class at the opening ceremony. Some of them were working in IBTRA, but most of them were high rank officials of IBBL.

In the first class the definition of “Islamic Banking” was covered. In addition the growth of Islamic Banking around, the world history of Islami banking, theoretical exercise of Islami banking in the world and Islami banking in Bangladesh etc. were also covered. The following topics were covered in the whole training programs in IBTRA.

- Islamic banking: definition, history, growth and present status in Bangladesh and around the world,
- IBBL: its establishment, capital formation and business performance,
- The role and objective of Islami Bank,
- General banking portfolio,
- Overview of investment portfolio of IBBL,
- Overview on foreign exchange operations of IBBL,
- Book review: “Islam and the Economic Challenge” by M. Umer Chapra,
- Foreign exchange operation of IBBL,
- Remittance: issuance, payments and cancellation of DD, TT and Po accounting and balancing thereof,
- Details about interest, buying & selling, profit and rent,
- Different investment modes and investment schemes followed by IBBL,
- Shariah council: its role, functions and objectives,
- An overview on Rural Development scheme (RDS) of IBBL.



7.2 Working experience in Kawran Bazar Branch:

I joined in Kawran Bazar Branch from 5th of May. The first day was little worrying for me, as I never worked in an organization before. I went to see the manager with my other group members, who were also doing internship in IBBL. The branch manager Mr. Md. Kabir Hossain greeted us cordially. He gave us some suggestions how to work in a banking environment. He also told us that we needed to be punctual and attentive at work. In addition he ensured us that the bank will help us any way to prepare our individual reports. He reminded us about the multicultural environment that prevailed in the organization and also about the strictly punctual, conservative but friendly working environment. After the meeting he told us to go to the second officer Mr. Farid Ahmed. So we went to Mr. Farid Ahmed and introduced ourselves. He gave us an overall description of the bank. He showed us where the general banking department, investment department and the foreign exchange department. He introduced us with all the employees of the bank. We were told that we would have to work in all the three departments.

The first day I could not work for the whole office time because I had to go to the IBTRA and sit for the late examination. I took a special permission form the course coordinator Mr. Habibur Rahman of IBTRA for the late examination. Because I had to give exam in my university and in IBTRA at the same day. So I left Kawran Bazar Branch and went to IBTRA to attend examination. The examination was on the lectures that were given by the faculty of IBTRA in the training classes.

There were three departments at Kawran Bazar Branch. I mainly worked in two departments. Those are foreign exchange department and the general banking department. In foreign exchange I worked over a month and a week. Because of my proficiency in computer they kept me to stay there. The foreign exchange department needed constant use of computer. Customers were



coming to open LC, preparing monthly statements, sending and receiving mail to the foreign correspondents, sending ATM requests to the head office, preparing different types of requests letters. So computer was a very important part of the foreign exchange system. In the foreign exchange department my work was to prepare the monthly statements, deal with all the ATM card transactions, some works of LC, filling up different kinds of forms, writing various kinds of voucher and many other works. There were four employees in the foreign exchange department. Three worked in the import sector and one in the export sector. I mainly worked in the import sector, as they needed more people. But I also worked in the export sector. There I had to deal with the dreamed exporters. There were no computers in the export sector. The employees of foreign exchange department were really cooperative. They helped me whenever I faced any problem. They never scold me if I made any mistakes. They always appreciated the work I had done for them.

I also worked in the general banking sector. There were also two interns with me. So when there turn came to work in the foreign exchange I started to work in the general bank. There was a huge different between the general banking and the foreign exchange department. Among all the departments general banking department was the busiest. In foreign exchange there were only limited people came to receive the service and the faces were quite known to us. But in general banking there were many people with many faces. They were seeking different kinds of services. Though it was the most important department of the bank, there were not enough people working in this area. Only five people were there in the general banking department. Moreover one of the employees was transferred to another branch. So from the first day I had to handle a huge load. I was given the authority to issue checks, pay orders, demand drafts, writing cost memos, giving the deposit books etc. In addition I had to handle to kinds of books. Those were transfer delivery



and the daily transaction ledger. It was really hard to work in the general banking department, because there were lots of work.

7.3 Worked done in the foreign exchange department

Monthly Statements:

From the second day I started to work in full-fledged. At first I was assigned to work in foreign exchange department. There I had to do different kinds of work. At first they asked me whether I know how to handle computer. My computer literacy is very good, so I was given to prepare the monthly statement. Every month the foreign exchange department needs to send monthly statement to the head office. This statements must reach the head office within the 1st week of the month. The monthly statements I prepared in foreign exchange department included the inflow and outflow of foreign currencies, monthly statement of settlement & projection of import bills, issuance of authorized dealer license to deal in foreign exchange business, monthly statement of foreign exchange transaction under foreign direct investment enterprises, monthly statement of suit file against the exporter for non-receipt of export proceeds, submission of commodity wise statement for the month (outstanding capital machinery & machinery excluding capital nature), Certification of Proceed Realization Certificate(PRC). So from the first day I had to work really hard as all the statements needed to be send in that day.

ATM card:

The foreign exchange also dealt with the ATM (Automated Teller Machine) card. I was given the charge to handle the daily ATM card matters. Islami Bank's ATM card was not based on



online system and they had only debit card system. It means a specific amount of Taka should be in the account for withdrawal or for use of the card. After the withdrawal of the money the fixed amount of money will be sent to his ATM card account again for the withdrawal. The system was I had to download the e-mail, which contained the name of the clients who used ATM card in previous day. It means that their ATM account needed to be replenish by that fixed amount. So after getting the names I had to check their individual account whether they have sufficient money in the account to replenish. If they have the money then the money is debited to their ATM account. To do this I had to make a double debit voucher for those account and a credit voucher. The double debit voucher was comprised of two pages. The front page was sent to the head officer and the second page was kept in the branch. The double debit voucher contained the name, ATM account number and the amount of money. Then the vouchers needed to be send to the cash for the posting. The TT (Telegraphic Transfers) form was sent to an officer for the secret number. This secret number must match with number kept in the head office ATM card section. Then I had to send e-mail to the ATM card office, which is situated in the head office. The second page of the double debit voucher is kept in a file for documentation. This was a daily job for me. I had to do it everyday. Because everyday somebody withdrew money from the ATM card as a result that money needed to be replenish as quick as possible.

Moreover I had to handle the clients who wanted to open an ATM card account. A client needed an account of any sort of in the Kawran Bazar branch to open an ATM card account. I gave them the opening application form, which must be filled in the specific way. To open an ATM card account the client needs to pay Taka 500/- as a processing fee. After opening the account the client needed to pay a yearly amount of Tk. 500/-. After getting the form from the client I had to make one double debit voucher and one credit voucher. These vouchers were sent to the cash



counter for posting. Then the papers were sent to the head office for issuing of the ATM card. After seven days the card reached to our branch and I delivered to the client after taking the sign of the client.

LC (Letter of Credit):

LC was a big part of the foreign exchange department of Kawran Bazar. There were some steps to open an LC. If all the requirements were fulfilled by the clients then the LC can be opened. At first the client needed to have the LC opening form. The form consisted of LCAF (Letter of Credit Authorization Form), IMP (Import form) duly signed, insurance cover note, pro forma invoice, promissory note and demand promissory note. All these forms needed to be duly signed by the importer.

While I was working in the foreign exchange department I had to give LC opening forms to the prospective importers. The mentioned forms needed to be arranged in a certain order. The LCAF form had a serial number, which must be maintained. After giving all the forms I had to give entry in LCAF opening book. There I had to mention how many forms been taken by an importer and the name of the company.

When an LC is opened it is registered in the LC opening register book and a number was given to that LC. I had to write the name of the importer, the amount of credit in foreign currency and the equivalent amount in taka, the name of imported goods and its quantity, the medium of communication, the shipment date and the expire date, and lastly the charges for opening the LC. After the entry debit and credit vouchers are prepared for that specific LC. The debit voucher contained the name of the importer, the account number, the LC number, the amount of LC in taka and the charges. The charges were the telex fee, stamp fee, stationary fee and the profit



amount. The VAT amount is also included in the debit voucher. In against of the debit voucher four credit voucher were prepared. Those are for the amount of VAT, the amount of the LC in taka, the amount of stamp fee and other charges including the profit amount.

Then the amendment is prepared for the LC, which was sent to the exporter. I did not prepare the amendment in my whole program because it was quite complicated. The amendment was sent through SWIFT (Society for Worldwide Inter-Bank Financial Tele-communication) or through other forms of communication, it dependent on the client, in which way they wanted to send it. The SWIFT cost the clients Taka 2500 and other services cost 1250. The SWIFT mainly used in communicating with the importers or exporters of other country. It was an instant service. The other form of communication mainly occurred in internal business. In this case the DHL and other first services were used. After the amendment I had to make a file. The documents needed to be kept in an organized way. At first the LC was kept then the application of the importer, pro forma invoice, the insurance cover note and then the LCAF form and the promissory notes. Sometimes I had filled the form, because the clients did not fill up the form properly. If the bank filled the form on behalf of the client than the bank make a charge against the client. The charge was Taka 250/-. For this a double debit voucher and a credit voucher were created. After completing the double debit voucher and the credit voucher it was sent to the cash section. The front page of double debit voucher and the credit voucher were sent to the transfer section and the second page was kept for the client to be received.

I also had an experience to work on the amendment of letter of credit. It was prepared if any mistake had been made. If any mistake was made then an amendment LC was sent to the exporter. The employees were not responsible for the mistake made in LC, but the importer himself is the responsible. If any mistake was made by the employee still they charge the



importer. Sometimes they made mistakes in spelling, but it was not the fault of the importer. Amendments were created and for preparing this, the bank charged the importer Tk. 500/- only as an amendment fee. For this I had to prepare two vouchers. One is double debit voucher and another one is credit voucher.

Entry in different types of books:

There were different types of books in the foreign exchange. The biggest one in size was the LC opening register. When a new LC was opened, that must be registered in this book. Here everything needed to be written. The LC number, the name of the importer, the name of the exporter, from which country it was coming, the amount of foreign currency and the equivalent amount in Taka, the name of the products, the quantity of the product, the date of shipment, the date of expired, the profit amount, the charges, the procedure of sending the LC and lastly the signature of the authorized employee. The opening register had different sections. Those are back-to-back LC, sight LC and deferred LC. All the procedure was same, but the only difference was in the number of LC.

There was another book named lodgment register. It was used because the Islami banking system is different from the conventional system. Here I had to entry the date of the LC that arrived in the branch and the date it needed to be kept in the branch.

I also had to entry the names of the clients, who opened new ATM card. This book was maintained for the new ATM cardholder. Here the name of client, the address and the telephone number of the client, the card number, signature of the client, the handover date of the card to the client were recorded.



7.4 Worked done in general banking department:

Issuing checks:

From the first day in general banking I was given the charge to issue checks. It was a very important and critical job to do. There were two kinds of checks I issued. One was for the savings account and another was for the current account or Al-Wadiah account. The savings account checks were only ten pages book. But the current account checks were ten, fifty and hundred pages. There were special rules only for the fifty and hundred pages of current account checks. The client had to make an application to the manager of the branch for issuing these check books.

At first the client have to fill a specific form and need sign that form. Then he will have to go to the signature verification booth, where his signature will be verified. Then he will return it to me. When I saw that his signature was verified, I checked whether he needs the current a/c checks or the savings one. The first two digit of current a/c was 01 and 02 was for the savings a/c. The colors of the books were also different. The current one was blue and the savings one was yellow. So if the number started with '02' then I had see the serial number of the savings check books. These books were arranged in chronological way and the serial should be maintained. In the checkbooks I had to write the name of the account holder and the number of his account. Moreover in the second last page I had to write the name of the a/c holder and the a/c number. So that in future when he will withdraw checks it will help them. This was called the signature verification form. After returning the checkbook to the client, I had to send the form to the computer section for the serial number. It was important because, when the a/c holder will



withdraw money the serial number will be verified with the form. Same procedure was followed with the current a/c checks. I also had to give entry in the check issue books.

Issuing pay orders and demand draft:

There were specific forms for pay orders and demand drafts. If anyone want to make a pay order than he/she had to fill up the pay order form. The pay order leaf had two parts. One part was to be kept in bank and the other portion was handed to the customer. There he will have to write the name of receiver and the payee. After filling the form deposit the money in cash or transfer. On the pay order the amount of money should "crossed". The amount needed to write with red pen. The leaf number of the pay order had to be also written on the pay order form. After writing everything the pay order form and the pay order leaf was send to the higher officials for the authorization signature. After the signatures I handed the customer their part and took their signature on the back of the bank's copy. The form was send to computer section for entry.



8. Conclusion:

Islami Bank Bangladesh Limited has made an evaluation in the conventional banking system. This bank is committed to run all its activities as per Islami Shriah of IBBL through its continued success and steady progress has, by now, earned the reputation of being one of the leading probate sectors banks of the country. It has made revaluation especially in the field of bank investment IBBL became successful in proving that bank investment can be made properly, profitably following profit and loss sharing concept with abolishing interest, and which is also beneficial to human being and society. And these all characteristics of bank investment are absolutely absent in case of conventional bank. Islami money market in Bangladesh is yet to develop. As a result the Islamic Banks, which are committed to avoid interest, cannot invest the permissible part of their strategy liquidity reserve and short-term liquidity surplus in those security.

In spite of the present limitation, Islami banking system has tremendous potentiality and prospect in Bangladesh. Firstly, the successful launching and operation of Islami bank in Bangladesh has established the fact that banking without interest is feasible. Secondly, the launching of Islami Bank has shown the needs of an Islamic money market in the country. Thirdly, Islami Bank has brought together many depositors and entrepreneurs under their fold and coverage. These depositors and entrepreneurs so long avoided interest-based banking on ground of religious injunctions.



9. RECOMMENDATIONS:

- There should be provision for training for the employees after the commencement of their job at IBBL. Training should be on the basis of concerned division wherever he/she assigned for. Because it is very difficult for a particular employee to know about the over all banking system. Actually it's a matter of life long experience.
- To offer a specialized qualitative and thus survive in the competitive banking arena, the network system of the computer division should be well developed and concern person operating the computer should be well skilled.
- In order to enrich the library the bank authority should collect huge number of books on Banking, Finance and Islamic Shariah. So that the employee of the bank can easily gather theoretical knowledge.
- Steps should be taken to regularize the newly introduced various schemes such as Shelter finance deposit A/C, Voluntary sector development deposit A/C and Foreign currency A/C. As a result bank the number of clientele will increase over the years.
- As the banking business becomes global, IBBL should introduce credit card, VISA card, Master card and on line ATM (Auto Teller Machine) for the better clientele services.
- In every bills and vouchers it is compulsory to collect two authorized signatures from two officers to reduce clerical mistakes, which is a time consuming matter. To overcome this problem authority have to recruit more qualified employees and the employees who prepares the bills and vouchers have to be responsible for any mistake.
- Workload on the same level employees is not same; in this case management should distribute the work more carefully.
- IBBL should reduce manual and paper work, because it reduces efficiency.
- In case of cash cheque, the process of the branch is very lengthy. First, the teller sends the cheque to the officer of the department for signature verification (he/she manually finds out the signature card and verifies the signature). After that he/she sends it to computer department to check the account whether there is money or not. If there is any mismatch is available then the cheque is sent back to the bearer through cash officer and teller. Through, the branch is not facing that many problems to do these jobs because of small queue but very soon they will realize the problem. To overcome this problem they need computerization of every cash counter.
- In case of Pay Order (PO) and Demand Draft (DD), IBBL should use automation system like the foreign banks.



- They have to setup a computer network between the branches and the head office for better and faster information flow. at the same time computer is also needed in every department of this branch.
- Authority has to recruit the employees in such a way so that at least one employee of a department has sufficient computer skill. In fact with growing business world they should appoint all employees with minimum computer skills.
- There are some unqualified employees working in Kawran Bazar Branch. Authority should change unqualified employees and should recruit qualified people through examination.
- There is insufficient employee in the foreign exchange department. So new employee should be recruited.



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