

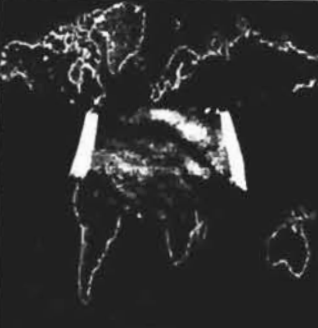

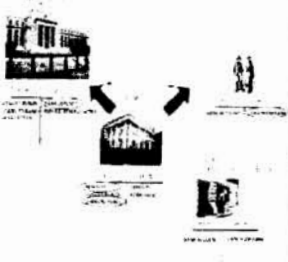









# Liquidity Management of Shahjalal Islami Bank Limited, Dhaka Main Branch

 <p>Shahjalal Islami Bank</p>																																					
		 <p>শাহজালাল ইসলামী ব্যাংক</p>																																			
																																					
																																					
 <ul style="list-style-type: none"> <li>• 101 strategies to be executed</li> <li>• Each branch to select one service area</li> <li>• Survey to draw action plan</li> </ul>		<p>Changes in Contribution of Export Products Over Time</p>  <table border="1"> <caption>Percentage of Contribution</caption> <thead> <tr> <th>Year</th> <th>1997/98</th> <th>1998/99</th> <th>1999/00</th> <th>2000/01</th> <th>2001/02</th> <th>2002/03</th> </tr> </thead> <tbody> <tr> <td>Mineral Products</td> <td>~15%</td> <td>~25%</td> <td>~35%</td> <td>~45%</td> <td>~55%</td> <td>~65%</td> </tr> <tr> <td>Iron &amp; Steel</td> <td>~5%</td> <td>~10%</td> <td>~15%</td> <td>~20%</td> <td>~25%</td> <td>~30%</td> </tr> <tr> <td>Textiles</td> <td>~10%</td> <td>~15%</td> <td>~20%</td> <td>~25%</td> <td>~30%</td> <td>~35%</td> </tr> <tr> <td>Others</td> <td>~70%</td> <td>~50%</td> <td>~30%</td> <td>~20%</td> <td>~15%</td> <td>~10%</td> </tr> </tbody> </table> <p>Legend:      ■ Mineral Products      □ Iron &amp; Steel      ▨ Textiles      ○ Others</p>	Year	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Mineral Products	~15%	~25%	~35%	~45%	~55%	~65%	Iron & Steel	~5%	~10%	~15%	~20%	~25%	~30%	Textiles	~10%	~15%	~20%	~25%	~30%	~35%	Others	~70%	~50%	~30%	~20%	~15%	~10%
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# East West University

# Internship Report on Liquidity Management of SJBL

**Course: Internship**

**Course Code: BUS 499**

**Submitted To**

**Quazi Sagota Samina**

**Assistant Professor**

Department of Business Administration

East West University

**Submitted By**

**Sk. Kamrul Islam**

**2009-1-10-117**

TERMINAL

# ACKNOWLEDGEMENT

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In writing this term paper, I am extremely indebted to almighty Allah who creates us in this transitory world along with all concerned with this Term Paper:

It could not possibly thank all of those marvelous people who have contributed a lot of this assignment. There are, of course, some very special people who could not go without mention.

First of all, I would like to convey my heartfelt gratitude and regards to **Quazi Sagota Samina**, Hon'ble course instructor and respectable Senior Lecturer, Department of Business Administration, East West University whose enthusiastic guidance and help during the entire study period made it possible for me to prepare this report.

I am grateful to some prominent web sites and books which web sites and books I have consulted in the preparation of the assignments. I also thank to my office colleagues for their advice and comments to the success of the report.

Thanks,

**Sk. Kamrul Islam**

2009-1-10-117

BUS-499

# Letter of Transmittal

Date: 27 April 2013

**Quazi Sagota Samina**

Assistant Professor

Department of Business Administration

**Subject: Submission of Internship paper on “Liquidity Management of Shajalal Islami Bank”.**

Madam:

It's my pleasure to submit the assignment on “**Liquidity Management of Shajalal Islami Bank**” which has been prepared as a requirement for BUS-499 (Internship) course of BBA program.

Utmost effort has been made in the assignment to give proper findings & to maintain clarity. I have enjoyed the assignment & learned many things during the whole period. While preparing this assignment, I have tried to make it as thorough & comprehensive as possible by covering all the relevant issues.

Still, if there is any room for further clarification or improvement, I will be glad to attend it.

Sincerely yours



---

Sk. Kamrul Islam

2009-1-10-117

## **SUPERVISOR'S CERTIFICATION**

This is to certify that the report on “**Liquidity management of Shahjalal Islami Bank Limited, Dhaka Main Branch**” is the bona fide record and the report is done by **Sk. Kamrul Islam** as a partial fulfillment of Bachelor Business Administration (BBA) degree from East West University.

The report has been prepared under my guidance and is a record of the authentic work carried out successfully



.....  
**Quazi Sagota Samina**

**Assistant Professor**

Department of Business Administration

East West University



**Shahjalal Islami Bank**

SHAHJALAL ISLAMIC BANK LIMITED

**Committed to Cordial Service**

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## EXECUTIVE SUMMARY

This report is prepared as a requirement of the internship phase of B.B.A program. The report contains few parts. The company profile part focuses on the different aspects of Shahjalal Islami Bank Limited, Dhaka Main Branch such as historical background, structure products and services. The analysis part discusses about the liquidity management of Shahjalal Islami Bank Limited, Dhaka Main Branch.

The whole report is divided into different sections. In the Chapter one I will try to describe briefly about the definition of bank and what is the necessity and procedure of making the report. Here I also mention from where I collected my information and what are the limitations I faced. In the middle part is the product and services offered by Shahjalal Islami Bank. The next sections are the important part of the report, which contains the major activities, procedure, liquidity position and the financial performances over ten years and finally the conclusion part.

The Shahjalal Islami Bank Limited, Dhaka Main Branch believes that if every person of the country progresses financially on an Islamic way to be successful. By using this theme, the bank provides different kinds of services to the overall people of our country, even those who live in the remote areas of the country. As a result, it now has several schemes and accounts.

While discussing the different aspects and functions of the bank, priority has been given to depict the real situation as far as Bangladesh Bank regulation for liquidity management for Islamic banking and the liquidity position in Shahjalal Islami Bank Limited; Dhaka Main Branch is concerned by employing the experience gathered during the internship program. Analysis on the findings is basically done to sort out the major aspects of banking activities. At the same time, for easier understanding of the report, supporting topics and terms are explained in light of textbooks and regulatory guidelines.



# Chapter One

## 1.1 Introduction

Bangladesh is one of the largest Muslim countries in the world. The people of the Muslim community wishes to design their economic activities in accordance with the percepts of Islam so the establishment of some numbers of Islami Bank in Bangladesh is the true reflection of long day's deep cry in their heart.

The Objective of Islamic Banking is not only to earn profit, but also to do good and welfare to the people. Islam upholds that, money, income and property belong to Allah and this wealth is to be used for the good of the society. Islamic Banks operate their banking activates based on the Islamic principles of profit and loss sharing and strictly avoiding interest.

This report is prepared on the “Liquidity Management of Shahjalal Islami Bank Limited”. A study on Dhaka Main Branch of Shahjalal Islami Bank limited.

Shahjalal Islami Bank Limited, a Shariah Based Commercial Bank in Bangladesh was incorporated as a Public Limited Company on 1<sup>st</sup> April, 2001 under Companies Act 1994.

The Bank commenced commercial operation on 10<sup>th</sup> May 2001 by opening its 1<sup>st</sup> branch, i.e. Dhaka Main Branch at 58 Dilkusha, Dhaka, obtaining the license from Bangladesh Bank, the Central bank of Bangladesh. Its corporate head office is situated at Uday Sanz, Plot No. SE (A),2/B Gulshan South Avenue, Gulshan – 1, Dhaka-1212. The Bank opened 2 branches in 2001, 6 branches in 2004, 4 branches in 2005, 5 branches in 2006, 5 branches in 2007, 7 branches in 2008, 18 branches in 2009 and 12 branches in 2010. Total number of branches stood at 74 in 2012 and the Bank opened 2 SME Centers and 3 branches of brokerage House in 2009 at important locations of the country. Total deposit of Shahjalal Islami Bank Limited stood Tk. 54,447.07 million on 31.12.2010 as against Tk.47, 459.23 million of 31.12.2009 registering an increase of Tk. 6987.84 million i.e. 14.72% growth. This was possible due to superior customer service delivery at the branch level, expansion of branch network to rural areas where foreign remittance flow is significant. Expansion of branch network in rural areas has provided the lower income group an access to modern banking system and prompt receipt of remittance. Deposit is the “life blood” of the bank. Bank has also given utmost importance in mobilization of deposits introducing a few popular and innovative schemes. The bank

always tried to give the highest return on the deposits of the customers. The mobilized deposits were ploughed back in economic activities through profitable and safe investment. How bank customize these services to the general customers and the general banking product and service features are described very carefully in this report. This report also described the internal activities of the Accounts Department under the General Banking Division.



## 1.2 Background of the Study

The BBA program is designed to focus on theoretical and professional development of people that they can take up the business as a profession and can do success in their career. For this reason the student have to complete the internship course and prepared a report on internship work. I have prepared this report on “Liquidity Management procedure and liquidity position of the bank” based on the Internship experiences on Dhaka Main Branch of Shahjalal Islami Bank Ltd. This research is an exploratory research in nature and especially I tried to focus the internal operational activities of the bank.

## 1.3 Significance of the Study

The readers of the report have a clear knowledge about the Islami Banking and get a detail overview about the Shahjalal Islami Bank Ltd. From the learning part of the report the readers can learn the advantages of various products and services of General Banking and the financial condition of Dhaka Main Branch through graph and chart, Accounts Department's activities and some suggestions about further development of the bank.

As the study has covered the bank's services and internal activities .It will help the newly entered employees to learn the internal activities. The potential customers can know the features and advantages of General Banking products and services from the reports. The Board of Directors can see the suggestions of the report and Shareholders can learn from the report about the entire organizational overview. Last of all it helps the internee students to learn about General Banking Division and Accounts Department of Dhaka Main Branch.

## 1.4 Objectives of the Study

The general objective of this report is to analysis the Liquidity management System and product features of Shahjalal Islami Bank Limited and also describing the service operating activities of General Banking Division and Accounts Department. The Specific objectives of this report are given bellow:

- ❖ To provide an Overview of Shahjalal Islami Bank Limited.
- ❖ To provide clear concept on “Islami Banking”.
- ❖ To focus on Liquidity requirements, position and management procedure of Shahjalal Islami Bank Limited.
- ❖ To focus the Liquidity management impacts on financial performance of the Bank and highlight the development flows of the bank.
- ❖ To describe the activities of Accounts Department.
- ❖ And After the whole analysis, recommended some suggestions for the bank’s further development.

## 1.5 Methodology

This research is an **exploratory research** in nature. Because this research has developed a deeper understanding of different types of banking activities from an operational perspective that a bank performs to serves its services to its customers and discover inner insights and ideas that have potential business opportunities.

To prepare this research report **primary** and **secondary** both types of data have been used.

➤ Secondary data have been collected from the following sources:

- ❖ Annual Reports from 2001 to 2012 of Shahjalal Islami Bank Limited.
- ❖ Writings on Islami Banking from Previous Internship report.
- ❖ Banks website: [www.shahjalalbank.com.bd](http://www.shahjalalbank.com.bd).
- ❖ Other Different websites.
- ❖ Internal Records of Accounts Department.
- ❖ Various Documents from General Banking Division.
- ❖ Reference Books on Islami Banking.



➤ Primary data have been collected as follows:

- ❖ **Target populations:** The Employees of Shahjalal Islami Bank Limited, Dhaka Main Branch are the population of this study. The number of employees of Dhaka Main Branch is 110.
- ❖ **Sampling frame:** Different departments In charge of Shahjalal Islami Bank Limited, Dhaka Main Branch and respective officers of each department who have minimum two years banking experiences are the sample frame.
- ❖ **Sampling technique:** In this research report to select the sample (respondents) for primary data collection, Convenience sampling methods of Non probability sampling technique has been used.
- ❖ **Reduce sampling bias/ error:** To reduce sampling bias or error cross checking method has been applied which is asking similar issues to different respondents and matching their responses.
- ❖ **Sample Size:** The sample size of this study is 30 employees of Shahjalal Islami Bank Limited, Dhaka Main Branch.

Methods of data collection:

The data has been collected through as follows:

- I. Observation of banking activities
- II. Direct interview and conversation with different departments In charge of Shahjalal Islami Bank Limited, Dhaka Main Branch.
- III. Discussions and face to face interview with the respective officers of different departments.
- IV. Experiences gained during performing duties.

**Execution:**

Data has been analyzed through qualitative analysis method by using Ms Word software and to show the numerical comparison, tables, charts and different diagrams have been used in this report.

**1.6. Time Schedule**

I have started my internship in Shahjalal Islami Bank Limited on 06 January, 2013. I have worked in the Accounts Department’s Transaction checking unit. Accounts works under the General Banking Division. Whole General banking transactions are checked by the accounts officers. The time schedule of the work that I was performed in the Transaction checking section shown in bellow:

	1st week	2nd week	3rd week	4th week	5th week	6th week	7th week	8th week	9th week	10th week	11th week	12th week
<b>Transactions</b>												
<b>Cash</b>												
<b>Clearing</b>												
<b>Transfer</b>												
<b>GL</b>												
<b>Online</b>												

**Table 1: Work Schedule**



## 1.7 Limitations of the Report

This report is prepared based on my practical experience of working Shahjalal Islami Bank Limited, observation to other employee's activities and the information that I was able to collect from them through direct interview. In collection to the necessary information for the report I had to face some difficulty and I was not able to prepare such a report which has no limitations. This report has several limitations.

- ❖ I was working to the accounts department of Dhaka Main Branch of Shahjalal Islami bank limited so after working the whole day in the accounts department, it was vary difficult to me to know and learn about the general banking activities.
- ❖ The employees of the bank maximum time have to busy with their official work so they had not sufficient time for providing information to me.
- ❖ The bank had not sufficient record on different departmental activities; bank had no prospectus and brochure.
- ❖ I had to face much difficulty in collection of previous financial information of the bank.
- ❖ There were some restrictions to have access to the information confidential by concern authority.
- ❖ I worked on the Dhaka Main Branch of Shahjalal Islami bank limited. So I learned about the activities of Head Office through hearing not in the practical way.
- ❖ Last of all, three month is vary limited time to gain practical knowledge and prepare a report. So shortage of time is a major drawback for the whole study.

## 1.8. Research gap

In this research report there has some research gap because I cannot say that I was able to collect all the information hundred percent accurately, such as from the financial information and comparison which I have shown in this report, the reader will not understand from this report the present financial situations of the bank because these are made based on the past information and financial situation is changed every moment so they can only assume the present condition through the growth rate. The bank has a large product line such as investment product, foreign trade product but I was briefly described in this report only some of the general banking service related products for time limitation. Banking is a complex operation and as I did not prepare any other report before on “Service analysis of General Banking Division and Accounts Department”, so there has some gap and due to the time limitation, much aspect could not be discussed in the present study.

## Chapter Two

# Messages

## From the Holy Qur'an



### **Bismillahir Rahmanir Raheem**

Those who take Riba (usury) will not stand (on the day of resurrection) except like the standing a person beaten by Shaitan (Shatan) leading him to insanity. That is because they say: “Trading is only like Riba (usury)”, whereas Allah has permitted trading and forbidden Riba (usury). So whosoever receives an admonition from his Lord and stops eating Riba (usury) shall not be punished for the past: his case is for Allah (to judge); but whoever returns [to Riba (usury)], such are the dwellers of the fire- they will be abide therein.

–Surah Al-Baquarah, verse-275

Allah will destroy Riba (usury) and will give increase for Sadaqaat (deeds of charity, alms etc.) And Allah likes not the disbelievers, sinners.

–Surah Al-Baquarah, verse-276

O you who believe! Be afraid of Allah and give up what remains (due to you) from Riba [(usury) (from now onward)], if you are (really) believers.



–Surah Al-Baquarah, verse-278

And if you do not do it, then take a notice of war from Allah and His Messenger; but if you repent, you shall have your capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums).

–Surah Al-Baquarah, verse-279

## 2.1. Islamic Banking Concept

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of Islamic law (Shariah) and its practical application through the development of Islamic economics. Shariah prohibits the payment or acceptance of interest fees for the lending and accepting of money respectively, (Riba, usury) for specific terms, as well as investing in businesses that provide goods or services considered contrary to its principles (Haraam, forbidden). While these principles were used as the basis for a flourishing economy in earlier times, it is only in the late 20th century that a number of Islamic banks were formed to apply these principles to private or semi-private commercial institutions within the Muslim community.

## 2.2. Scenario of Islamic Banking in Bangladesh

In August 1974, Bangladesh signed the Charter of Islamic Development Bank and committed itself to reorganize its economic and financial system as per Islamic Shariah. In January 1981, Late President addressing the 3rd Islamic Summit 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 Late President indicated favorable attitude of the Government of the People's Republic of Bangladesh towards establishing Islamic banks and financial institutions in the country. Earlier in November 1980, Bangladesh Bank, the country's Central Bank, sent a representative to study the working of several Islamic banks abroad.

In November 1982, a delegation of 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 work had already been done and Islamic banking was in a ready form for immediate introduction.





Two professional bodies -Islamic Economics Research Bureau (IERB) and Bangladesh Islamic Bankers' Association (BIBA) made significant contributions towards introduction of Islamic banking in the country. 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, symposia and workshops on Islamic economics and banking throughout the country to mobilize public opinion in favor of Islamic banking. Their professional activities were reinforced by a number of Muslim entrepreneurs working under the aegis of the then Muslim Businessmen Society (now reorganized as Industrialist & Businessmen Association). The body concentrated mainly in mobilizing equity capital for the emerging Islami Banks. At last, the long drawn struggle to establish an Islamic bank in Bangladesh became a reality and Islami Bank Bangladesh Limited was established in March 1983 in which 19 Bangladeshi national, 4 Bangladeshi institutions and 11 banks, financial institutions and government bodies of the Middle East and Europe Including IDB and two eminent personalities of the Kingdom of Saudi Arabia joined hands to make the dream a reality.

Later, other three Islamic Banks were established in the country.

### 2.3. Objectives of Islamic Banking

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

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



## 2.4. Common practices of Islamic banks in mobilization of funds

The common practices of Islamic banks in the sources of funds may be described as follows:

### 1. Current Accounts

All Islamic banks operate current account on behalf of their client individuals and business firms. These accounts are operated for the safe custody of deposits and for the convenience of customers. There is little different between conventional banks as far the operation of current accounts is concerned. There are two dominant views about current account. One is to treat demand deposit as amnah (trust). A trust deposit is defined by the Jordan Islamic Banks as “cash deposits received by the bank where the bank is authorized to use the deposits at its own risk and responsibility in respect to profit or loss and which are not subject to any conditions for withdrawals or depositing”.

### 2. Saving Account

All Islamic banks operate saving accounts. It must be pointed out that any return on capital will be justified in Islamic way only if the capital is employed in such a way that it is expected to a business risk. Savings accounts at Islamic Banks Generally operate as follows:

- ❖ Savings accounts are opened with the condition that deposits provide the bank with an authorization to invest.
- ❖ Depositors have the right to deposit and withdraw funds.
- ❖ The profits in savings accounts are calculated on the minimum balance maintained during the month. Depositors participate in the profits of savings accounts with effect from the beginning of the month following the month in which the deposits are made. Profits are not calculated with effect from the beginning of the month in which a withdrawal is made from the account.
- ❖ A minimum balance has to be maintained in order to qualify for a share in profit.



### 3. Investment Deposit

Investment deposits are Islamic banks counterparts of term deposits or time deposits in the conventional system. They are also called profit and Loss-Sharing (PLS) Accounts or Participatory Account. However they can be distinguished from traditional fixed term deposits in the following manner:

- ❖ Fixed term deposits in the conventional system operate on the basis of interest while investment accounts in Islamic banks operate on the basis of profit sharing. Instead of promising depositors a predetermined fixed rate of return on their investment the bank tells them only the ratio in which it will share the profits with them.
- ❖ While fixed term deposit are usually distinguished from each other on the basis of their maturities investment deposits can be distinguished on the basis of maturity as well as on the basis of purposes as it is possible to give special instructions to the bank to invest a particular deposit in a specified project or trade.

The main distinguishing characteristics of investment deposits can be described as follows:

- ❖ Deposit holders do not receive any interest. Instead they participate in the share of the profits or losses.
- ❖ Usually these accounts are opened for a specific period e.g. three months, six month, one year or more.
- ❖ The return on investment is determined according to actual profits from investment operations of the bank and shared in an agreed proportion by depositors according to the amount of their deposits and the period for which the bank holds them.
- ❖ Generally speaking depositors do not have the right to withdraw from these accounts as is customary in time deposits in conventional banks.



## 2.5 Islamic Financial Vehicles

Islamic banks around the world have devised many creative financial products based on the risk sharing and profit sharing principles of Islamic banking. For day to day banking activities a number of financial instruments have been developed that satisfy the Islamic doctrine and provide acceptable financial returns for investors.

### 1. Al-Mudaraba (Profit sharing)

This implies a contract between two parties whereby one party the rabb al mal (beneficiary; owner or the sleeping partner), entrusts money to the other party called the mudarib (managing trustee or the labor partner). Important features of Mudaraba are as follows:

- ❖ The division of profits between the two parties must necessarily be on a proportional basis and cannot be a lump sum or guaranteed return.
- ❖ The investor is not liable for losses beyond the capital he has contributed.
- ❖ The mudarib does not share in the losses except for the loss of his time and efforts.

### 2. Murabaha

This is the sale of a commodity at a price, which includes a stated profit, which includes a stated profit known to both the vendor and the purchaser. This can be called a cost plus profit contract. The buyer in deferred payments usually pays the price back. Under Murabaha the Islamic bank purchases in its own name, goods that an importer or a buyer wants and then sells them to him at an agreed mark-up. This technique is usually used for financing trade, but because the bank takes title to the goods, and is therefore engaged in buying and selling its profit derives from a real service that entails a certain risk and is thus seen as legitimate.



### 3. Musharaka (Profit and loss sharing)

**This is a partnership normally of limited duration formed to carry out a specific project. It is therefore similar to a western- style joint venture, and is regarded by some as the purest form of Islamic financial instrument, since it conforms to the underlying partnership principles of sharing in and benefiting from risk. In this case the bank enters into a partnership with a client in whom both share the equity capital and perhaps even the management of a project or deal and both share in the profits or losses according to their equity shareholding.**

### 4. Ijarah (Lease financing)

**Another popular instrument is leasing which is designed for financing an asset or equipment. It is a manfaah (benefit) or the right to use the asset or equipment. The lessor leases out an asset or equipment to the client at an agreed rental fee for a pre-determined period pursuant to the contract.**

### 5. Ijarah Wal-iqtina (Hire Purchase)

**Equivalent to the leasing and installment loan, hire- purchase, practices that put millions of drivers on the road each year. These techniques as applied by Islamic banks include the requirement that the leased items be used productively and permitted by Islamic law.**

### 6. Muqarada

**This technique allows a bank to flat what are effectively Islamic bonds to finance a specific project. Investors who buy muqaradah bonds take a share of the profits of the project being financed, but also share the risk of unexpectedly low profits or even losses.**

### 7. Bai-Salam

**A buyer pays in advance for a specified quality of a commodity, deliverable on a specific date at an agreed price. This financing technique, similar to a futures or forward- purchase contract is particularly applicable to seasonal purchase but it can also be used to buy other goods in cases where the seller needs working capital before he can deliver.**

### 8. Istisna (Purchase order)

**This is a sale and purchase agreement whereby the seller undertakes to manufacture or construct according to the specification given in the agreement. It is similar to bai salam the main distinction being the nature of the asset and method of payment. Istisna generally covers those things which are customarily made to order and advance payment of money is not necessary as required in bai salam. The method of payment in istisna is flexible.**

### 9. Bai-Muajjal

The terms 'Bai' and 'Muajjal' have been derived from Arabic words 'Bai' and 'Ail'. The word 'Bai' means purchase and sale. The word 'Ajl' means fixed time or a fixed period. 'Bai-Muajjal' means sale for which payment is made at a future fixed date or within a fixed period. In short, it is a sale on credit. 'Bai-Muajjal' may be defined as a contract between a buyer and seller under which the seller sells specific goods to the buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installment's.

### 10. Hire Purchase under Shirkatul Melk

Shirkat means partnership. Shirkatul Melk means share in ownership when two or more persons supply equity to purchase an asset own the same jointly and share the benefit as per agreement and bear the loss in proportion to their equity, the contract is called Shirkatul Melk contract.

### 11. Quard-Al-Hasan

It is a virtuous loan. Through this mode, Bank provides loan to its customer for a certain period, which bears no profit/loss/compensation.

### 12. Direct Investment

Islamic Bank without the help/assistance of any client may directly invest its fund/capital in share, securities, business and industry. Profit and loss in this business is exclusively, the internal matter of the Bank.

The concepts of equity and morality are at the root of Islamic banking. In Islam moral and equitable values form an integral part of the rules of law governing contractual and financial relations to such an extent that the relationship, which exists between equity law and relation, is an organic rather than supplementary relationship. The importance of Islamic banking has increased dramatically over the past 10 years. The main differences between Western and Islamic style banking is the concentration on people and their businesses rather than on accounts it is a much more grass roots banking according to one expert.



## Chapter Three





### 3.1 Background of Shahjalal Islam Bank Limited

**Shahjalal** Islami Bank Limited (SJIBL) commenced its commercial operation in accordance with principle of Islamic Shariah on the 10th May 2001 under the Bank Companies Act, 1991. During last nine years SJIBL has diversified its service coverage by opening new branches at different strategically important locations across the country offering various service products both investment & deposit. Islamic Banking, in essence, is not only INTEREST-FREE banking business, it carries deal wise business product thereby generating real income and thus boosting GDP of the economy. Board of Directors enjoys high credential in the business arena of the country, Management Team is strong and supportive equipped with excellent professional knowledge under leadership of a veteran Banker Mr. Md. Abdur Rahman Sarker.

#### Vision of SJIBL

To be the unique modern Islami Bank in Bangladesh and to make significant contribution to the national economy and enhance customers' trust & wealth, quality investment, employees' value and rapid growth in shareholders' equity.

#### Mission of SJIBL

- ✓ To provide quality services to customers.
- ✓ To set high standards of integrity.
- ✓ To make quality investment.
- ✓ To ensure sustainable growth in business
- ✓ To ensure maximization of Shareholders' wealth.
- ✓ To extend our customers innovative services acquiring state-of-the-art technology blended with Islamic principles.
- ✓ To ensure human resource development to meet the challenges of the time.

**Strategies of SJIBL**

- ✓ To **strive** for customers best satisfaction & earn their confidence.
- ✓ To **manage & operate** the Bank in the most effective manner.
- ✓ To **identify** customers needs & monitor their perception towards meeting those requirements.
- ✓ To **review & updates** policies, procedures & practices to enhance the ability to extend better services to the customers
- ✓ To **train & develop** all employees & provide them adequate resources so that the customer's needs are reasonably addressed
- ✓ To **promote** organizational efficiency by communicating company plans, polices & procedures openly to the employees in a timely fashion.
- ✓ To **cultivate** a congenial working environment.
- ✓ To **diversify** portfolio both the retail & wholesale markets.

**Motto OF SJIBL**

- ✓ Committed to Cordial Service

### 3.2 Corporate Information

<b>Name of the Company</b>	Shahjalal Islami Bank Limited
<b>Legal Form</b>	A public limited company incorporated in Bangladesh on 1st April 2001 under the companies Act 1994 and listed in Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.
<b>Commencement of Business</b>	10th May 2001
<b>Head Office</b>	Uday Sanz, Plot No. SE (A) 2/B Gulshan South Avenue, Gulshan – 1, Dhaka-1212.
<b>Telephone No.</b>	88-02-8825457,8828142,8824736,8819385,8818737
<b>Fax No.</b>	88-02-8824009
<b>Website</b>	www.shahjalalbank.com.bd
<b>SWIFT</b>	SJBL BD DH
<b>E-mail</b>	sblho@shahjalalbank.com.bd
<b>Auditors</b>	M/S. Syful Shamsul Alam & Co. Chartered Accountants Paramount Heights 65/2/1 Box Culvert Road (level-6) Purana Paltan, Dhaka-1000
<b>Tax Advisor</b>	M/S K.M Hasan & Co. Chartered Accountants 87, New Eskaton Road Dhaka.
<b>Legal Advisor</b>	Hasan & Associates Chamber of Commerce Building (6th floor), 65-66 Motijheel C/A, Dhaka
<b>No. of Branches</b>	74

<b>No. of ATM Booth</b>	16
<b>No. of SME Centers</b>	06
<b>Off-Shore banking Unit</b>	01
<b>No. of Employees</b>	1601

**Stock Summary:**

<b>Authorized Capital</b>	Tk. 6,000 million
<b>Paid up Capital</b>	Tk. 4453.0 million
<b>Face Value per Share</b>	Tk. 10

**Table 2: Corporate Information**

### 3.3 Shariah Council

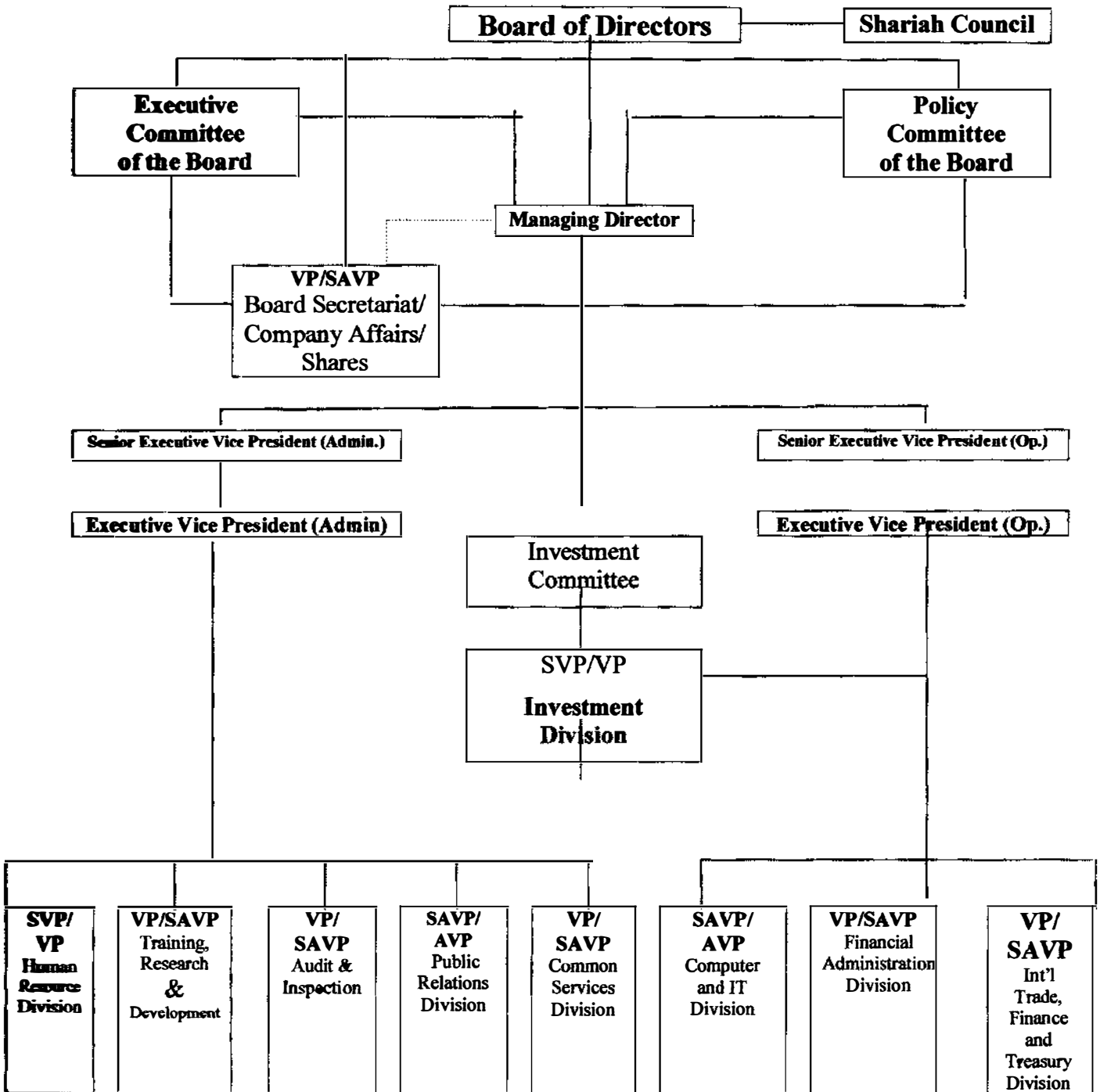
Shariah Council of the Bank is playing a vital role in guiding and supervising the implementation and compliance of Islamic Shariah principles in all activities of the Bank since its very inception. The Council, which enjoys a high status in the structure of the Bank, consists of prominent ulema, reputed banker, renowned lawyer and eminent economist.

Members 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 principles are implemented and complied with meticulously by the branches of the Bank.



### 3.4 Management Organogram of SJIBL

Management Hierarchy of Bank's Head Office



**Chart1: Organogram**



### 3.5 Management with change of commends of Shahjalal Islami Bank Limited

<p><b>Top Level Management</b></p>	<p>Chairman Board of Directors Executive Committee Shariah Council Managing Director(MD)</p>
<p><b>Executive Level Management</b></p>	<p>Deputy Managing Director(DMD) Senior Executive Vice President(SEVP) Executive Vice President(EVP) Senior Vice President(SVP) Vice President(VP) Senior Assistant Vice President(SAVP) Assistant Vice President(AVP)</p>
<p><b>Mid Level Management</b></p>	<p>Assistant Vice President (AVP) Senior Executive Officer (SEO) Executive Officer (EO) Principal Officer(PO) Senior Officer (SO)</p>
<p><b>Entry Level</b></p>	<p>Management Trainee Officer(MTO) Junior Officer(JO), Assistant Officer(AO), Officer, Trainee Officer(TO)</p>

Table 3: Management Hierarchy



# Chapter Four

Chapter Four

Chapter Four

Chapter Four

## 4.1 General Banking Division of Shahjalal Islam Bank Limited

General Banking Division is the most important division of Shahjalal Islami Bank Limited. Basically bank provides the main services to the customer through this division. Every day it receives deposits from the customers, provides various services and meets their demand by honoring cheque. It opens new accounts, issues bank draft and pay order etc and every day provides day to day services to the customer.

## 4.2 The Services of General Banking

### □ Accounts Services:

#### ➤ Al Wadiah Current Deposit Accounts

- ✓ **Minimum amount for Current Deposit Account :** Al Wadiah Current Deposit Accounts shall be opened with a minimum of Tk. 5,000/ which is also the minimum balance required to be maintained by the Account holder.
- ✓ **Payment on Accounts demand:** Funds in the Al Wadiah Current Deposit shall be payable on demand and the Bank guarantees repayment of such funds in full, less the Bank charges, if any in accordance with normal banking traditions, during the banking hours.
- ✓ **No Profit:** No profit on Al Wadiah Current Deposit Account balances shall be allowed and the Bank at its own discretion uses the funds of Al-Wadiah current deposit accounts without any risk to the account holder.



### ➤ Mudaraba Savings Deposit Accounts (Msd)

- ✓ **Minimum amount for Mudaraba Savings Deposit Account:** Mudaraba Savings Deposit Account shall be opened with a minimum of Tk.2,000/ which is also the minimum balance required to be maintained by the Account holder for sharing profit on his deposit.
- ✓ **Rate of profit:** Profit on Mudaraba Savings Deposit Accounts shall be allowed at the rate as advised by Head Office from time to time under Mudaraba Principle. At present Profit Rate 4%.
- ✓ **Profit application of:** Profit is to be applied on half yearly basis i.e. in June & December and Profit shall be accrued in each month.
- ✓ **Two withdrawals a week:** Maximum withdrawals of Tk.25,000/ from Mudaraba Savings Deposit Account twice a week are admissible.

### ➤ Mudaraba Term Deposit Accounts (Mtd)

- ✓ **Amount & the period of Mudaraba Term Deposit**
  - Mudaraba Term Deposit Account shall be opened for a fixed period varying from 90 days, 180 days, 360 days or above and are payable at a fixed date of maturity.
  - Mudaraba Term Deposit Accounts can be opened with a minimum deposit of Tk.2,000/.

Profit on Mudaraba Term Deposit Account shall be payable at maturity of the deposits. The customers will have the option of withdrawing profit accumulated at maturity or on half yearly basis or may leave the profit with the principal.



➤ **Mudaraba Short Notice Deposit Accounts (Msnd)**

✓ **Period of Notice:**

1. The deposits held in these accounts shall be payable on short notice period but the notice must not be less than 7 days.
2. The deposits may be accepted for the period and rates of profit are fixed by Head Office from time to time.
  - Profit shall be paid only for each day held, but profit on notice period will be forfeited; if withdrawn without notice.
  - Profit on MSND account shall be applied on yearly basis (i.e. December each year) .Present Rate is 3.5%.

➤ **SJIBL VISA Card**

Card is considered as a new dimension of product resulting from technological development in the banking arena. In line with our affiliation with VISA International for VISA ATMs and POS, the following two products are launched broadening service products of the Bank to the clients:

- ✓ VISA Electron (SJIBL VISA Debit Card - local)
  - ✓ VISA Prepaid (SJIBL VISA Prepaid Card)
1. SJIBL VISA Prepaid (Prepaid Card - International)
  2. SJIBL VISA Prepaid (Prepaid Card - Dual)
  3. SJIBL Souvenir Card (Gift Card - Local)



➤ **SME Banking:**



**1. Prottasha for Small Enterprises**

**2. Prottasha for Women Entrepreneur**

Shahjalal Islami Bank Limited (SJIBL) is firmly committed to implement and materialize the economic and financial principles of Islam in the Banking Arena. The very essence of Islamic mode of banking is to remove the disparity through establishing equity justice in trade, commerce and industry sector, creating opportunities for employment, boosting up income generations which ultimately help alleviation of poverty from the society.

It is well-known that women's empowerment and economic development go hand-in-hand. Now a day Women Entrepreneurs are receiving greater attention from policymakers and experts in developed and developing countries. In our country, Women Entrepreneurs are also encouraged to contribute to the national economy through establishing and expanding small & medium enterprises all over the country.

➤ **SJIBL ATM Booth Service:**

Shahjalal Islami Bank Limited is providing ATM services to its valuable cardholders 24/7 for 365 days. At present the Bank has 13 ATM's of its own and also providing ATM services to its customers through shared ATM with Q-Cash member Banks, DBBL, BRAC Bank and other VISA ATMs.



**ATM Transaction Charges:**

	Charges per transaction
<b>SHJL ATM</b>	Free
<b>Q-Cash Network</b>	Tk.10.00
<b>Dutch Bangla Bank Ltd.</b>	Tk.20.00
<b>OMNIBUS (BRAC bank Ltd.)</b>	Tk.20.00
<b>Other VISA ATM</b>	Tk.125.00

Table 7: ATM Transaction charge

(Source: Document of GB)

➤ **Foreign Remittance Service:**

Western Union a fast, reliable and convenient way to send a money transfer. Western Union Financial Services Inc. U.S.A. is the number one and reliable money transfer company in the world. This modern Electronic Technology based money transfer company has earned worldwide reputation in transferring money from one country to another country within the shortest possible time.

Shahjalal Islami Bank Limited has set up a Representation Agreement with Western Union Financial Services Inc. U.S.A. Millions of people have confidence on Western Union for sending money to their friends and family. Through Western Union Money Transfer Service, Bangladeshi Wage Earners can send money quickly from over 280,000 Western Union Agent Locations in over 200 countries and territories world wide- the world's largest network of its kind, only by visiting any branches of Shahjalal Islami Bank Limited in Bangladesh.

Kushiara Money Transfer's a definition of safety and reliability and a popular Money Transfer Company in United Kingdom (U.K.). Kushiara offers "Instant Cash" next day collection from Bank counter at most cities in Bangladesh and "Quick Credit" to beneficiary's account in all over the Bangladesh. Payment may be made by bank deposit (Kushiaras account at Barclays Bank) or cheque or bank draft.



Shahjalal Islami Bank Limited is a member of the society for Worldwide Inter Bank Financial Telecommunication (in abbreviation S.W.I.F.T). SWIFT is the industry-owned cooperative supplying secure, standardized messaging services and interface software to nearly 8,100 financial institutions in 207 countries and territories. SWIFT members include banks, broker-dealers and investment managers. The broader SWIFT community also encompasses corporate as well as market infrastructures in payments, securities, treasury and trade

### 4.3 Products of Shahjalal Islami Bank Limited

#### ➤ Mudaraba Monthly Income

Based on the Islamic Shariah Shahjalal Islami bank has opened the Mudaraba Monthly Income Deposit Scheme. Under this Scheme the investor can gain a certain amount of monthly profit. Specially this scheme is designed for the retired service holder and foreign wage earners who want to get a fixed amount of monthly profit from their investment to bare their families/dependants.

**Term:** This deposit Scheme has to open for three years. After three years the bank paid the whole deposit money to the depositor.

**Benefit:** 12% (TK.1000/- Per month per lac.)

#### ➤ Mudaraba double money

Wealth can increases more wealth. Under this deposit scheme the investor get the facility of safe and profitable investment and can increase the saving money at double or triple after a fixed time period.

#### ➤ Mudaraba Monthly Deposit

Shahjalal Islami Bank Limited has opened Mudaraba Deposit by considering tl low class and middle class occupational people. Under this scheme the depositor can deposit every month any amount of money according to their capability. And after the certain period the depositor can withdraw their money with attractive and large amount of profit.



➤ **Mudaraba Millionaire**

Shahjalal Islami bank limited has designed this deposit scheme for the middle class and low class occupied and service holder people. Under this deposit scheme the depositor can earn after the time period 1 million taka at a time.

➤ **Mudaraba Housing Deposit**

Shahjalal Islami Bank For limited earning people gives the saving facilities for Housing. Under this deposit scheme bank's maximum investment will be Taka.75 lac.

➤ **Mudaraba Cash Waqf Deposit**

Waqh is a significant institute in Islam. We come to know the importance of waqf in Holy Qur'an and Hadis. "In Surah Al- Imran Allah says to the believers that we can not wish to get the mercy of Allah if we do not spend our loving think for Allah. Shahjalal Islami Bank Limited has opened the Mudaraba Cash Waqf Certificate Scheme for those people who have the interest of investment for the social development and wellbeing of humanity.

➤ **Mudaraba Hajj Deposit scheme**

"Pilgrimage to the house is a duty to Allah for all who can make the journey."

(Al- Qur'an-3: 97)

Hajj is one of the fundamental worship (Ibadat) of Islam. However, because of the socio-economic situation in the country, many people interested to perform Hajj but cannot arrange the required amount of money at a time to perform Hajj. The desire of many people to perform Hajj is thus never fulfilled. Over twenty five thousand devoted Muslims from Bangladesh perform holy Hajj every year. Financial solvency and physical fitness are the pre-requisites of performing Hajj. Shahjalal Islami Bank Limited has, therefore, introduced "Hajj Savings Scheme" so that persons who eager to perform holy Hajj may build-up savings through 'Mudaraba Hajj Deposit'.

➤ **Mudaraba Lakhopoti Deposit Scheme**

Shahjalal Islami Bank Limited has opened Mudaraba Lakhopoti Deposit Scheme for low class and middle class people to inspire in saving. Under this scheme the



investor can withdraw Tk.one lac after certain time period. This is a big return for this people. For which it is difficult to save this amount of money after bearing daily expenditure.

#### ➤ Mudaraba Bibaho Deposit

One of the great responsibilities of parents to their child is after their maturity to arrange their marriage. In our society it is considered as a social ceremony where the parents have to expense a large amount of money. It is a big headache for the low and middle class people. Shahjalal Islami Bank has opened this scheme under considering this matter. Parents can open this scheme after the born of the child and can assure the safe future for them and can enjoy the tensionless life.

#### ➤ Mudaraba Shikha Deposit

Education is the back bone of the nation. Bangladesh is a developing country. Majority people lives here under the poverty line. Every parent has a big dream with their child but for poverty it does not come true. So for the bright future of the child, parents can open the scheme. And can save money for their children's education.

### 4.4 Impact of General Banking Services on Bank's Profits

Every year bank's target is to increase profit. A big portion of bank's profits obviously comes from the General Banking Division. The total deposit in Dhaka Main Branch of Shahjalal Islami Bank Limited was Tk 9894.09 million on 31.12.2010 as against Tk 8184.68 million on 31.12.2009 an increase of Tk 1709.41 million as 20.89% growth. This was possible due to the delivery of superior customer services. The Bank always tried to give the highest return on deposits to the customers. The mobilized deposits were ploughed back in economic activities through profitable and save investment. For this reason the number of accounts and deposit schemes are increasing day by day.



The increasing numbers of Mudaraba Savings Accounts are shown in below:

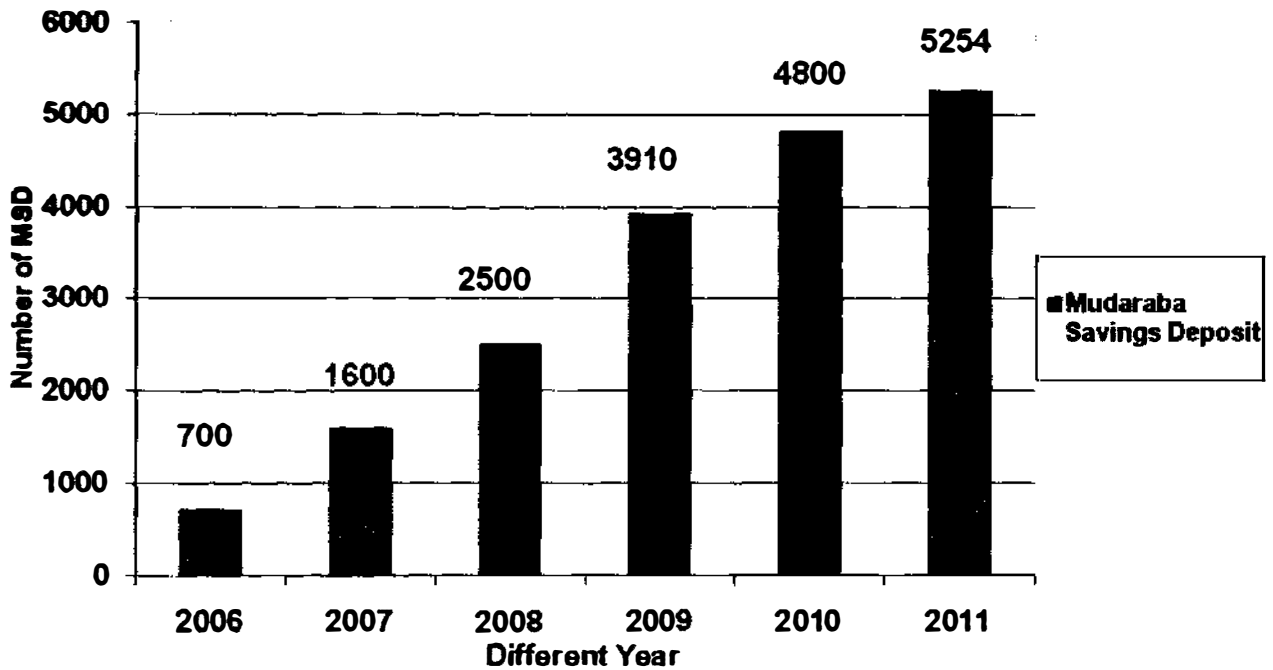


Figure 1: Number of Mudaraba Savings Deposits of Dhaka Main Branch from 2006 to 2010.

Deposit Mix of Dhaka Main Branch -2011

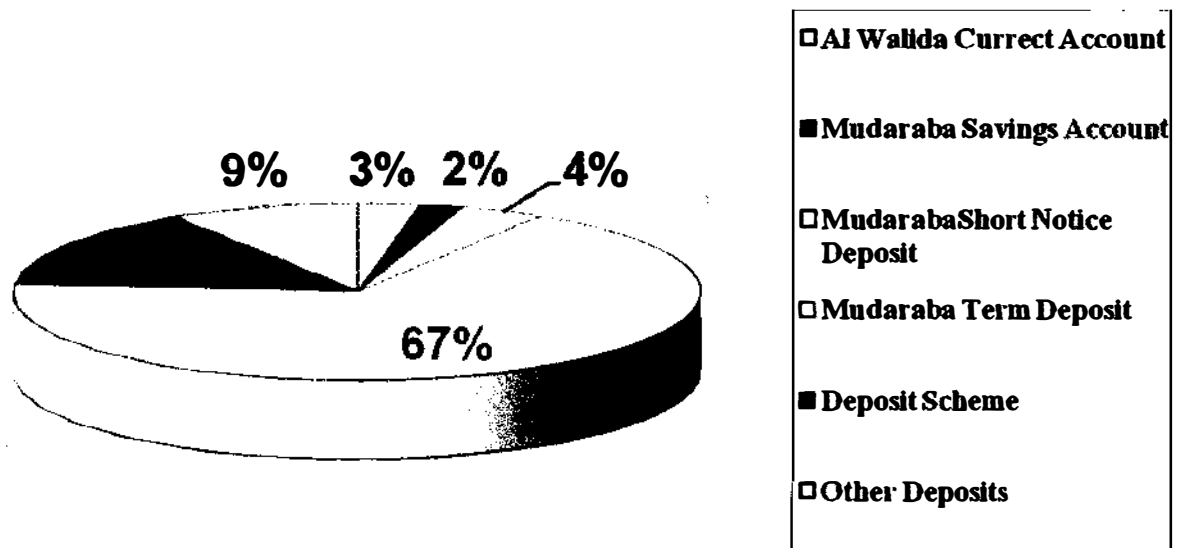


Figure 2: Deposit Mix of 2010





**Trend of Deposit from 2006 to 2011 of Dhaka Main Branch**

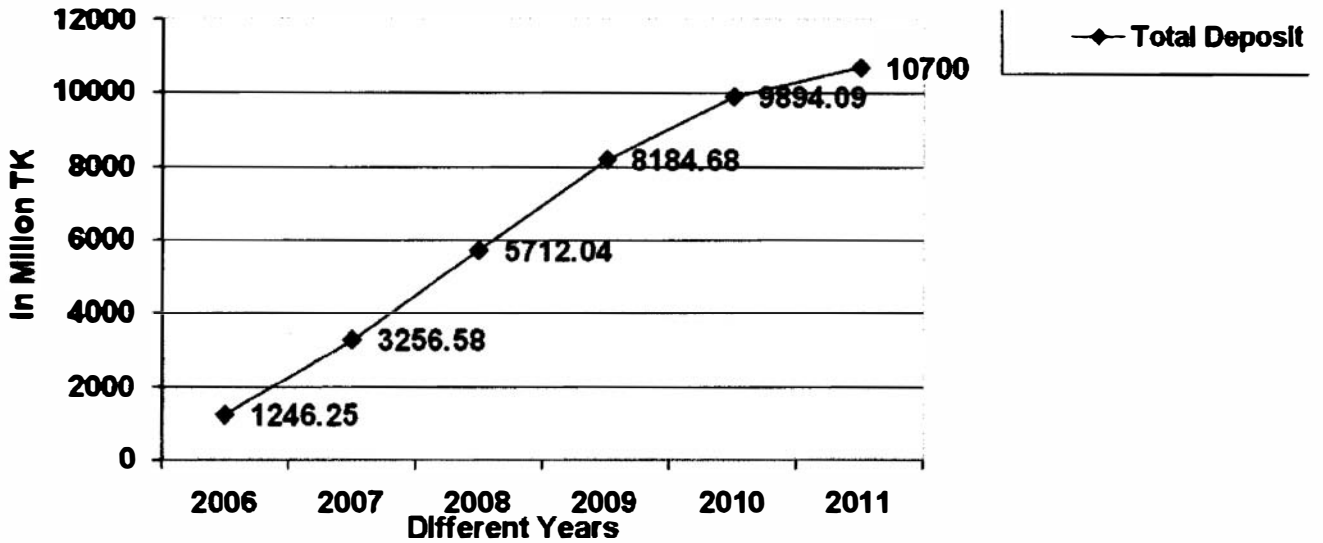


Figure 3: Trend of Deposit from 2006 to 2010

**Operating Result of Dhaka Main Branch**

In Million Taka

<b>Total Income</b>	565	752.02	930	1172.73	1364	2183
<b>Total Expenditure</b>	334.27	471.89	579.2	768.95	790.72	1317
<b>Net profit before provision and tax</b>	230.73	280.04	350.80	403.78	573.28	866

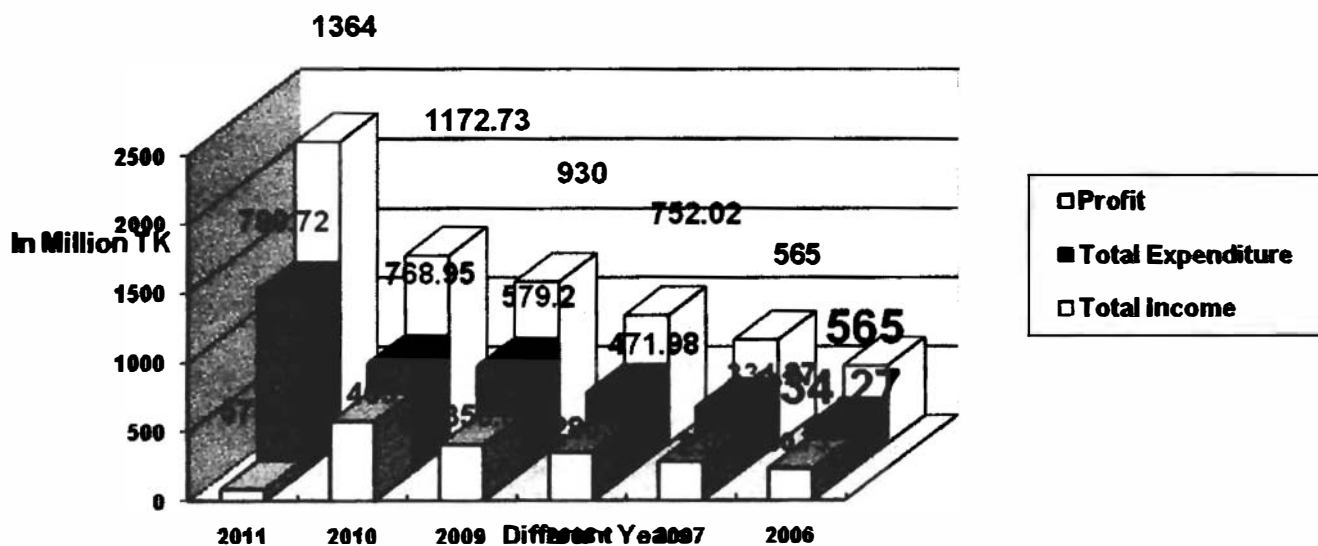


Figure 4: Operating Result

## 4.5 Activities of General Banking Division for providing customer service

Shahjalal Islami Bank Limited is committed to provide cordial services to its customers. To provide the cordial service and efficiently operate it's operations, General banking Division serves it's services from several service units.



**Chart 2: General Banking Division Service Unit.**



### ➤ Front Desk:

People who want to open deposit accounts for profit or get account services or keen to take other banking services, after entering to the bank they have to go to the front desk. The front desk officers are warmly welcomed their clients and help them by providing necessary information that they need and then sending them to the respective officers of the respective department depending on which department's services they have needed.

### ➤ Customer care:

Customer care all time provides their customers cordial service. Customers are able to know the update account information and other service related current information from customer care. Customers also can telephone to customer care or face to face can take this service.

### ➤ Accounts Opening:

The respective Officers of this unit assign to open the customer's account in the bank. Everyday the numbers of accounts are increasing. Many customers are coming daily to open their new accounts. In this section's officers are provide counseling them about the features, advantages and profits of different accounts and deposit schemes and the procedures of opening the new account. Then receiving the necessary documents and proofing that these are right they fill up the customer's necessary information on the account's form and then opening their new customer's new accounts in the bank.

### ➤ MTDR:

From the accounts opening unit the customers can open bank accounts and short term deposit schemes. MTDR unit is responsible for opening customer's long term deposits schemes which have big installment such as: Mudaraba Term Deposit Receipt (MTDR), Mudaraba Monthly Income, Mudaraba double Money etc.



➤ Cash Counter:

After opening the bank account in the bank the customers need to deposit the money and withdraw the money form his/ her particular account. Cash counter provide this service to the customers.

✓ To deposit the money the customers have to fill up the deposit slip with mentioning the deposit amount, account number, date and sign .The officer of cash counter after checking the money by the checking machine, then provide the entry of this transaction in the computer then after seal to the deposit slip give a carbon copy of it to the customer and keep the money on the cash volt.

✓ Customers can withdraw the money from his account when they needed through the cheque of his account's cheque book. After fill up the cheque the customer show it to the cash counter for honour. There can be three types of cheque:

a) **Posted cheque:** The cheque which is presented for honour before the date mentioned in the cheque for honour. This is an invalid cheque. Bank does not honour these types of cheque.

b) **Back dated cheque:** The cheque which is presented for honour after the date mentioned in the cheque for honour. Bank honour this type of cheque if it is presented within six months after the issuing date.

c) **Stale cheque:** The cheque which is presented for honour after more than six months of the issuing date. These types of cheque are invalid cheque. Bank does not honour these types of cheque.

**The cash counter's officer has to check that the cheque is valid or invalid. If the cheque is valid then they justify the sign of the account holder and see the account position. It the**

customer's account has the ability to honour the cheque then the officer received the cheque and provides the money of cheque to the customer from the bank's vault. But for the big amount the customer has to need an approval from the GB Incharge to withdraw the money from his/her account.

#### ➤ Clearing & ACPU:

Bank provides to the customers the cheque clearing service which is when a customer gets another bank's cheque directly he/she can deposit this cheque on her account. Bank collects the money on behalf of the bank's client through the operation with the central bank clearing house. Clearing unit of the bank provides this service to the customer. The officer of clearing unit receives the clearing cheque from the customer than make a credit voucher of it and provides the customer one of the carbon copy of it. Then send the clearing cheque to the ACPU unit. ACPU make a scan copy of this cheque and send it to the central bank through BACH (Bangladesh bank clearing house) software. Then central bank provides the clearing money to the Head office. Then head office sends it to the Dhaka Main Branch. After receiving the clearing money from the head office Dhaka Main Branch transfer it to the customer account.

#### ➤ PO/IBC/OBC:

Bank provides the *Payment Order* and Demand Draft services to the customer. To reduce the risk of taking money from one place to another people can take this service. Such as if a customer make a pay order form one branch for a certain place then he can withdraw from the branch of that place. Demand Draft is same as the pay order. Under the clearing zone bank issue the pay order and out of the clearing zone bank provides the demand draft services to the customer. PO provides the pay order service to the customer to get the pay order service the customer has to fill up pay order form and then they have to give the money to the cash counter; the officer of cash counter will return him a pay order recites. With this receipt the customer will get a pay order cheque from the bank. From this cheque he can withdraw the money from the other branch.

: *Outward bill collection* means the collection of bill from other banks which is situated outside the clearing zoon. Say, a customer of Dhaka Main Branch of Shahajalal Islami bank gives a cheque of One bank's Tongi branch to deposit these money on his



**account.** This cheque will come to the OBC unit for collection. OBC unit will make a OBC **advice** and giving a transaction number on it and after signing it by the authorized officer and **GB in charge** .Then it and the one bank's cheque is send it to the Tongi branch Shahjalal Islami bank's IBC unit for collect the money from One bank Tongi Branch.. Tongi branch Shahjalal Islami bank will collect the money through Tongi Branch Sonali Bank which is responsible for clearing operations on Tongi on behalf of the central bank, which is outside the clearing zoon. After collecting the money the Tongi branch of SJIBL will send the money to the Dhaka Main Branch and after cutting the OBC Charge the Dhaka Main Branch will **transfer** the money to the customer account.

The instruments sent to us from the outstation branches of the banks for collection are called *Inward Bills for Collection* (IBC). Such instruments may be drawn on us or on other branches /banks of the city.

#### ➤ Foreign Remittance:

Remittance means transfer of fund one place to another. When money transferred from one country to another is called Foreign Remittance.

Foreign Remittance can be two types:

1. Inward Foreign Remittance: Inward Foreign Remittance means Remittance received from foreign countries.
2. Outward Foreign Remittance: Out ward remittance of funds is made by TT (Telegraphic
3. Transfer), Demand Draft etc. The remitter has to deposit money along with the application contains name, address of the payee, name of the currency etc. All outward remittances must cover transactions approved by the Bangladesh Bank which are usually for importer travel and educational expense.

For inward remittance, Foreign Remittance unit open the customer's nesto account. The money comes from abroad to the International Division of Head Office. The account number is written on the advice and then Head office sends it to the Foreign Remittance unit of Dhaka Main Branch. Foreign Remittance unit keep it to the Bank's GL account then it is transferred to the customer nesto account from the GL account.

➤ Dispatch:

Letters, applications or other documents of bank from other branches or head office or Central bank or other banks entering and outgoing through the dispatch. Such as inter bank transaction debit advice (IBCA) or inter bank transaction credit advice (IBCA) which are used for inter bank transaction that means branch to branch transaction. When a branch send IBCA or IBDA or other letter or other instruction as a written from by courier service, all documents come to the bank's dispatch.

## 4.6 Accounts Department

Accounts department is under the general banking division. Shahjalal Islami Bank Limited has special banking software which is controlled by the Head Office IT department. All transactions occur in this software. The whole banking transactions are automatically calculated by this computer software system. The respective employees have user ID, by using this user ID they input the transaction entry in the computer. Transactions occur under four transaction mode. These are cash, transfer, clearing and GL. In all transaction, one party is debited and another party is credited. So two types of vouchers are generated for every transaction, one is debit voucher and another is credit voucher. These vouchers are the only one document of the bank's transaction. After the transaction all vouchers come to the accounts department for rechecking and then bank save these vouchers in their reservation unit for one year. After one year these vouchers go to the Head Office's permanent reservation unit. Bank maintains it carefully to meet the customers claim.

In Holy Qur'an Allah Says "Believers, when you contract a debt for a fixed period, put it in writing. Let a scribe write it down for you with fairness; no scribe should refuse to write as Allah has taught him. Therefore let him write; and let the debtor dictate, fearing Allah his Lord and not diminishing the sum he owes. If the debtor be an ignorant or feeble-minded person, or one who cannot dictate, let his guardian dictate for him in fairness. Call in two male witnesses from among you, but if two men cannot be found, then one man and two women whom you judge fit to act as witnesses; so that if either of them makes an error, the other will remind her. Witnesses must not refuse if called upon to give evidence. So do not fail to put your debts in writing, be they small or large, together with the date of payment.

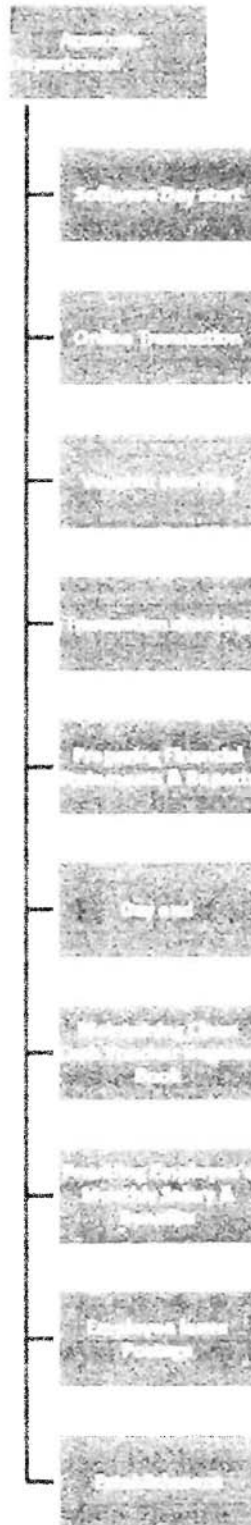




This is more just in the sight of Allah; it ensures accuracy in testifying and is the best way to remove all doubt. But if the transaction be a bargain concluded on the spot, it is no offense for you if you do not put it into writing. See that witnesses are present when you barter with one another, and let no harm be done to either scribe or witness. If you harm them you will commit a transgression. Have fear of Allah; Allah teaches you, and Allah has knowledge of all things.”

– Surah Al-Baqarah, verse-282.

### 4.7 Functions of Accounts Department



**Chart 3: Activities of Accounts Department.**



### ➤ Software Day Start and Day End:

Every day before beginning the transaction the respective accounts officer **has** to start the software then the transaction is started. All employees' computers are **interconnected** with a network system. Respective employees has their own user ID by using it they input the transaction entry to the computer. After entry the transaction the clients' **accounts** is updated automatically. At the end of the day the respective officers has to close **the account** and day end the software. Before day end the accounts officer has to check out all **the transactions** because if there has any mistake then the software will not be closed.

### ➤ Online Transaction:

Bank provides to its customers the online banking service. For online **banking** Services customers can deposit and withdraw the money from his account from any **branch**.

Accounts department's respective officer operates the online transactions. When a customer **want** to withdraw money or deposit the money to his account which is not in the Dhaka Main Branch, which can be the any other branch of Shahjalal Islami bank limited like Barishal Branch. Then the account holder fill up the deposit slip or cheque and presented to the **accounts** officer, then accounts officer using his online transaction ID number and using the **branch** code number through online enter the Barishal branch's this customer's account and if **this** customer wishes to withdraw the money then the officer debit the Barishal branch cash in **hand** account and credit this customer's Barishal branch bank account. After end of the **transaction** the customer withdraw the money from the Dhaka Main Branch's cash counter **showing** the online transaction slip. Dhaka Main Branch from it's GL account will provide **money** to the customer. Now Dhaka Main Branch is the accounts receivable to Barishal branch and Barishal branch is accounts payable .Then the accounts officer reserve a scan **copy** of the cheque as the online transaction document and then make an IBDA with the **cheque** send it to the Barishal branch through the banks courier service. Then the Barishal **Branch** will send an IBCA to the Dhaka Main Branch. And the money will transfer to the **Dhaka** Main Branch' GL account. As the same for deposit the money through the online the **transaction** will be vice versa. Then the Dhaka Main Branch sends to the Barishal branch **IBCA** and the Barishal branch will send IBDA to the Dhaka Main Branch.



### ➤ Voucher sorts and transaction checking:

**Transactions** can be occurred under the following transaction modes:

- ✓ Cash
- ✓ Clearing
- ✓ Transfer
- ✓ Online
- ✓ GL (General ledger)

**After the transaction** the vouchers of these transactions come to the accounts department for **checking** with the detail supplementary, the print out copy of transactions summary. This is **the last step** of manual checking of the transaction. Then the vouchers are reserved as the **document** for resolving the customer's claim.

#### Cash:

Cash vouchers are cheque and deposit slip. When bank deposit its income to the bank, its go to the GL account and bank withdraw the money from necessary purposes from the GL account. Thus cash transaction hits the GL account and cash transaction vouchers are generated in GL transaction.

#### Clearing:

After the clearing operation with the central bank clearing house send the clearing money to the head office. Then the head office send it to the Dhaka Main Branch's GL account through IBCA ,then the Dhaka Main Branch transfer the money from the GL account to the customer account. Thus the clearing transaction hits the GL account and transfer vouchers and clearing vouchers are generated for GL transaction

#### Transfer:

Bank provides salary to the employees From the Banks GL account. Bank transfer the money from the GL account to the Customer account. Thus it hits the GL transaction and transfer vouchers are generated in GL transaction



Online:

GL Accounts is directly interrelated with the online transaction. When a Barishal branch's customer withdraws money from the Dhaka Main Branch then Dhaka Main Branch provide it to the customer from their GL account. Thus online transaction vouchers are generated in GL transaction.

Payment Order/ Demand draft/IBC/OBC:

As like the online Transaction bank provides to the customer's demand draft and payment order money from the bank's GL account and collect the money from the accounts payable branch through IBCA. So In this transaction IBCA and IBDA vouchers are generated which are GL transaction vouchers. For Inward bill collection (IBC) and Outward bill collection (OBC) generated IBCA and IBDA vouchers which are directly hits to the banks GL account.

#### ➤ Maintaining Clean Cash Voucher Register Book:

Another responsibility of accounts department is maintaining clean cash voucher register book and providing daily entry to it. Clean cash vouchers means the vouchers which are generated for direct transaction on deposit schemes ,deposit accounts , investment and the foreign remittance transactions to this branch not the other branch and not the vouchers of clearing, transfer or GL transactions. The respective officer of accounts department has to provide entry of these clean cash vouchers which are generated from different transactions on described sources and keep the record of the total income from these vouchers and the total cost and after deducting the cost from the total income the accounts officer has to calculate the total daily revenue from these clean cash vouchers and has to make a record to this book.

#### ➤ Preparing Financial Statements & Reports:

Accounts department is responsible for providing various financial statements and reports to the authority. Based on these reports and statements the authority can understand the branch's financial situation. Every day several types of financial statements and reports they have to submit to the head office's accounts section then the head office accounts section make the



whole bank's financial statement and every week they have to submit the enter bank's financial report to the central bank.

<p><b>Daily Financial Statements &amp; Reports:</b></p> <ul style="list-style-type: none"> <li>↓ Statement of Affairs</li> <li>↓ Liquidity Positions</li> <li>↓ Scroll Total</li> <li>↓ Clean Cash Report</li> <li>↓ Transaction Audit Trial</li> <li>↓ Summary Situation</li> <li>↓ GL Transaction list</li> <li>↓ Client Transaction list</li> <li>↓ Daily Position listing</li> <li>↓ Exceptional Report</li> <li>↓ Statement of Originating Entity</li> </ul>	<p><b>Monthly Financial Statements &amp; Reports:</b></p> <ul style="list-style-type: none"> <li>↓ Suspense Accounts-Law Charges</li> <li>↓ Suspense Accounts- Others</li> <li>↓ Sundry Deposit- Others</li> <li>↓ NBF(Non Banking Financial Institution)</li> <li>↓ SBS-1(Schedule Banking Statistics)</li> <li>↓ Month End</li> </ul>
<p><b>Weekly Financial Statements &amp; Reports:</b></p> <ul style="list-style-type: none"> <li>↓ Weekly Report</li> <li>↓ EC Report(Executive Committee)</li> </ul>	<p><b>Quarterly Financial Statements &amp; Reports:</b></p> <ul style="list-style-type: none"> <li>↓ SBS-2</li> <li>↓ Islami Banking Review</li> <li>↓ Quarterly Operations Report</li> </ul>
<p><b>Yearly Financial Statements &amp; Reports:</b></p> <ul style="list-style-type: none"> <li>↓ Balance Sheet</li> <li>↓ Performance Highlight</li> <li>↓ Profit and Loss Account</li> </ul>	

**Table 13: List of the Financial Statements & Reports.**

(Source: Accounts Department's Document.)



### ➤ Providing the employee' monthly salary and benefits:

The responsibility to providing monthly salary and other benefits to the employees is on the accounts department. Every employee of this bank has an account in the bank. The respective employee of the accounts department provides the monthly salary to all employees on 25<sup>th</sup> day of each month. According to the rules, regulations and proper instructions of the HR department of the head office, the officer provides the salary. According to the employees pay scale they transfer the salary money to the employee's account from the bank's GL account. They debit the bank's GL account and credit the employees account. In the same way they provide the yearly dividends on the branch's profit and other occasional benefits such as bonuses of Eid –Ul –Fiter and Eid –Ul – Azha.

### ➤ Postage the employee leaves position:

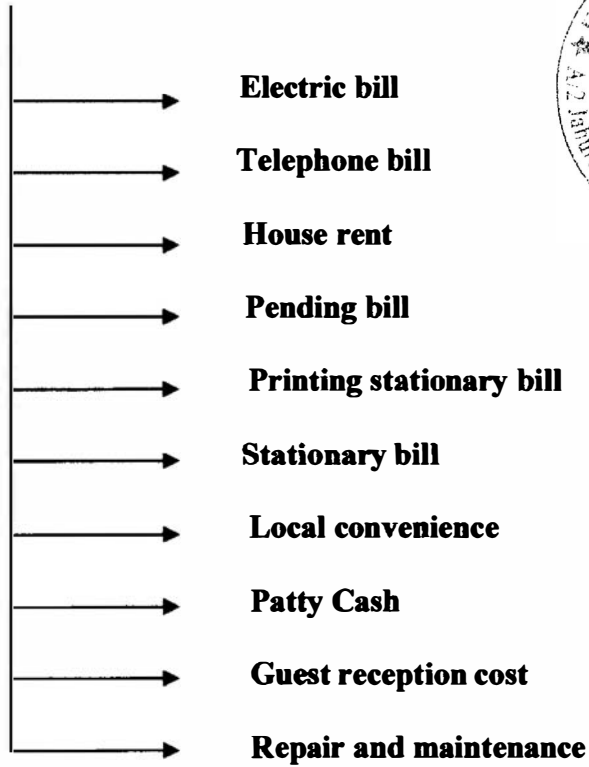
The accounts department maintains the employee leave registered book, where each employee has their own page. When employees need leave for their unavoidable circumstances or sickness or their family festival or occasions they have to sanction their leave by leave application to the manager and after signing the application by the manager to postage the leave to the leave register book, they have to go to the accounts department. The respective officer checking the sign of the othorized person and then observes the leave position and according to their leave position they post the leave days to the leave register book by debit the leave account.

### ➤ Establishment:

To launch the branch there has many expenses. Direct and indirect expense, such as guest reception expenses, Transportation expense, courier service expense, new machine or equipment buying expense such as fax machine ,telephone set etc, new office furniture buying expense , office rent, electric bill and other bill payment , repair and maintenance of office building etc expenses are under the establishment activities. After deducting all of the expenses the branch determine branches' profit. Accounts department's officers are performing the establishment duties. The respective officer are controlling and accomplishing the entire establishment activities of the bank. For each establishment work they have to prepare a bill for the expense and sanction it from the deputy manager.

Expenses of establishment activities are occurring under the following transaction moods:

**Establishment**



**Chart 4: Establishment Activities**





## Chapter Five

## 5.1 Liquidity Management

**This chapter** looks briefly at issues of liquidity management from the theoretical perspective.

**Liquidity management** consists of two interrelated parts. First, management must estimate **funds needs**. The Second part of liquidity management involves meeting liquidity needs.

**There are** two approaches which are common in meeting liquidity requirements- **asset management** and liability management. Banks determine the appropriate level of **asset management** and liability management based on their liquidity risk and financial position.

**For analyzing** the liquidity management of a bank, liquidity needs should be estimated first.

**Liquidity needs** arise primarily from deposit withdrawals and loan demands. To estimate **them**, the bank must forecast the level of future deposit and loan activity. There are two **methods** for estimating future liquidity needs. These methods are:

### ➤ Sources and Uses of fund method:

In this method, bank management should evaluate future potential changes in its individual asset and liability accounts. In case of asset accounts, the demand for funds by businesses and individuals are estimated from the past loan histories and future economic positions. Similarly, on liability side, deposit levels are influenced by economic and competitive market conditions. When loan demand increases, deposit balances often declines, as many bank customers obtain both deposits and loan services from the same bank. Decrease in loans and increase in deposits is sources of funds; on the other hand, increase in both loans and deposits withdrawals are uses of funds. Liquidity needs are estimated by subtracting deposit changes from loan changes.

### ➤ Structure of fund method:

In this method, different types of deposits that the bank is using are listed, and then a probability of withdrawal to each type of deposit is assigned. Generally **unstable** and highly risky deposits require substantial liquidity to support them, whereas low risky and stable deposits require less liquidity. This method is popular because it directs management's attention to the probable cause of liquidity pressure- namely, deposit withdrawals. On the other hand, it's main weakness is ignoring other liquidity demands stemming from loans.

## 5.2 Asset Management

Under the asset management approach, banks deal with their liquidity needs by **liquidating** assets. Banks usually uses near cash assets in this purpose.

**There** are two basic roles of asset liquidity management in modern banking:

- ✓ Liquid asset provides an alternative sources of fund
- ✓ These assets serve as reserves.

**This term** is related to minimizing cash holdings. In this method, firstly, the reserve **requirements** for banks are calculated. If a bank has extreme reserves, it can carry over a **percentage** of the daily minimum reserve balance to the next maintenance period. If it has **deficient** reserves, it must correct the shortfall or face penalties.

**Substantial** increases in cash balances can take place due to unexpected payments on loans **and deposits**. If it happens, at first the nature of increase should be evaluated. If the increase **seems** to be temporary in nature, the bank can purchase short term money market **instruments**.

**If the** increase in cash appears to be more permanent, the money manager would consider **longer term** investment opportunities. Conversely, significant drain in cash balance could be **made** selling short term liquid securities or by purchasing deposit and non-deposit funds in **market**.

## 5.3 Liability Management

**This** approach of liquidity management involves purchasing funds necessary to meet **loan demands** and deposit withdrawals. In using liability management to meet liquidity needs, **considerable** differences are seen between small and large banks. Large bank has a **competitive** advantage over small ones in using cost effective funds to meet liquidity **demands** whereas small banks often purchase fund in the money market through their larger **correspondent** banks. The main advantage of this method is that assets can be shifted from **lower** earning money market instruments to higher earning loans and longer term securities. **On the other hand**, liability management involves risks too. Firstly, if interest rate increases **suddenly**, the cost of funds may rise. Again liability management also increases bank's **financial risk**.



## 5.4 Funds Management

Management of liquidity is best handled by combining both asset and liability liquidity management. This method compares total liquidity needs with total liquidity sources. Under this method, liquidity ratios are used. For common ratio measures of bank liquidity are:

- ✓ Loans/ Deposit
- ✓ Loans/ Non-deposit liabilities
- ✓ Near cash assets/ Large-denomination liabilities

These ratios provide different types of results. In order to evaluate the liquidity position of a bank, these ratios must be evaluated together. If the loans/ deposits ratio is high then it can be inferred that the bank either has large portfolio or is using large amount of non-deposit, or purchased, funds to finance assets. If the loans/ non-deposit liabilities ratio is also high, it must be that the loan portfolio is large, rather than the bank is relying heavily on non-deposit funds. If the unencumbered liquid assets/ non-deposit liabilities ratio is relatively high then the bank has considered secondary reserves. The near cash assets/ large denomination liabilities are good measure to the ability of the bank to use liquid assets to cover wholesale funds that are the most part uninsured.

## 5.5 Optimum Bank Liquidity

The main purpose of liquidity management is to construct a liquidity plan which will balance risks and returns. This goal is achieved when the bank hold optimum level of liquidity. Optimality is a dynamic concept as liquidity condition in a bank change from day to day and week to week. That's why bank liquidity is observed regularly to reflect changing bank financial condition. Both excess liquidity and shortage of liquidity affect a bank's financial performance. If the liquidity is too high, there is an opportunity cost in the sense of excessive near cash assets that could be earning higher rates of returns if sold and funds were invested in other assets. On the other hand, aggressive liquidity policy can expose the bank to future unexpected risk.

Therefore, the bank must tradeoff the cost of maintaining excessive liquidity and the cost of insufficient liquidity.



## Chapter Six



## 6.1 Bangladesh Bank Guidelines

All Islamic Banking Companies shall maintain Cash Reserve Ratio (CRR) and **Statutory** Liquidity Ratio (SLR) as per rates prescribed by Bangladesh Bank from time to ~~time~~. Every commercial Bank having Islamic bank branches shall maintain SLR/CRR for its **Islamic** branches at the same rate as prescribed for the Islamic banks and shall, for the ~~purpose~~, maintain a separate Current Account for the Islamic branches with Bangladesh **Bank**.

**In case** of liquidity surplus and crisis the banks can take recourse to the following:

- ✓ The excess liquidity of the Islamic banks/ Islamic branches of conventional Scheduled banks may be invested in the 'Bangladesh Government Islamic Investment Bond' (Islamic Bond introduced by the Government). In the same way, Islamic banks/branches facing liquidity crisis can tide over the crisis by availing of investment from Islamic Bond fund as per the prescribed rules.
- ✓ In case Islamic banks/branches have surplus/ enough investment in the Islamic Investment Bond and subsequently faces liquidity crisis then the bank / branch may overcome the crisis by availing of investment facilities from Islamic Bond Fund against lien of their over purchased Islamic Bonds. To meet the crisis, REPO system may also be introduced for the Islamic Bonds.
- ✓ The Islamic banks/branches having no surplus investment in 'Bangladesh Govt. Islamic Investment Bond' at the time of their liquidity crisis, if arises, may availed funds from Bangladesh Bank at a provisional rate on profit on its respective Mudaraba Short Notice Deposit Accounts which will be adjusted after finalization of Accounts and rate of profit of the concerned Islamic banks/branches. But till funds generated from sell of Islamic Investment Bonds remain available for investment such financial support may not be available from Bangladesh Bank.
- ✓ The Islamic banks/branches may open/ maintain Mudaraba SND accounts with each other and can meet liquidity crisis by receiving deposits in the Mudaraba SND account at MSND rate from those having surplus liquidity.
- ✓ To meet the liquidity crisis, if any, of the Islamic branches of the conventional





Date: \_\_\_\_\_

Statement of Assets & Liabilities

Page \_\_\_\_\_

	Taka	2 / 7 Days	8 Days / 1 Month	1 / 3 Months	1 / 6 Months	1 / 1 Year	1 Year / 1.5 years	Total
ASSETS								
Cash and Cash Equivalents								
Government Securities								
Corporate Securities								
Loans and Advances								
Other Assets								
LIABILITIES								
Capital								
Reserves								
Other Liabilities								
Total								

Number of Pages: \_\_\_\_\_  
 Date: \_\_\_\_\_

	Taka	2 / 7 Days	8 Days / 1 Month	1 / 3 Months	1 / 6 Months	1 / 1 Year
Assets						
Liabilities						
Total						

Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_

It is certified that the above figures are correct and true to the best of our knowledge and belief.





Annex I.P 1/2	
<b>A. Inflows</b>	
1.	Day 1 Cash...
2.	a. Day 1 Cash, quarter b. Day 1 Cash, half c. Day 1 Cash, year Day 1 Cash, total
3.	a. Day 1 Cash, quarter b. Day 1 Cash, half c. Day 1 Cash, year Day 1 Cash, total
4.	a. Day 1 Cash, quarter b. Day 1 Cash, half c. Day 1 Cash, year Day 1 Cash, total
5.	
6.	
7.	
a. Day 1 Cash, quarter b. Day 1 Cash, half c. Day 1 Cash, year Day 1 Cash, total	



Annex 1.P 2/2	
9.	
10.	
11.	
12.	
13.	
14.	
<b>B. Outflows</b>	
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.01	
a.	
b.	
11.02	

(Source: Bangladesh Bank.)

## 6.2 Liquidity Management Technique of SJIBL

This part shows how SJIBL handles its liquidity needs as well as the steps of its liquidity management techniques. The theoretical part different approaches to liquidity management have been discussed. Each approach has its own advantages and disadvantages. The choice of liquidity management approach is contested issue. Historically the most commonly used liquidity management methods are asset management and liability management approach. But liquidity problem is the best handled by combining both asset and liability management which is known funds management approach to deal with liquidity.

Now details of the administration of liquidity management by SJIBL are described here. This process includes the following parts:

- ✓ Estimating liquidity needs
- ✓ Applying the appropriate liquidity management approach.

### 6.2.1 Estimating Liquidity Needs

First of all the liquidity needs are estimated by using either sources and uses of funds method or structure of deposit method. In determining liquidity needs by using sources and uses of funds method, the following are followed:

- ✓ First of all estimated total loans for the future years are projected by considering past trends
- ✓ Then estimated total deposits are calculated by using the same procedure
- ✓ In this step changes in both estimated loans and deposits are calculated.
- ✓ At last estimated liquidity needs are calculated by subtracting changes in deposits from changes in loans

After determining the liquidity needs the bank implements its liquidity management techniques to meet liquidity requirements.

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After determining the liquidity needs the bank implements its liquidity management techniques to meet liquidity requirements.

## 6.2.2 Liquidity Management Technique

SJIBL applies both asset management and liability management approaches to meet liquidity needs. While applying asset management technique SJIBL keeps liquid assets as an alternative source of funds and as a reserve. Besides applying asset management technique, SJIBL also exercise liability management technique to meet liquidity requirements. The bank manages its deposit structure in a way where neither short term deposit nor long term deposit will dominate. It tends to keep medium term deposits to a large extent to avoid both excess funds and shortage of funds. The extent to which SJIBL uses liability management with asset management has been shown in empirical sections:

### Analysis of Maturity Asset and Liability

Bank Name: Shahjalal Islami Bank Limited		Structural Liquidity Profile							Date: 02/05/2011
(In THOUSAND TK.)									
	CALL	2 - 7 Days	Days - 1 Month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 yrs	Total	
<b>ASSETS (INFLOW)</b>									
Balance held (Loy+Foy)	186,105	183,724	197,995	232,631	325,684	930,525	1,302,795	3,365,399	
Advance with Bangladesh Bank (Loy)	0	0	0	0	0	0	0	0	
Advance with BB (Foy)	0	0	0	0	0	0	0	0	
Advance with other banks and financial institutions	0	0	0	0	0	0	0	0	
Money at call and short notice	0	0	0	0	0	0	0	0	
Investment in G-SEC	0	0	0	0	0	0	0	0	
Other Investment (Share, Debenture, Mutual, MFU and others)	0	0	0	0	0	0	0	0	
Loans and Advances	#####	124,822,616	130,284,474	#####	214,273,155	#####	#####	#####	
- Secured and discounted	1,190,056	1,213,239	1,268,132	1,487,623	2,082,672	5,950,490	8,330,686	21,520,339	
- Loans Repaid with Bangladesh Bank	0	0	0	0	0	0	0	0	
- Loans Repaid with Others	0	0	0	0	0	0	0	0	
Fixed assets including premises, furniture and fixtures	16,777	17,103	17,849	20,971	29,360	83,885	117,439	303,384	
Other assets	37,858	38,594	40,277	47,323	66,252	189,290	265,006	684,539	
Non-banking assets	0	0	0	0	0	0	0	0	
Other intangibles	0	0	0	0	0	0	0	0	
Total Assets	0	0	0	0	0	0	0	0	
<b>LIABILITIES (OUTFLOW)</b>									
Amounting from Bangladesh Bank (Advances, etc.)	0	0	0	0	0	0	0	0	
DEPOSITS with Bangladesh Bank	0	0	0	0	0	0	0	0	
DEPOSITS with other banks & FIs	0	0	0	0	0	0	0	0	
Amounting from other Banks & FIs	632,437	644,734	672,843	790,546	1,106,765	3,162,185	4,427,059	11,436,569	
Money at call and short notice	0	0	0	0	0	0	0	0	
Demand Deposits	1,032,828	1,052,911	1,098,815	1,251,035	1,807,450	5,164,142	7,229,798	18,676,979	
Current bank deposit	242,074	246,781	257,539	362,592	423,629	1,210,368	1,694,516	4,377,499	
Fixed Deposit	7,733,236	7,883,807	8,227,306	9,686,548	13,533,167	38,666,190	54,132,666	139,842,721	
With payable	60,887	62,071	64,777	76,109	106,552	304,435	426,209	1,101,048	
Provision and other liabilities	0	0	0	0	0	0	0	0	
Capital & Reserve	0	0	0	0	0	0	0	0	
Total Liabilities	0	0	0	0	0	0	0	0	
Letter of Credit/Guarantees (Net of margin)	134,019	136,625	142,581	167,524	234,533	670,095	938,133	2,423,510	
Other OBS items (Net of margin)	8,500,368	8,666,285	9,044,107	10,826,235	14,876,729	42,504,940	59,506,916	153,726,200	
Available Balance with BB (Foy)	0	0	0	0	0	0	0	0	
Net Share a/c balance	0	0	0	0	0	0	0	0	
<b>NET MISMATCH</b>						0	0	0	
<b>CUMULATIVE NET MISMATCH</b>						0	0	0	

Minimum Term Funding Ratio (MTFR):

#DIV/0!

Minimum Cumulative Outflow (MCO):

#DIV/0!

Bank:

The technique that SJIBL uses is CALL for 2-7 Days, Days - 1 Month, 1-3 months, 3-12 months, 1-5 years and below.

Minimum bank deposit with call	652,185
Letter of Credit/Guarantees (non funded to funded)	14,779
Other OBS items from funded to	28,635

Signature

Name  
Designation  
Phone

#DIV/0! - (Total Liabilities one year and above)/(Total Assets one year and above)

#DIV/0! - (Total outflows upto one month and Total OBS upto one month)/(Total Inflows+Total Nostro a/c balance (Net)+ Total available Foy with

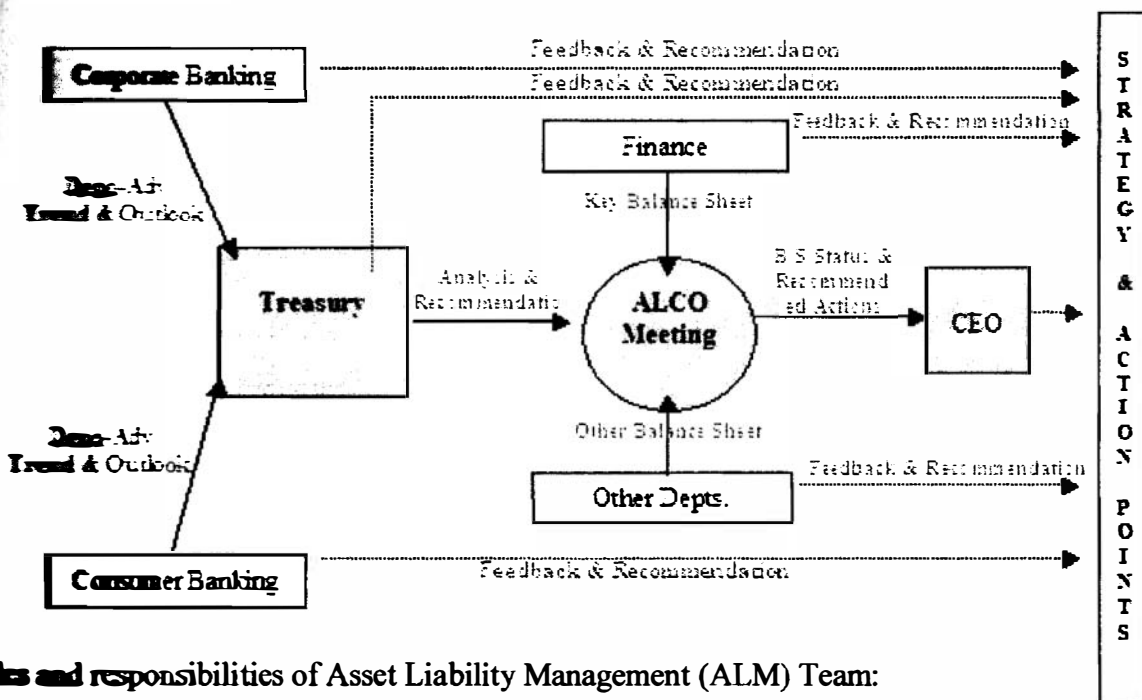


<p><b>To maintain cash reserve ratio at 6% of demand and time liability (Banking Companies Act 1991)</b></p>	<p>By monitoring balances with Bangladesh Bank LCY Account.</p>	<p>By calculating the weekly position requirement and monitoring the daily position sheets.</p>	<p>Yes</p>
<p><b>To maintain statutory Liquidity Ratio at 13% of demand and time liabilities (Banking Companies Act 1991)</b></p>	<p>By monitoring FCY balances with Bangladesh Bank and approved govt. securities (Treasure Bill)</p>	<p>By calculating the weekly position requirement and monitoring the daily position sheets.</p>	<p>Yes</p>
<p><b>To maintain minimum account of total FCY Holding in Bangladesh Bank FCY clearing account</b></p>	<p>All banks of Bangladesh have been instructed to maintain at least 50% of their total FCY Holdings in Bangladesh Bank clearing account.</p>	<p>Financial control to monitor and check daily with the HUB reports.</p>	<p>Yes</p>
<p><b>To maintain capital requirements of foreign banks</b></p>	<p>All foreign banks need to maintain \$10 million or 8% of risk weighted assets whichever is higher as capital lined with Bangladesh Bank either with FCY or investing in Treasury Bills or by both</p>	<p>Financial control to monitor and check against limit</p>	<p>Yes</p>

Bank manages its deposit structure in a way where neither short term deposit nor long term deposit will dominate. It tends to keep medium term deposits to a large extent to avoid liquidity risks and shortage of funds. The extent to which SJIBL uses liability management with asset management has been shown in empirical sections.

**Information System:**

Information is the key to the ALM process. ALM information system should be designed in a way so that it could provide reliable information on time to the ALCO. An ALM system should have clear risk policies and definite tolerance limit. Risk can be managed using different methods which ranges simple gap statement to extremely sophisticated data intensive Risk Adjustment Profitability Measurement Methods. The Treasury Department with the help of IT Department should develop modules, which would provide information on the aspect of liquidity and interest rate regime.



**Duties and responsibilities of Asset Liability Management (ALM) Team:**

- To assure overall responsibilities of Money Market activities.
- To manage liquidity and interest rate risk of the bank.
- To comply with regulations of Bangladesh in respect of statutory obligation as well as thorough understanding of the risk elements involved within the business.
- To understand the market position and competition etc.
- To provide inputs to the treasurer regarding market views and update the balance sheet movement.
- Deal with dealers authorized limit.

**Periodical Meeting:**

Head of Treasury conducts the ALCO meeting in the absence of any specific agenda, the following are the regular activities for discussion:

- ↳ Review last ALCO minutes.
- ↳ Economic and Market outlook.
- ↳ Liquidity risk related to balance sheet.
- ↳ Review of the Interest Rate Structure.
- ↳ Action Plan.

**Asset Liability Management flowchart:**



**Figure: Asset Liability Management Flow Chart**





## Chapter Seven

## 7.1 Cash Position of SJIBL

Formula:  $(\text{Cash and deposits due from depository institution} \div \text{total asset}) \times 100$

Year	Cash Position
2001	14.83%
2002	11.06%
2004	5.30%
2005	6.40%
2006	5.48%
2007	6.71%
2008	7.13%
2009	6.92%
2010	9.14%
2011	8.86%

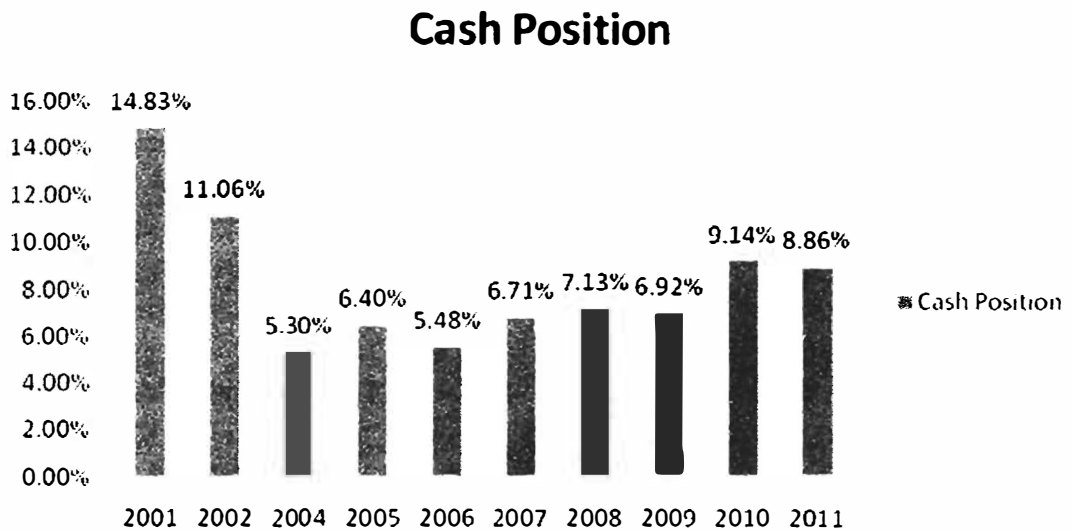


Figure: Cash Position Ratio

Shahjalal Islami Bank Limited is maintaining a very position of its cash position; this bank is very efficiently enabled to meet the cash demand of its customer. On an average, they are keeping 7% cash ready for their customers, though the cash reserve ratio is 6% for Islamic bank in Bangladesh.



## 7.2 Liquid Securities Position

Formula:  $(\text{Government securities} \div \text{Total asset}) * 100$

Years	Govt. Security
2001	0%
2002	0%
2004	2.05%
2005	1.38%
2006	2.34%
2007	2.82%
2008	1.77%
2009	1.87%
2010	1.78%
2011	1.87%

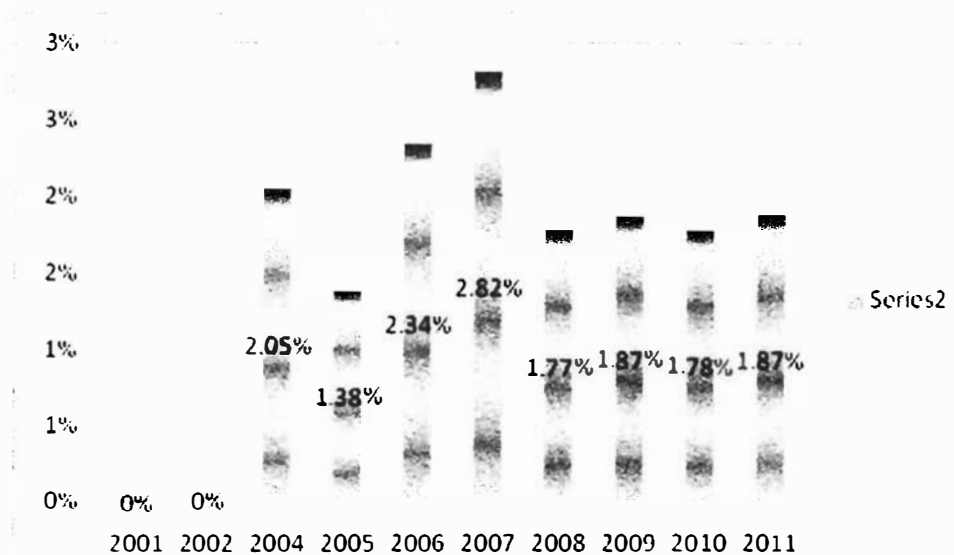


Figure: Liquid Security Position

Government securities are the semi liquid asset for the bank, up to 2007 the bank used to keep government security above 2% of its total asset. After 2007, they decreased the level under 2%. Their liquid security position is not so well or not in strong position.

### 7.3 Capacity Ratio

	Capacity Value
	0%
	0%
	69.34%
	70.7%
	66.57%
	67.13%
	66.19%
	68.51%
	68.9%
	64.16%

Formula:  $(\text{Net Loans and Leases} \div \text{Total asset}) \times 100$

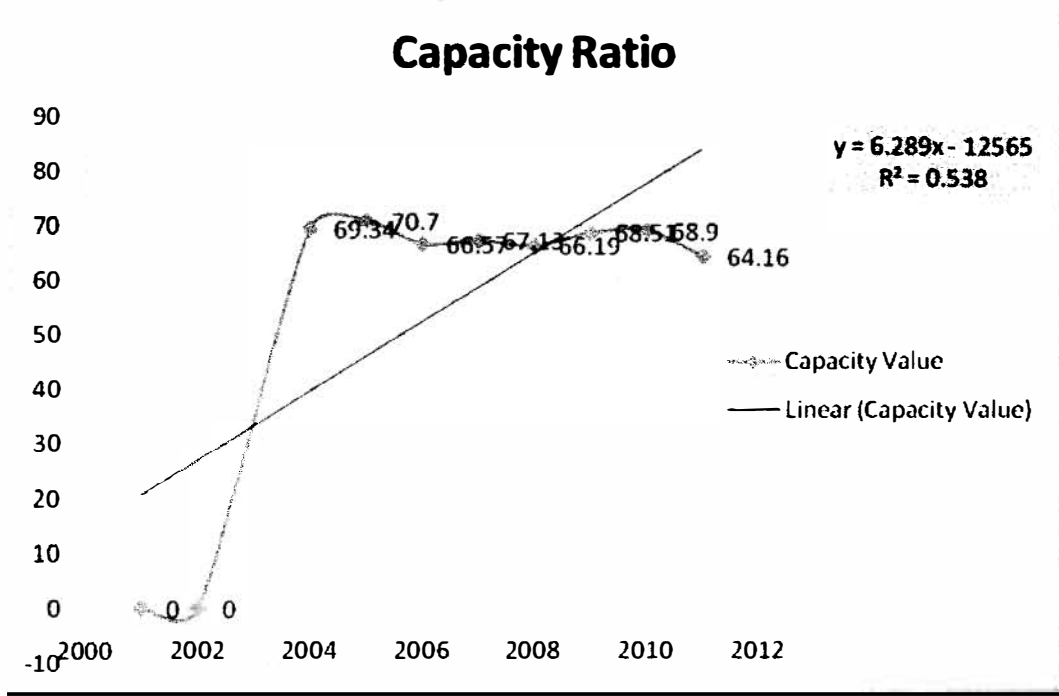


Figure: Capacity Ratio

Shahjalal Islami Bank Limited is keeping a high range of loans and leases, so their capacity ratios are showing very high, and it is a negative sign for liquidity, because loans and leases are mostly illiquid for financial institution. So, when they will face a large number of money demands, they will face problem to provide that money.

### 7.4 Hot Money Ratio

Formula: (Money market Asset ÷ Volatile Liability)

Year	Hot Money Ratio
2005	2.98 Times
2006	4.01 Times
2007	4.42 Times
2008	4.09 Times
2009	2.58 Times
2010	2.46 Times
2011	1.84 Times

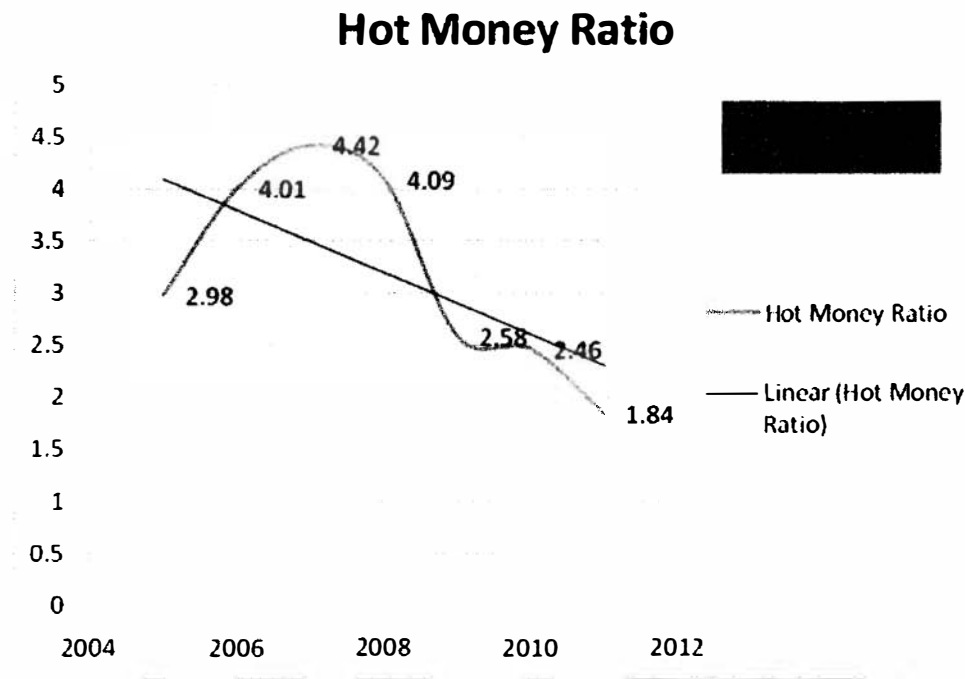


Figure: Hot Money Ratio

Money market assets are short term assets, which includes cash and deposits with other banks and short term securities and reverse repurchase agreements that are holed by the bank. The volatile liabilities are large CDs and Eurocurrency deposits and fund borrowings from central bank and repurchase agreements. This ratio shows that if the volatile liability is needed to cover whether the bank has that capability or not. Shahjalal Islami bank has a very good position to cover those volatile liabilities.

## 7.5 Core Deposit Ratio

Formula:  $(\text{Core Deposits} \div \text{Total Assets}) \times 100$

Year	Core Deposit Ratio
2001	68.61%
2002	70.22%
2004	86.49%
2005	76.84%
2006	78.08%
2007	72.85%
2008	73.53%
2009	73.22%
2010	72.05%
2011	70.24%

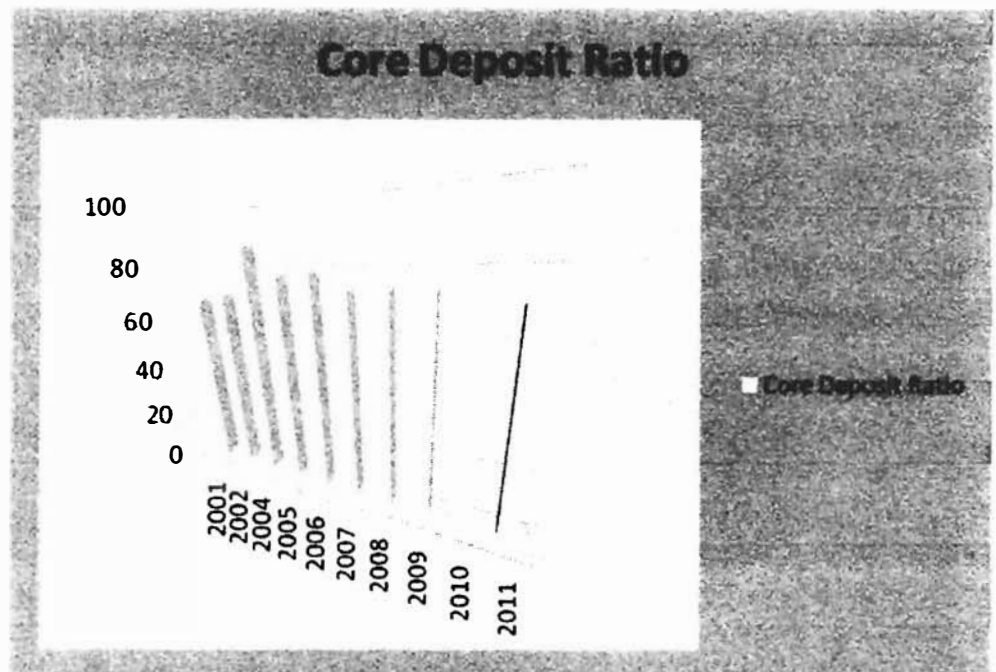


Figure: Core deposit Ratio

Core deposits are those deposits which are unlikely to be withdrawn on short notice. So it carries a low liquidity requirement. Shahjalal Islami Bank Limited is maintaining very high portion of core deposit among their total deposit. So they have the flexibility to keep lower liquidity requirement.

## 7.6 Deposit Composition Ratio

Formula: (Demand Deposit ÷ Time Deposit)

	<b>Deposit Comparison Ratio</b>
<b>2001</b>	<b>3.45 Times</b>
<b>2002</b>	<b>1.25 Times</b>
<b>2004</b>	<b>0.45 Times</b>
<b>2005</b>	<b>0.2 Times</b>
<b>2006</b>	<b>14 Times</b>
<b>2007</b>	<b>18.69 Times</b>
<b>2008</b>	<b>15.42 Times</b>
<b>2009</b>	<b>25.51 Times</b>
<b>2010</b>	<b>18 Times</b>
<b>2011</b>	<b>16.56 Times</b>

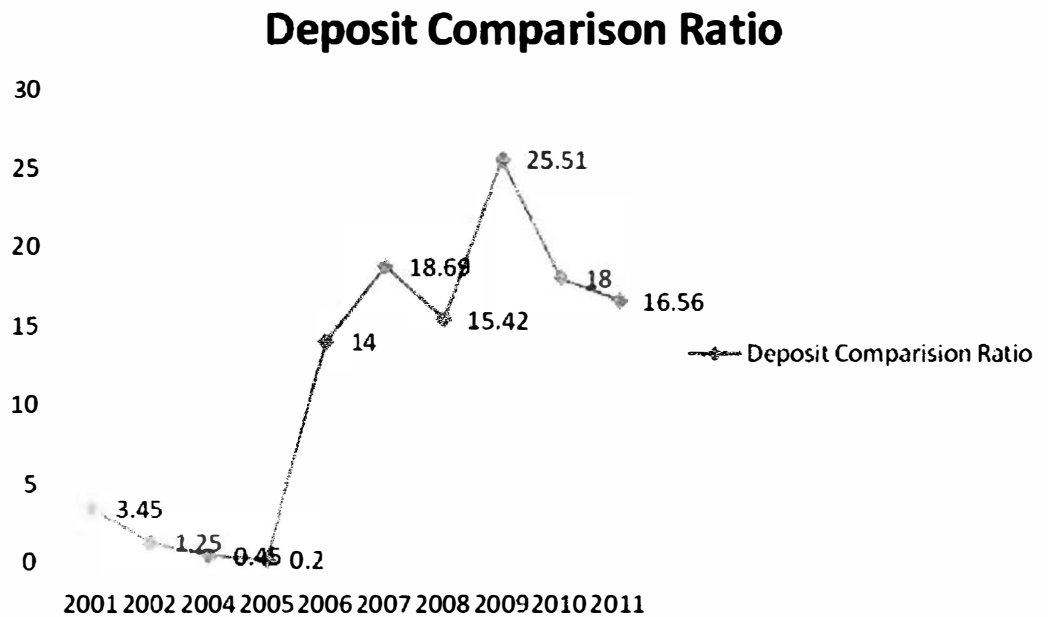


Figure: Core deposit Ratio

Demand deposits are those deposits what are to be paid immediately via check. So it requires more liquidity for bank. Time deposits have specific time period to be withdrawn. So, time deposits require less liquidity requirement for bank. Shahjalal Islami Bank has higher amount of time deposit than demand deposit among their total deposit. So, they do not need to keep much liquid money for liquidity.

## Chapter Eight





## 8.1 Performance Indicator

### Capital Adequacy Ratio:

Year	Capital Adequacy Ratio (in %)
2001	72.41
2002	12.37
2003	7.15
2004	4.69
2005	8.7
2006	10.39
2007	16.42
2008	13.81
2009	13.98
2010	10.08
2011	11

Formula:  $\frac{(\text{Tier 1 Capital} + \text{Tier 2 Capital})}{\text{Risk based Asset}} \times 100$

### Capital Adequacy Ratio (in %)

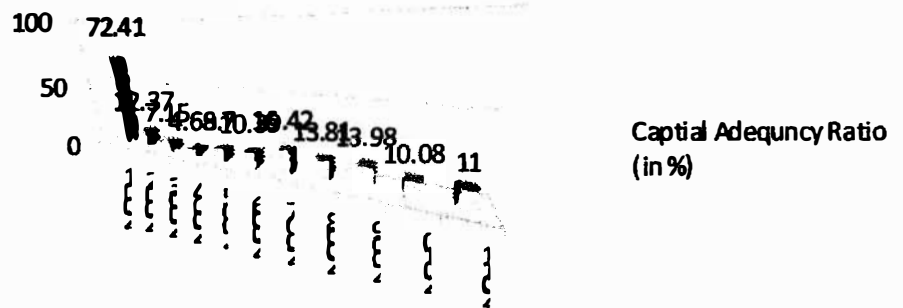


Figure: Cost of Deposit



➤ Cost of Deposit

Formula:  $(\text{Interest paid on Deposits} \div \text{Total Deposits}) \times 100$

Year	Cost of Deposit (In %)
2001	6.69
2002	7.06
2003	8.02
2004	8.05
2005	8.23
2006	9.55
2007	9
2008	9.31
2009	9.13
2010	7.91
2011	9.15

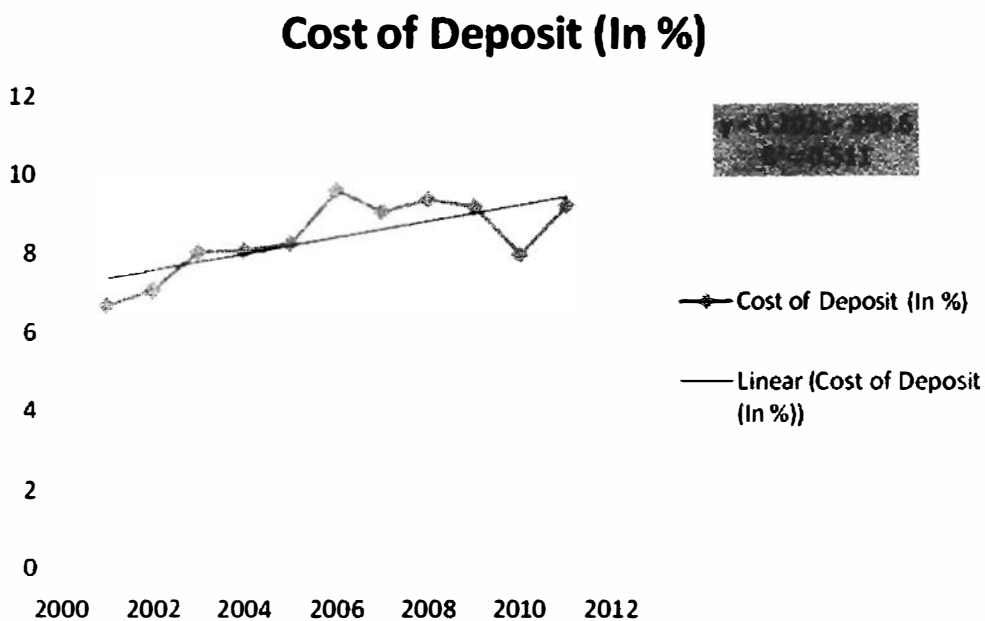


Figure: Cost of Deposit

Cost of Fund

Formula:  $\frac{\text{Total Cost (dividend + interest)}}{\text{Total Funding}} \times 100$

Year	Cost of Fund (In %)
2001	10.86
2002	11.07
2003	11.02
2004	9.99
2005	9.76
2006	10.83
2007	10.4
2008	10.99
2009	11.07
2010	10.15
2011	10.98

Cost of Fund (In %)

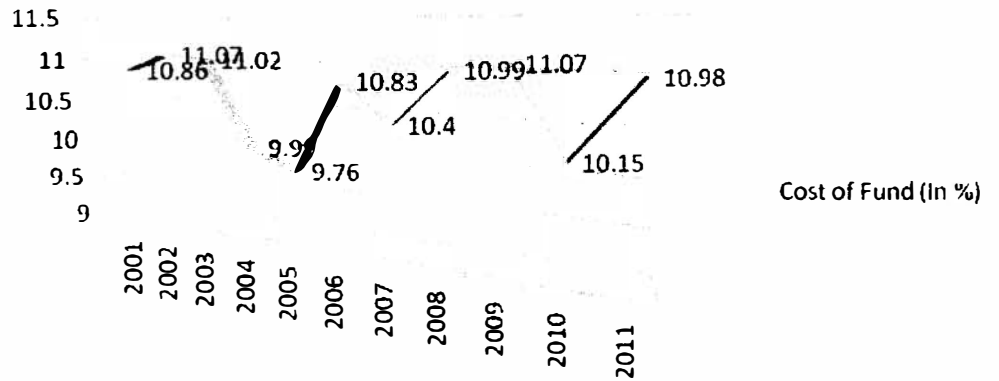


Figure: Cost of Fund





Net Asset Value per Share

Formula: [(Net asset – Net Liabilities) ÷ Share Outstanding]

Year	Net Asset Value Per Share (In taka)
2001	101.1
2002	123.65
2003	109.91
2004	57.5
2005	79.26
2006	128.75
2007	148.95
2008	160.53
2009	179.8
2010	19.7
2011	17.78

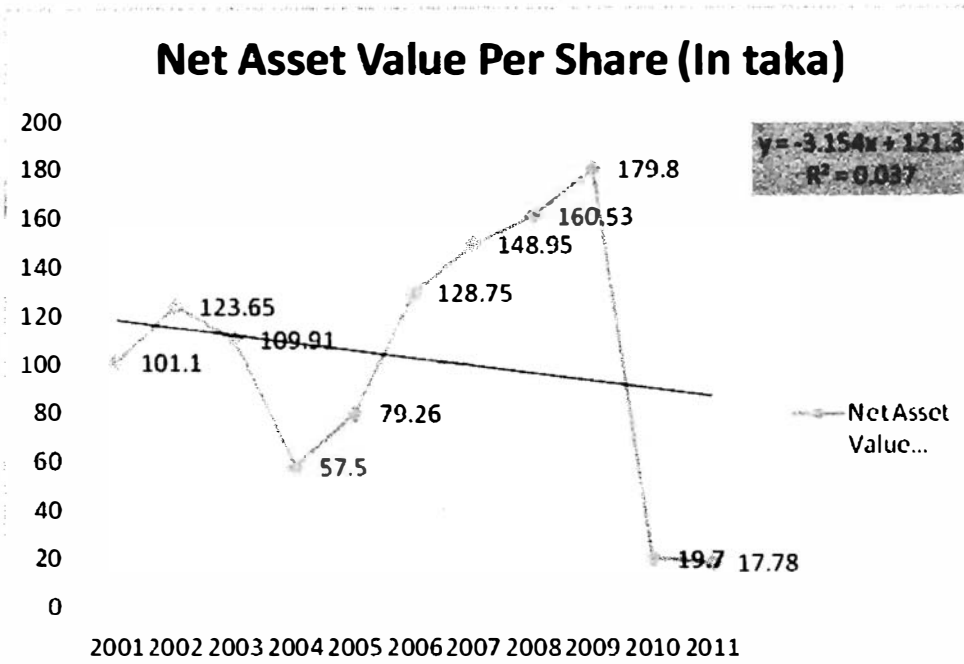


Figure: Net Asset Value per Share



➤ Net Income Ratio

Year	Net Income Ratio (In %)
2001	2.68
2002	14.6
2003	0
2004	-56.16
2005	15.76
2006	18.07
2007	18.03
2008	15.47
2009	16.04
2010	21.79
2011	9.73

Formula:  $(\text{Net Income} \div \text{Sales Revenue}) \times 100$

**Net Income Ratio (In %)**

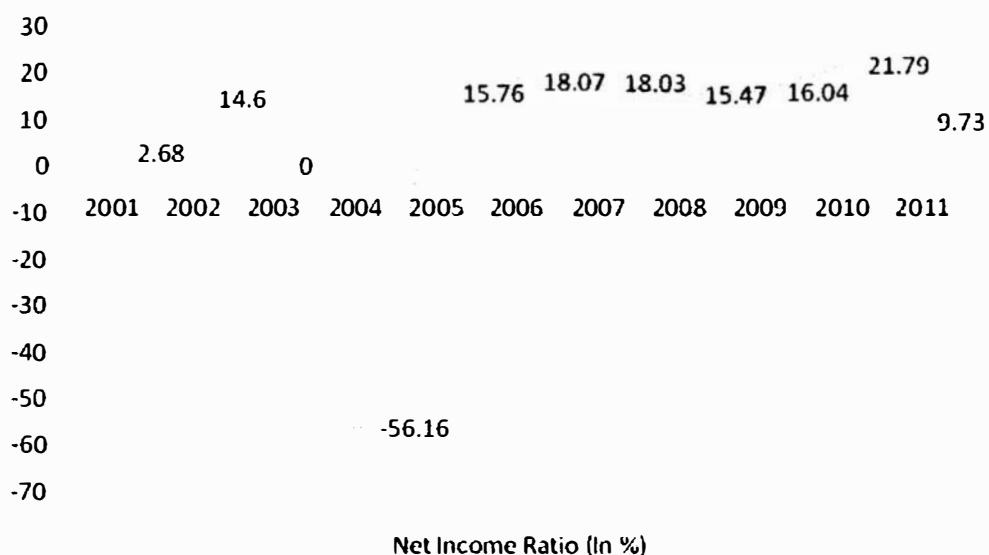


Figure: Net Income Ratio



➤ Operating Income Ratio

Year	Operating Income Ratio (In %)
2001	8.73
2002	29.97
2003	4.52
2004	-96.18
2005	30.97
2006	32.96
2007	36.64
2008	34.24
2009	28.68
2010	37.11
2011	24.97

Formula:  $(\text{Operating Income} \div \text{Sales Revenue}) \times 100$

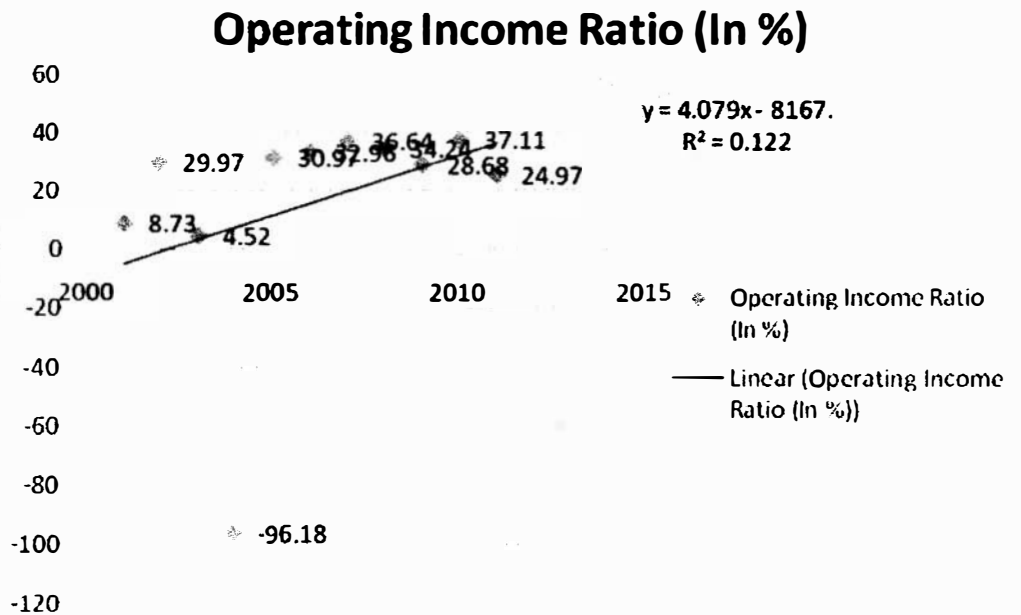


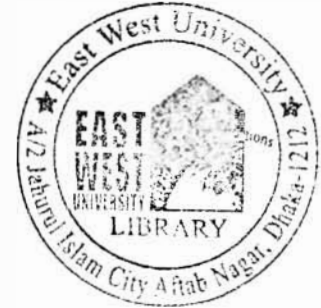
Figure: Operating Income Ratio



Price Earnings Ratio

Formula: (Market Value per Share ÷ EPS)

Year	Price Earnings Ratio (Number of Times)
2001	0
2002	0
2003	6.3
2004	7.4
2005	7.8
2006	10.09
2007	10.58
2008	8.55
2009	12.29
2010	17.04
2011	12.38



Price Earning Ratio (Number of Times)

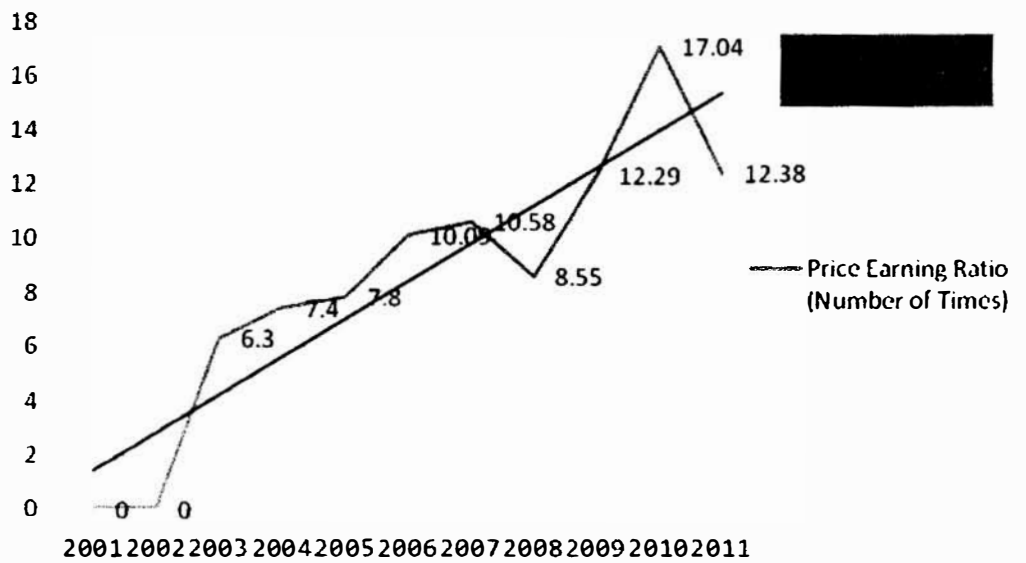


Figure: Price Earning Ratio





➤ Return on General Investment

Formula:  $\left[ \frac{(\text{Gain from General Investment} - \text{Cost of Investment})}{\text{Cost of Investment}} \right] \times 100$

Year	Return on General Investment (In %)
2001	9.95
2002	14.93
2003	12.94
2004	12.34
2005	13.21
2006	14.08
2007	14.68
2008	14.18
2009	13.46
2010	11.9
2011	13.53

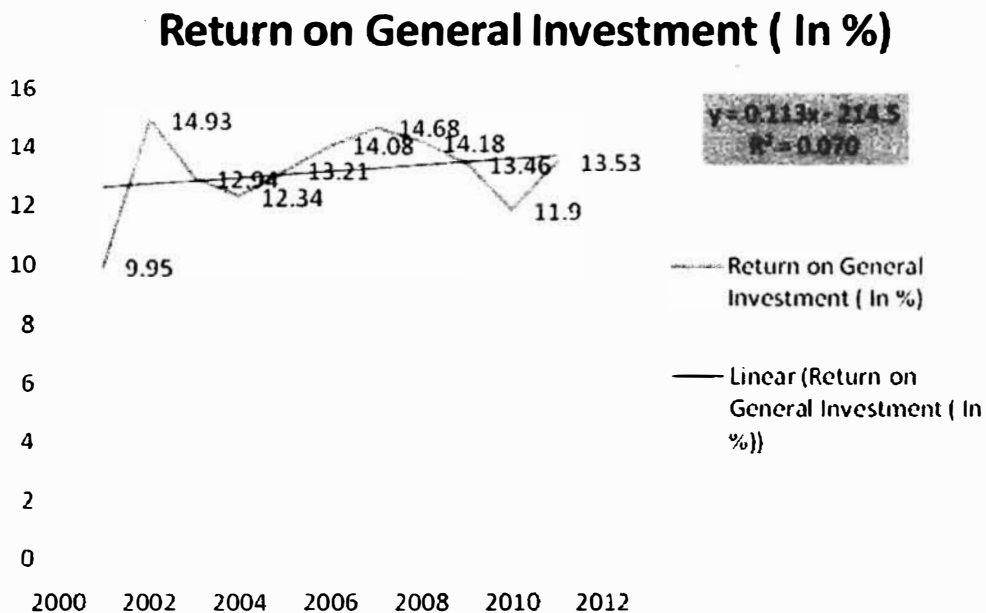


Figure: Return on General Investment



Return on Asset

Formula:  $(\text{Net Income} \div \text{Total Asset}) \times 100$

Year	ROA (In %)
2001	0.14
2002	1.26
2003	0
2004	-4.85
2005	1.76
2006	2.17
2007	2.6
2008	2.26
2009	2.08
2010	3.01
2011	1.26

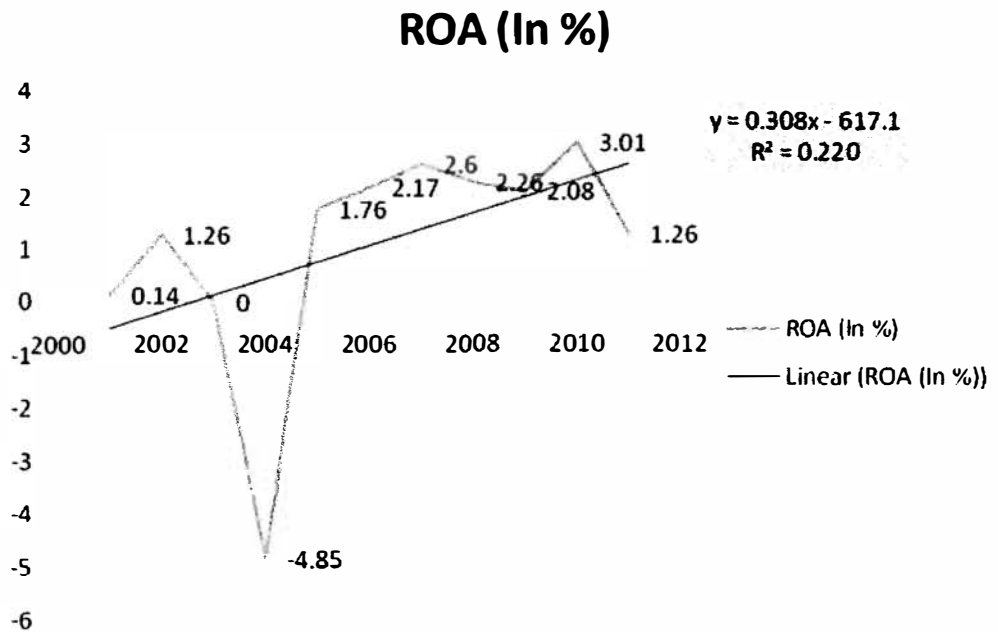


Figure: Return on Asset



Return on Equity

Formula:  $(\text{Earnings} \div \text{Equity}) * 100$

Year	ROE (In %)
2001	1.09
2002	18.23
2003	0
2004	-176.07
2005	34.46
2006	38.44
2007	23.21
2008	25.58
2009	25.1
2010	30.71
2011	30.8

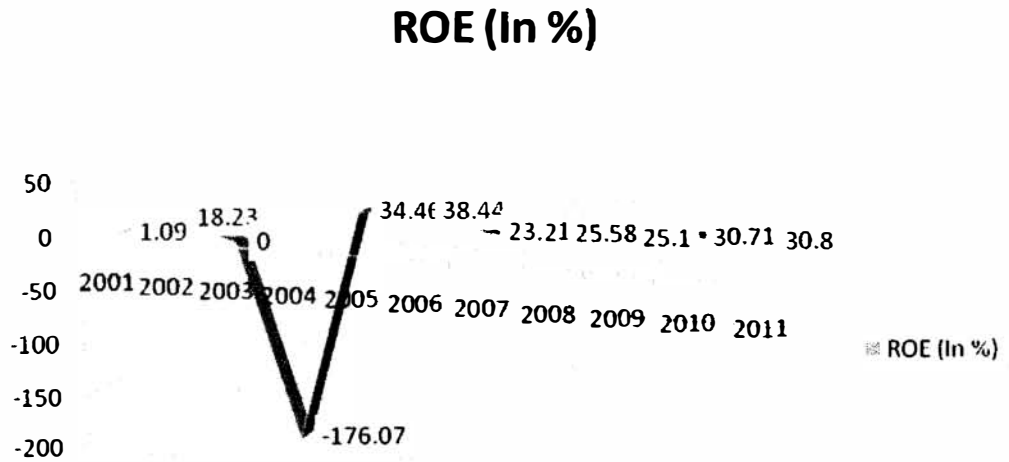


Figure: Return on Equity



8.2 Balance Sheet and Income Statements

Income and Loss Account

	2019	2018
Interest Income	1,234,567	1,123,456
Dividend Income	123,456	112,345
Other Income	98,765	87,654
Operating Expenses	(876,543)	(765,432)
Provision for Bad Debts	(123,456)	(112,345)
Income Tax	(54,321)	(43,210)
Net Profit	402,008	390,328

Balance Sheet

	2019	2018
Assets		
Fixed Assets	1,234,567	1,123,456
Current Assets	2,345,678	2,234,567
Liabilities		
Capital	1,000,000	900,000
Reserves	1,234,567	1,123,456
Debt	3,456,789	3,345,678
Total	5,015,012	4,907,507



STATEMENT OF ASSETS

QUARTER END

Particulars	2017	2016
Fixed Deposit	1,234,567	1,123,456
Current Deposit	567,890	678,901
Other Deposits	123,456	234,567
Government Securities	345,678	456,789
Corporate Securities	789,012	890,123
Loans	2,345,678	2,456,789
Other Assets	123,456	234,567
<b>Total</b>	<b>6,430,637</b>	<b>6,174,173</b>

Particulars	2017	2016
Capital	1,234,567	1,123,456
Reserves	567,890	678,901
Other Liabilities	123,456	234,567
Government Securities	345,678	456,789
Corporate Securities	789,012	890,123
Loans	2,345,678	2,456,789
Other Liabilities	123,456	234,567
<b>Total</b>	<b>6,430,637</b>	<b>6,174,173</b>

STATEMENT OF LIABILITIES

Particulars	2017	2016
Capital	1,234,567	1,123,456
Reserves	567,890	678,901
Other Liabilities	123,456	234,567
Government Securities	345,678	456,789
Corporate Securities	789,012	890,123
Loans	2,345,678	2,456,789
Other Liabilities	123,456	234,567
<b>Total</b>	<b>6,430,637</b>	<b>6,174,173</b>

STATEMENT OF LIABILITIES

Particulars	2017	2016
Capital	1,234,567	1,123,456
Reserves	567,890	678,901
Other Liabilities	123,456	234,567
Government Securities	345,678	456,789
Corporate Securities	789,012	890,123
Loans	2,345,678	2,456,789
Other Liabilities	123,456	234,567
<b>Total</b>	<b>6,430,637</b>	<b>6,174,173</b>



PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 2007

BILANG SHEET  
AS AT 31 DECEMBER 2007

	2007	2006
Note	Taka	Taka
Interest Income	100,341,376	64,126,764
Dividend Income	1,000,000	1,000,000
Other Income	1,000,000	1,000,000
Operating Income	102,341,376	66,126,764
Operating Expenses	(10,000,000)	(10,000,000)
Provision for Bad Debts	(1,000,000)	(1,000,000)
Provision for Contingent Liabilities	(1,000,000)	(1,000,000)
Provision for Income Tax	(1,000,000)	(1,000,000)
Profit after Taxation	89,341,376	54,126,764

	2007	2006
Note	Taka	Taka
<b>PROPERTY AND ASSETS:</b>		
Cash	1,000,000	1,000,000
Balance with other Banks and Financial Institutions	1,000,000	1,000,000
Investment Securities	1,000,000	1,000,000
Fixed Assets (including Furniture, Fittings and Equipment)	1,000,000	1,000,000
Other Assets	1,000,000	1,000,000
Total Assets	5,000,000	5,000,000
<b>LIABILITIES AND CAPITAL:</b>		
Liabilities		
Deposits and Other Accounts	1,000,000	1,000,000
Other Liabilities	1,000,000	1,000,000
Total Liabilities	2,000,000	2,000,000
Capital (Shareholders' Equity)		
Share Capital	1,000,000	1,000,000
Reserves	1,000,000	1,000,000
Total Shareholders' Equity	2,000,000	2,000,000
Total Liabilities & Shareholders' Equity	5,000,000	5,000,000



SHAHJALAL ISLAMI BANK PLC.  
 (PUBLIC COMPANY LIMITED)  
 FOR THE PERIOD ENDED 31.03.2019

SHAHJALAL ISLAMI BANK PLC. (LIMITED)  
 BALANCE SHEET  
 AS AT 31.03.2019

		2019	2018
	Taka	Taka	Taka
Assets			
Intangible Assets			
Goodwill	12	4,267,110	4,267,110
Other Intangible Assets	13	4,267,110	4,267,110
<b>Intangible Assets</b>		<b>8,534,220</b>	<b>8,534,220</b>
Financial Assets			
Investment Securities	14	4,267,110	4,267,110
Loans and Advances	15	4,267,110	4,267,110
Other Financial Assets	16	4,267,110	4,267,110
<b>Financial Assets</b>		<b>12,801,330</b>	<b>12,801,330</b>
Non-Current Assets			
Property, Plant and Equipment	17	4,267,110	4,267,110
Investment Properties	18	4,267,110	4,267,110
Other Non-Current Assets	19	4,267,110	4,267,110
<b>Non-Current Assets</b>		<b>12,801,330</b>	<b>12,801,330</b>
Current Assets			
Trade Receivables	20	4,267,110	4,267,110
Other Receivables	21	4,267,110	4,267,110
Prepaid Expenses	22	4,267,110	4,267,110
Other Current Assets	23	4,267,110	4,267,110
<b>Current Assets</b>		<b>16,268,440</b>	<b>16,268,440</b>
<b>Total Assets</b>		<b>29,132,600</b>	<b>29,132,600</b>
Equity			
Shareholders' Equity	24	12,801,330	12,801,330
Reserves	25	16,331,270	16,331,270
<b>Equity</b>		<b>29,132,600</b>	<b>29,132,600</b>
Liabilities			
Current Liabilities			
Trade Payables	26	4,267,110	4,267,110
Other Current Liabilities	27	4,267,110	4,267,110
<b>Current Liabilities</b>		<b>8,534,220</b>	<b>8,534,220</b>
Non-Current Liabilities			
Other Non-Current Liabilities	28	4,267,110	4,267,110
<b>Non-Current Liabilities</b>		<b>4,267,110</b>	<b>4,267,110</b>
<b>Total Liabilities</b>		<b>12,801,330</b>	<b>12,801,330</b>
<b>Total Equity &amp; Liabilities</b>		<b>29,132,600</b>	<b>29,132,600</b>

		2019	2018
	Taka	Taka	Taka
PROPERTY AND ASSETS			
Intangible Assets			
Goodwill	12	4,267,110	4,267,110
Other Intangible Assets	13	4,267,110	4,267,110
<b>Intangible Assets</b>		<b>8,534,220</b>	<b>8,534,220</b>
Financial Assets			
Investment Securities	14	4,267,110	4,267,110
Loans and Advances	15	4,267,110	4,267,110
Other Financial Assets	16	4,267,110	4,267,110
<b>Financial Assets</b>		<b>12,801,330</b>	<b>12,801,330</b>
Non-Current Assets			
Property, Plant and Equipment	17	4,267,110	4,267,110
Investment Properties	18	4,267,110	4,267,110
Other Non-Current Assets	19	4,267,110	4,267,110
<b>Non-Current Assets</b>		<b>12,801,330</b>	<b>12,801,330</b>
Current Assets			
Trade Receivables	20	4,267,110	4,267,110
Other Receivables	21	4,267,110	4,267,110
Prepaid Expenses	22	4,267,110	4,267,110
Other Current Assets	23	4,267,110	4,267,110
<b>Current Assets</b>		<b>16,268,440</b>	<b>16,268,440</b>
<b>Total Assets</b>		<b>29,132,600</b>	<b>29,132,600</b>
Equity			
Shareholders' Equity	24	12,801,330	12,801,330
Reserves	25	16,331,270	16,331,270
<b>Equity</b>		<b>29,132,600</b>	<b>29,132,600</b>
Liabilities			
Current Liabilities			
Trade Payables	26	4,267,110	4,267,110
Other Current Liabilities	27	4,267,110	4,267,110
<b>Current Liabilities</b>		<b>8,534,220</b>	<b>8,534,220</b>
Non-Current Liabilities			
Other Non-Current Liabilities	28	4,267,110	4,267,110
<b>Non-Current Liabilities</b>		<b>4,267,110</b>	<b>4,267,110</b>
<b>Total Liabilities</b>		<b>12,801,330</b>	<b>12,801,330</b>
<b>Total Equity &amp; Liabilities</b>		<b>29,132,600</b>	<b>29,132,600</b>



**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 Taka	2010 Taka
Investment Income	21	10,107,768,588	6,416,784,885
Less: Profit paid on Deposits	22	7,376,422,574	4,657,924,658
Net Investment Income		2,731,346,014	1,758,860,227
Income from Investment in Shares, securities	23	112,733,546	1,104,473,288
Commission, Exchange and Brokerage	24	1,473,366,956	1,721,532,422
Other Operating Income	25	312,948,721	266,097,427
		1,899,648,233	3,092,103,137
Total Operating Income		4,630,395,237	4,850,963,264
Salaries and Allowances	26	943,767,823	701,531,880
Rent, Taxes, Insurances, Electricity etc.	27	212,171,186	174,301,419
Legal Expenses	28	882,025	1,071,775
Postage, Stamps, Telecommunication etc.	29	27,567,143	16,487,698
Stationery, Printings, Advertisements etc.	30	40,291,688	53,811,688
Chief Executives Salary & Fees	31	12,600,000	6,428,387
Directors Fees & Expenses	32	4,096,158	6,468,972
Shariah Supervisory Committee's Fees & Expenses	33	196,384	134,680
Auditors' Fees		300,000	253,000
Depreciation & Repairs of Bank's Assets	35	114,033,306	76,787,732
Zakat Expenses	36	59,228,905	32,277,489
Other Expenses	37	217,369,720	252,752,548
Total Operating Expenses		1,632,904,338	1,322,254,120
Profit before Provision	20	2,997,890,899	3,528,709,244
Specific provision for Classified Investment		(130,000,000)	(150,000,000)
General Provision for Unclassified Investment		(180,000,000)	(240,000,000)
General Provision for Off-Balance Sheet Items		(63,200,000)	(130,000,000)
Provision for diminution in value of Investments in Shares		(237,500,000)	(47,500,000)
Provision for Other Assets		-	(1,000,000)
Total Provision	38	(610,500,000)	(568,500,000)
Profit before Provisions for Taxation		2,387,390,899	2,960,209,244
Deferred Tax Expenses	39	30,927,581	36,978,999
Current Tax Expenses	13.2	1,188,019,918	850,889,888
		1,218,947,499	887,868,887
Net Profit after Taxation		1,168,443,400	2,072,340,357

**BALANCE SHEET**

AS AT 31 DECEMBER 2011

	Note	2011 Taka	2010 Taka
<b>PROPERTY AND ASSETS</b>			
Cash			
Cash in hand (Including Foreign Currencies)	3	828,581,466	757,985,771
Balance with Bangladesh Bank & Sonal Bank Ltd including Foreign Currencies:	4	8,670,266,207	6,442,098,480
		9,498,847,673	7,199,684,251
Balance with other Banks and Financial institutions			
Inside Bangladesh		771,921,272	684,337,121
Outside Bangladesh		667,820,627	473,022,125
	5	1,439,741,899	1,157,359,246
Placement with other Banks & Financial Institutions	6	6,835,301,635	4,236,581,235
Investments in Shares & Securities			
Government		2,000,000,000	1,400,000,000
Others	7	5,291,918,927	2,228,851,599
Investments			
General Investment etc.		68,795,477,946	54,295,073,642
Bills Purchased and Discounted	8	11,796,983,737	7,145,002,263
		80,592,461,683	61,440,075,905
Fixed Assets including Premises	9	1,525,267,751	1,472,502,085
Other Assets	10	2,045,242,088	965,347,662
Non Banking Assets			
Total Assets		187,228,861,656	78,800,401,984
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Placement from other Banks & Financial Institutions	11	10,770,000,000	5,732,190,000
Deposits and Other Accounts			
Mudaraba Savings Deposits		4,299,417,084	3,861,423,717
Mudaraba Term Deposits		54,508,485,456	38,104,072,325
Other Mudaraba Deposits		16,507,850,218	14,806,640,228
Al-Wadeeah Current & Other Deposit Accounts		7,464,055,139	5,665,293,559
Bills Payable		570,242,984	527,518,236
	12	83,350,050,881	62,964,948,065
Other Liabilities	13	5,084,677,379	3,278,501,504
Deferred Tax Liabilities	14	107,340,666	76,413,085
Total Liabilities		99,312,068,926	72,052,052,654
<b>Capital: Shareholders' Equity</b>			
Paid-up Capital	15	4,452,655,350	3,425,119,500
Statutory Reserve	16	2,252,105,068	1,774,626,888
Retained Earnings	17	1,212,032,312	1,548,602,942
Total Shareholders' Equity		7,916,792,730	6,748,349,330
Total Liabilities & Shareholders' Equity		107,228,861,656	78,800,401,984



## Chapter Nine



## 9.1 Findings

- SJIBL is holding a much cash reserve than needed. They can invest this money elsewhere to earn more.
- As like other bank, SJIBL is following a conservative liquidity policy and it should change the policy to compete with the entire banking industry.
- They have a very strong position in time deposit in comparison with demand deposit. So they can invest more without the tension of liquidity crisis.
- The bank is emphasizing more on asset management than liability management
- The bank fails to match its short term maturities; it could be happened due to more emphasizing on long term maturities.
- Their hot money ratio is decreasing recent years; this could be the result of emphasizing longer period loans and leases.
- The government security holding is very low for SJIBL; government security is very good semi liquid instrument. If they invest there, they can earn more money without the risk and they can sale it immediately when necessary.
- There are lots of fluctuations in cost of fund. They do not have a specific standard for cost of fund.
- Net asset value has decreased highly. They should find the reason and need to take initiative as early as possible.
- Their operating income is going up, though slowly, but the return on investment is decreasing recent years. This can be the result of decreasing loan demand by the people. They should make people more interested to take loans.

## 9.2 Recommendation

- SJIBL should invest the idle cash money to new investment areas to earn more profit.
- They should implement a liquidity strategy which will contain the features of both asset and liability management with equal priorities.
- The bank should focus more on retail banking than now in exchange of corporate banking. So that they can add more savings account.
- For pleasing short term liquidity needs, bank should provide diversified consumer loans for short term period and invest more on government securities.
- In order to manage maturity matching bank may transfer some of its long term investment into short term investments.
- SJIBL should make the stable cost of fund structure to remove the fluctuation.
- The bank should introduce internet banking facilities for their clients.
- They can introduce mobile banking to gear up their profitability.
- Bank should stop of following conservative policy for liquidity management.
- They should introduce more investment options for the people to make the loans and leases popular, so that the return on investment will increase.



- For well handling of all the customers the bank should arrange more training program for the general banker so the banker can serve the customers in better way.
  
- The Bank does not provide Locker service to the customers. If there has no obligation in Islamic Shariah then the bank can started the locker services to their customers.

### 9.3 Conclusion

The present study on liquidity management process of Shahjalal Islami Bank Limited (SIIBL) has mainly been an attempt to contribute towards growing importance of liquidity management of financial institutions. The report was started by discussing liquidity management theoretically. The theoretical chapter has discussed all about the techniques to estimate liquidity needs and different approaches to deal with liquidity needs. In the next chapter the report shows the administration of liquidity management from the perspective of both the central bank and Shahjalal Islami Bank Ltd.

In Chapter six, the empirical results of Shahjalal Islami Bank Ltd's liquidity management processes have been shown. The part includes estimates of liquidity needs by applying two different techniques, calculation of liquidity ratios by comparing needs and sources and regression analysis. The last part shows financial ratios where main focusing mainly on liquidity ratios. As the calculations in this report were based on estimate figure, a good number of assumptions were used. The actual outcomes in the future may vary from these results. The empirical result of the study imply that Shahjalal Islami Bank Ltd.

Have some drawbacks in maintain its liquidity.

Shahjalal Islami Bank Ltd. Must keep its liquidity up to an optimal level. Furthermore it should implement a liquidity strategy which will contain the feature both asset management and liability management. This policy is recommended for Shahjalal Islami Bank Ltd.

Because the bank will be able to exercise greater asset diversification which will result in higher profitability.

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## Chapter Ten

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