

**Project Paper**  
**On**  
**An Analysis of Investment Management of Social Islami  
Bank Limited.**

**Submitted To:**

Controller of Examinations  
National University  
Gazipur - 1704

**Supervised By:**

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National University, Bangladesh



**Date of Submission: April 05, 2023**

## Letter of Transmittal

April 05, 2023  
Controller of Examinations  
National University  
Gazipur-1704

**Subject: Submission of the Project Paper.**

Dear Sir,

It is my privilege to let you know that as partial fulfillment of the requirements for the Master of Business Administration (MBA), I have completed my project report on An Analysis of Investment Management of Social Islami Bank Limited. I have to furnish a report based on my practical experience. The report focuses mainly on the **An Analysis of Investment Management of Social Islami Bank Limited**. It was stimulating opportunity and a valuable experience for me to the real business world. I am grateful for providing me such an opportunity.

Hope that you would be very pleased to accept my report and oblige me.

Sincerely yours

.....  
Md. Anash Hossain Shaad  
Roll No: 1920433  
Reg. No: 18601000644  
Program: MBA  
Major: Finance  
Daffodil Institute of IT (DIIT)  
National University

## **Supervisor's Approval**

I certify that the concerned report entitled **An Analysis of Investment Management of Social Islami Bank Limited.** is an original work which has been prepared by **Md. Anash Hossain Shaad, Roll No: 1920433, Reg. No: 18601000644**, Program: MBA, Major in Finance, Daffodil Institute of IT. He has completed his report under my supervision.

This report is accepted by me.

.....

**Prof. Dr. Mostafa Kamal**

**Advisor**

**Daffodil Institute of IT (DIIT)**

## Student's Declaration

I am Md. Anash Hossain Shaad Roll No: 1920433, Reg. No: 18601000644, Program: MBA, Major: Finance, Daffodil Institute of IT hereby declares that the report namely **An Analysis of Investment Management of Social Islami Bank Limited.**

I also declare that this paper is my original work and has prepared for academic purpose which is a part of MBA purpose.

Sincerely yours

.....

Md. Anash Hossain Shaad

Roll No: 1920433

Reg. No: 18601000644

Program: MBA

Major: Finance

Daffodil Institute of IT (DIIT)

National University

## Acknowledgement

At the very beginning I would like to express my deepest gratitude to Almighty Allah for giving me strength and composure to finish the task within the schedule time. Project paper is an integrate part of MBA. Every student of MBA is deputed to different organization to learn something within the pre-stipulated time by observing their organization daily practices. In this Regard my project paper was arranged at with **An Analysis of Investment Management of Social Islami Bank Limited**, deliberate counseling Advisor of Daffodil Institute of IT (DIIT), Prof. Dr. Mostafa Kamal.

My heartiest gratitude for his enthusiastic guidance and consideration during the entire phase of the study made it possible for me to prepare this project report. Without their guidance and support it would not have been possible to come to this point of my MBA study.

Finally, I wish to convey special thanks and greetings to our library staff and Personal thanks are offered to all my classmates and well-wishers for their encouragement. I am highly enchanted to express my cordial gratitude and veneration to my parents for their affection, blessings, supports and patronization to pursue the MBA program.

## Executive Summary

This study has been conducted as a partial fulfillment for MBA program of the department of Business Administration under Daffodil Institute of IT. The project paper will give a clear idea about the An Analysis of Investment Management of Social Islami Bank Limited. I have completed my Project paper on my research knowledge. In this study I have used primary and secondary data. This report segmented into five chapters, **Chapter one** contained Introduction, Objective of the Study, Scope of the Study, Methodology of the Study and Limitation of the Study. **Chapter two** includes An Overview of Social Islami Bank Limited, Concept of Islamic Banking, Objectives of SIBL, Mission of SIBL, Vision of SIBL, Strategic Objectives of SIBL, Major Operational Area of the Bank, Corporate Profile, Product and Services of SIBL. In **Chapter three** includes Investment, Investment from Different Perspective, Main Characteristics of Investment, Objectives and Principles of Investment, Investment Policy, Factors Influencing Investment Policy, Investment Portfolio, Investment Mechanism, Criteria of Investment, Procedure of Investment Sanction & Disbursement, Modes of Investment of SIBL, Status of Investment. In **Chapter four** I describe Investment Activities of SIBL, Capital Management of SIBL, Trend of Social Islami Bank Limited, Last 5 Years Investment, Financial Highlights of SIBL, Investment on different Modes for 3 Years is shown through Three charts, Sector Wise Investment of SIBL, Special Investment Scheme of SIBL, Areas of Investment of SIBL, Total Collection from January 2022 to December 2022 in SIBL, Total Due from January 2022 to December 2022 in SIBL, Present Situation of the Investment, Investment Recovery Process. In **Chapter five** is the finishing part of my report, this chapter I described findings, Recommendations and Conclusion. SIBL does not sanction investment to all sectors equally as they require, rather it concentrates its investments within some limited fields and categories. Its investment procedure is very difficult. Some of the SIBL employers try to violet Islami Shariah when they deal with investment. There has Chance to submit wrong appraisal and evaluation of investment proposal.

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Chapter:

01

• INTRODUCTION

## 1.1 Introduction:

The financial institution which deals with money and money worth instruments is called Bank. A bank is a financial in-between option that accepts deposits and channels those deposits into lending activities. My Research topic is **An Analysis of Investment Management of Social Islami Bank Limited**. I had to select an area of study so that I can make a detail research and present my observation in the report.

Founded in 1995, Social Islami Bank Ltd. (SIBL) is the country's leading value-added financial institution based on Shariah' Principles. SIBL comprises of SIBL Securities Ltd, SIBL Investment Ltd, SIBL Foundation Hospital. The three-tier banking model (Formal, Non-formal & Voluntary), the first of its kind in the banking arena of Bangladesh, brings a new dynamism in welfare banking targeting eradication of poverty of the country with a motto of "Working Together for a Caring Society". Working closely with our valued clients and stakeholders to provide them one-stop services, access to the very latest products using technology. Our unrivaled customer services have made us unparalleled in the industry. We build a long-term business partnership with our clients helping them grow profitable.

The strong conviction to create a caring society is the cornerstone of SIBL's all activities. We feel a strong affinity to the emotions of people. We believe that only banking activities can't usher our society to a just and equitable stage. Thus, we are extensively engaged in CSR activities on humanitarian grounds. We work in the fields such as from poverty eradication to family empowerment. Unlike others, the Bank's criteria for success are not only the key objective to make profit but also landmarks to become the country's most humanitarian and complete Bank.

While preparing this report, I had to talk with officials & clients of SIBL, I had a great opportunity to know about Islamic banking system, overall banking activities of SIBL & also be able to know about the activities of investment management system. Investment management system of SIBL is different from others bank policy and strategy.

## 1.2 Objectives of the Study:

### ➤ Broad Objective:

The broad objective of this study is to analyze the investment performance of Social Islami Bank Bangladesh Limited. And fulfill the partial requirement of MBA Program under National University.

The following objectives can be listed as the specific objectives of the study:

### ➤ Specific Objectives:

1. To acquire knowledge of investment management of SIBL.
2. To evaluate the Investment Management system of Social Islami Bank Limited.
3. To study an Analysis of Investment Management of Social Islami Bank Limited.
4. To find out problems regarding investment management of SIBL along with some possible recommendation.

## 1.3 Scope of the Study:

The report is totally based on the mode wise investment of Social Islami Bank Bangladesh Limited. In order to conduct the study on this issue, the following aspects have focused on the study:

- ✓ An overview of Social Islami Bank Bangladesh Limited.
- ✓ Mode wise investment.
- ✓ Different investment management system.

## 1.4 Methodology of the study:

For smooth and accurate study, I have followed rules & regulation of SIBL. The study impute were collected from two sources are given below:

### ❖ Primary sources:

- ✓ Physical observations
- ✓ Face to face conversation with the officers
- ✓ Face to face conversation with the members
- ✓ Area Office work
- ✓ MIS activities

### ❖ Secondary sources:

- ✓ Branch activities of practical orientation
- ✓ Various publications on SIBL,
- ✓ Annual report of SIBL
- ✓ SIBL Files
- ✓ Website

## 1.5 Limitations of the Study:

The main limitations of the study are as follow:

- ✓ Bank policy was not disclosing some data and information for various reasons.
- ✓ Lack of adequate knowledge about investment of any organization.
- ✓ For the reason of confidentially, some useful information cannot be expressed in this report.
- ✓ Lack of experience.
- ✓ Secrecy of management.
- ✓ Busy working environment.

Chapter:

02

- AN OVERVIEW OF  
SIBL

## 2.1 An Overview of Social Islami Bank Limited:

The Social Islami Bank (SIBL) is a second-generation commercial bank, operating since 22nd November 1995 based on Shariah' Principles, has now 172 branches all over the country with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. Targeting poverty, The Social Islami Bank (SIBL) Ltd, is indeed a concept of 21st century participatory three sector banking model in one. In the formal sector, it works as an Islamic participatory commercial bank with human face approach to credit and banking on the profit and loss sharing. It has a non-formal banking sector too with informal finance and investment package that empowers and humanizes real poor family and create local income opportunities and discourages internal migration. The bank has another sector to monetize the voluntary sector and management of Waqf, Mosque properties and has introduced cash Waqf system for the first time in the history of banking. In the formal corporate sector, this Bank, among others, offers the most up-to-date banking services through opening of various types of deposit and investment accounts, financing trade, providing letters of guarantee, opening letters of credit, collection of bills, leasing of equipment and consumers' durable, hire purchase and instalment sale for capital goods, investment in low-cost housing and management of real estates, participatory investment in various industrial, agricultural, transport, educational and health projects and so on.

The Bank has taken a renewed drive aiming at consolidating its business in more focused areas covering SME and Agro-finance with emphasis on searching for alternative delivery channel under which SMS banking and mobile based remittance payment systems and by gradually introducing the same to disseminate the SIBL services to the doorsteps of the customers.

SIBL has set its strategy to convert all its banking activities from traditional branch-based banking system to an ideal blending of both centralized processing unit (CPU) and effective operation of branch that is based on modern essence of banking.

The Corporate Governance system in SIBL ensures transparency and accountability at all levels in conducting business. The Bank's continuous effort has been to increase the shareholders' value and to be valued as a compliant organization.

## 2.2 Concept of Islamic Banking:

Islamic Banking refers to that system of banking activities related to the principles of Sharia (Islamic rulings). The practical application of Islamic Banking is related to the development of Islamic economies. The purpose of the Islamic Banking is same as the conventional banking system except the operation according to the rules of Sharia known as Fiqh al-Muamalat (Islamic rules on transactions). The origin of Islamic Banking can be traced back to the very birth of Islam when our Prophet himself acted as an agent for his wife's trading operations. Islamic partnerships (Mudarabah) dominated the business world for centuries. So, the concept of Islamic Banking is not new. Rather, it is coming from centuries ago. The principal source of the Sharia is the Quran followed by the recorded sayings and actions of Prophet Muhammad (PBUH) - the Hadith. Islamic Banking deals with interest free financial structure. As Islamic economy is a complete system of social and economic justice, it deals with property rights, the incentive system, and the allocation of resources, economic freedom, decision making and the proper role of government. According to the Quran "God has permitted trade, but forbidden Riba (interest)" (2:275). Again, according to the Quran ... "Allah will destroy Riba (usury) and will give increase for Sadaqaat and Allah likes not the disbelievers, sinners. So, it is only the fixed, predetermined, return on savings or transactions that is forbidden, not an uncertain rate of return, such as the making of profit.

## 2.3 Objectives of SIBL:

- ✓ Build up a low-cost fund base.
- ✓ Make sound loan and investment.
- ✓ Always meet capital adequacy recruitment.
- ✓ Ensure 100% recovery of all advances.
- ✓ Ensure a satisfied work force.
- ✓ Focus on fee-based income.
- ✓ Adopt an appropriate management technology.
- ✓ Install a scientific MIS to monitor banks activities.
- ✓ Utilize a team of professional employees.

- ✓ Search for a total customization solution of L.T. for the purpose of full automation step
- ✓ To archive global standard.
- ✓ To strength global corporate culture.

## **2.4 Mission of SIBL:**

- ✓ Establishing Three Sector Banking Model.
- ✓ Transformation to a service-oriented technology driven profit earning Bank.
- ✓ Fast, accurate and satisfactory customer service.
- ✓ Balanced & sustainable growth strategy.
- ✓ Optimum return on shareholders' equity.
- ✓ Introducing innovative Islamic Banking Products.
- ✓ Attracting and retaining high quality human resources.
- ✓ Empowering real poor families and creating local income opportunities.
- ✓ Providing support for social benefit organizations by way of mobilizing funds and social services.

## **2.5 Vision of SIBL:**

- ✓ Working together for a caring society.

## **2.6 Strategic Objectives of SIBL:**

- ✓ Transformation into a service-oriented technology-driven.
- ✓ Ensure fast, accurate and best-in-class customer services with customers' satisfaction.
- ✓ Balanced and sustainable growth strategy. Optimum return on shareholders' equity.
- ✓ Introducing innovative Islamic Banking Products.
- ✓ Ensure Green Banking.
- ✓ Attract, motivate, and retain high quality human resources.
- ✓ Empowering real poor families and create local income opportunities.
- ✓ To invest in the priority sector for the overall economic development



- ✓ Ensure best CSR (Corporate Social Responsibilities) practices.
- ✓ To achieve global standards in Islamic Banking

## 2.7 Major Operational Area of the Bank:

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

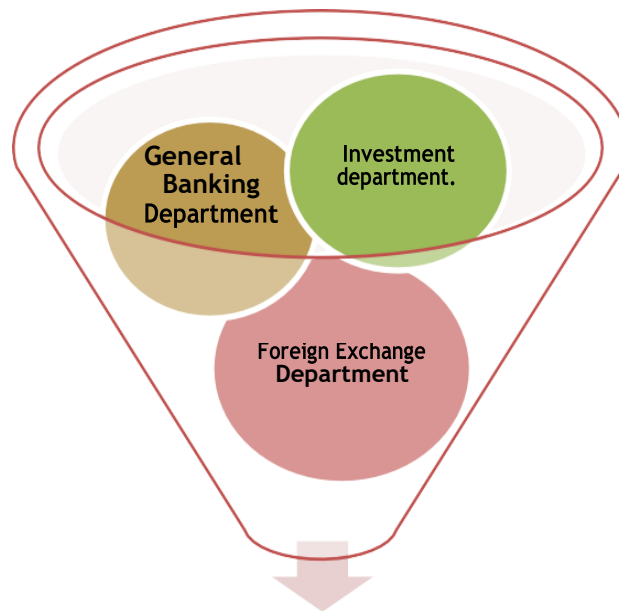


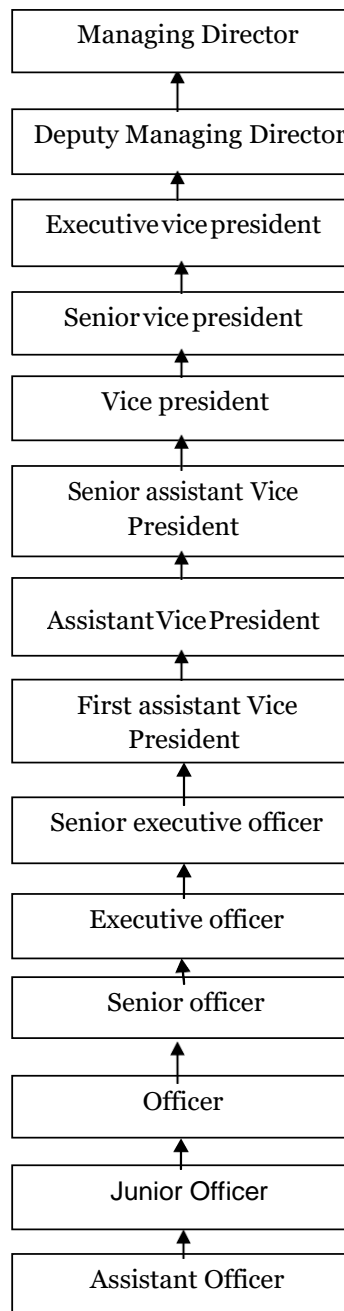
Figure: Major Operational Area

## 2.8 Corporate Profile:

<b>Name of the Company</b>	<b>Social Islami Bank Limited</b>
Legal Form	Public Limited Company
Company Registration No	C-28763(44)/95
Authorized Capital	30,000,000,000Tk
Paid up Capital	9,849,088,440Tk
Bank's License No	DBOD:200/60-943/95
Taxpayer Identification No. (TIN)	144050147394
Business Identification No	000302065
Credit Rating Agency	Emerging Credit Rating Ltd.
Number of Employees	3192
Number of Branches	172
Number of Shares	984,908,844
For SIBL Securities Ltd. (A Subsidiary of SIBL)	Chief Executive office 3 <sup>rd</sup> floor, 15 Dilkusha C/A Dhaka-1000
For SIBL Investment Ltd (a Subsidiary of SIBL)	Chief Executive officer City Centre, 90/1 Motijheel C/A, Dhaka-1000
Listing Status (Shares)	DSE (Dhaka Stock Exchange) Symbol: SIBL, Listing Date: 18.11.2000
	CSE (Chittagong Stock Exchange) Symbol: SIBL, Listing Date: 04.10.2005
	Market Price as on 31.12.2021 DSE: Taka 14.80, Category A CSE: Taka 14.80, Category A
<b>Chairman</b>	<b>Mr. Belal Ahmed</b>
<b>Managing Director &amp; CEO</b>	<b>Mr. Zafar Alam</b>

<b>Company Secretary</b>	<b>Mr. Md. Nazmul Ahsan, FCS</b>
Chief Financial Officer	Mr. Walid Mahmud Sobhani, FCMA
<b>Chief Risk Officer</b>	<b>Mr. Md. Shafiqul Islam</b>
<b>Chief Compliance officer</b>	<b>Mr. Md. Abdul Hamid</b>
Auditors	Hoda Vasi Chowdhury & Co Chartered Accountants Bangladesh Textile Mills Corporation Bhaban 7-9 Kawran Bazar Rd, Dhaka 1217 Shafiq Basak & Co. Chartered Accountants Shatabdi Centre (6th Floor) 292 Inner Circular Road, Fakirapool Motijheel, Dhaka
Registered Office	<b>City Center, Level 19, 20, 21, 22, 28 &amp; 29</b> <b>90/1 Motijheel C/A, Dhaka-1000</b> Email : <a href="mailto:info@sibl-bd.com">info@sibl-bd.com</a> Phone PABX: +88-09612001122 FAX: 88 02- 9568098 Website: <a href="http://www.siblbld.com">www.siblbld.com</a> SWIFT: SOIVBDDH

## 2.9 Organizational Hierarchy of SIBL:



## 2.10 Product and Services:

### a) Investment Products:

- ✓ Bai-Muazzal
- ✓ HPSM
- ✓ HPSM- Ijara
- ✓ Murabaha
- ✓ Musharaka
- ✓ Bill Purchase
- ✓ Bai-Salam (PC)
- ✓ Quard

### b) Deposit Products:

- ✓ Mudaraba Scheme Deposits
- ✓ Al Wadiah Current Account
- ✓ Mudaraba Savings Deposit
- ✓ Mudaraba Term Deposit
- ✓ Mudaraba Notice Deposit
- ✓ Cash Waqf. Deposit
- ✓ SIBL Super Saving Account

### c) Cards:

- ✓ SIBL Credit Card
- ✓ Visa Islamic Credit Card (Dual)
- ✓ Visa Islamic Credit Card (Local)
- ✓ SIBL Zameel Debit Card
- ✓ SIBL Hajj Card
- ✓ Special Offers
- ✓ Card User Guideline

- ✓ Schedule of Charges

**d) Service:**

- ✓ Online Banking
- ✓ ATM 24/7
- ✓ Automated Clearing
- ✓ Electronic Fund Transfer
- ✓ Internet Banking (SIBL NOW)
- ✓ Offshore Banking
- ✓ Remittance
- ✓ Locker
- ✓ Students File
- ✓ SWIFT
- ✓ Capital Market Services through SIBL Subsidiaries
- ✓ ADR (Alternate Delivery Channel)
- ✓ School Banking
- ✓ Agent Banking
- ✓ RTGS (Real Time Gross Settlement)

Chapter:

03

• INVESTMENT  
MANAGEMENT

### **3.1 Investment:**

Investment is the commitment of money or capital to purchase financial instrument or other asset in order to gain profitable return in form of interest, income, or appreciation of the value of the instrument. Investment is related to saving or deferring consumption. An investment involves the choice by an individual or an organization such as a pension fund, after some analysis or thought, to place or lend money in a vehicle, instrument or asset, such as property, commodity, stock, bond, financial derivatives (e.g. futures or option), or the foreign asset denominated in foreign currency, that has certain level of risk and provides the possibility of generating returns over a period of time.

### **3.2 Investment from Different Perspective:**

Investment is a term frequently used in the field of economics, business management and finance. It can mean saving alone or saving made through delayed consumption. Investment can be divided into different types according to various theories and principles.

#### **a) Investment in terms of Economics:**

According to economics theories, is defined as the per-unit production of goods, which have not been consumed, but will however, be used for the purpose of future production.

Example of this type of investment are tangible goods like construction of a factory or bridge and intangible goods like 6 months of on the job training. In terms of national production and income, Gross Domestic product (GDP) has an essential constituent, known as gross investment.

#### **b) Investment in terms of Business Management:**

According to business management theories, investment refers to tangible asset like machinery and equipment and buildings and intangible asset like copyright or patents and goodwill. The decision for investment is also known as capital budgeting decision. Which is regarding as one of the key decisions.



### c) Investment in terms of Finance:

According to finance theories, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

### d) Investment in terms of Personal Finance:

According to personal finance theories, an investment is the implementation of money for buying shares, mutual funds, or assets with capital risk.

## 3.3 Main Characteristics of Investment:

The following are the main characteristics of investment:

- ✓ **Risk Factor:** Every investment contains certain portion of risk. It is a key feature of investment which refers to loss of principal, delay in payment of interest and capital etc. Most investors prefer to invest in less riskier securities.
- ✓ **Expectation of Return:** Return expectation is the main objective of investment. Investors expect regularity of high and consistent income for their capital.
- ✓ **Safety:** Investors expect safety for their capital. They desire certainty of return and protection of their investment or principal amount.
- ✓ **Liquidity:** Liquidity means easily sale or convert the capital or investment into cash without any loss. So, most investors prefer liquid investments.

## 3.4 Objectives and Principles of Investment:

The principal of investment operation of the bank is:

- ✓ To invest fund strictly in accordance with the principles of company act.

- ✓ To ensure mutual benefit both for bank and the investment client by professional appraisal of investment proposal, judicious sanction of investment, close and constant supervision and monitoring thereof.
- ✓ To make investment keeping the social economic requirement of the country in view.
- ✓ To increase the number of potential investors by main participatory and productive investment.

### 3.5 Investment Policy:

An investment policy is a document drafted between a portfolio manager and a client that outlines general rules for the manager. This statement provides the general investment goals and objectives of a client and describes the strategies that the manager should employ to meet these objectives. Specific information on matters such as asset allocation, risk tolerance, and liquidity requirements are included in an investment policy.

### 3.6 Factors Influencing Investment Policy:

There are many factors which directly or indirectly, influence capital investment decisions, beside the availability of fund to invest, profitability of investment, market for the product, etc., they are as below:

- ✓ **Technological Changes:** Technological development changes at present is much faster than that at past. The new technology increases the productivity of labor and capital.
- ✓ **Competitor Strategy:** If the competitors are installing the new equipment to expand output or to improve of their product, the firm under consideration will have no alternative but to follow suit, else it will be loss.
- ✓ **Demand Forecast:** The long demand forecast is one of the determinations of investment decisions.

- ✓ **Outlook of Management:** An Investment decision depends on the management outlook. If the management is progressive in its outlook, the innovations will be encouraged.
- ✓ **Fiscal Policy:** Various tax policy of the government relating the tax concession on prioritized investment rebate on new investment methods allowing depreciation deduction allowance etc. Also have influence on the capital.
- ✓ **Cash Flow:** Every firm a cash flow budget. Its analysis influences capital investment decision.
- ✓ **Expected Return from the Investment:** Investment decisions are mostly done anticipation of increased return future.
- ✓ **Non-Economic Factors:** The factors which cannot be evaluated in money terms is called non-economic terms or factors.

### 3.7 Investment Portfolio:

Investment portfolio of mainly comprises of investment in Bangladesh in the following areas:

- ✓ Government securities, Bonds, Treasury bills of different period and Bangladesh bank bills.
- ✓ Zero coupon bond.
- ✓ Shares of listed companies.
- ✓ Reverse Report.
- ✓ Debenture of government, semi govt. organization and public limited companies.

### 3.8 Investment Mechanism:

The overall investment mechanism of Social Islami Bank Limited is presented through an overview of 3P of investment. Here the three P stands for the policy of investment. This are discussed below:

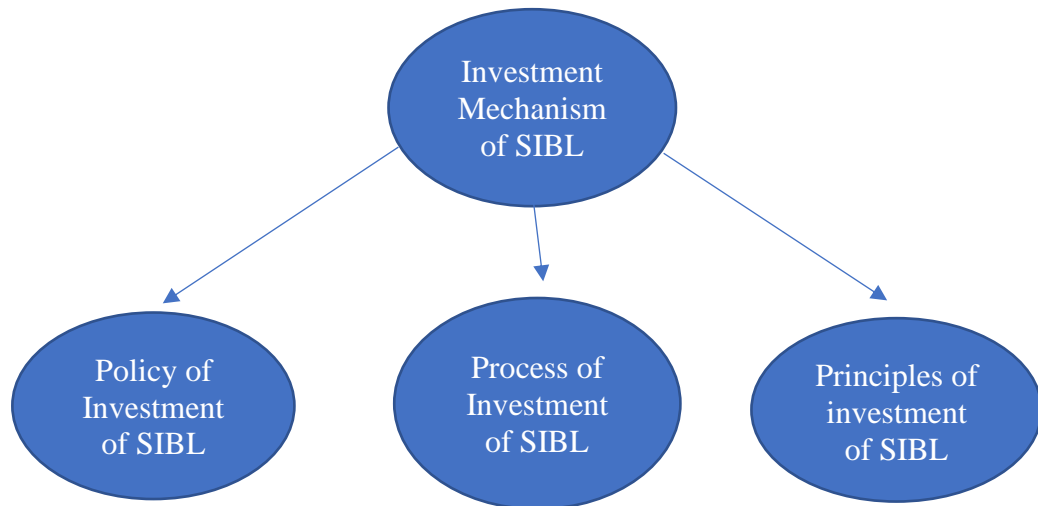


Figure: Investment Mechanism of SIBL

### 3.9 Criteria of the Investment in SIBL:

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

❖ **Characteristics:**

- ✚ Personal Character
- ✚ Social Position
- ✚ Nature of Business
- ✚ Acceptability of Investment
- ✚ Duration of Business
- ✚ Turnover of his Business

❖ **Security Against Investment:**

- ✚ Primary Security
- ✚ Collateral Security
- ✚ Others Security

### 3.10 Procedures of Investment Sanction and Disbursement:

Generally, a bank takes certain steps to deliver its proposed investment to the client. But the process takes deep analysis. Because banks invest depositors fund, not bank's own fund. If the bank fails to meet depositors demand, then it must collapse. So, each bank should take strong concentration on investment proposal. However, Social Islami Bank Limited makes its investment decision through successfully passing the following some procedures, these are as follows:

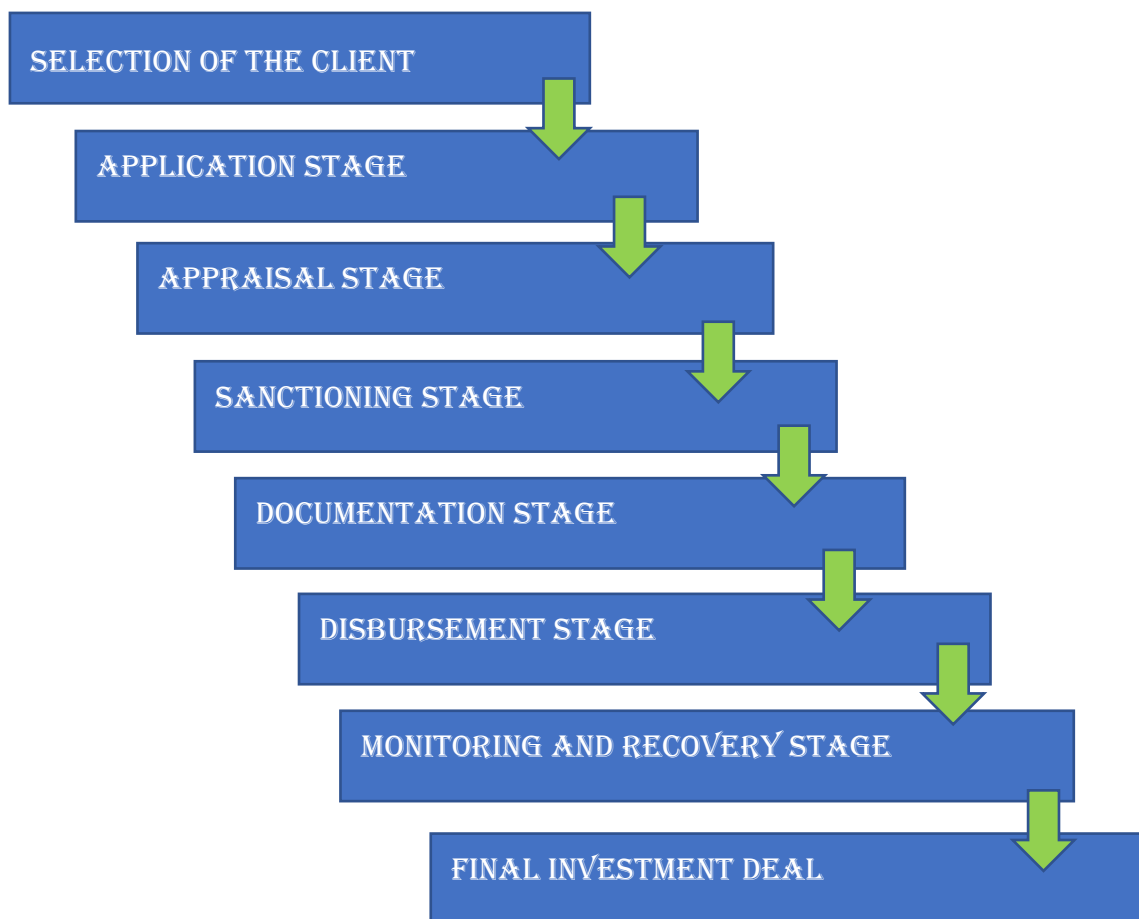


Figure: Procedures of Investment Sanction and Disbursement.

### ❖ Selection of the Client:

The investment taker (client) approaches to any of the branch of the Social Islami Bank Limited. Then he/she talks with manager or any respective officer. Secondly, bank consider the Five C of the customer. After successful the fulfillment of the discussion between bank and client, bank selects the client for its proposed investment. It is to be noted that the customer must agree with the bank's rules & regulations before availing investment. So, Bank analyses the following Five C's of the Client:

- Character
- Capacity
- Capital
- Collateral and,
- Condition

### ❖ Application Stage:

In this stage, the bank will collect necessary information about the prospective customer. For these reason bank informs the prospective customer to provide and or fill duty respective information which is crucial for the initiation of investment proposal. There are some documents necessary for getting investment of SIBL are prescribed, these are as follows:

- Trade License Photocopy
- Summary of Income Statement
- Attested copy of Partnership Business (for Partnership Business)
- Last three years Audit Balance sheet (for Joint Stock Company)
- Income Summary Statement for Mushraka or Mudaraba investment
- Attested copy of TIN (Tax Identification Number) With including final assessment

### ❖ Appraisal Stage:

In this stage, the bank evaluates the customer and his/her business. It is the most important stage. Because on the basis of this stage bank usually goes for sanctioning the proposed investment limit proposal. If anything goes false, here the bank suddenly stops to make payment of investment.

### ❖ **Sanctioning Stage:**

In this stage the bank officially approves the investment proposal of the respective customer. In this case customer receives bank's sanctioning letter, SIBL Sanction letter contain are following elements are given below:

- ✓ Investment Limit in Million
- ✓ Mode and amount of investment
- ✓ Purpose of investment
- ✓ Period of investment
- ✓ Rate of return
- ✓ Security
- ✓ Good security or Cash

### ❖ **Documentation Stage:**

In this stage usually the bank analyses whether required documents are in order. In this stage the SIBL following documents of customer:

- ✓ Asset Acknowledgement
- ✓ Cheque forwarding
- ✓ Tax payment Certificate
- ✓ Trust Receipt
- ✓ Letter of disbursement
- ✓ Letter of installment
- ✓ Trade License
- ✓ Balance conformation
- ✓ Performance report with the bank
- ✓ Performance report with bank
- ✓ Account statement form of the bank
- ✓ Valuation Certificate
- ✓ Pledge

### ❖ **Disbursement Stage:**

In this stage bank decides to pay out money. Here, the customer gets his/her desired fund or goods. It is to be noted that before disbursement A Site plan Showing the Exact location of each mortgage property needs to pay physical verified.

### ❖ **Monitoring & Recovery Stage:**

In this stage investment processing of SIBL will contact the customer continually, Like an example Bank can obtain monthly stock report from the customer in the case of micro investment. Sometimes bank will physically verify the client's operations.

Also, if bank feels that anything is going wrong then it tries to recover its investment fund from the customer. Like an example,

- ✓ Telephonic communication
- ✓ Issuing letter
- ✓ Final notice
- ✓ Legal notice
- ✓ Suit filing

## **3.11 Modes of Investment:**

The Islamic modes of investment are broadly categorized in to basic four categories, these are as follows,

### 1. Equity Participation Based:

- ✓ Mudaraba
- ✓ Mushraka

### 2. Buying and Selling Based:

- ✓ Bai Muajjal
- ✓ Murabaha
- ✓ Bai- Salam
- ✓ Istisna



3. Rental Based:
  - ✓ Izara
  - ✓ IzaraBilBaiya/HPSM
  
4. Other Service Oriented:
  - ✓ WBW
  - ✓ QuardeHasana etc.

## **1. Equity Participation Based:**

### **a) Mudaraba:**

Mudaraba is a mode of Business Agreement between a party supply entire capital and another party will conduct the business by deploying his expertise, prudence labor and distribute the profit as per prior agreement and loss of the enterprise will be borne by the capital supplier.

The party who will supply capital is named as Shaheb-Al-Mal and the party who will conduct the business named as Mudarib.

Generally, Mudaraba are two types, these are given below:

- **MudarabaMutlak:** A mudaraba agreement where in nature of business, location of business name of Mudarb and other terms of business are not specified is known as MudarbaMutlak.
- **MudarabaMukaeda:** A mudaraba agreement wherein nature of business, location of business name and member of mudarib terms and conditions for deploy or withdrawals of capital from one business to another business are clearly specified is known as MudarabaMukaeda.

### **❖ Features of Mudaraba Investment:**

There are some features of Mudaraba Investment are as follow:

- Capital must be specific.
- Capital must be in currency.
- Capital is not a liability debt on Mudarib.
- Shahib al maal cannot take part in business directly but may supervises the business.

- Mudarib is not entitled to wages/salary but may get actual expenses incurred.
- Profit must be shared as per agreed ratio.
- Loss must be borne by the owner of the capital.

## b) Musharaka:

The word musharaka comes from the word Shirk which means participation or partnership. Musharaka is a made of investment wherein business is guided on the basis of agreement among the partners with joint participation in capital of the business and share the profit as per prior agreement ratio and losses as per capital ratio.

There are two types of Musharaka are given below:

- A. **Shirkatul Milk:** Joint stock ownership of an asset without prior agreement is called Shirkatul Milk. If the asset is divisible but maintain joint ownership called voluntary Shirkatul Milk. But joint ownership for the asset which is indivisible is called Shirkatul Milk compulsory.
- B. **ShirkatulOkud:** When partners own the asset jointly against an agreement is known as ShirkatulOkud.

## 2. Buying and Selling Based:

### a) Bai-Muajjal:

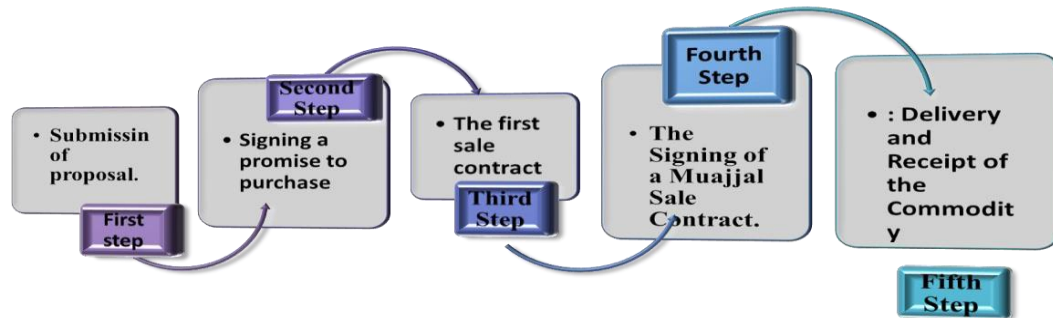
**Meaning:** The terms, Muajjal are derived from the Arabic words „Bai“ and „Ajal“. The word, Bai “ means purchase and sale and the word, Ajal” means a fixed time or fixed period. “Bai-Muajjal” is a sale for which payment is made at a future fixed date or within a fixed period. In short, it is a sale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

**Definition:** Bai-Muajjal is a contract between Buyer and Seller under which the seller sells certain specific goods (permissible under Shariah and Law of the country), to the Buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installments. The seller may also sell the goods purchased by him as per order and specification of the Buyer.

In Bank's perspective, Bai-Muajjal is treated as a contract between the Bank and the Client under which the bank sells to the Client certain specified goods, purchased as

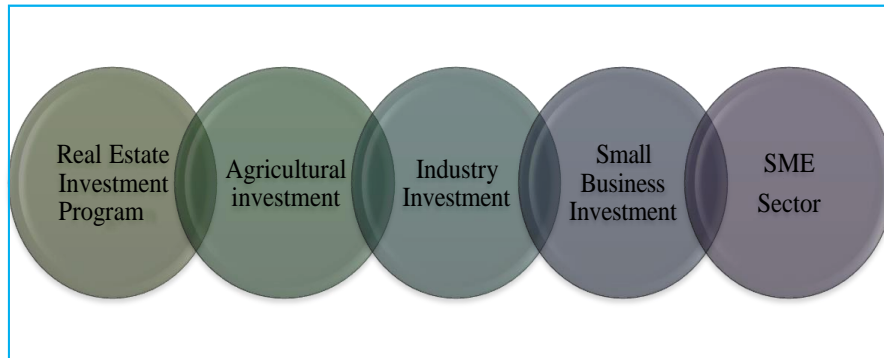
per order and specification of the Client at an agreed price payable within a fixed future date in lump sum or by fixed installments.

#### Steps of Bai- Muajjal Practiced by SIBL:



- i. **First Step:** The Client sends a proposal with the specifications of the commodity to be acquired from the bank. The proposal also indicates details regarding the date, time and place of delivery as well as price and form of payment information. The bank responds by sending a counter proposal either accepting the buyer's price or stipulating a different price.
- ii. **Second Step:** The client promises to buy the commodity from the bank on a Bai-Muajjal basis for the stipulated price. The bank accepts the order and establishes the terms and conditions of the transaction.
- iii. **Third Step:** The bank informs the client of its approval of purchasing the commodity. The bank may pay for the goods immediately or accordance with the agreement. The seller expresses its approval to the sale and sends the invoice.
- iv. **Fourth Step:** The two parties (the bank and the client) sign the Bai-Muajjal sale contract according to the agreement to purchase.
- v. **Fifth Step:** The bank authorizes the client or his nominee to receive the commodity. The seller sends the commodity to the place of delivery agreed upon. The client undertakes the receipt of the commodity in its capacity as legal representative and notifies the bank of the execution of the proxy.

## Investment Sectors under Bai-Muajjal



### b) Bai –Murabaha:

**Meaning:** The terms Bai–Murabaha have derived from Arabic word Bai and Ribhun. The word Bai means purchase and sale and the word Ribhun” means an agreed upon profit. Bai Murabaha means sale for an agreed upon profit.

**Definition:** Bai-Murabaha is a contract between a Buyer and Seller under which the Seller sells certain specific goods permissible under Islamic Shariah and Law of the land to the Buyer at a cost-plus agreed profit payable in cash on any fixed future date in lump sum or by installments. The profit marked-up may be fixed in lump-sum or in percentage of the cost price of the goods. In case of Bai-Murabaha Banks procure the goods as per indent of the customer, retain it in its custody and sell the same part by part or at a time to the client who gave indent for the goods.

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

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

### **Bai-Murabaha on order and promise:**

This transaction involves three parties- the buyer, the seller, and the bank. Under this arrangement, the bank acts as an intermediary trader between the buyer and the seller. Where the Bank upon receipt of order from the buyer with specification and a prior outstanding promise to buy the goods from the bank, purchases the ordered goods and sells those to the ordering buyer at a cost-plus agreed profit, the sale is called “Bai-Murabaha on order or promise” generally known as Murabaha. In this case, capital with profit is almost secured by promise.

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

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

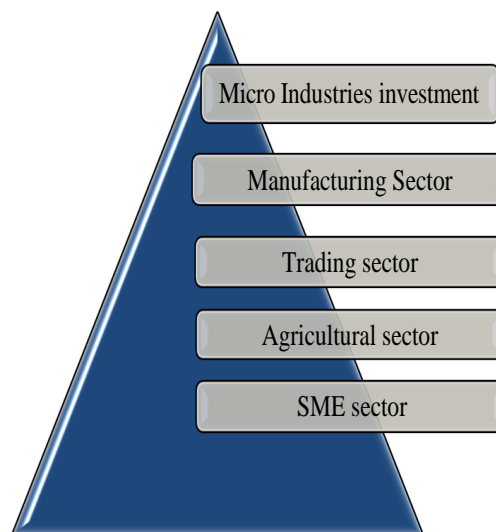
Therefore, to make a true practice of Bai-Murabaha, purchase of goods by the Bank should be for and on behalf of the Bank and the payment of price of goods by the Bank must be made for and on behalf of the Bank.

### **Steps of Bai-Murabaha Practiced by SIBL:**

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

- b) **Second Step:** The client promises to buy the commodity from the bank on a Bai-Murabaha basis for the stipulated price. The bank accepts the order and establishes the terms and conditions of the transaction.
- c) **Third Step:** The bank informs the client of its approval of purchasing the commodity. The bank may pay for the goods immediately or accordance with the agreement. The seller expresses its approval to the sale and sends the invoice(s).
- d) **Fourth Step:** The two parties (the bank and the client) sign the Bai-Murabaha sale contract according to the agreement to purchase.
- e) **Fifth Step:** The bank authorizes the client or his nominee to receive the commodity. The seller sends the commodity to the place of delivery agreed upon. The client undertakes the receipt of the commodity in its capacity as legal representative and notifies the bank of the execution of the proxy.

### Investment Sectors under Bai-Murabaha



### c) **Bai –Salam:**

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

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



#### Steps of the Bai-Salam sale:

- i. **Step One:** The Bank pays the price in the contract meeting so that the seller makes use of it and covers his financial needs. The seller abides the delivery of the commodity on the specific due date.
- ii. **Step Two:** There are several options for delivery available to the bank:
  - ✓ The bank may receive the commodity and resell it to another party for cash or credit.
  - ✓ The bank may authorize the seller to find another buyer for the commodity.
  - ✓ The bank may direct the seller to deliver the commodity directly to a third party with whom the bank has entered into another agreement.
- iii. **Step Three:** The bank agrees to sell the commodity for cash or a deferred price, which is higher than the Salam purchase price. The buyer agrees to purchase and to pay the price according to the agreement.

#### d) Bai-Istisna:

**Definition:** The Istisna sale is a contract in which the price is paid in advance at the time of the contract and the object of sale is manufactured and delivered later. The majority of the jurists consider Istisna as one of the divisions of Bai-Salam. Therefore, it should be treated under the definition of Bai-Salam. But the Hanafi School Fiqh declares

Istisna as an independent and separate contract. The jurists of the Hanafi School have given various definitions to Istisna, some of which are:

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

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

### Steps of Istisna sale and parallel Istisna:



- i. **Step One:** The Buyer expresses his desire to buy a commodity and brings a request to purchase the commodity to the bank. The method of payment, whether cash or deferred as set forth in the agreement. The bank agrees to deliver the commodity to the buyer at some agreed upon time in the future.

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

- ii. **Step Two:** The seller in the parallel Istisna agreement delivers the commodity to the bank on the agreed upon date. The bank, in turn, delivers the product to the



buyer of the original Istisna contract, in accordance with the original agreement. In this way, all parties fulfill their obligations to the contract.

### **3. Rental Based:**

- a) **Ijara Mode:** The term Ijarah has been derived from the Arabic words (Air) and (Ujrat) which means consideration, return, wages or rent. This is really the exchange value or consideration, return, wages, rent of service of an asset. Ijarah has been defined as a contract between two parties, the Hire and the Hirer where the Hirer enjoys or reaps a specific service or benefit against a specified consideration or rent from the asset owned by the Hire. It is a hire agreement under which a certain asset is hired out by the Hire to a Hirer against fixed rent or rentals for a specified period.
- b) **HPSM (Hire Purchase under Shirkatul Melk):** Under this mode Bank may supply implements/equipment's/goods on rental basis. The ownership of the implements/equipment's/goods will be the bank and the client jointly and the portion of the client will remain to the Bank as mortgage until the closure of the investment account, but the client will be authorized to possess the equipment for certain period. The client, after completion of the installments, will be the owner of the implements/equipment's/goods. In case of Hire Purchase under ShirkatulMelk, the asset/ property involved is jointly purchased by the Hire (Bank) and the Hire (Client) with specified equity participation under a ShirkatulMelk Contract in which the amount of equity and share in ownership of the asset of each partner (Hire Bank & Hirer Client) are clearly mentioned. Under this agreement, the Hire and the Hirer becomes co-owner of the asset under this transaction in portion to their respective equity participation. Hire purchase under ShirkatulMelk is a special type of contract, which has been developed through price.

### **4. Other Service oriented:**

- a) **WBW (WAZIRAT WAKALA):** Bank as an Agent (Al Wakalah Basis): A bank under Islamic Shariah can act as an agent of the customer and can carry out the transection on their behalf. Moreover, it can charge agency fee for the service.

The agency fees can be charged in the following cases:

- ✓ Payment/receiving of cash on behalf of the client.
- ✓ Inward bill collection.
- ✓ Outward bill collection.
- ✓ L/C opening and acceptance.
- ✓ Collection of export bills? Bill of exchange.

**b) QuardeHasna (Profit free loans):** Quard means loan without interest and Hasana means beautiful. Quard-e-Hasana implies beautiful loan on good faith or beneficial loan. Loan has to repay the principal amount. This loan facility is extended only to deserving cases on compassionate grounds and special welfare consideration. The principal amount is refundable within a reasonable time. Prime Bank grants this loan not only for consumption purpose but also for owning factor(s) of production. The ultimate objects of both the consumption and production Quard-e-Hasana are to enable the loanee to support economic problems.

In Islamic Banking Branches of SIBL a loan is created against pledge of Mudaraba Term Deposit. Generally, 80% of the Term Deposit is allowed to the holder for Halal activities without any profit. Only a minimum service charge per deal is taken. Thus, it is also called Quard against Term Deposit Receipt.

#### **Key Features:**

- ✓ You have to place a written application only.
- ✓ A Quard is sanctioned for maximum of 6(six) Months.
- ✓ A margin on MTDR as per practice/instruction of Head Office/Bangladesh Bank may be kept.

### **3.12 Status of Investment:**

Status of investment can be classified into two major parts. These are:

1. Classified Investment
2. Unclassified Investment

Those are explained are given below:

**1. Classified Investment:** These are the investment in which the bank finds overdue after the due date. The bank applies its predefined policy and procedures, after an investment becomes classified.

- i. Substandard:** Repayment is stopped or irregular but has reasonable prospect of improvement. If an investment is not repaid reschedule within the SMA period, then it becomes Sub-Standard investment. From this stage the investment is treated as defaulted. Interest is treated the same way as in SMA. If a loan is not paid within six months period, then it is called Substandard.
- ii. Doubtful debt:** Unlikely to be repaid but special collection efforts may result in partial recover. If an investment is not repaid or reschedule within the substandard period, then it becomes a doubtful investment, interest will be treated as before in this stage. If an investment is not paid within nine months period, then it is called Doubtful debt.
- iii. Bad/Loss:** Very little chance of recovery. If an investment is not repaid or reschedule within the doubtful stage, then it is termed as bad or loss. Serious doubt exists as to the recovery of such investments. If an investment is not paid within one year, then it is called Bad/Loss.

**2. Unclassified Investment:** These are the investment in which the bank satisfied about the repayment. No doubt exists up till now about their recovery.

Chapter:

04

• INVESTMENT  
ANALYSIS OF SIBL

## 4.1 Investment Activities of SIBL:

The investment activities of SIBL done by some mechanism. The special components of Investment Policy of the SIBL are to invest on the basis of profit/loss sharing system in accordance with the tenets and principles of Islamic Sharah. Earning of profit is not the only intention and objective of the Bank's Investment Policy rather emphasis is given in attaining social goal and objective in creating employment opportunities.

There are three mechanisms of SIBL are as follows,

1. Equity Participation Based:
2. Buying and Selling Based:
3. Rental Based:

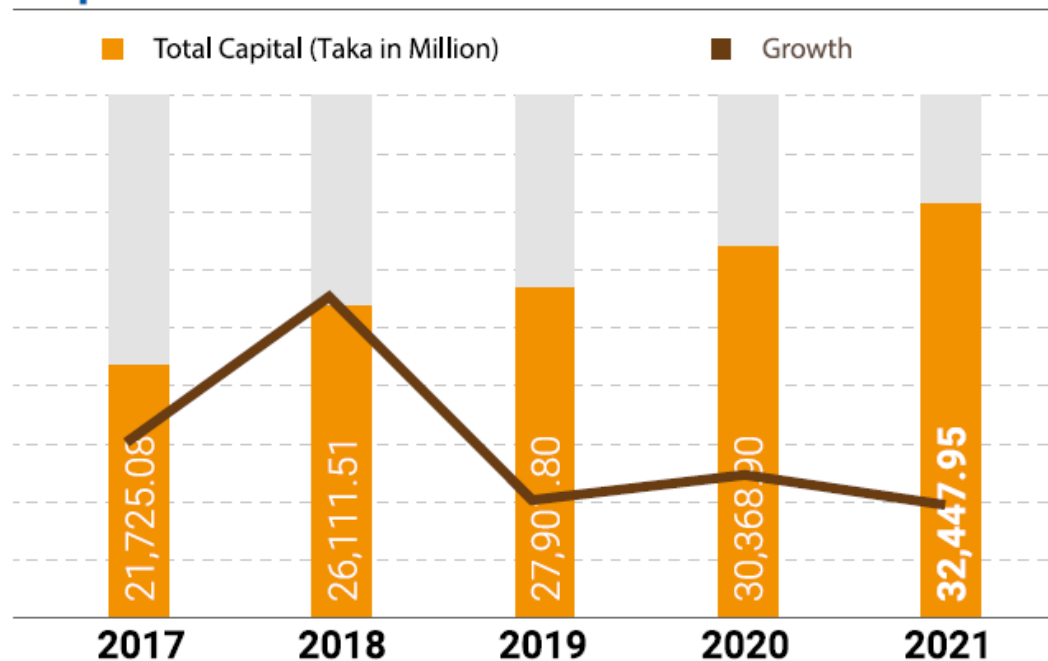
<b><u>Equity Participation Based</u></b> ✓ Murabaha ✓ Musharaka	<b><u>Buying &amp; Selling</u></b> ✓ Bai Muajjal ✓ Murabaha ✓ Bai- Salam ✓ Istisna	<b><u>Rental Based</u></b> ✓ Izara ✓ Izara Bil ✓ Baiya/HPSM
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Figure: Modes of Investment SIBL

## 4.2 Capital Management of the Bank:

Capital management is an integral part of bank management. Capital is used as the cushion for risks. Keeping pace with the world, Bangladesh Bank introduced Risk Based Capital Adequacy in line with Basel III in the year 2014. Presently banks in Bangladesh are maintaining their capital adequacy in accordance with the Basel III framework. In the year 1995 the bank started its journey with a paid-up capital of Taka 118.36 million and thereafter as on 31st December 2021, reached at Taka 9849.09 million. Total Capital of the bank has been accounted for Taka 32,447.95 million with a growth of 6.85% using the external and internal sources. Last 5 years history of SIBL towards its capital journey efforts is presented below:

### Capital Growth



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

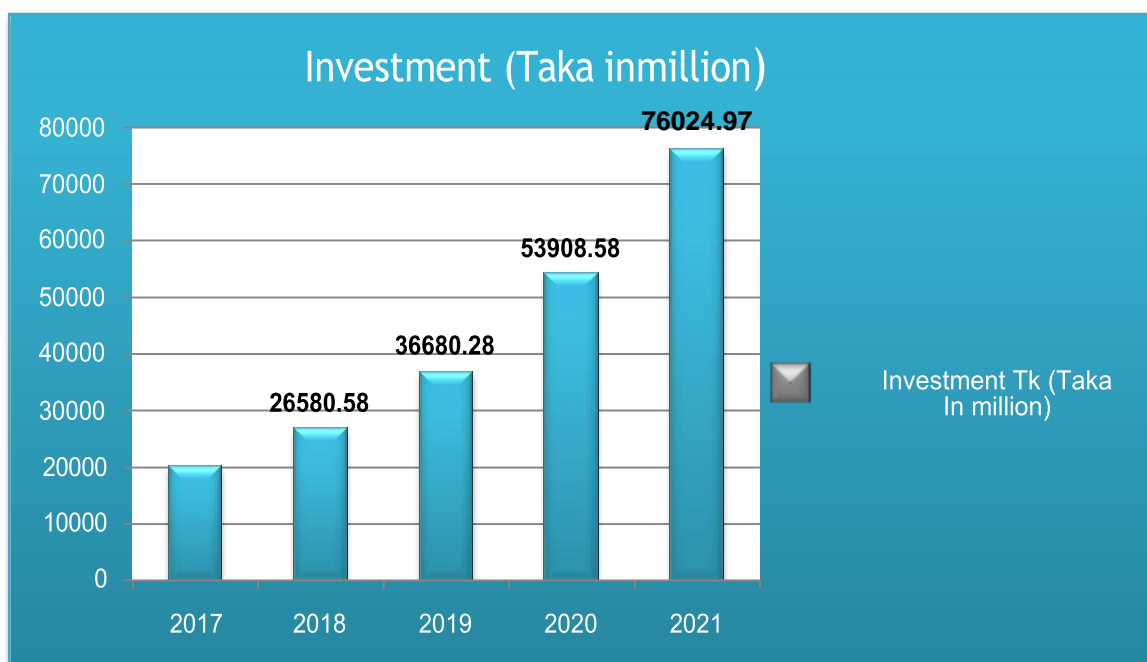
### 4.3 Trend of Social Islami Bank Limited, Last 5 years Investment:

There are very few standard forms of organization that exists among banks as a whole. The organization depends upon various factors including the character and quality of landing officers, the size of investment portfolio, the type of investments made and attitude of the board of directors towards the degree and amount of authority delegated. SIBL has separate division for investment management.

Investment of SIBL for the period 2017 to 2021.

Year	Taka (In Million)
2017	20000
2018	26580.58
2019	36680.28
2020	53908.58
2021	76024.97

Investment of SIBL for the period 2017 to 2021.



#### 4.4 Financial Highlights of SIBL:

Year wise investment position (from December 2018 to November 2021) is shown below:

Investment from December 2018 to November 2021	
Year	Amount (Taka in million)
2018	0
2019	62.63
2020	38.86
2021	46



In the above diagram, it shows that the investment incomes of this bank are fluctuating. In 2018 it started its activities, so its investment was 37.25. In 2019 its investment increased in a tremendous way. But in 2020 its position was getting down. In 2021 (from January to November) its investment is 46 million. In this year the amount of investment crossed the amount of previous year. To excel in this competitive world, this bank should increase its investment.



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

<b>Investment on different modes for 2019</b>		
<b>Modes</b>	<b>Amount (taka in millions)</b>	<b>Percentage</b>
<b>Murabaha (pre shipment)</b>	0.00	0%
<b>Biam (com)</b>	9.65	15.41%
<b>Biam(TR)</b>	16.11	25.72%
<b>Biam (SME)</b>	0.21	0.34%
<b>Biam-WES Bills</b>	0.00	0%
<b>HPSM (General)</b>	2.17	3.464%
<b>MBE</b>	17.25	27.542%
<b>HPSM (SME)</b>	0.00	0%
<b>IBP</b>	1.38	2.203%
<b>Quard</b>	15.84	25.29%
<b>FBP</b>	0.00	0%
<b>Staff</b>	0.02	0.03%
<b>Total</b>	<b>62.63</b>	<b>100%</b>

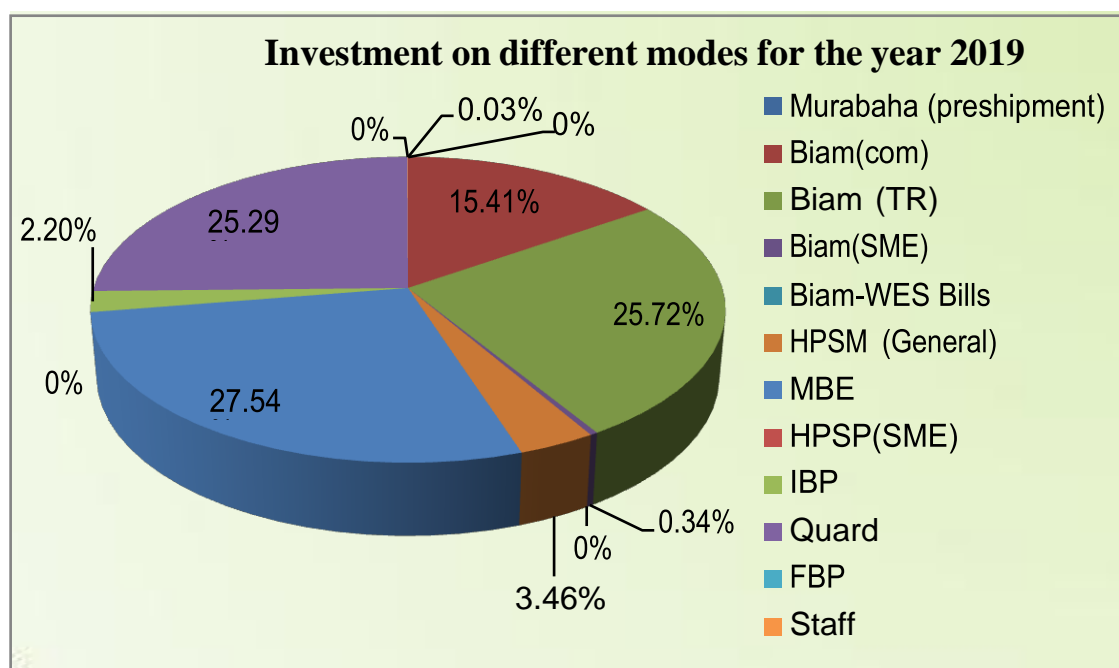


Figure: Investment on Different Modes. (Source: Annual Report of SIBL)

This diagram shows the investment of this bank on different modes for the year 2019. The percentage of investment on Biam (com), Biam (TR), MBE, Quard modes are 15.41%, 25.72%, 27.542% and 25.29% respectively which are comparatively much better than Biam-SME (0.34%), HPSM - general (3.464%), IBP (2.203%), Staff (0.03%). But in Murabaha (pre shipment), Biam WES Bills, HPSM (SME), FBP modes the percentage are zero.

Investment on different modes for 2020		
Modes	Amount (taka in millions)	percentage
<b>Murabaha (preshipment)</b>	0.16	0.41%
<b>Biam (com)</b>	8.83	22.72%
<b>Biam(TR)</b>	8.54	21.98%
<b>Biam (SME)</b>	0.18	0.46%
<b>Biam-WES Bills</b>	0.00	0%
<b>HPSM (General)</b>	0.64	1.65%

<b>MBE</b>	18	46.32%
<b>HPSM (SME)</b>	0.23	0.59%
<b>IBP</b>	0.27	0.69%
<b>Quard</b>	1..85	4.76%
<b>FBP</b>	0.00	0%
<b>Staff</b>	0.16	0.41%
<b>Total</b>	38.86	100%

The percentage of investment on different modes of SIBL, for the year 2020.

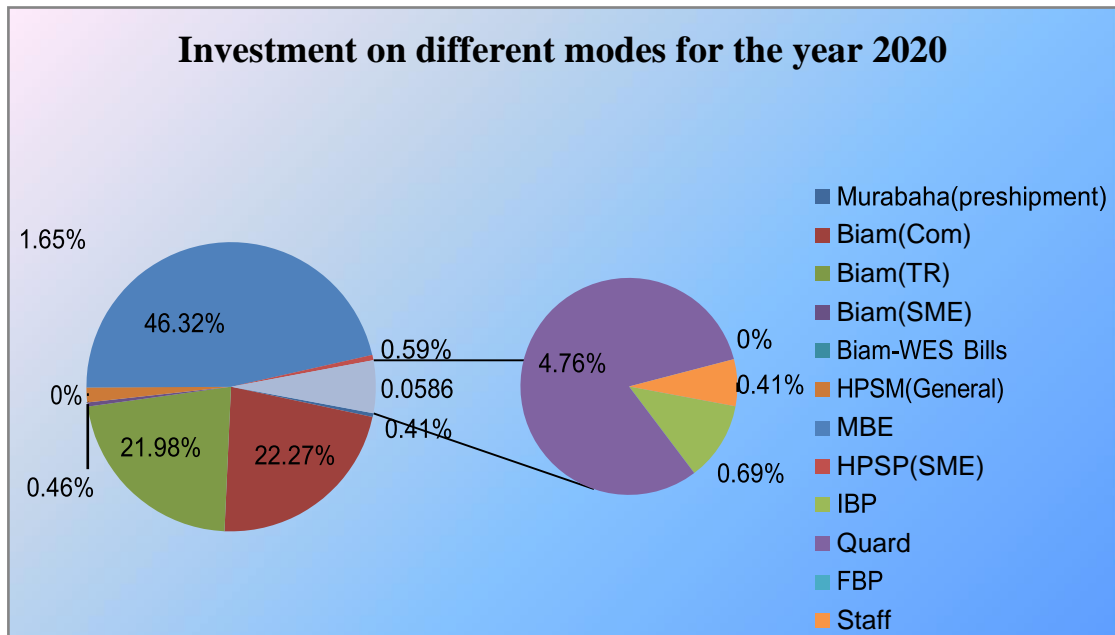


Figure: Investment on Different Modes. (Source: Annual Report of SIBL)

This diagram shows the investment of this bank on different modes for the year 2020. The percentage of investment on Biam (com), Biam (TR), MBE, modes are 22.72%, 21.98%, 46.32% and respectively which are comparatively much better than Quard (4.76%), HPSM - general (1.65%), IBP (0.69%), HPSM -SME (0.59%), Biam-SME (0.46%), Staff (0.41%) and Murabaha pre shipment (0.41%). But in Biam-WES Bills, FBP modes the percentage are zero.

Investment on different modes for 2021 (from January to November)		
Modes	Amount (taka in millions)	Percentage
<b>Murabaha (preshipment)</b>	0.08	0.18%
<b>Biam (com)</b>	35.17	78.16%
<b>Biam(TR)</b>	7.35	16.33%
<b>Biam (SME)</b>	0.13	0.29%
<b>Biam-WES Bills</b>	0.89	1.98%
<b>HPSM (General)</b>	0.57	1.27%
<b>HPSM (SME)</b>	0	0%
<b>IBP</b>	0	0%
<b>Quard</b>	0.74	1.64%
<b>FBP</b>	0.02	0.04%
<b>Staff</b>	1.00	0.11%
<b>Total</b>	<b>46</b>	<b>100%</b>

The percentage of investment on different modes of SIBL.

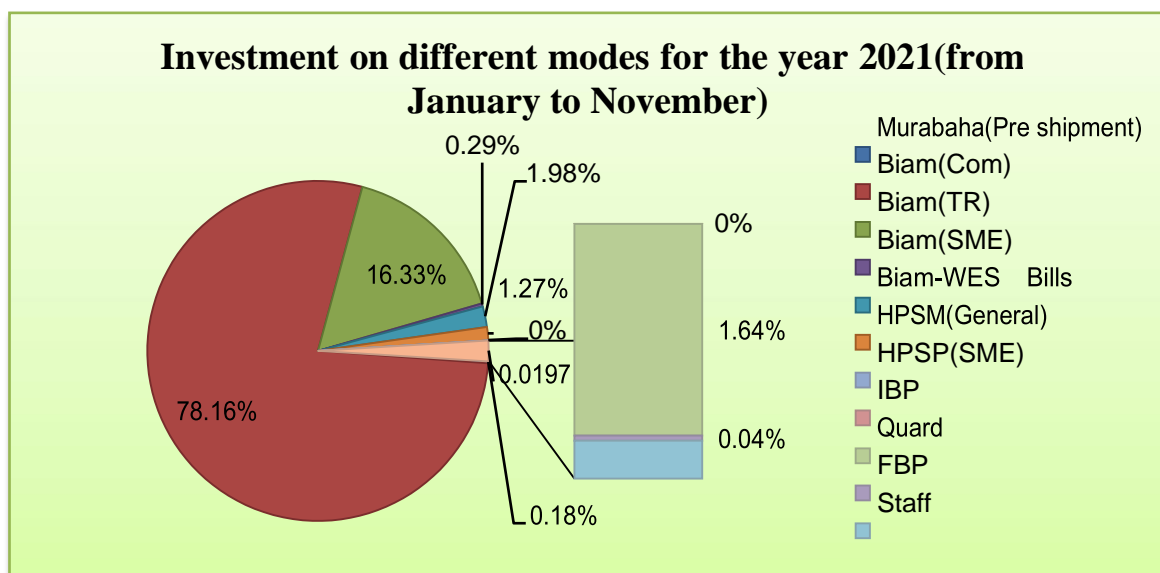


Figure: Investment on Different Modes. (Source: Annual Report of SIBL)

This diagram shows the investment on different modes for the year 2021 (from January to November). The percentage of investment on Biam (com), Biam (TR) are 78.16% and 16.33% respectively which are comparatively much better than Biam - WES Bills (1.98%), Quard (1.64%), HPSM - general (1.27%), Biam-SME (0.29%), Murabaha – pre shipment (0.18%) Staff (0.11%) and FBP (0.04%). But in HPSM- SME and IBP modes the percentage of investment are zero.

#### 4.6 Sector Wise Investment:

a) **Mode wise general investment of Social Islami Bank Limited:** General Investment of the bank grew at a lower rate than Deposit grew in 2021 due to the adverse effect of COVID-19. In 2021 total general investment of the bank increased by 4.04% over 2020. The bank diversified the investment portfolio in such a way to maximize the return along with ensuring the safety of investment. Mode wise investment mix of the bank during 2021 has been shown below:

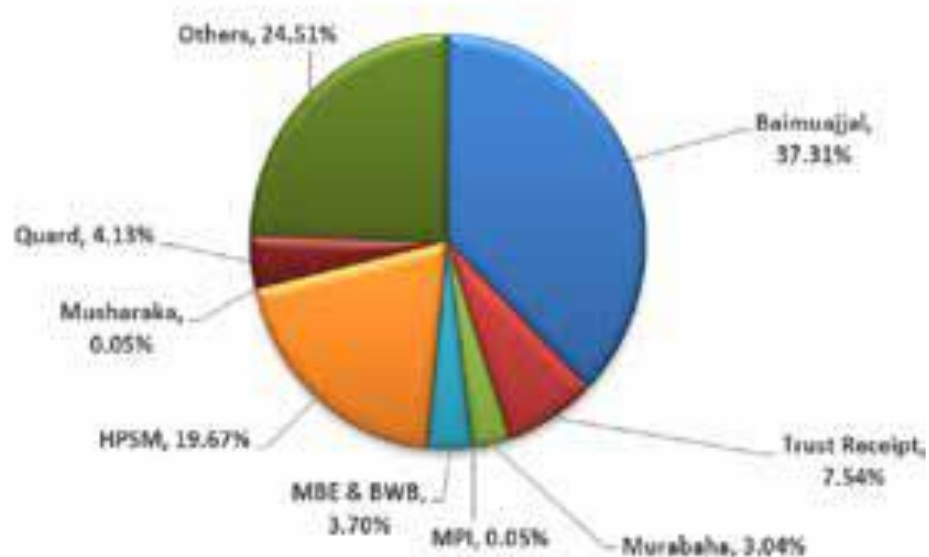


Figure: Mode wise investment of Social Islami Bank Limited.

**b) Sector wise investment of Social Islami Bank Limited:**

Sector	2021 (Amount in million Tk)
Industrial	15.64
Commercial	10.77
Transport	7.35
S.B.I. S	8.08
Others	4.06

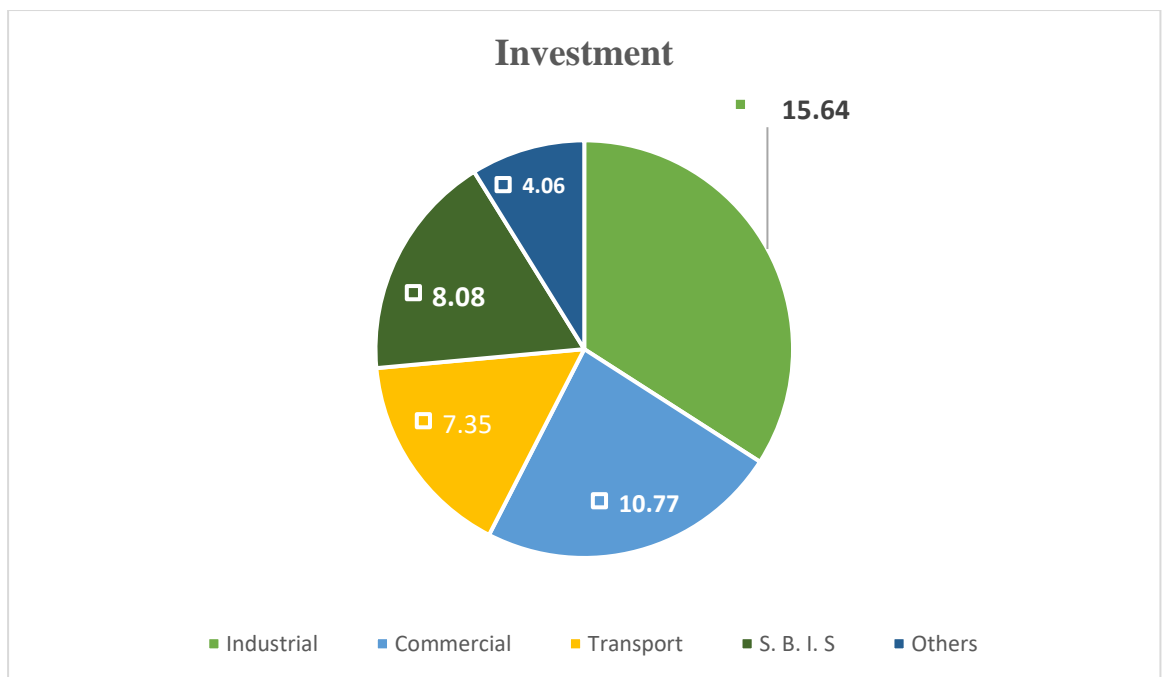


Figure: Sector wise Investment

## 4.7 Special Investment Scheme of SIBL:

SIBL special schemes have designed for special purpose. The bank, since inception, has been working for the up liftmen and emancipation of the underprivileged, downtrodden, and neglected section of the populace and has taken various schemes for their well-being. The objectives of these schemes are to raise the standard of living of low-income group, development of human resources and creation of avenues for self-employment.

Sl. No.	Schemes Name
01	Investment Scheme for Doctors (ISD)
02	Small Business Investment Scheme (SBIS)
03	Agriculture Implements Investment Scheme (AIIS)
04	Micro Enterprise Investment Scheme (MEIS)
05	Staff Household Durable Scheme (SHDS)
06	Real Estate Investment Program (REIP)
07	Rural Development Scheme (RDS)
08	Urban Poor Development Scheme (UPDS)
09	Car Investment Scheme (CIS)

**Source: Annual Report**

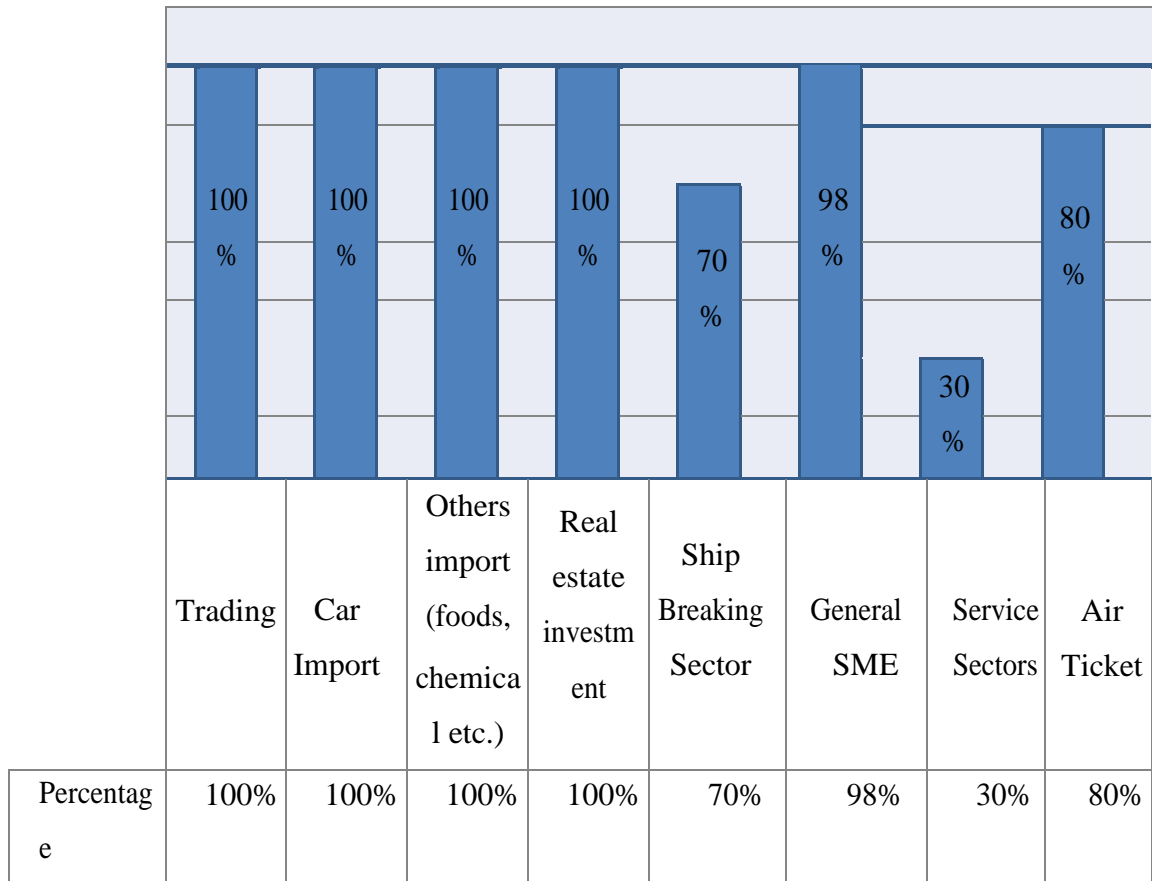
#### 4.8 Areas of Investment of SIBL:

- ✓ Booster Sectors (as declared by the Government& Bangladesh Bank).
- ✓ Electrical and Electronics.
- ✓ Software Developing.
- ✓ Light Engineering and Metal Engineering.
- ✓ Agro - processing/Agri-business/Plantation/Agriculture/Tissue Culture
- ✓ Leather products.
- ✓ Knit Wear and Readymade garments.
- ✓ Plastic and other synthetics.
- ✓ Health Service and Diagnostic.
- ✓ Education.
- ✓ Medicine/Perfume/Chemicals.
- ✓ Designer and Fashion wear.

#### 4.9 Total collection (sector wise) From January 2021 to November 2021in SIBL:

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





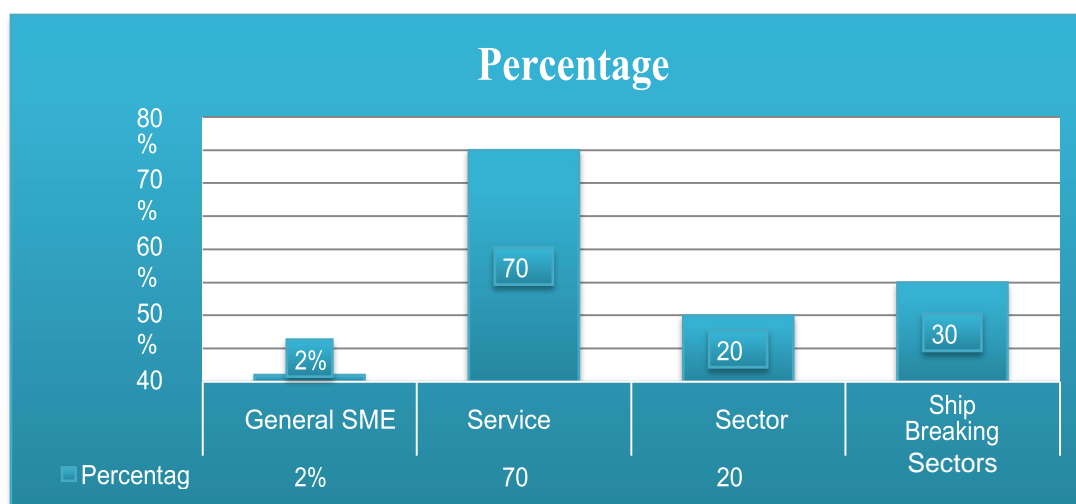
From the above diagram we can see that, in trading sector, car import sector, other import sector (such as food, chemical etc.) & real estate investment sector the total collection is 100%. In these sectors this branch has recovered lone successfully. In general SME sector this branch has collected 98%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

#### 4.10 Total Due (sector wise) January 2021 to November 2021 in

##### SIBL:

Sectors	Percentage
Trading sector	0%
Car import	0%
Others import (food, chemical etc.)	0%

<b>Real estate investment</b>	0%
<b>Ship breaking sector</b>	30%
<b>General SME</b>	2%
<b>Service Sector</b>	70%
<b>Air ticket</b>	20%



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

#### 4.11 Present Situation of the Investment:

Status	Percentage		
	2019	2020	2021 (January to November)
<b>Unclassified Investment</b>	100%	100%	98%
<b>Special Mention Account</b>	0%	0%	0.01612%
<b>Sub-Standard investment</b>	0%	0%	0%
<b>Doubtful investment</b>	0%	0%	0.0323 %
<b>Bad &amp; Loss investment</b>	0%	0%	0%

## 4.12 Investment Recovery Process:

Recovery process can be described under two major categories:

### **A. Recovery Process for regular investment:**

- 1) Monitoring business transaction (onsite & offsite supervision) regularly.
- 2) Observing/obtaining production report/sales register periodically.
- 3) Ensuring proper end use of investment to avoid any sorts of fund diversion.
- 4) Obtaining financial statements, CIB report and credit rating report regularly.
- 5) Lodgment of submitted cheque timely for realizing payment /recovery of investment.
- 6) Proper assessment of working capital requirement and proper investment structuring to avoid excess/shortfall of sanction limit.

### **B. Recovery process of Non-Performing Investments (NPI):**

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

to the expected level for the sake of saving their own industry as well as the whole economy from any debacle.

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

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

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

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

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

### **C. Litigation:**

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

Chapter:

05

• FINDINGS,  
RECOMMENDATIONS  
, & CONCLUSION

## 5.1 Findings:

After analyzing the investment management system of Social Islami Bank Limited, from the findings I have explore some of the reason that could have been an impact:

1. **Investment management:** We know that the most important modes of investment are Mudaraba & Musharaka, but the bank have no such strong application of that modes. But their application on Bai-Muajjal investment mode & Hire purchase under Shirkatul Melk is much better.
2. **Capital management:** The contribution of this bank in industrial working capital is very impressive. But in micro credit investment, the contribution is not so significant.
3. **Investment sectors:** In 2021, the total collection of this bank in trading sector, car import sector, other import sector (such as food, chemical etc.) & real estate investment sector the total collection is 100%. In these sectors this bank has recovered lone successfully. But in ship breaking sector, Air ticket business and Service sectors total due are 30% and 20% and 70% respectively.
4. **Investment returns:** The investment income of the bank is fluctuating.
5. **Lack of advertisement:** There is a lack of proper advertisement for different investment scheme of the bank.
6. **Unclassified investment:** The percentage of unclassified investment of this bank is very impressive. But the percentage of the banks overall unclassified investment is very poor.
7. **Bad and Loss investment:** The Bad & Loss investment of this bank is zero. Because this bank makes secure investment.

## 5.2 Recommendations:

From the finding I have Provided some recommendation; these are as follows:

- 1. Investment management based on share mechanism:** The most important modes of investment are Mudaraba & Musharaka, but the bank has no such strong application of that modes. SIBL should increase the application of share mechanism.
- 2. Micro credit capital management:** SIBL should contribute more to micro credit investment sector.
- 3. Focused on collection:** SIBL should take necessary steps to collect the due amounts from ship breaking sector, air ticket business and service sectors.
- 4. Income rate:** SIBL should take necessary steps to reduce the percentage of fluctuating income rate.
- 5. Branding and promotion:** SIBL should advertise more of its investment products & they should take some promotional activities to raise customer awareness.
- 6. Investment performance:** The percentage of the banks overall unclassified investment is to increase.
- 7. Secure investment:** The Bad & Loss investment of this bank is zero. This is positive side of the bank.



### 5.3 Conclusion:

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



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2. [www.google.com](http://www.google.com)
3. [www.investopedia.com](http://www.investopedia.com)
4. [www.assignmentpoint.com](http://www.assignmentpoint.com)



- APPENDIX

SL	Particulars	2017	2018	2019	2020	2021
1	Authorized Capital (Taka in million)	10,000.00	10,000.00	10,000.00	30,000.00	30,000.00
2	Paid-up Capital (Taka in million)	7,382.99	8,121.29	8,933.41	9,380.08	9849.09
3	Total Shareholders Equity (Taka in million)	14,166.45	15,749.88	17,271.33	18,038.39	19,237.42
4	Capital Base (Tier I & II) (Taka in million)	21,725.08	26,111.51	27,901.80	30,368.90	32,447.95
5	Total Deposits (Taka in million)	228,798.90	248,324.49	287,936.65	322,383.51	341,661.06
6	Client Deposits (Taka in million)	203,126.69	224,339.78	267,828.58	299,504.34	339,548.97
7	Investments (General) (Taka in million)	210,045.51	238,654.17	264,268.59	300,617.94	312,773.82
8	Investments (Shares & Securities) (Taka in million)	13,082.52	13,086.55	19,118.98	18,487.37	29,157.53
9	Foreign Exchange Business (Taka in million)	202,037.00	178,590.50	159,583.03	140,824.28	177,092.79
10	Operating Profit (Taka in million)	6,166.21	6,143.12	6,342.11	4,343.21	4,526.23
11	Profit before Tax (Taka in million)	3,535.13	3,848.29	3,134.03	3,040.65	2,874.37
12	Fixed Assets (Taka in million)	3,480.82	3,563.53	3,606.05	4,431.01	4,247.80
13	Total Assets (Taka in million)	276,348.95	307,305.32	345,056.23	384,999.71	408,203.16
14	Stock Dividend (%)	10%	10%	5%	5%	5%
	Cash Dividend (%)	-	-	5%	5%	5%
15	Investments as a % of total deposits (%)	91.80%	96.11%	91.78%	93.25%	91.55%
16	Investments as a % of Client deposits (%)	89.30%	91.54%	89.47%	90.65%	90.19%
17	Capital to Risk Weighted Asset Ratio (%)	11.57%	14.27%	13.78%	13.50%	11.60%
18	Ratio of Classified Investments to Total Investments (%)	8.20%	7.69%	6.63%	6.05%	5.18%

19	No. of Foreign Correspondents (Nos.)	406	411	420	399	388
20	Number of Employees (Nos.)	2601	2847	2957	3100	3192
21	Number of Branches (Nos.)	138	155	161	168	172
22	Book Value per Share (Nos.)	10	10	10	10	10
23	Earnings per Share (Restated) (Taka)	1.97	1.77	1.62	1.57	1.69
24	Credit Rating by	ECRL	ECRL	ECRL	ECRL	ACRL
	Long Term	AA-	AA-	AA	AA	AA+
	Short Term	ST-2	ST-2	ST-2	ST-2	ST-2
25	Moody's				b1	b2