

**Internship Report on An Appraisal
of
Shahjalal Islami Bank Ltd.**

Course: BUS-499

Prepared For:

**Dr. Tanbir Ahmed Chowdhury
Professor and Chairperson
Department of Business Administration
East West University**

Prepared By:

**Shaik Md. Nawab Sharif
ID: 2004-2-10-050**

EAST WEST UNIVERSITY

LETTER OF TRANSMITTAL

April 21, 2008

The Honorable Supervisor
Dr. Tanbir Ahamed Chowdhury
Chairperson and professor,
Department of Business Administration
East West University,
Dhaka- 1212

Subject: Submission of Internship Report.

Dear Sir

This is my pleasure to present my internship report entitled “**An Appraisal of Shahjalal Islami Bank Limited**”. I have conducted my internship program in Shahjalal Islami Bank Limited, Dhanmondi Branch, with your kind supervision. I have tried my level best to go into every department in Shahjalal Islami Bank Limited, Dhanmondi Branch, Dhaka, Bangladesh.

I believe that knowledge and experience I gathered during the internship period will be helpful in my future professional life. I will be grateful to you if you accept the report. I will be available for defense on this report any time and your convenience.

Thanking you.

Sincerely yours’

(Shaik Md. Nawab Sharif)
ID: 2004-2-10-050

ACKNOWLEDGEMENT

First of all I would like to express my deep gratitude to the almighty Allah for fruitfully preparing this internship report. As a student of B.B.A for internship program, I have presented this report after finishing my working program.

I express my deep sense of gratitude and heartily respect to **Dr. Tanbir Ahmed Chowdhury, Professor and Chairperson**, Department of Business Administration, East West University and my honorable supervisor. I have received all valuable suggestions and instructions from my honorable teacher (supervisor) for completing the internship report.

I express my grateful appreciation to **Mustaque Ahmed, V. P & Head of Human Resource Department SJIBL**, for giving permission to perform my internship work in their organizations and to **Md. Shahjahan Siraj, Manager of Dhanmondi Brach & E.V.P; Naquibul Islam, A.V.P & operation Manager; and all the employee of Dhanmondi Brach, SJIBL** providing all information connecting to my study.

In completing this internship report I have been helped at different stages by different people. I would like to thank those persons.

EXECUTIVE SUMMARY

Shahjalal Islami Bank Limited is a private bank in Bangladesh that came in banking sector with a big promise. This Bank is growing and expands its service area day by day as a result of goal, best performance, of the organization. This organization believes in the best. As a result, they get the best performance, professional skills, as well as, they determination to reach the goal and motivation of the employee in each level of these organizations. The Shahjalal Islami Bank Limited is one of the best Islamic shairah based commercial bank in the banking sector of Bangladesh. The Shajalal Islami Bank Limited is currently operating nationwide with 26 Branches.

The report on **“An Appraisal of Shahjalal Islami Bank Ltd.”** is divided into **four Chapters**. **“Chapter One”** “Introduction” consists of Background of the study, Objective of the study, Scope and methodology of the study, Limitation of the study. In Chapter two **“Overview Of Shahjalal Islami Bank Ltd”** Background of SJIBL, Objective, Vision, mission of SJIBL, some major activities of SJIBL, different types of Deposit. In **Chapter Three**, I focused on the performances appraisal of SJIBL, where different performance variables are analyzed. Here I also discussed about the investment products and its procedure of SJIBL. And finally, in the **Chapter Four “Problems, Recommendations & Conclusion”** where show Problems of Banking Activities, Recommendation to Solve the Problem and Conclusion

TABLES OF CONTENTS

CHAPTER-ONE: Introduction

Content	Page Number
1.1 Overview of Shahjalal Islami Bank Limited:	1
1.2 Corporate Profile of SJIBL:	1
1.3 Objectives of the Study:	2
1.4 Scope and Methodology of the study:	2-3
1.5 Limitations of the Study	4

CHAPTER-TWO: Overview of Shahjalal Islami Bank Ltd

Content	Page Number
2.1 Background of Shahjalal Islami Bank Limited	5
2.2 Vision	5
2.3 Mission	6
2.4 Objectives of Shahjalal Islami Bank Limited	6
3.5 Organizational Structure	7-8
2.5 Major Activities of SJIBL	9-13
2.6 Credit Rating Report	14
2.7 Types of Deposit	15-26
2.8 Trend of Branch Expansion of SJIBL	27-28
2.9 Number of Employee at Shahjalal Islami Bank ltd	29
2.10 Foreign Exchange Business	30

CHAPTER-THREE: An Appraisal of the Performance of SJIBL

Content	Page Number
3.1 Capital Position of SJIBL	31
3.2 Capital Adequacy Ratio (CAR)	32
3.3 Deposit Mobilization:	33-35
3.4 Modes of Advances:	36-38
3.5 Investment Procedure of SJIBL:	39-44
3.6 Investment of SJIBL:	45-53
3.7 Total Income of Shahjalal Islami Bank Limited:	54-55
3.8 Total expenditure of SJIBL:	56-57
3.9 Net Profit:	58-60
3.10 Fixed Asset:	61
3.11 Return on Equity (ROE):	62
3.12 Return on Asset (ROA):	63
3.13 Earning Per Share (EPS):	64
3.14 Classified Loans:	65-66

CHAPTER-FOUR: Problems & Recommendations

Content	Page Number
4.1 General Problems of SJIBL:	67
5.2 General Recommendations:	68

CONCLUSION.....69

BIBLOGRAPHY.....70

CHAPTER ONE:

INTRODUCTION

1.1 Overview of Shahjalal Islami Bank Limited:

Shahjalal bank Limited was established as a public limited company on first day of April 2001 under the Companies Act, 1994 for carrying out all kinds of banking activities with the authorized capital of Tk. 20000.00 million divides into 20.00 million ordinary share of taka 100 each. The bank commenced its commercial operation in accordance with interest free Islamic Shariah based commercial bank on the 10th May 2001 under the ground of the Bank Companies Act, 1991 with the permission of Bangladesh Bank. The name of the bank has been changed from “Shahjalal Bank Limited” to “Shahjalal Islami Bank Limited” on April 18 2004 with the permission of Bangladesh Bank. During the last five years Shahjalal Islami Bank Limited (SJIBL) has increased its service coverage by opening new branches at different strategically important locations across the country.

1.2 Corporate Profile of SJIBL:

Principle Activity	Commercial Banking
Incorporated on	1-Apr-01
Started Operation on	10-May-01
Paid-up Capital	TK. 936 million
Listed at DSE	2007
Share Percentage: Sponsor	Sponsor – 50%, Public- 50%
Number of Branches	24 (2007)
Number of Employees	377

1.3 Objectives of the Study:

- To present an overview of Shahjalal Islami Bank Limited.
- To Appraise the performance of Shahjalal Islami Bank Limited.
- To identify the problems of Shahjalal Islami Bank Limited.
- To suggest remedial measures for the development of Shahjalal Islami Bank Limited.

1.4 Scope and Methodology of the study:

1.4.1 Scope of the Study

The report is organized on the basis of obtained data from working experience at Shahjalal Islami Bank Ltd. Shahjalal Islami Bank Limited (SJIBL) is now well growing and it's containing twenty-one branches in Dhaka, Sylhet, and Chittagong. The scope of the study will be limited to the organizational setup, function and operation of the SJIBL in the Bangladesh. This report mainly encompasses the performance of Shahjalal Islami Bank Limited in comparison the General Banking. For the purpose of my internship program, I was assigned in the Dhanmondi Branch at SJIBL and this provide me the way to get myself familiarized with banking environment for the first time indeed. I have an opportunity to gather experience by working in different departments of the Branch.

1.4.2 Methodology:

While conducting smooth and accurate study it is necessary to collect information from different relevant sources. The information of this report has been collected from two sources:

1. Primary Sources

- Practical desk work.
- Face to face conversation with the officers.
- Getting information from face to face dealing with the customers.
- Interviewing the persons who are treated as experts in respective areas

2. Secondary Sources

- Different papers of respective department.
- Annual Report Of SJIBL, 2006

1.5 Limitations of the Study

To prepare the report I had to face some problems & limitations. Those limitations are unavoidable for me. The limitations are:

- To prepare an Internship report a big deal of time is needed. As an Internee I had only 3 months time, which is not enough to prepare a totally perfect report.
- To collect information I faced difficulty because of the excessive nature of confidentiality followed the officials.
- It required a lot of assistance from all level officers and staff but they are very busy to doing there own job.
- During my internship program, I was placed in several sections as per the wish of the concerned officials. As a result I could not concentrate on a particular section/department for my study.

Although there are a lot of limitations, I have tried to put my best effort as far as possible to make the report useful.

CHAPTER 02

AN OVERVIEW OF

SHAHJALAJ ISLAMI BANK LIMITED

2.1 Background of Shahjalal Islami Bank Limited.

Shahjalal Islami Bank Limited is based on Islamic Shariah. SJIBL is named after the name of a saint Hajrat Shahjalal (R) who dedicated his life for the cause of peace in this world and hereafter and served the humanity. It was incorporated as a Public limited company on 1st April 2001 under companies Act 1994. It started its Banking operation on May 10, 2001 with the 1st branch (main branch) opened at 58, Dilkusha C/A, Dhaka obtaining the license of Bangladesh Bank, for enlistment of economic condition of its customers as well as to contribute sustainable economic growth and development in trade and industry of the country. Its corporate head quarter is situated at 10 Dilkusha C/A, Jiban Bima Bhaban, Dhaka-1000, Bangladesh. Now it has 26 branches, 12 branches are in Dhaka and rest 14 branches are in Chittagong, Sylhet and Gazipur etc. The sponsors of SJIBL are leading business personalities and renowned industrialist of the country. Now this bank has paid up capital – 936 million and No. of Directors – 19.

2.2 Vision:

- To provide quality services to customers.
- To set high standards of integrity.
- To extend customers innovation services acquiring state-of-the-art technology blended with Islamic Principles, and being total satisfaction to our clients and employees.

2.3 Mission:

- To expand Islamic banking throughout welfare oriented banking system.
- Ensure equity and justice in economic activities.
- Extend financial assistance to poorer section of the people.
- Achieve balance growth and equitable development.

2.4 Objectives of Shahjalal Islami Bank Limited

The prime objective of Shahjalal Islami Bank Limited is to promote, foster and develop the application of Islamic principles, law and tradition to the transaction of financial, banking and related business affairs. It has also been looking forward to promote Investments Companies, Enterprise and other related concerns engaged in such business that is acceptable and consistent with Islamic principles, law and tradition. The objective of Shahjalal Islamic Bank Limited in the context of its role in the economy may be enumerated as follows:

- To offer contemporary financial services in conformity with Islamic Shariah.
- To contribute towards economic development and prosperity within the principles of Islamic Justice.
- To facilitate efficient allocation of resources.
- To help achieving stability in the economy.

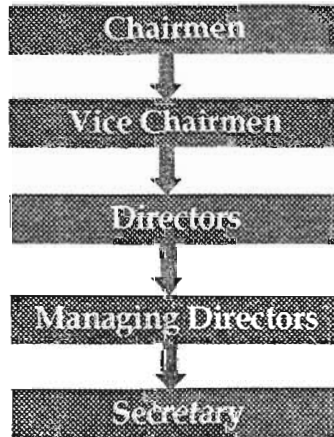
3.5 Organizational Structure

There are five different wings to consist the organizational structure of SJIBL. They are

- Board of Directors
- Board Committees
- Executive Committee
- Policy Committee
- Management Team

3.5.1 Board of Directors

The Board of Directors of 13 members. The Board of Directors is the apex body of the bank.



3.5.2 Board of Committees

The Board of Directors also decided the composition of each committee and determines the responsibilities of each committee.

3.5.3 Executive Committee

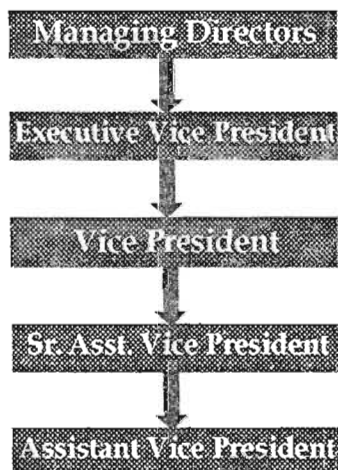
All routine matters beyond delegated powers of management are decided upon by or routed through Executive Committee, subject to ratification by the Board of Directors.



3.5.4 Policy Committee

All matters relating to the principles, rules and regulations, ethics etc. operation and management of the Bank are recommended by the Committee of the Board of Directors.

3.5.5 Management Team



2.5 Major Activities of SJIBL

2.5.1 Automation in Banking Operation

In the modern world technology play vital role in banking sector. Every bank wants to grab the latest technology available. Shahjalal Islami Bank also made some changes in their operations. For automation and up grading of the service in the Bank, Local Area Network (LAN) and Wide Area Network (WAN) system have already been developed. In the year 2006, IT & Card Division of Head Office has arranged trainings of different issue for the employees. Following arrangements have been made for improved customer service:-

2.5.2 On Line banking Service

Shahjalal Islami Bank Limited has the vision to automate its all operations and functionalities. The bank is committed to achieve the goal to be a lead bank in the country both in service and technology, as the Bank is committed to fulfill the requirements of mass people. It has started its operation with full automation with on-line facilities.

Most online banking institutions have several other advantages, allowing clients to keep track of their check book, transfer money between accounts, and even pay bills online. In the context, Electronic Fund Transfer, Centralized Banking etc are considered as a part of online Banking. An Electronic Fund Transfer or EFT is an automated Withdrawal, or Debit, from client account. Transferring fund automatically saves the client the time and effort of writing and mailing checks to pay bills or make purchase.



To get the online facilities one has to have an account in the Bank. He/ she have to apply for the online facilities. If he/she gets the facilities he/she can deposit and withdraw money from any branch of Shahjalal Islami bank Ltd. Now all the braches of Shahjalal Islami bank have been availing “Online Banking Facilities” for the convenience of the customers.

2.5.3 SJIBL VISA Card

Card is considered as a new dimension of product resulting technological development in the banking arena. In line with the 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)

1. VISA Prepaid (SJIBL Prepaid Card)
2. VISA Prepaid (SJIBL VISA Prepaid Card)
 - a) SJIBL VISA Prepaid (Prepaid Card- Local)
 - b) SJIBL VISA Prepaid (Prepaid Card– International)
 - c) SJIBL VISA Prepaid (Prepaid Card – Dual)
 - d) SJIBL Souvenir Card (Gift Card –Local)

Some Features of the SJIBL VISA card:

- Sense of satisfaction having an international brand
- Anywhere anytime Banking
- 24 hours and 7 days a week Banking
- Directly linked to cardholder Account at SJIBL (AWCD/ MSD/MSND)
- Convenient cash withdrawal at ATMs
- Acceptability at huge number of Q-cash ATMs around Bangladesh.
- Accepted at all VISA terminals locally & globally
- Local and international transaction with the same card (for Dual Card)

- Balance Inquiry
- Mini Statement
- PIN change
- Shopping at a large number of shops, restaurants, departmental stores, supermarkets, boutiques and other merchants through Q-cash POS terminals around Bangladesh.
- Payment of Utility Bills
- Minimize risk of carrying cash

2.5.4 SMS / Push Pull Service

To meet the demand of modern era Shahjalal Islami bank Ltd has introduced the Mobile banking i. e. SMS / Push Pull Service. They offer a range of modes for the customers to access and manage your money so that they are always in control of their financial transactions; it is fast secure and economical. Get real times banking information on customer's handset.

Mobile Banking is a secured & flexible solution that delivers the banking services to its customers through a range of mobile devices using SMS / Push Pull technology. It provides banking services to the registered clients access to account information and real-time transaction capabilities from the mobile phones at a true "Anywhere, Anytime, Anyhow" convenience.

It works using Short Message Services (SMS) Technology. It works through a set of text message. With SMS, client can perform a wide range of query-based transactions from his/her mobile phone. It also provides pre-defined Alert Message Service. The Service is designed to serve the bank customers by informing the real-time data about their account such as current balance, recent transaction statement, cheque status etc. as SMS reply

within about half a minute in response to their SMS query in a defined simple syntax. It can also serve the customers to stop a cheque, receiving statement request and other request / order at the branch for processing through SMS.

Services:

1. Balance Inquiry
2. cheque Book Request and Cheque leaf status
3. Fc rate Information
4. cheque stop payment instruction
5. statement request by courier
6. last three transaction statement
7. PIN change and Help Inquiry

2.5.5 SWIFT

The bank has already become a member of society for worldwide inter bank financial Tele-Communication (SWIFT) to provide Secured and accurate communication network for financial transactions, i.e. Import, Export Remittance etc. SWIFT is the industry-owned co-operative 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.

2.5.6 REUTERS

The bank has also established liaison with the facilities of REUTERS, through which the bank received regular, latest information about the exchange rate, etc and other price sensitive information to take prompt and correct decision.

2.5.7 Social Welfare Activities:

With a view to providing financial assistance to the poor and needy people of the society and also for the welfare of the community, to this perspective, bank has established “Shahjalal Islami bank Foundation” with the objective to provide health-care, relief & rehabilitation, education, humanitarian of winter clothes during the winter etc.

Shahjalal Islami Bank Foundation has a planning to establish the following projects and programs:

- Shahjalal Islami Bank International School and College.
- Shahjalal Islami Bank Hospital

The foundation have also drawn up programs to look after the education, health & Medical requirements of the people of rural areas where the bank has launched Rural Investment Programs (RIP) with vision 2040.

The foundation already introduced a program to reward poor student who passes SSC and HSC exam. Students who are not financially sound, the foundation gives financial assistance to them. The Bank has started it from 2006. Under this project 111 poor and meritorious students awarded by monthly scholarship and lump sump money at yearly basis. This will motivate student to do better in future. The Bank appreciates the good things in the society.

2.6 Credit Rating Report

	Long Term	Short Term
Entity Rating	A	ST- 2
Date of Rating	27 June, 2007	

Credit Rating Information and Services Limited (CRISL) has assigned 'A' (pronounced single A) rating in the Long Term and ST- 2 rating in the Short Term to the Shahjalal Islami Bank Limited.

The above rating has been done in consideration of its significant improvement in asset quality, capital adequacy, financial performance, operating efficiency as depicted through its financials up to 31 December 2006 along with other operating performances.

Financial Institutions rated 'A' in the long term are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. Bank rated ST-2 in the short term is characterized by high certainty of timely payment, Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

2.7 Types of Deposit:

There are several types of deposits in the Shahjalal Islami Bank Ltd. for various purposes.

The main types are:-

1. Al-Wahida Current Deposit.
2. Mudaraba Savings Deposit
3. Mudaraba Short Notice Deposit
4. Mudaraba Term Deposit
5. Mudaraba Scheme Deposit

2.7.1 Al – Wadiah Current Deposit (ACD)

Shahjalal Islami Bank Limited receives deposits in its Al – Wadia Current Account. It has some similarity with the current account of conventional bank. The term Al – Wadiah Current Deposit means deposit of money allowing somebody to sue it. Banks being trustee preserves and keeps or in safe custody of what is deposited. Depositors feel safe in keeping their money with the bank and take transaction facilities. Bank provides assurance of returning money to the depositors on demand. In the process of opening Al-Wadiah Deposit, the bank gets approval of the depositors regarding the use of the deposited money and earns profit out of their development. Any losses incurred by way of such investment are totally borne by the bank. Thus, the depositors don't take the risk of losses with Al-Wadiah Current Deposit; they also don't expect any profit from it. Depositors are provided with cheque book. They can withdraw or deposit any amount as and when they like. Bank may charge a fee in the account. Al-Wadiah Deposit is short terms and very uncertain, thus banks have to be very useful in the investment of money from this account.

General Documentation requires for opening a (ACD):

a) For an Individual Customer:

- Copy the passport, if available or Employer's Certificate or Commissioner's Certificate or Letter of Introduction by a person accepted to the Bank.
- TIN Certificate, if applicable.
- Two recent passport size photographs duly attested by the Introducer.

b) For Sole Proprietorship:

- Copy of Trade License.
- Two recent passport size photographs of the proprietor/Signatory duly attested by the Introducer.
- Copy of the passport the proprietor/Signatory, if available Commissioner's/Chairman's Certificate or Letter of Introduction by a person accepted to the Bank.
- TIN certificate.

c) For Partnership:

- Copy of Partnership Deed of the Firm.
- List of Partners with their address and phone number.
- Copy of Trade License.
- Extract of Resolution of the Partners of the Firm for opening the account and authorization for its operation duly certified by the managing Partner of the Firm.
- For Registered Partnership, Certificate of Registration of the Firm along with duly certified copy of the Partnership Deed.
- Two recent passport size photographs of each Partner/Signatory duly attested by the Introducer.

- Copy of Passport of each Partner/Signatory, if available or Commissioner's/Chairman's Certificate or Letter of Introduction by a person acceptable to the Bank.
- TIN Certificate.

d) Private & Public Limited Company:

- Certified true copy of the Memorandum and Article Association of the Company.
- Certified true copy of Certificate of Incorporation of the Company.
- Certificate true copy of Certificate of Commencement of Business of the Company in case of Public Limited Company.
- Latest list of Directors with address and phone number along with Form XII.
- Extracts of duly adopted Resolution of the Board of Directors of the Company for opening the Account and authorization for its operation duly certified by the Chairman/Managing Director of the Company.
- Copy of Trade License.
- Two recent size photographs of each signatory duly attested by the introducer.
- Copy of the passport of each signatory, if available or Commissioner's/Chairman's
- Certificate or Letter of Introduction by a person acceptable to the Bank.
- TIN Certificate.

2.7.2 Mudaraba saving Deposit (MSD):

Mudaraba Saving Deposit (MSD) is open by the lower and middle people who wish to save a part of their incomes to meet their future need intend to earn an income from their savings. It aims at encouraging savings of non-trading persons(s), institution(s), society, etc. by depositing small amount of money in the bank.

Restriction on withdrawals and deposit:

- The number of withdrawals over a period of time is limited. Two withdrawals per week are permitted. But more than that no interest will be paid on rest amount for that month.
- The total amount of one or more withdrawal on any date should not exceed 25% of the in the accounts unless 7 (seven) days advance notice is given.
- The customer may deposit any amount in the savings bank account subject to a minimum of Tk.2000/- in the account.

Payment of Profit:

Shahjalal Islami Bank Limited is proving 5.5% profit on Mudaraba Saving Deposit.

Opening a saving account:

For Operating a Mudaraba Saving Deposit following documentation are required

- Two copies of passport size photographs.
- Introductory reference.
- Commissioner's/Chairman Certificate.

General Precautions of opening an MSD Account:

After opening an account and before issuing a Chequebook the authorized officer should check the account operating form for the complete information, which is given by the customers.

- Name of the account holder.
- Photos of the account holder.
- Date of opening
- Types of account.
- Present and permanent address
- Name of the nominee and their address.
- Initial deposit
- Specimen signature in the form in the “Specimen signature card”.
- Name, address and the account number of the introducer.

2.7.3 Mudaraba Short Notice Deposit (MSND):

Shahjalal Islami Bank Limited also receives term deposit from the clients. The SND account is different from the interest-based banks. It is also a Time Deposit account. The formalities for opening of this account are similar to those required for Al-Wadiah Current Account. The only difference is that seven (7) days notice is required for withdrawal of any sum and profit is paid. The rate of profit for this account is 5%. If the withdrawal on demand is desired, it may be paid subject to the for-feature for the period of notice or the expired of notice.

2.7.4 Different Types of Scheme:

The Shahjalal Islami Bank Limited (SJIBL) is containing some Deposit Scheme, which are the really profitable for bank and customer. The Bank maintains Shariah –based transaction with their customer by different Scheme those are:

1. Monthly Deposit Scheme (MDS)
2. Mudarah Term Deposit Receipt (MTDR)
3. Monthly Income Scheme (MIS)
4. Double Profit Deposit Scheme (DPDS)
5. Millionaire Scheme.
6. Hajj Palon Scheme.



2.7.5 Monthly Deposit Scheme (MDS/DPS)

This account open very easy and there are no fixed day to open. Account holders do not need any savings account if he/she directly pays their monthly installment. Account holders carefully complete the MDS form and attests two copies passport size photograph one nominee and other own with form. Account holders can pay advance to continue their installment or can give permanent instruction from his/her savings account. In this term, the account holders are bound to pay Tk.50 for transferred and Tk.5/- for service charge. If the account is close before the maturity then profit will be calculate according to saving rates. If a depositor fails to pay calculate as Savings rate. But for the first six-month no profit will be calculate. Nominee will enjoy the profit will in absence of the accountholder.

Table 2.7.5 Depositor will get the profit after the matured according to following

Install. period	Tk. 100	Tk. 250	Tk. 500	Tk. 1,000	Tk. 2,000	Tk. 5,000	Tk. 10,000	Tk. 25,000	Tk. 50,000
5 years	8025	20065	40125	80250	160500	401250	802500	2006250	4012500
8 years	15500	38750	77500	155000	310000	775000	1550000	3875000	7750000
10years	22200	55500	111000	222000	444000	1110000	2220000	5550000	11100000

2.7.6 Mudaraba Term Deposit Receipt (MTDR):

It is like a fixed deposit in the conventional banking system but it does not receive or accept interest father, this account give profit and collect deposits. In this mode less than that Tk.1 crore or Tk.1 crore and above can be deposited against client will get non-transferable instrument of equal amount. If a customer withdraw his/her money before one month than he/she will not get any kind of profit. On the other hand, after the matured if client don't withdraw his/her money than it will be auto renewed with imposed profit for the next days. If a depositor would like to withdraw his profit after six months he/she will get the profit accordance with previous years profit rate. After the announced

yearly profit or loss, if bank felt in loss posting then the depositor bound to incur the loss. In absence of account holder the selected nominee will get the money. Account holder bound to bear any kind of tax or excise duty according to government circular.

Table 3.7.6 The profit rates of this account

Time of Deposit	Up to Tk. 1(one) crore
1 Month	8.00%
2 Months	8.50%
3 Months	11.25%
6 Months	11.50%
1 Year	11.75%

2.7.7 Monthly Income Scheme (MIS):

This scheme is very popular in our country, job retreat people opens this scheme. And which people are not able to do business than they are wanting to safe from risk and they open it. It is the scheme for profit earning. In this account depositor can deposit minimum of Tk. 50,000/- and above. Depositor will get Tk500/ against Tk. 50,000/-. And it is the fixed deposit for 3 (three) years. If the accountholder to want to close his/her account before maturity date than he/she will get profit accordance with savings rate that is 5.5%. In the absence of accountholder, the specified nominee will get the whole benefit. The profit rates of this account are:

Table 3.7.7 Monthly Income Scheme

Period of Scheme	Taka Per month	Provisional Rate	Remarks
3 Years	Tk.1000/- for one lac	12.00%	Credit Account Number is required

2.7.8 Double Profit Deposit Scheme (DPDS):

The Shahjalal Islami Bank gives the facility to the client by the Islamic Shariah Mudaraba rules and regulations. In this scheme depositors can deposit more than Tk.10,000 for 6 years and after the maturity date accountholder will receive double than his/her deposited amount. Depositor will get 80% investment facility by deposit the deposit receipt. Bank can invest this amount any sector by the Islamic Shariah rules and regulations. Accountholder are bound to pay any government tax. For opening this account applicant need recent one copy photograph and one copy photograph of nominee. The profit rates of this account are:

Period of Scheme	Provisional Rate
6 Years	11.61%

2.7.9 Millionaire Scheme:

Its maturity is longer than other schemes. Generally, this account is designed for children. Here, applicants are the selected people for operating the account on behalf of the accountholder. The depositor should deposit the account within the first 15 days of the month; neither will he/she be designated as debtor to the bank. If the 15th date is an off day, then the next working day will be the schedule date. Accountholder can open more than one account in this branch. Depositor will get 80% loan facility against the deposit money. No chequebook will be issued for this account, but the bank will provide a deposit book.

Table 3.7.9 The profit rate based on different amount and time

Time	Amount Per month	Total Amount And Profit Rate
12 years	Tk. 3280/=	Tk.10 Lac
15 Years	Tk. 2120/=	Tk.10 Lac
20 Years	Tk. 1080/=	Tk.10 Lac
25 Years	Tk. 575/=	Tk.10 Lac

2.7.10 Housing Scheme (HS)

- According to the Islami Shariah Mudaraba principles bank receive and deposit in a monthly basis from 450 to 7,855 Tk.
- The time periods are 1 to 10 years.
- If account holder misses his or monthly deposit consecutively 4 times then the account will be closed.
- Since it is only a deposit account, no check will be provided.
- Account holder deposit physical ash pr through check.
- After death of account holder the nominee will get the amount. The nominee must be chosen by the account holder
- Account holder has to let the bank know if there is any kind of changes that he goes through (address, telephone number changes etc)
- Monthly deposit according to the time period are as follows:-

Table 3.7.10 Installment of Housing Scheme

Year	1	2	3	4	5	6	7	8	9	10
Amount	7,855	3,720	2,345	1,660	1,250	980	790	650	540	450

Source: The account opening form of HS of SJIBL.

2.7.11 Hajj Deposit Scheme (HDS):

- According to the Islami Shariah Mudaraba principles Bank receive and deposit in a monthly basis from 175 to 10,200 Tk.
- Any Muslim can open this deposit account.
- The time period are 1 to 25 years
- One can open only one account.
- If account holder misses his or monthly deposit consecutively 5 times then the account will be closed.
- Since it is only a deposit account, no check will be provided.
- Account holder deposit physical ash pr through check.
- After death of account holder the nominee will get the amount. The nominee must be chosen by the account holder
- Account holder has to let the bank know if there is any kind of changes that he goes through (address, telephone number changes etc)
- This account can not be renewed.
- Monthly deposit according to the time period are as follows:

Table 3.7.11 Monthly deposit according to the time period of Hajj scheme

Year	Monthly Deposit	Maturity Amount
1	10,200	1,29,950
2	5,100	1,37,465
3	3,325	1,42,350
4	2,450	1,48,240
5	1,925	1,54,475
6	1,270	1,60,570
7	1,310	1,66,170
8	1,120	1,72,780
9	965	1,78,390
10	840	1,83,950
11	740	1,90,230
12	655	1,96,970

13	585	2,02,970
14	520	2,07,920
15	465	2,13,370
16	420	2,20,375
17	380	2,37,300
18	340	2,31,240
19	310	2,39,180
20	280	2,44,600
21	255	2,51,790
22	230	2,56,315
23	210	2,63,780
24	190	2,68,700
25	175	2,78,350

2.8 Trend of Branch Expansion of SJIBL

Shahjalal Islami Bank Ltd has 24 branches now. They have diversified their branches to the various places in Bangladesh. At the starting time their branches were only in Dhaka. But now they have branches in Chittagong, Sylhet, and Khulna. Their branch expansion rate is very satisfactory.

Table 2.7 Trend of Brach Expansion

Year	Number of Branches	Growth (%)
2002	8	-
2003	10	25
2004	12	20
2005	16	33.33
2006	21	31.25

Table 2.7 shows that the trend of branch expansion of SJIBL. It is observed from the table that the highest number of branches were open in 2006. It is also reflected from the table that from 2002 to 2006 every year branch expansion has increased from the previous year.

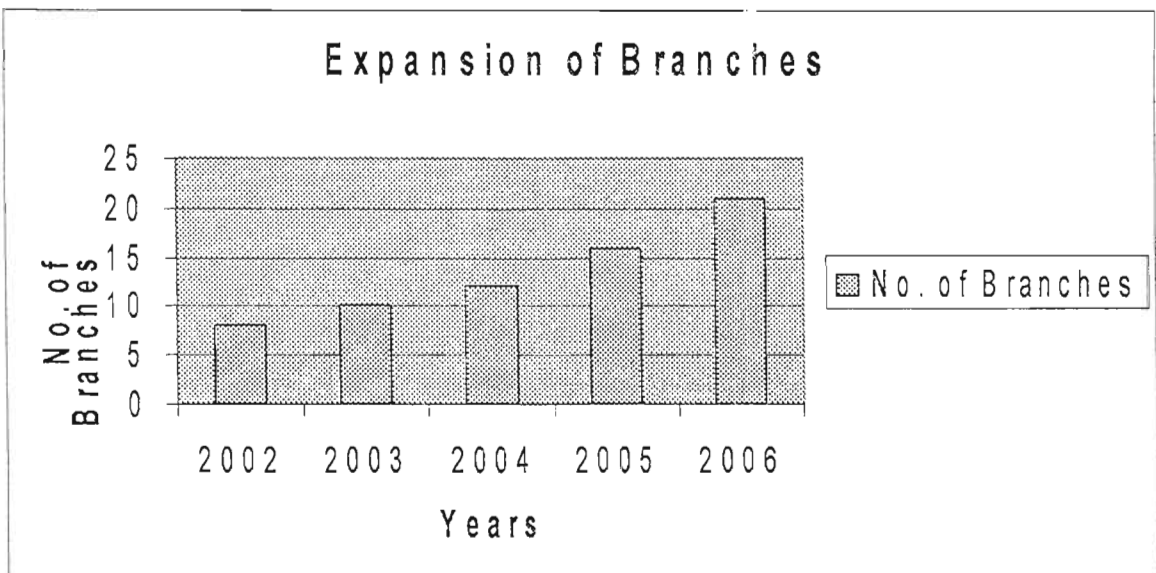


Diagram: Number of Branch Expansion

The Bar chart showing Expansion of Branches of Shahjalal Islami Bank Ltd

So from there we can understand branch expansion rate is high in Shahjalal Islami Bank. The trend of expansion is positive here. To see this we can see there is demand of product that SJIBL has offered to the customers. This year they are planning to open more seven branches in Dhaka and outside Dhaka. Their business and customer demand is growing up day by day. To meet up the customer's demand bank has to establish more branches not only in Dhaka but also outside of Dhaka.

2.9 Number of Employee at Shahjalal Islami Bank Ltd:

Table 2.8 number of Employee

Year	Number of employee	Growth (%)
2002	195	-
2003	243	24.62
2004	283	16.46
2005	340	20.14
2006	377	10.88

Table 2.8 shows that the number of employee working in SJIBL. As SJIBL is in growth stage, recruitment of human resource is increasing that previous year.

The number of employees working at SJIBL is increasing day by day as their branches are increasing. The need for human resource is increasing as their business expands. The bank has introduced a good number of staff welfare scheme such as Contributory Provident Fund, Gratuity Fund, Benevolent Fund, Staff House Building Investment Scheme and Car Scheme ect.

2.9.1 Training and Development

The Bank has already established a training center at Head Office premises where training facilities are being provided to its new and existing staff. Through the training enter 12 no of trainings, 9 no of workshops, 2no of seminars have been arranged on different Banking and Shariah Issue in 2006. Moreover, the Bank has been sending officials to BIBM, Bangladesh Bank training institute and other training Institute for participating on various banking issue on need basis. Besides, Banks was provided training facilities aboard to 7 officials during 2006.



2.10 Foreign Exchange Business:

Total foreign Exchange Business handled during the year 2006 was Tk. 33,500.96 million as against Tk. 20,098.61 million of 2005 registering an increasing of Tk. 13,402.35 million, i.e. 66.68% growth. The particulars of foreign Exchange Business are given below:-

Table 2.10 Foreign Exchange Business

Particulars	Amount in Million Taka	Percentage of Total
Import	18684.40	55.77%
Export	11281.94	33.68%
Foreign Remittance	3534.62	10.55%
Total	33500.96	100%

During the year 2006 bank branches opened 5613 Import Letter of credit as against 4484 of 2005 and handled 6336 Export bills in 2006 against 4237 of 2005.

CHAPTER 03

AN APPRAISAL OF THE PERFORMANCE

OF

SHAHJALAJ ISLAMI BANK LIMITED

3.1 Capital Position of SJIBL

Table -3.1 capital position of SJIBL

Items	2006	2005	2004	2003	2002
Authorized Capital	2000	2000	2000	800	800
Paid up Capital	936	936	467	231	205
Total Equity (capital & Reserve)	1363	848	340	296	273
Core Capital	1205	742	268	253	253
Supplementary Capital	258	107	72	43	20

Source: Annual report of SJIBL, 2006

Table 3.1 shows the capital position of the SJIBL. It is observed from the table that in 2006 total equity of the bank has been increased significantly.

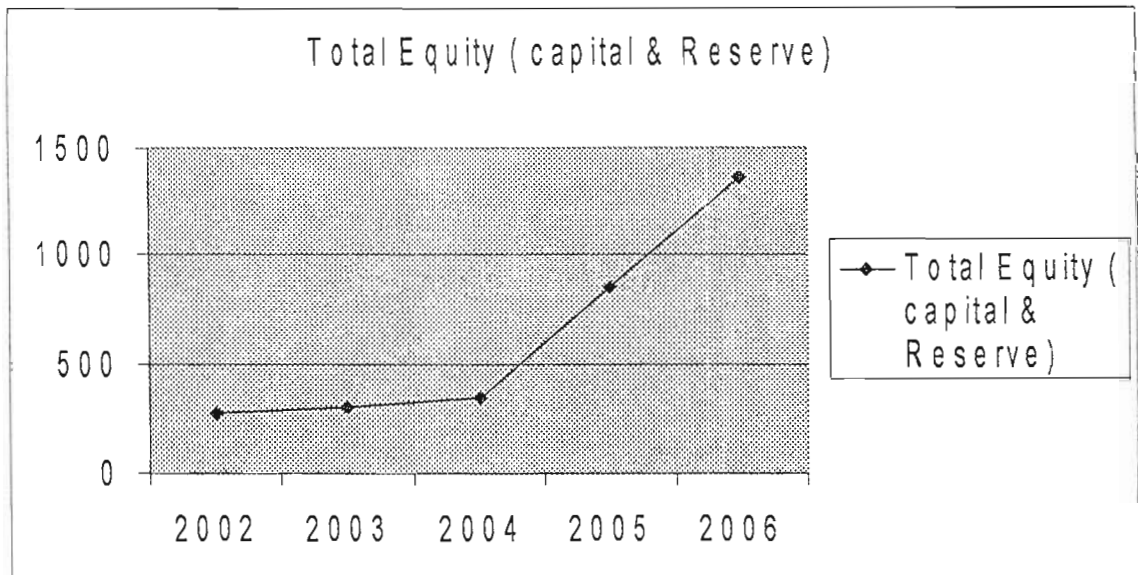


Diagram: capital position of the SJIBL

The line chart showing the equity movement of the Shahjala Islami Bank Ltd. we can see last two years it increased dramatically. It shows the good performance of the bank.

3.2 Capital Adequacy Ratio (CAR)

Total equity of the Bank as on 31.12.2005 was Tk. 848.35 million and the total equity stood to Tk. 1362.57 million on 31.12.2006, which was 10.39% of the Risk Weighted Assets as against the requirement of 9.00%. The core capital was 9.19% of Risk Weighted Assets as on 31st December 2006 as against requirement of 4.50%.

Table 2.3 Capital Adequacy Ratio

Year	CAR (%)	Growth rate (%)
2002	12.37	-
2003	7.15	-42.19%
2004	4.69	-34.40%
2005	8.7	85.5%
2006	10.39	19.42%

Source: Annual Report of SJIBL

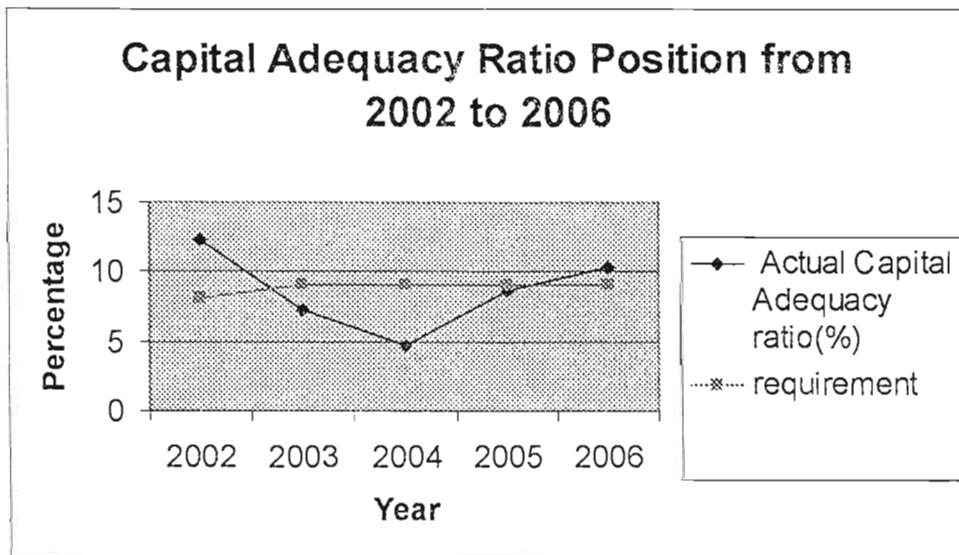


Diagram 2.2: Capital Adequacy Ratio (CAR)

The Line Chart showing the difference between the actual Capital Adequacy Ratio and the Requirement of CAR.

After IPO, as on 21.06.2007 total equity stands as Tk. 2545.30 million which was 17.73% of Risk Weighted Assets as on as against total requirement of 9%.

3.3 Deposit Mobilization:

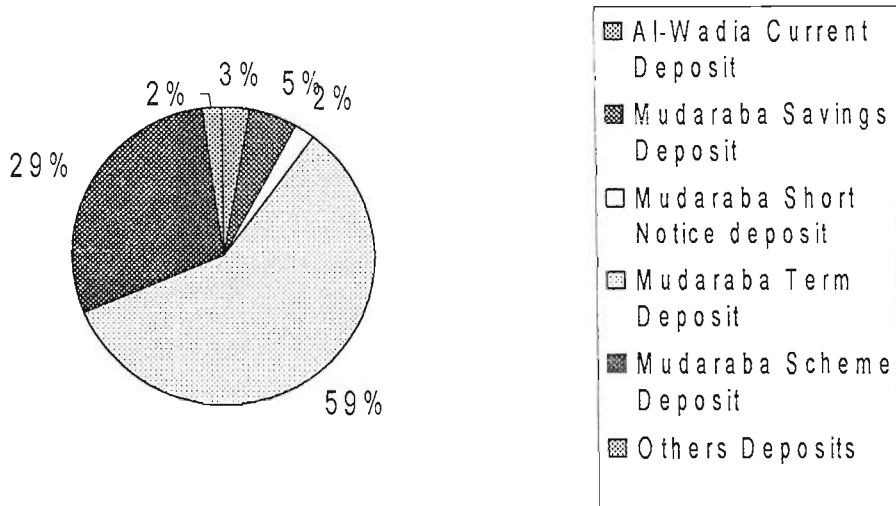
Total deposit of Shahjalal Islami Bank Ltd. stood Tk. 18,090.65 million as on 31.12.2006 against Tk. 12,204.63 million of 31.12.2005 registering an increase of Tk. 5, 886.02 million, i.e. 48.23% growth. Deposit is the “life-blood” of a Bank. The mobilized deposits were ploughed back in economic activities through profitable and safe investments. Bank has given utmost importance in mobilization of deposits introducing some popular and innovative scheme

The deposit-mix of the Bank as on 31.12.2006 was as bellow:-

Nature of Deposit	Taka in Million	Percentage of Total Deposit
Al-Wadia Current Deposit	519.69	2.87%
Mudaraba Savings Deposit	913.16	5.05%
Mudaraba Short Notice deposit	366.76	2.03%
Mudaraba Term Deposit	10,252.66	56.67%
Mudaraba Scheme Deposit	5,131.30	28.36%
Others Deposits	907.08	2.02%
Total	18,090.65	100.00%

Source: Annual Report, 2006

Deposit Mix of 2006



Above pie chart shows that the term deposit is the greater portion in the deposit mix. That means bank has more money in its hand to lend out.

3.3.2 Trend in increase of Deposit:

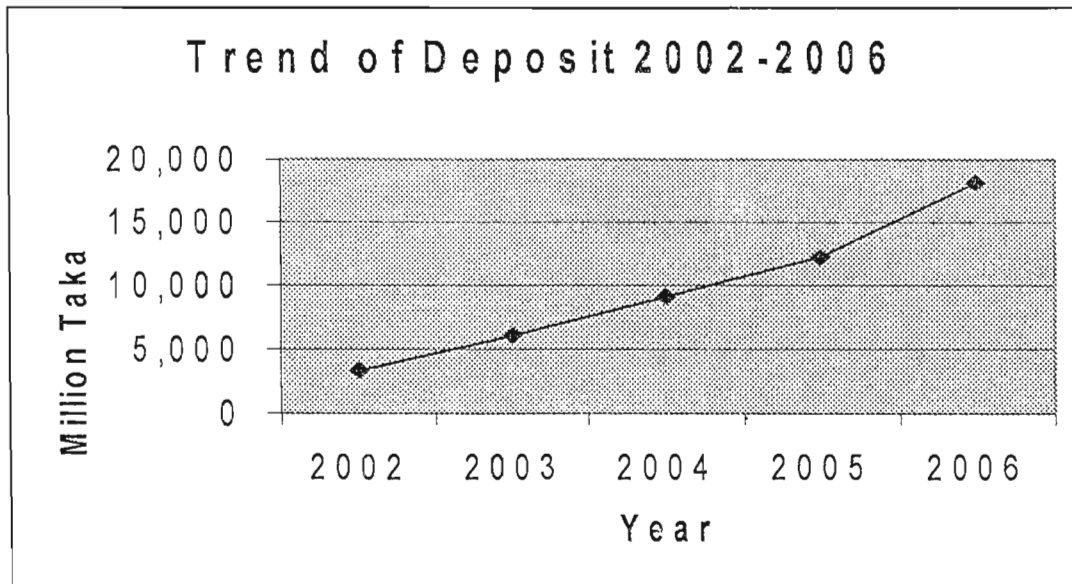
The total deposit of SJIBL is increasing in every year. The trend of increase of deposit is given below:-

Table – 3.1.2 Trend of Deposit

Year	Deposit	Deposit in Million	
		Deposit	Growth (%)
2002	3,333	-	-
2003	6,039		81%
2004	9,092		51%
2005	12,205		295%
2006	18,091		48%

Source: Annual Report of SJIBL, 2006

The table 3.1.2 shows the deposit of Shahjalal Islami Bank limited. From the table it is observed that deposit has been increasing in every year.

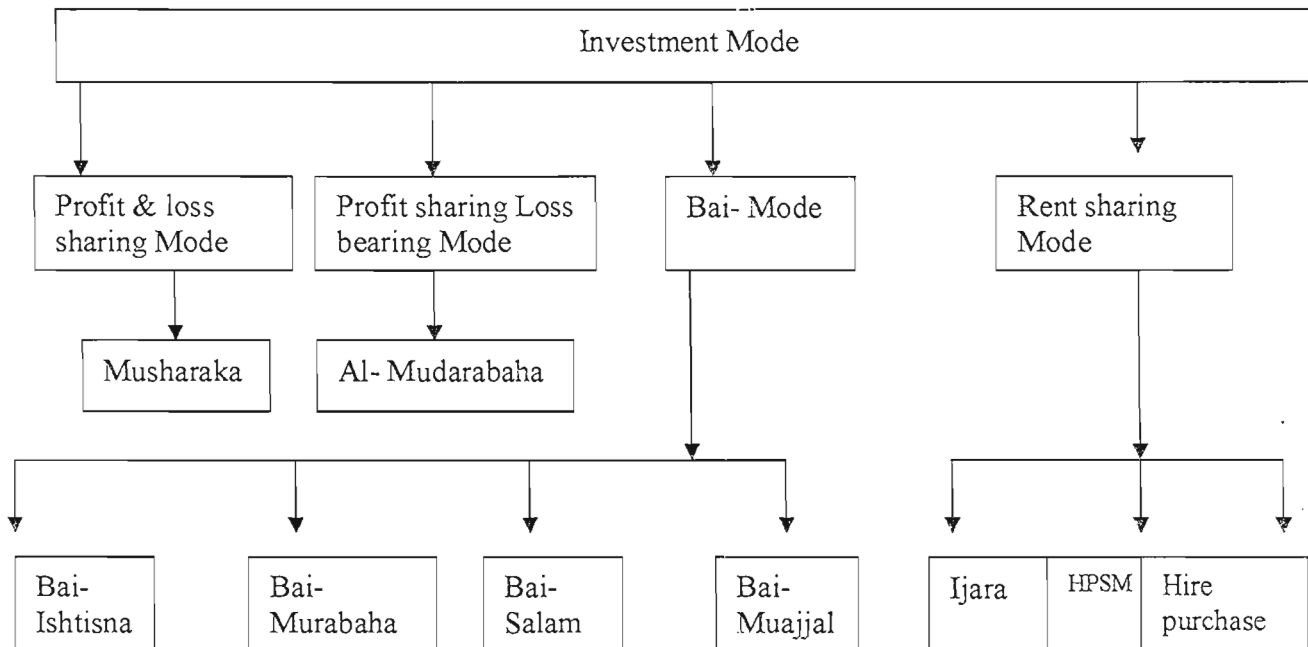


Above line chart showing that the deposit of SJIBL has increased a significant amount in recent years. That means depositor have faith on the Bank.

3.4 Modes of Advances:

Investment is one of the most important sections of banking business. Without proper investment bank can not prosper in their business. SJIBL invests its money in various sectors of the economy through different modes permitted by shariah and approved by Bangladesh Bank. Another important issue of that is customer service. Customer is first. Understanding of the realities of customer services and exploiting the opportunities for providing better services to the customers will pave the way for earning more profits and sustainable growth. The investment Department of SJIBL is very organized. Each and every employee is very expert about their duties and they maintain a strong corporate culture in this department.

SJIBL invests its money in various sectors of the economy through different modes permitted by shariah and approved by Bangladesh Bank. The modes of investment are as follows:



Profit and Loss Sharing Mode

Shirkak/ Musharaka:

It is an agreement under which the Islamic bank provides funds which are mingled with the funds of the business enterprise and others. Profit is distributed among the partners in pre determined rates, while the loss is borne by each partner in proportion to his contribution.

Profit sharing Loss bearing Mode

Al-Mudarabah:

Mudarabah is a form of partnership where one of the contracting parties called the "Shahib al Maal' or Rabb ul Mall' (the financier) provides a specified amount of capital and acts like a sleeping dormant partner while the other party , called Mudarib (entrepreneur) provides the entrepreneurship and management for caring on any venture, trade, industry or any business. The Mudarib is in the nature of a trustee as well as an agent of the businesses. Profit is distributed as per prepared ratio while the loss is entirely borne by the Shahib al Maal.

Bai-Mode (Buying and Selling)

Bai- Murabaha:

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

Bai –Muajjal:

Bai –Muajjal is literally, a credit sale. Technically, a financing technique adopted by Islamic Banks it is a contract in which the seller allows the buyer to pay the price of a commodity at a future date in a lump sum or in installments. The price fixed for the

commodity in such a transaction can be the same as the spot price or higher or lower than the spot price.

Bai- Salam:

This term refers to advance payments for goods which are to be delivered later. Bai-Salam covers almost all things which are capable of being definitely described as to quantity, quality, and workmanship. One of the conditions of this type of contract is advanced payment.

Rent Sharing Mode:

Ijarah (Lease):

The term Ijarah means consideration, return, wages, or rent. This is really the exchange value or consideration, return wages, or rent of service of an asset.

Ijarah wa iqtina (Hire purchase):

This term refers to a financing mode. It is contract under which the Islamic bank finances equipment, buildings or other facilities for the client against an agreed rental together with an undertaking from the client to purchase the equipment or the facilities.

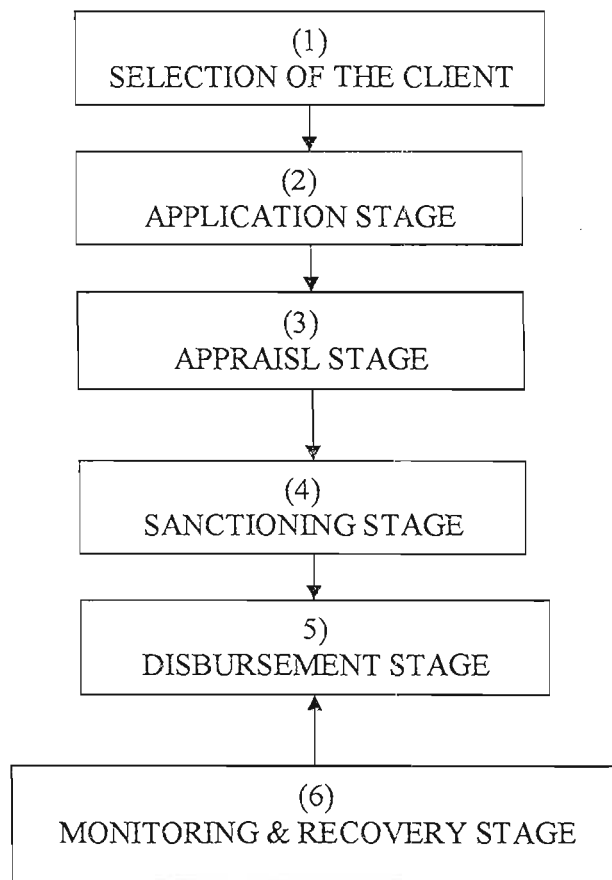
Hire Purchase under Shirkatul Melk (HPSM):

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



3.5 Investment Procedure of SJIBL:

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 banks 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, Shahjalal Islami Bank Limited makes its investment decision through successfully passing the following crucial steps:



Flowchart: Investment Procedure of SJIBL

1. Selection of the client:

Here, investment taker (client) approaches to any of the branch of Shahjalal Islami Bank Limited. Then, he takes with the manager or respective officer (investment). Secondly, bank considers five C's of the client. After successful completion of the discussion between the client and the bank, bank selects the client for its proposed investment. It is to be noted that the client \ customer must agree with the banks rules & regulations before availing investment. Generally, bank analyses the following five C's of the client.

- I. Character;
- II. Capacity;
- III. Capital;
- IV. Collateral;
- V. Condition;

2. Application Stage:

At this stage, the bank will collect necessary information about the prospective client. For this reason, bank informs the prospective client to provide and / or fill duly respective information which is crucial for the imitation of investment proposal. Generally, here, all the required documents for taking investment have to prepare by the client himself. Documents that are necessary for getting investment of SJIBL are prescribed bellow:

1. Request for investment limit of customer.
2. Account Opening form along with copies of client photographs
3. Project profile/Profile of business.
4. Copy of Trade License duly attested (for proprietorship)
5. Abridged pro forma income statement
6. copy of partnership deed (for partnership business);
7. Attested Prior three (03) year's audited balance sheet(for joint stock company)

8. Prior three (03) year's business transactions statement for the mushsaraka /mudaraba investment. (for existing Business)
9. Abridge pro forma income statement for the mushsaraka /mudaraba investment.
10. Attested copy of the Memorandum of Association (MOA) & Articles of association (AOA) for the joint stock company;
11. Attested copy of the Tax Identification Number (TIN)– including final assessment;
12. Tenders of the proposed assets
13. Detailed summary of the sundry debtors and creditors (including both time & schedule);
14. Photograph of the site.
15. Summary of the personal moveable & immoveable assets; and
16. Others.

3. Appraisal Stage:

At this stage, the Bank evaluates the client his or her business. It is the most important stage. Because of this stage, Bank usually goes for sanctioning the proposed investment limit / proposal. In order to apprise the client, IBBL provides a standard Form (Appraisal Report) to the client for gathering all the information. However, the following contents are presented from that appraisal report.

- A. Company's / Client's Information.
- B. Owner's Information.
- C. List of Partners / Directors
- D. Purpose of Investment.
- E. Break up of present Outstanding.
- F. Previous Bankers Information.
- G. Allied Deposit as n.
- H. Business / Industry Analysis.

- I. Relationship analysis.
- J. Asset and Liability position of the client as per Audited Balanced sheet.
- K. Working Capital Assessment.
- L. Insurance coverage.
- M. Audit Observation.
- N. Security Analysis.

4. Sanctioning stage:

At this stage, the bank officially approves the investment proposal of the respective client. In this case, the client receives the bank's sanction letter. SJIBL sanction letter contains the following elements:

- A. Investment Limit in million.
- B. Mode & amount of investment
- C. Purpose of investment.
- D. Period of investment
- E. Rate of Return.
- F. Securities:

I. Primary – Stock of goods in the primary security.

- LC / Bills; Related Documents.
- Murabaha Post Investment (MPI) / Bai Murabaha: Pledge of MPI / Bai Murabaha goods.
- MPI / Bai Murabaha – TR: Lien on goods to be released.

II. Cash / Goods-

- Bai- Murabaha: 25% cash security on cost price to be subsequently converted to goods security.
- TR (Trust Receipt): Without cash security.

III. **Collateral:** Immoveable properties.

Cash /Goods Security; IN allowing Murabaha investment and amount of cash security is generally realized from the client which is converted to goods security after purchase of goods purchased out of bank's investment and client's cash security is pledged to the bank, kept under banks custody before its delivery to the client on payment.

At this stage, usually the bank analyses whether required documents are in order. In the documentation stage IBBL checks the following documents of the client:

- I. Tax Payment Certificate
 - II. Stock Report
 - III. Trade License
 - IV. VAT certificate
 - V. Liability statement from different parties
 - VI. Receivable from different parties
 - VII. Three years net income & business transaction
 - VIII. Performance report with the bank
 - IX. Account Statement form of the bank
 - X. Valuation Certificate
- Particulars of the proposal
- Particulars of the Mortgagor
 - Particulars of the properties.
- XI. Outstanding liability position of the bank
 - XII. CIB (credit information bureau) Report.

5. Disbursement:

At this stage, bank decides to pay out money. Here, the client gets his or 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 be physically verified. Bank may Disburse the fund in many installment. Bank usually does not disburse money in one single installment. There would be many installments.

6. Monitoring& Recovery Stage:

At this stage of investment processing of the SJIBL, will contact with the client continually, for example-bank can obtain monthly stock report from the client incase of micro investment. Here, the bank will keep his eye on over the investment taker. Bank monitors whether their money utilize in proper way or not. If Client uses this fund for unauthorized purpose, bank will stop the payment and Bank asks for their money. If needs, bank will physically verify the client’s operation. Also if bank feels that anything is going wrong then it tries to recover its investment fund the client.

Above we discuss about the investment procedure of the Shahjajal Islami Bank Limited.

3.6 Investment of SJIBL:

Total investment of the Bank stood at 15,515.79 million as on 31.12.2006 against Tk. 10,590.27 million of 31.12.2005 registering an increase of Tk. 4,925.52 million, i.e. 46.51% growth. The Bank is careful in deploying of the fund. Mode wise investment portfolio as on 31.12.2006 is given below:

Table 3.4 – Investment of SJIBL

Modes of Investments	Taka in million	Percentage of Total Investment
Murabaha	4,687.36	30.21%
Bi-mujjal	5,774.57	37.22%
Hire-purchase & Ijara	3,009.46	19.40%
Investment against L/C	219.72	1.42%
Bill purchased / discounted	1,308.55	8.43%
Investment against scheme deposits	428.78	2.76%
Quard	59.27	0.38%
Others	28.08	0.18%
Total	15,515.79	100%

Source: Annual Report of SJIBL, 2006

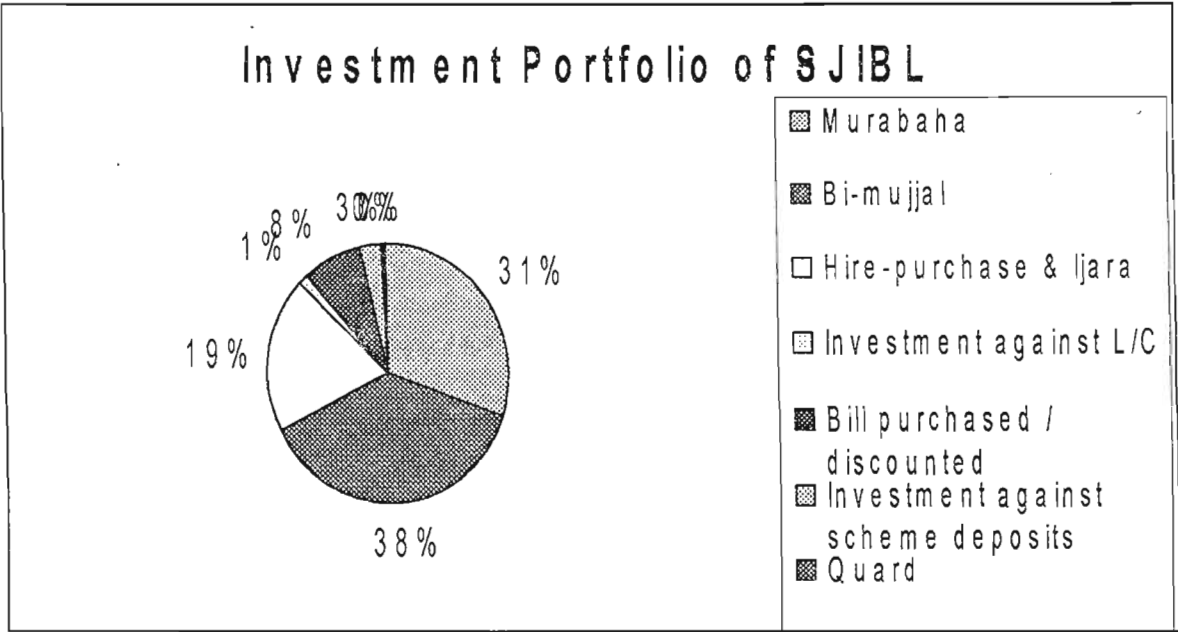


Diagram: Investment Portfolio of SJIBL, 2006

Above chart showing that Murabaha and Bi-Mujjal has more contribution in investment portfolio of SJIBL. These two is almost three-fourth of the Investment portfolio.

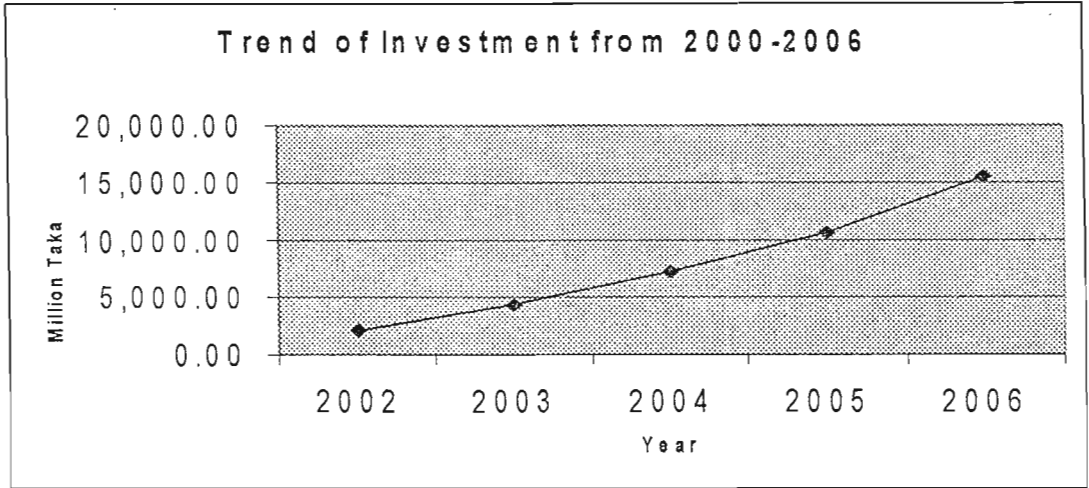
3.6.1 Trend of Investment of SJIBL:

Table 3.4.1 Trend of Investment

year	Amount in Million	
	Investment	Growth (%)
2002	1,999.97	
2003	4,269.32	113%
2004	7,148.68	67%
2005	10,590.27	48%
2006	15,515.79	47%

Source: Annual report of SHIBL, 2006

Table 3.6.1 shows the investment trend of Shahjalal Bank from 2002 to 2006. It is observed from the table that every year investment of Shahjalal Islami Bank is increasing.



Graph: Trend of Investment from 2000-2006

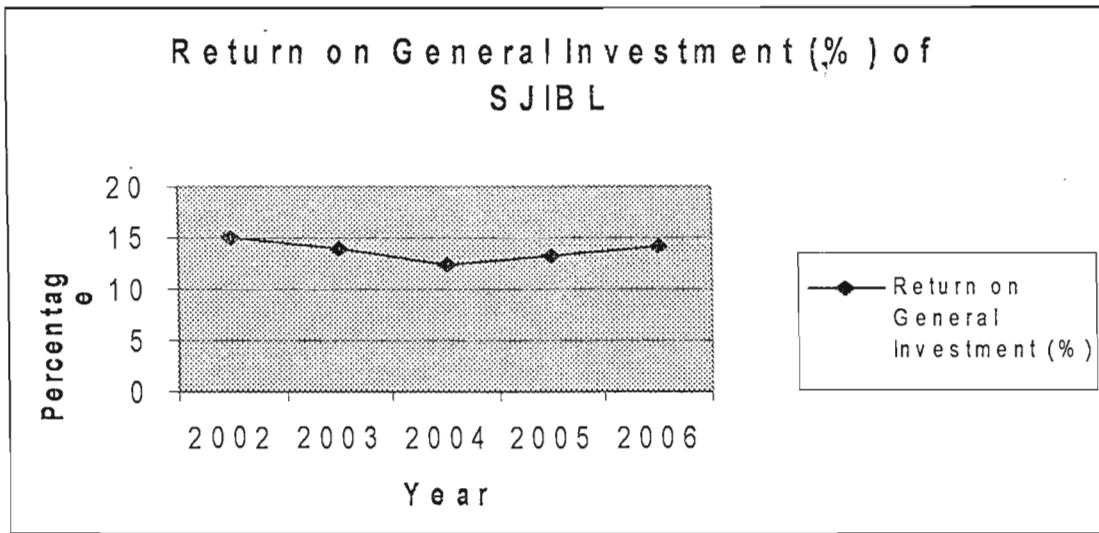
Above line chart indicates the increase of Investment of Shahjalal Islami Bank Limited from 2002 to 2006. That means Bank performance is well now. Business man has the trust on the bank and also Bank has trust on customers.

3.6.2 Return on General Investment:

Table 3.6.2 Return on Investment

Year	Return on General Investment (%)
2006	14.08
2005	13.21
2004	12.34
2003	13.94
2002	14.93

Source: Annual Report of SJIBL, 2006



Graph: Return on Investment of SJIBL, 2002-2006

Above line chart shows that return on investment almost the same level in last five years that indicates banks stability.

3.6.4 Some other Investment Scheme:

The Bank provides good service to good investment-clients having credit-worthiness and good track record. The Bank has got the a few Investment schemes to provide financial assistance to comparatively less advantaged group of people; which are:-

- a) Household Durable Scheme.
- b) Small Business Investment Program.
- c) Small Entrepreneur Investment program.
- d) Medium Entrepreneur Investment program.
- e) Rural Investment Program.

a) Household Durable Investment Scheme

In a developing country like Bangladesh people of middle and lower class especially service holders with limited income find it difficult to purchase articles like refrigerator, television, cot, almirah, wardrobe, sofa-set, pressure cooker, sewing machine etc. which are part of modern and decent living. They cannot enhance the standard and quality of life to the desired level due to their limited income. Shahjalal Islami Bank Limited has, therefore, introduced Household Durables Investment Scheme that has already created great enthusiasm among the people and received tremendous response from them.

b) Small Business Investment Program

In our economy small business can play vital role to develop ourselves. Here most of the people are poor. So if they can start a small business, they will become employed by themselves. By this business also create some employment facilities for the other people.

c) Small Entrepreneur Investment program

Bangladesh, a third-world developing country, is rich in natural and human resources. In spite of vast possibilities, the majority people of the country live in hardship-below poverty line, as these resources are not being properly trapped, explored and exploited. Physical labor is their only means of earning. A large segment of this population is active youth force. Many of them are efficient, intelligent and energetic with initiative & drive and have courage to take risk. But they cannot uplift their socio-economic condition due to poverty, lack of financial support and other required facilities. Lack of capital compelled many small traders to leave their profession. As a result the unemployment problem has been increasing day by day, and the unemployment youths, finding no avenues of employment, are getting themselves involved in anti-social activities creating threat to the social life. By providing this loans facilities bank is encouraging people to come forward to start a new business. By this way bank makes new entrepreneur. This entrepreneur makes others employed by his/her business.

d) Medium Entrepreneur Investment program.

Many organizations close their operation due to insufficient fund. As a result many people loss their job and become unemployed. To alter this situation this investment scheme is designed for. This is for the established medium size business. Bank provides loans to that business which is already exists and operates. Banks give loans to them due to expand their business.

e) Rural Investment Program

Bangladesh with its 60% people living below poverty line and 30% living in absolute poverty is suffering from acute rural-urban economic disparity coupled with illiteracy, lack of proper health and sanitation facilities. The country's economy is basically an agrarian one with vast majority living in rural areas. The agricultural sector is unable to provide any further scope of employment resulting in influx of rural population towards urban areas. Rural areas are characterized by stagnant and scanty industries. Underemployment and unemployment is the regular feature particularly in rural areas. The vast human resources have remained unutilized due to lack of education and training and also concerted efforts directed towards the rural economy. This result in uneven distribution of income which causes serious set back in balanced geographical growth as well as growth of GDP. Shahjalal Islami Bank Limited has been founded with the major objective of establishing Islamic economy for balanced economic growth by ensuring reduction of rural-urban disparity and equitable distribution of income.

In view of the above, Branches of the Bank have been encouraged to invest their deposits in their respective areas and in particular for the economic enlistment of the rural people. Accordingly, a Scheme in the name and style of 'Rural Development Scheme' has been introduced to cater tot eh investment needs of the agricultural and rural sector to create opportunity for generation of employment and raising income of the rural people with a view to alleviate poverty.

The following Two Investment Schemes are going to be introduced shortly:

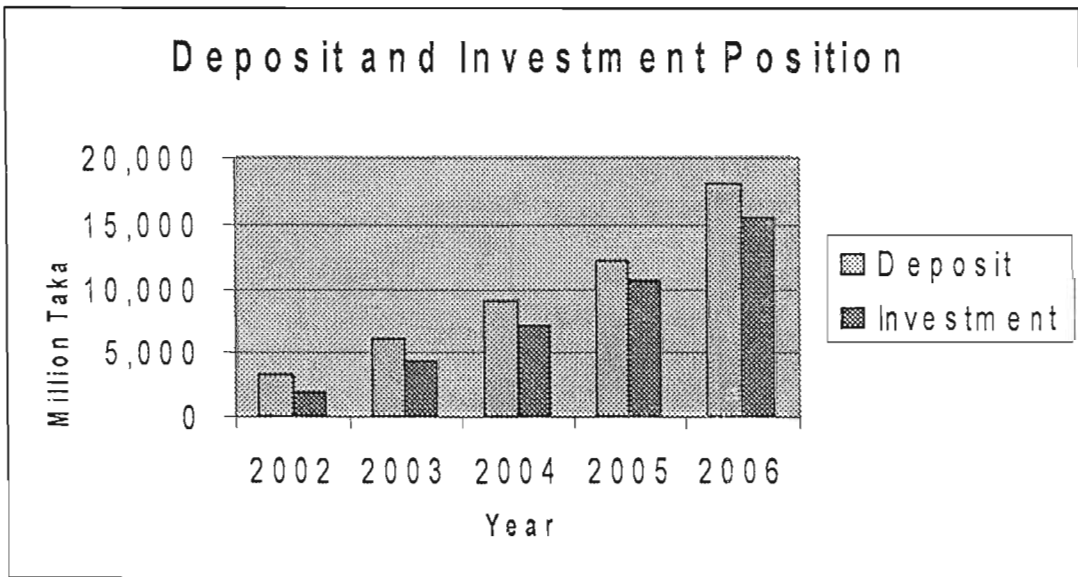
- f) Car Investment Scheme.
- g) Women Entrepreneur Investment Scheme.

3.6.5 Investment and Deposit Position of SJIBL:

Table 3.4.5- Investment and deposit position

Amount in Million		
Years	Deposit	Investment
2006	18,091	15,516
2005	12,205	10,590
2004	9,092	7,149
2003	6,039	4,269
2002	3,333	2,000

Source: Annual Report of SJIBL, 2006



This Bar chart is showing that Deposit and Investment has increased at the same level. In the year 2006 deposit and investment increase rate is so high.

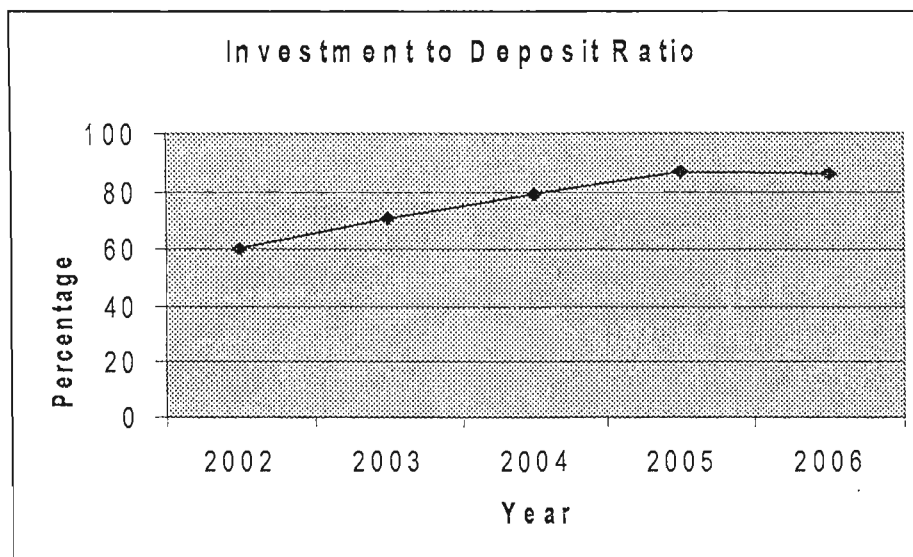
3.6.6 Investment to the total Deposit:

Banks usually lend money to other party from deposit of other party. Banks work as the medium of the money flow from one party to other party. Shahjalal Islami Bank Limited invests following percentages to the deposit:

Table 3.6.6 Investment to the Total Deposit

Year	Investment to the deposit Ratio (%)
2006	85.77
2005	86.77
2004	78.77
2003	70.69
2002	60

Source: Annual Report of SJIBL, 2006



Above line chart is showing that Investment to the deposit ratio is increasing day by day. That means bank has now plenty of option to invest. Every year ratio is increasing from early years. It shows the efficiency of the management of investing the money.

3.6.7 Investment Risk:

Investment (Lending) is the principal function of a bank. At the same time, there is an underlying/inherent risk in any investment (credit). Investment comprises a very large portion of a bank's total activities. As such, due diligence and prudential judgment is a pre-conditional for a sound investment practice and therefore, is very important for profitability and success of a bank. The bank has established control mechanism to identify measure and monitor the exposure to investment risk.

The management of specific investment is developed according to individual business units. This investment risk management function ensures that appropriate policies are established and ensures compliance with the related sanction monitoring procedures and controls at the business unit level. Investment exposures are aggregated from investment involved risk may be summarized as under:

- Difficulty in choosing core business.
- Failure in business of customer.
- Encompassing a blend of banking and non-banking service.
- Investment either too liquid or of questionable quality.
- Competition from other commercial banks.
- Security control risk

Portfolio monitoring is carried out by asset quality, background of the customer, soundness and viability of his business and cash flow etc, sector of the economy and country, cost of long term financing to match with the return on long term investment.

The bank pays adequate emphasis on business risk than analysis of security risk because the security reduce the risk but does not always improve the quality of investment. Besides, the banks address the investment (credit) risk guideline cited by the Bangladesh Bank.

As regards to other parts of the banking business, the control staffs follow a pragmatic program of regular monitoring and follow-up.

3.7 Total Income of Shahjalal Islami Bank Limited:

3.7.1. Investment Income:

Total Investment Income of the bank as at 31st December 2006 was TK. 2,157 million as against TK. 1,357 million of the preceding year registering 59% growth over last year, which was 84% of the total income as also equal to 84% of 2005.

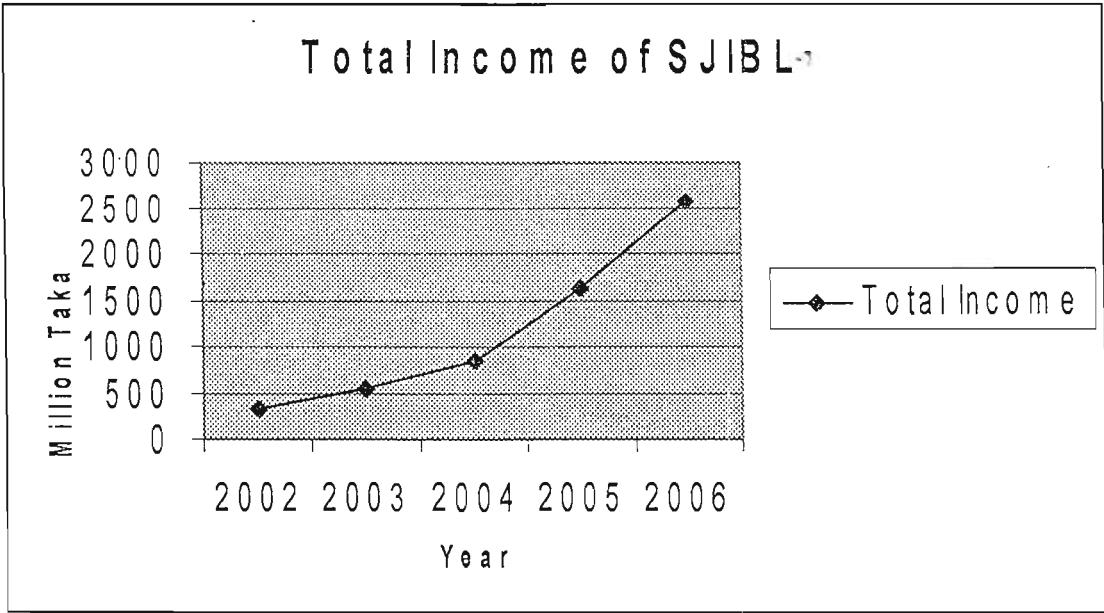
3.7.2. Non-Investment Income:

Total Non-Investment Income of the bank as at 31st December 2006 was Tk. 405 million as against Tk. 263 million of the preceding year registering 54% growth over last year, which was 16% of the total income compared to 16% of 2005.

Table 3.7.2 - Total Income of Shahjalal Islami Bank Limited:

Year	Total Income	Amount in Million
		Growth (%)
2002	316	-
2003	536	70%
2004	841	57%
2005	1,620	93%
2006	2,563	58%

Table 3.7.2 shows the total income of SJIBL. It is observed from the table that from 2002 to 2006 every year total income has increased from previous year.



The above line chart is showing that total Income of the SJIBL is increasing every year.

3.8 Total expenditure of SJIBL:

Profit Paid and Deposit:

Bank distributed profit of tk. 1,491 million among the Mudaraba Depositors in the year 2006 against tk. 944 million in the year 2005 which being 70% of the investment income earned from the deployment of Mudaraba Fund and 87% of total Expenditure of 2006 against 84% of 2005.

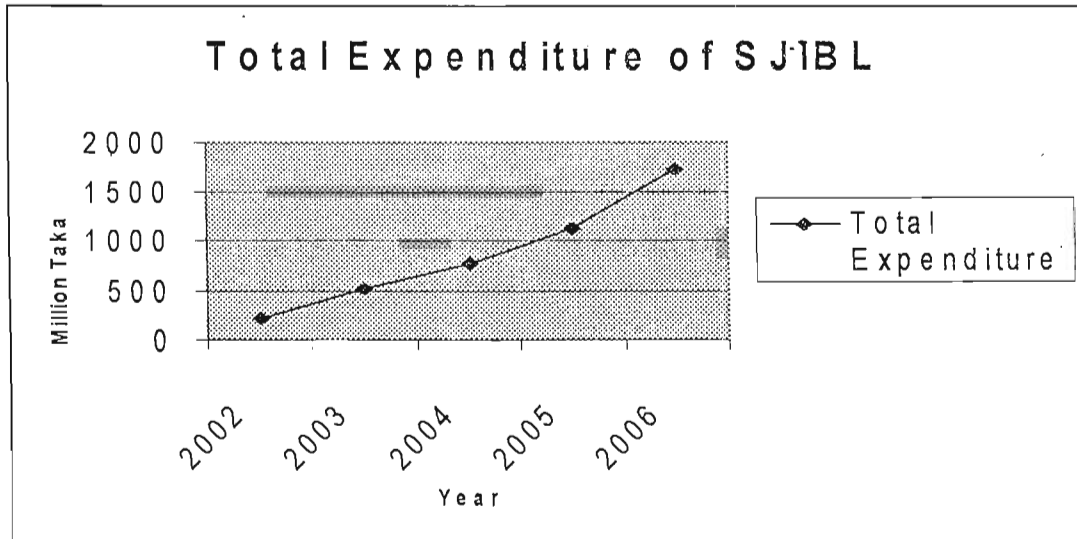
Operating Expenses:

Total operating expense as on 31.12.2006 was tk. 227 million as against tk. 174 million of 2005, which was 13% of the total expenditure of the year 2006 against 16% of 2005.

Table 3.8 Total expenditure of SJIBL

Year	Total Expenditure (in million)
2002	221
2003	512
2004	767
2005	1,118
2006	1,718

Source: Annual Report of SJIBL, 2006



Above line chart showing that total expenditure of SJIBL is increasing in every year. But though last two year expenditure is high, total income also increase in same way. So expenditure decreasing would be big challenge for the Shahjalal Islami Bank Limited.

3.9 Net Profit:

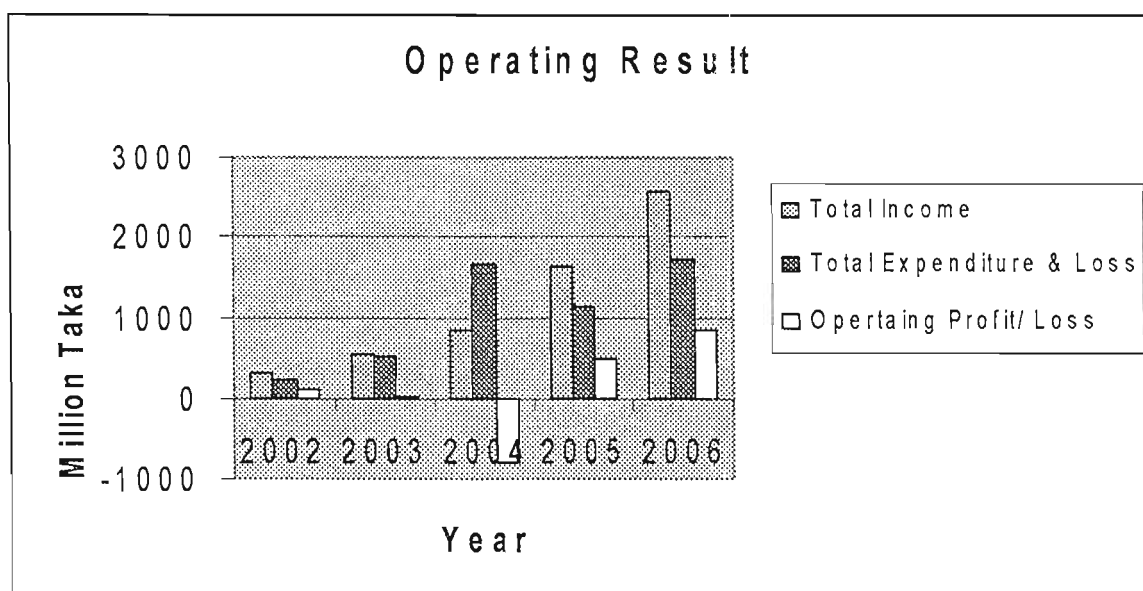
Operating Profit:

During the year 2006, the bank earned an amount of tk.2563 million and spent on amount of Tk 1718 million, resulting a total operating profit of Tk. 845 million which increased by tk.343 million over last year i.e.2005. After deducting the investment provision and income taxes net profit stood at tk.463 million as against Tk. 256 million of 2005. As appropriation of net profit Tk. 158 million transferred to statutory reserve as per bank company act 1991 and remaining Tk. 306 million transferred to retain earning to adjust previous negative balance.

Table 3.9 total Profit/ Loss, total expenditure & Loss and Operating Profit/ Loss

Year	Total Income	Total Expenditure & Loss	Operating Profit/ Loss
2006	2,563	1,718	845
2005	1,620	1,118	502
2004	841	1650	-809
2003	536	512	24
2002	316	221	95

Source: Annual Report of SJIBL, 2006



The bar chart is indicating that last two years Shahjalal Islami Bank has maintained good percentages of their total Income. It indicates that their employees are more efficient now to reduce cost.

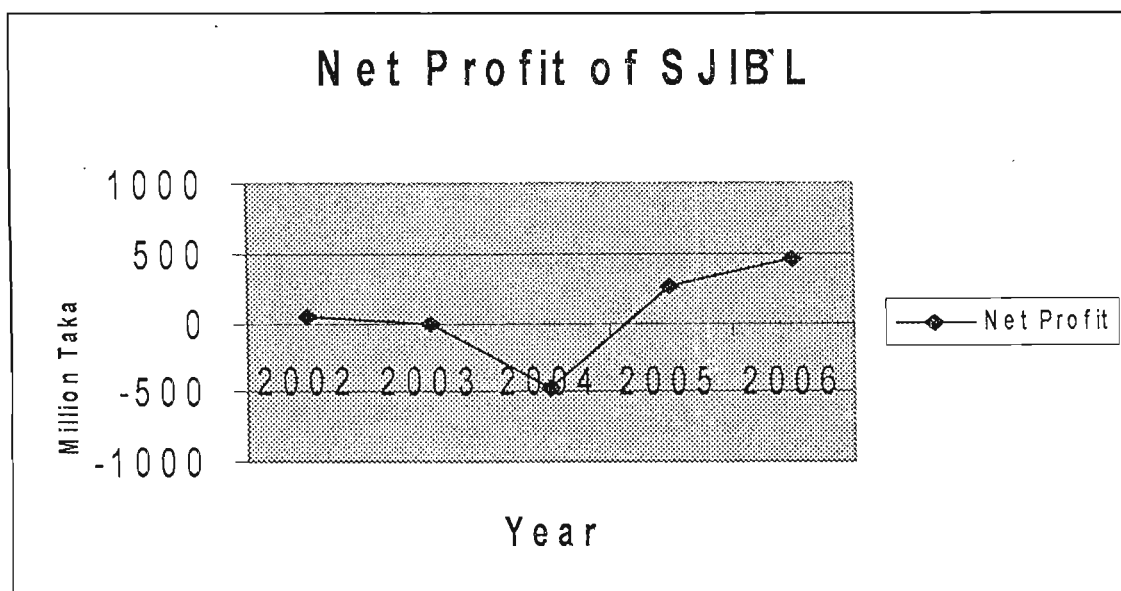
3.9.1 Net Profit (Profit after Tax):

After deduction all the expenditure from the total income we get the net Profit of the Bank. Shahjala Islami bank Limited has posted a good amount of Net profit in recent years. At the initial level bank could not make significant profit because of initial expense they made. The Net profit of the last five years as following:

Table 3.9.1 Net Profit of SJIBL

Million Taka	
Year	Net Profit
2006	463
2005	256
2004	-473
2003	-
2002	46

Table 3.9.1 shows the net profit of the Shahjalal Bank Limited. I can not include the net Profit of the year 2003 because there is no information in the Annual Report of SJIBL, 2006. From the Table it is observed that in the year 2006, the growth of net profit is high than any other years.



The above Line chart showing that last two years bank has made good profit where in 2004 last Bank was in loss, which was a significant amount. Bank has made a come Bank in last two years made a satisfactory amount of Profit.

3.9.2 Some of the Profitability Ratio of the SJIBL:

Table 3.9.2 profitability Ratio

Years	Operating Income Ratio (%)	Net Income Ratio (%)
2006	32.96	18.07
2005	30.97	15.76
2004	-96.18	-56.16
2003	4.52	-
2002	29.97	14.6

Source: Annual report of SJIBL, 2006

3.10 Fixed Asset:

Table 3.10 Fixed Asset of SJIBL

Million Taka

Years	Fixed Assets
2006	93
2005	83
2004	77
2003	71
2002	40

Table 3.10 shows the fixed Asset of the fixed Asset of SJIBL. It is observed from the table that from 2002 to 2006 every year fixed asset increase in SJIBL.

3.10.1 Depreciation methods using by the Bank:

- i) Fixed Assets are stated at cost less accumulated depreciation.
- ii) Depreciation has been charged at the following rates:

Table 3.10.1 Depreciation Methods using in SJIBL

Name of the Assets	Rates of Depreciation per Annum	Method of Depreciation
Furniture & Fixtures	10	Reducing balance
Office Appliances & Equipment	20	Reducing balance
Books	20	Reducing balance
Vehicles	20	Straight line

- iii) For addition during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.

3.11 Return on Equity (ROE):

Return on Equity implies that how much money earned by 100 taka invested by common share.

Table 3.11: return on Equity:

Years	Return on Equity (%)
2006	38.44
2005	34.46
2004	-176.07
2003	-
2002	18.23

Source: Annual Report of SJIBL, 2006

Table 3.11 shows the ROE of the SJIBL. It is reflected from the table that last two years SJIBL has done much better business that previous year.

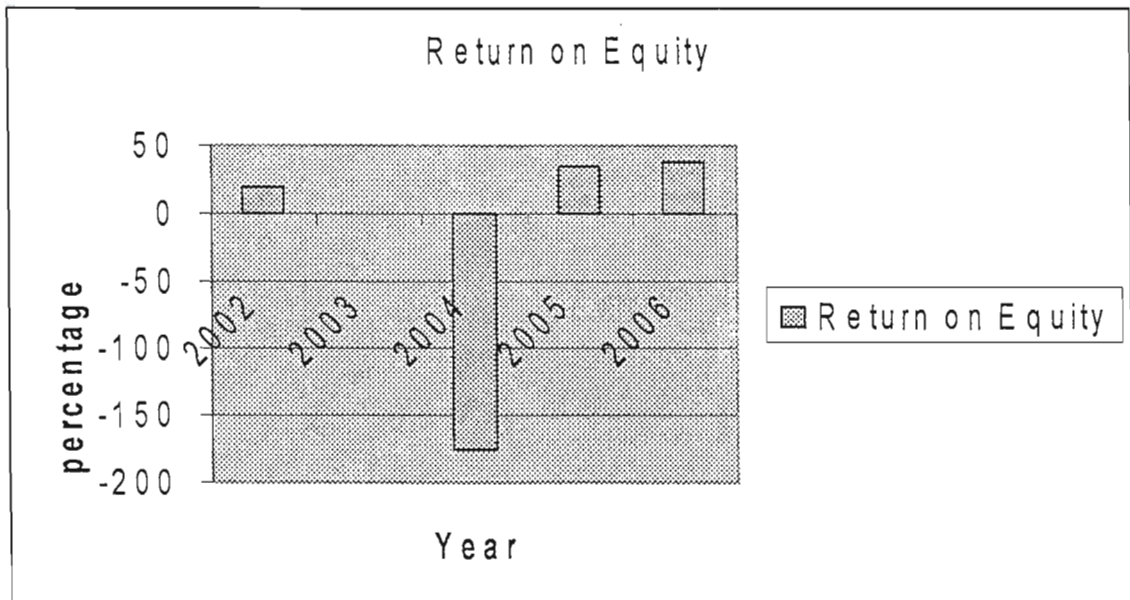


Diagram: Return on Equity 2002-2006

Above Bar chart showing that in 2006, Shahjajal Islami Bank Limited has earned 38.44 taka for every 100 taka invested by common share. In 2004 there was huge loss, so ROE is negative there.

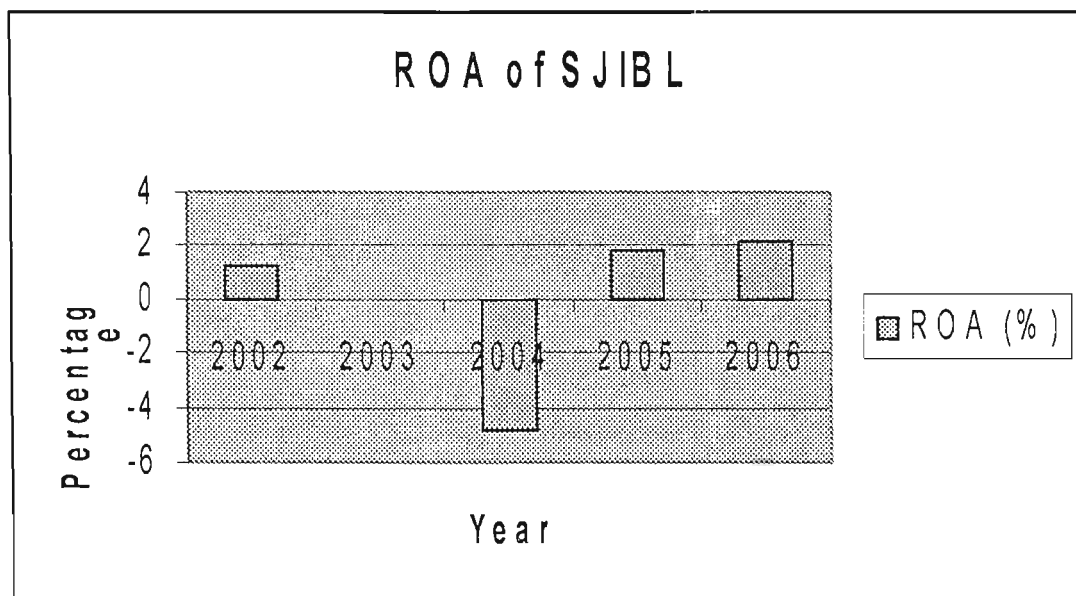
3.12 Return on Asset (ROA):

ROA indicates how SJIBL has earned profit out of 100 taka total Asset. That means to use the Asset, how much a firm earns profit. ROA is an indicator of managerial efficiency of any organization.

Table 3.12: Return on Asset 2002-2006

Items	ROA (%)
2006	2.17
2005	1.76
2004	-4.85
2003	-
2002	1.26

Source: Annual Report, 2006



Graph: ROA of SJIBL 2002-2006

Above bar chart shows that in the year 2006, SJIBL has earned 2.17 taka profit using 100 taka total assets. That means Bank can make 2.17 taka profit out of 100 total assets.

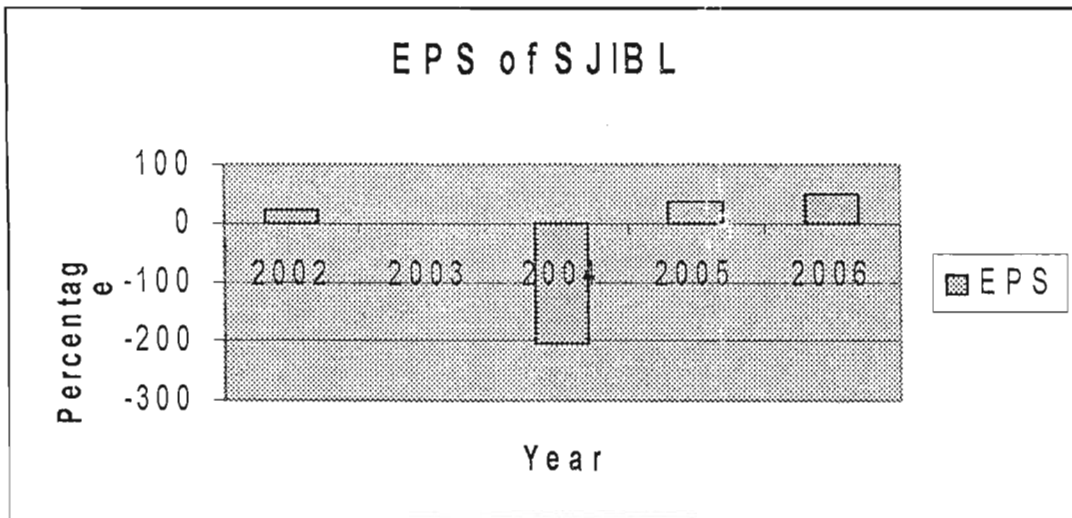
3.13 Earning Per Share (EPS):

EPS indicates how much profit SJIBL has earned per share. That means it reflects the Bank's performance.

Table 3.13 Earning Per Share of SJIBL

Years	EPS
2006	49.5
2005	33.63
2004	-204.91
2003	-
2002	22.55

Source: Annual Report of SJIBL, 2006



Graph: EPS of SJIBL, 2002-2006

EPS is calculated by dividing the total profit after tax by the Number of share outstanding. That by every share how much SJIBL earn. This is a very powerful ratio to judge a firm in the market.

3.14 Classified Loans:

Classified loans means that the amount of loans has no hope to recover and banks are deducting (write off) that loan from their account. The amount and the percentage of the classified loans of the total loans are given below:

Table: 3.14 the amount and the percentage of classified loan:

Items	Amount in million	
	Classified Loans in amount	Classified loan in percentage
2006	30	0.19%
2005	52	0.49%
2004	19	0.27%
2003	19	0.49%

Source: Annual Report of SJIBL, 2006

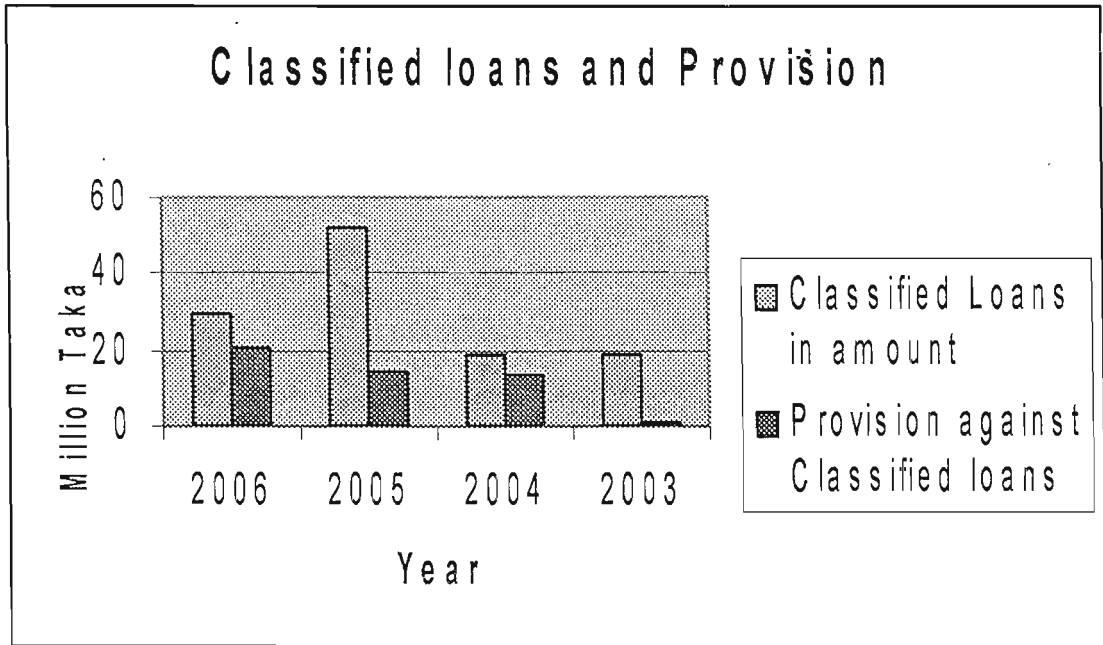
3.14.1 The provision against classified and unclassified loans:

The bank always keeps some money to put caution to this classified loans and also for the unclassified loans. These are given below:

Table 3.14.1 Provision against loans

Items	Amount in million	
	Classified	Unclassified
2006	21	157
2005	14	106
2004	13	72
2003	1	43

Source: Annual Report of SJIBL, 2006



Graph: comparison between the classified loans and provision for it

CHAPTER FOUR
GENERAL PROBLEMS
&
GENERAL RECOMMENDATIONS

4.1 General Problems of SJIBL:

There are some problems of Shahjalal Islami Bank Ltd:

- 1) Customer service of Shahjalal Islami Bank Ltd. is not satisfied. Employees of the SJIBL are not well trained in their particular works.
- 2) Though all the cash related activities are computerized but some other activities are not computerized. There is also shortage of Computer in the Branch. Not all have the access of computer.
- 3) All the employees do not have User ID. So not all the employee can work with Bank's software "PC BANK"
- 4) The attitudes of the employees are not that modern in respect of 3rd generation bank.
- 5) Restriction in time of transaction hour. Only 9 a.m. to 3 p. m. is not sufficient.
- 6) Marketing activities of the Bank are so poor. Still most of the general customers have bad impression about Shahjalal Islami Bank Limited.
- 7) The number of ATM booth is limited. So Their ATM services can not make any good impression to the customers.
- 8) SJIBL has a website, which is not up to date. So that customers are not getting any information sitting home.
- 9) Directors sometimes interrupt the normal activities of the bank. It is observed that sometime employees are avoiding the general customer to give quick service to the Directors or their superiors.
- 10) There are lacks of good, efficient and knowledgeable person in the Shariah Council.
- 11) The remuneration package should be upgraded. They should revise their compensation package. Otherwise SJIBL can not hold good employee.

4.2 General Recommendations:

There are some general recommendations for Shahjalal Islami Bank Ltd.

- 1) Giving better customers' service, employees should be well trained.
- 2) Full computerization of all the activities in the Bank so that work will be easy and efficiency will increase. Sufficient number of PC should be supplied for proper working.
- 3) Every employee should give the User ID according to their work and capabilities.
- 4) Modern courses on banking should be included in job training.
- 5) SJIBL can start evening banking.
- 6) SJIBL should start marketing campaigning. They should directly go to the customers. They should promote Bank's value.
- 7) The number of booths should be expanded in the city areas.
- 8) The official website of the bank should be upgraded. IT division can do this work.
- 9) Directors should not interrupt in the bank's daily activities.
- 10) Shairah council should be more educative and taking adaptive with the present situation. So the Shairah council should be consisted of both Islamic knowledgeable persons as well as modern educated persons.
- 11) SJIBL should increase their remuneration level. As a result young talent would come to SJIBL and they would hold them

Conclusion:

From the practical implementation of customer dealing during the whole period of my practical orientation in Shahjalal Islami Bank Ltd, I have reached a firm and concrete conclusion in a very confident way. I believe that my realization will be in harmony with most of the banking thinkers. It is quite evident that to build up an effective and efficient considered as soon as possible. Besides, every bank has to survive amidst of a large number of banks including local and foreign. That's why to keep with expected profit margin of the time being and for the future every bank should try heart and soul to please the customers in a smart and trusty way. But quit regretful to mention that most of our bank face decreasing profit trend due to switch over of their present customers to those foreign with higher customer service facilities. There is a crying need of carrying out continuous research studies and surveys by the Islamic Jurists, Shariah Scholars, Islamic Economists, Bankers to develop Shariah compliant as well as modern market satisfying homogenous products and services to keep the Islamic banks competitive and superior to conventional interest based banks. So, timely decision for introducing sophisticated banking instruments should be taken as early as possible. After taking effective and time defeating measures regarding efficient employees and instruments will help the local office of Shahjalal Islami Bank Limited to reach the pinnacle of success with high profit and productivity. If Shahjalal Bank adopts professionalism within the framework of Shariah, they will be able to earn handsome "Halal" profit and pay higher return to the depositors and share holders. Ultimately, public will get more confidence on this type of banking.

Bibliography

1. Annual Report, "Shahjalal Islami Bank Ltd" 2006.
2. "Brochure", Shahjalal Islami Bank Limited.
3. Statement of Affairs 30-12-2006 SJIBL.
4. Website: www.shahjalalbank.com.bd
5. Training sheet, Shahjalal Islami Bank Ltd.
6. Different Internship Report from EWU library.