

Letter of Transmittal

March 18, 2010.

Syed Monirul Hossain

Internship Supervisor,
Assistant Professor
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Subject: Submission of Internship Report.

Sir,

It is a great pleasure for me, Name: Shah Mohammad Ishfak Jalal, ID: BBA 02808839, Batch: 28, Major in Accounting, Stamford University Bangladesh to submit my Internship report on the topic of **“The Underlying Factors Contributing to Retail Banking and Foreign Exchange Divisions: A Comprehensive Study on Shahjalal Islami Bank Limited”**.

I have prepared this report, as a partial fulfillment of BBA program. I have tried my level best to prepare this report to the required standard though there are many hindrances arose while I was collecting data and information for this report. It was certainly a great opportunity for me to work on this paper to actualize my theoretical knowledge in the practical arena.

I request you modestly to accept my paper as it may suffer from some shortcomings. I desired and endeavored to make this paper a complete one. Therefore, I hope that this will meet the standard of your judgment.

Thanking you for your kind supervision.

Sincerely yours,

Shah Mohammad Ishfak Jalal

ID: BBA 02808839
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Student's Declaration

I, **Shah Mohammad Ishfak Jalal**, hereby declare that this internship paper titled “**The Underlying Factors Contributing to Retail Banking and Foreign Exchange Divisions: A Comprehensive Study on Shahjalal Islami Bank Limited**” has been prepared for academic purpose only. I have prepared this report in context of the practical experiences gathered during the intern period under direct supervision of **Mr. Syed Monirul Hossain**.

I also declare that this report has not been prepared for any other purpose like reproduction or investigation.

Shah Mohammad Ishfak Jalal
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Supervisor's Certificate



STAMFORD UNIVERSITY BANGLADESH

To Whom It May Concern

This is to certify that the internship report on “**The Underlying Factors Contributing to Retail Banking and Foreign Exchange Divisions: A Comprehensive Study on Shahjalal Islami Bank Limited**” For the degree Bachelor of Science in Business Administration (BBA) major in Accounting from Stamford University Bangladesh carried out by **Shah Mohammad Ishfak Jalal**, Student ID # **BBA 02808839** under my supervision. No part of the internship report has been submitted for any degree diploma, title, or recognition before.

I wish him every success in life.

Syed Monirul Hossain

Internship Supervisor

Assistant Professor

Department of Business Administration

Stamford University Bangladesh.

Acknowledgement

At the very beginning I would like to express my deepest gratitude to almighty **ALLAH** for giving me strength to finish the task within the scheduled time. This paper represents the *Retail Banking and Foreign Exchange* business of Shahjalal Islami Bank Ltd, Dhanmondi Branch, Dhaka.

There are a number of people who have assisted in making this paper possible. I express a deep debt of gratitude to my reverend teacher **Sayed Monirul Hossain**, supervisor of my Internship report who has constantly induced me with ideas that has led the report to fruition. I like to thank all of the officers and staffs of Shahjalal Islami Bank Ltd, Dhanmondi Branch, Dhaka. My Special Thanks go to –

Mr. Md. Shahjahan Shiraj - EVP & Manager, **Mr. Md. Naquibul Islam** - SAVP & Deputy Manage, **Mrs. Shahnaz Parvin** - JAVP, **Mr. Md. Rasheduzzman** - MTO, **Mr. Neaz Morshed** – Officer, **Mrs. Jarina Akhter** – TSO, **Md. Rakibul Hasan** – TSO. **Mr. Hasan** – TSO, **Md Rakibul Hasan Chowdhury** - TSO. And all the others stuff of the Bank. All of them gave me a lot of support and information of Shahjalal Islami Bank Ltd, Dhanmondi Branch, Dhaka.

At last I want to thank our respected faculty, **Syed Monirul Hossain** once again for giving me such an opportunity, which has obviously enhanced my Retail Banking and Foreign Trade related knowledge and skills to a great extent.

Executive Summary

Islamic banking, for its profit-loss sharing character, is conceived as more production oriented and growth promoting than its conventional counterpart. This is because the bank's earnings are directly linked to the earnings generated from the venture financed by it. Further, replacement of interest with the principle of profit-loss sharing increases the horizon of investment opportunity in an economy. It also promotes efficient allocation of financial resources, ensures equitable distribution of income and Promotes stability in the economy. Thus, Islamic banking is efficient from most of the macroeconomic measures of efficiency.

For an expanding economy, a developed and efficient banking system is indispensable. Among others, it helps transfer of financial resources from surplus units to deficit units and, hence, helps accelerate the pace of development by securing uninterrupted supply of financial resources to people engaged in numerous economic activities. The tremendous development that the world economy has experienced in the last few decades was contributed by several factors among which, growing institutional supply of loan able funds must have played the pivotal role. The role of banking is comparable to what an artery system does in the human body. Both commercial banks and other development financial institutions provide short, medium, and long-term credits to business and entrepreneurs who usually take the lead in ventures of economic development

Institutional supply of credit has been made possible by a system of financial inter mediation organized in a way where conventional banks collect small savings from the public by offering them a fixed rate of interest and advancing the loan able funds out of the deposited money to enterprising clients charging relatively higher rates of interest. The margin between these two rates is the bank's income. In addition, banks also provide

many other services to the public for which it receives service charges. Despite the outstanding contribution of the conventional banking system (interest-based), several ancient and modern economists are critical about its efficiency level. Some economists consider the role of interest in the conventional banking mechanism as a major negative factor that contributes to cyclical fluctuations in the economy. Specifically, the ineffectiveness of interest rate as a stabilization tool during the period of the great Depression is a case to note.

The second half of the 20th century witnessed a distinctly separate line of thinking on banking. This was institutionalized at the end of quarter and subsequently emerged as a new system of banking called Islamic Banking [also called profit-Loss Sharing Banking (PLS)]. The world has now been experiencing operation of as many as 250 Islamic banks and financial institutions in more than 50 countries, Muslims and Non-Muslims.

There are religious as well as economic reasons, which have contributed to the emergence of PLS-banking as an alternative to its conventional counterpart. It is the prohibition of 'Riba in the Quran that, according to the proponents of the PLS-system, was the source of inspiration for establishing banks in line with Islamic Shariah. The basic intense. Behind establishing Islamic banks was the desire of Muslims to reorganize their financial activities in a way that do not contradict the principles of Shariah and enable them to conduct their financial transactions without indulging into Riba. These writers consider rate of interest in the conventional banking mechanism banking mechanism synonymous to Riba, the term as used in the Quran. One of the reasons for this is that the cut come of the productive effort is uncertain, and so interest necessarily involves an element of gharar, that is, uncertainly. On this religious ground, proponents of the PLS-system urge the Islamic community to avoid all transactions with institutions that are interest-bases. Thus, Islamic banking such as Shahjalal Bank Limited emerged as a response to both religious and economic exigencies. While religious exigency calls for avoiding any transaction based on interest, economic exigencies, on the other hand, provide a new out look to the role of banking and adding stability to the economy. Shahjalal Bank Ltd. perceive as an improved system in all dimensions.

Acronyms

SJIBL	- Shahjalal Islami Bank Limited
BB	- Bangladesh Bank
OIC	- Organization of Islamic Conference
H.O	- Head Office
IBS	- Islamic Banking Scheme
DD	- Demand Draft
PO	- Pay Order
TT	- Telegraphic Transfer
NCB	- Nationalized Commercial Bank
FCB	- Foreign Commercial Bank
PCB	- Private Commercial Bank
A/C	- Account
OBC	- Outward Bills for Collection
IBC	- Inward Bills for Collection
NBR	- National Burro of Revenue
TIN	- Tax Identification number
TC	- Travelers cheque
STD	- Short Term Deposit
PLS	- Profit and Loss-Sharing
LC	- Letter of Credit
LCAF	- Letter of Credit Authorization Form
EPB	- Export Promotion Bureau
EXP	- Export Form
BOE	- Bill of exchange
FOB	- Free on Board
BOP	- Balance of Payment
D/P	- Documentary against Payment
B/L	- Bill of Lading
EDF	- Export Development Fund
IMP	- Import Form
IRC	- Import Registration Certificate
CAD	- Cash against Document
FDD	- Foreign Demand Draft
PAD	- Payment against Documents
FDBP	- Foreign Documentary Bills for Purchase
LDBP	- Local Document Bill Purchase
SOD	- Secured Over Draft
LTR	- Letter of Trust Receipts
IBP	- Inland Bill Purchase
D.A. Bill	- Documents against acceptance
BAFEDA	- Bangladesh Foreign Exchange Dealers Association
CCI&E	- Chief Controller of Import & Export

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