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***INVESTMENT STRATEGIES AND POLICIES
OF
EXIM BANK***





April 12, 2007

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East West University, Dhaka

Subject: Submission of Report on “investment Strategies and Policies of EXIM Bank”

Dear Sir,

Here is the report on, “investment Strategies and Policies of EXIM Bank” as an integral part of East West university course curriculum. It is my great pleasure and gratitude that I got the opportunity to prepare the report under your kind supervision and guidance.

This report highlights the concept of investment strategies and policies of bank especially EXIM bank. The banking policy of EXIM Bank is totally different from the present banking policy in Bangladesh. I have tried to disclose the policy of EXIM Bank and also some recommendations for the betterment of EXIM Bank. To prepare this report, I have given my level best effort despite some limitation.

Preparation of this report was a valuable experience for me and it helped me a lot to enrich my knowledge. I believe such a remarkable experience will augment my professional career.

Sincerely yours,

Md. Noor Hossain

ID# 2003-2-10-124

Acknowledgement:

First of all, I express my deep gratitude to all mighty Allah for His infinite grace that allowed me to complete this report as a part of the BBA program. A lot of effort and study has been involved in preparing this report a reality. I would like to express my sincere gratitude and cordial thanks to my supervisor M, Sayed Alam Lecturer Department of Business Administration East West University Dhaka for his constant supervision, moral support, valuable instruction and helpful advice during the course of studies and research work.

I also express my warm gratitude and cordial thanks to Mr. Shah, Md. Abdul Bari V.P. Human Resource Division EXIM Bank Limited, Head Office, for his brief discussion about the strategy and policy of EXIM Bank and for giving me some valuable time from his tight work schedule.





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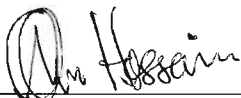
Preface:

Practical knowledge is the most important phase of education. It helps a learner mature his theoretical ideas and prepare his to apply theoretical knowledge in the real life problem. After completing the academic session students must learn the way in which they can utilize and apply their knowledge in practical field. East West University has adopted the policy of project/internship program for every student who successfully qualifies theoretical session. This is now an integral part and parcel of the student will acquaint them to practical knowledge. The project report is prepared under the guidance of a supervisor.

On the last leg of BBA program I was assigned a project. I got the I got the opportunity to work under the supervisor Sayed Alam. My topic of the project report is “Investment strategies and policy of EXIM Bank”.

In many ways this report was a personal journey to the root of my educational discipline. I have learnt a great deal through this report. I hope I can effectively translate this knowledge in my professional career.

I enjoyed every step in conducting the study and it helped me to get the taste of real practical work.



Md. Noor Hossain

ID# 2003-2-10-124

Executive Summary

Banking system of Bangladesh has gone through three phases of development- Nationalization, Privatization, and lastly Financial Sector Reform. Export Import Bank of Bangladesh Limited has started its journey as a private commercial bank on August 3, 1999.

The whole process of principal Branch, EXIM Bank Limited is divided into 3 sections - General Banking section, Credit Section, Foreign Exchange Section. This report has been presented based on overall Banking Section. Foremost, I have tried to make acquainted with the Bank and Branch in this report.

Investment of Islamic Banking Institution account for its vital portfolio activity. This is the activity, which the bank/financial institution must carry with care and prudence so that it can earn on the investments and get back the money as per planning. Without such earning, it is not possible for a bank to sustain by meeting the profit payable on deposits and the overall cost of fund including administrative cost. Since the bank has to plan to invest the owners capital and depositors time fund in short or mid or long term financing and get back the same as per schedule, a banker has to be very much careful in selecting the client and the line of trade and while industry while committing for the investment.

EXIM stands as best and strive to be the best in the industry by expanding the range of service and increasing the level of customer service. Specially overall department of EXIM Bank has to perform huge amount of work and they are doing the work very pleasingly. But there is scope of improvement for the Bank in every aspect and they are willing to be the best service provider in the business.

Chapter - 1

Introduction

To introduce with the background, rational, objectives, scope, methodology and the limitations of my study.

**Chapter
Objectives**

**Pages:
1 to 3**

Introduction:

Generally by the word "Bank" we can easily understand that the financial institution which deals with money. Bank owners want to render efficient service to clients at every possible location at the minimum cost. Government wants banks to regulate the money market as well as issue notes and currencies. The clients want their belongings safe as well as deposit money from different locations. Recognizing the different needs of the different key parties in the banking business, the banks have evolved into different categories to meet these needs. That's why there are different types of Bank like- Central Bank, Commercial Bank, Agricultural Bank, Industrial Bank, Co-operative Bank, Exchange Bank, Investment Bank, Saving Bank, Partnership Bank, Co-operative Bank. But when we use the term "Bank" without any prefix or restriction it refers to the commercial Bank. Commercial Bank is an institution, which carries on the business of banking i.e. accepting deposit and lending money including ancillary service. That's why Commercial Banks are the most important type of financial institution in the nation in terms of assets. So the people of the society and the government are very much dependent on the commercial bank as the financial intermediary.

Banking sector is expanding its hand in different financial events everyday. At the same time the Banking process is becoming faster, easier and the banking arena is wider. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to provide their fellow clients.

Origin of the Report:

This report has been prepared through extensive discussion with bank employees and with the clients. While preparing this report, I had a great opportunity to have an in depth knowledge of all the banking activities practiced by EXIM Bank Limited. It also helped me to acquire a first hand perspective of a leading private bank in Bangladesh.

Scope of the study:

My study is noticeably for academic purpose. In my work I cover the investment strategies and policies of EXIM Bank. I try my level best to clear all the problems associated with current Islamic banking system and the problem and probable solutions.

Methodology:

Study design

The report was fully investigative in nature. Data have been collected from both primary and secondary sources

Primary sources of data

- Face to face conversation with the bank officers & staffs.
- Conversation with the clients.
- Different manuals of EXIM Bank Limited.
- Different circulars of EXIM Bank Limited.

Secondary sources of data

- Annual report of EXIM Bank Limited
- Different papers of EXIM Bank
- Unpublished data
- Different text books.

Limitation

The present study was not out of limitations. But as an intern it was a great opportunity for me to know the banking activities of Bangladesh specially EXIM Bank. Some restrains are appended bellow:

- The main constraint of the study is insufficiency of information, which was required for the study. There are various information the bank employee can't provide due to security, and other corporate obligations.
- Due to time limitations many of the aspects could not be discussed in the present report.
- Every organization has their own secrecy that is not revealed to others. While collecting data i.e. interviewing the employees, they did not disclose much information for the sake of the confidentiality of the organization.
- Since the bank personals were very busy, they could provide me very little time.
- Another significant problem faced during the preparation of this report was the contradictory explanation of a single subject by different employee.
- I carried out such a study for the first time, so inexperience is one of the main constraints of the study.



Chapter - 2

Back ground of Islamic economy and Islamic banking system

**Chapter
Objectives**

*To introduce with the
banking system from the
view of Islamic economy*

**Pages:
4 to 9**

Definition of Islamic Bank:

Islamic banking is a part and parcel of Islamic Economy. It is an interest free financial institute, which is based on Islamic Shariah. OIC (Organization of Islamic Conference-1978) defined Islamic Bank as 'a financial Institution whose statutes, rules and procedures expressly state its commitment to the principles of Islamic Shariah and to the principles of Islamic Shariah and to the banking of the receipt and payment of riba (interest) on any of its operations".

Islamic Economy:

An Islamic economy is a market economy guided by moral values. Economic activities are based on principles of cooperation and responsibility. Cooperation means that an economic exchange will be beneficial to both parties involved in. Transactions in which one party wins at the expense of the other are not permissible in Islam. Thus, monopolistic dealings, usury, and exploitation are prohibited. Transactions that allow both parties to win are permissible, and these include most types of activities needed for economic prosperity. Permissible and these include most types of activities needed for economic prosperity. Performance-based arrangements, like profit sharing or partnership, represent the most cooperative form of beneficial agreements, and thus are highly encouraged in Islam. Responsibility means that each individual is entitled for reward or return based on his effort and contribution. Thus gambling and lotteries are not permissible. Gambling lows an individual to gain based on pure luck, not on merit or effort. It shifts wealth blindly among participants leading to improper distribution of wealth. Gambling is a clear form of zero-sum game where one party wins only if the other loses, and causes hatred and enmity among participants. A society where lotteries or gambling-like activities prevail is a zero-sum society, where the winner takes all, and the rest is doomed to fail.

Islamic economics is a framework for studying economic activities that allow mutual benefit of exchange to be realized. It provides proper tools and

techniques for evaluating economic decisions, showing when and how to achieve win/win outcomes and avoid win/lose or lose/lose ones. Islamic economics is based on the principle that Allah, the Almighty created this world with plenty of resources that satisfy the needs of everyone. Thus one person's success is not necessarily achieved at the expense or excluding of the success of others. This "win/win" framework leads to better economic behavior and performance, and thus promises better future for mankind.

Islamic Banking:

Islamic banking is an inseparable part of Islamic economy. During the fifty's it was only a subject matter of research and was limited to the writing of scholars and philosophers. During the sixty's actual experiment were made and in the seventy's Islamic Banking Institutions started gaining strength. The eighty's and ninety's are the period of consolidation and now Islamic Banking is coming up as the only welfare banking system of the modern world.

There has always been a desire to establish financial institution to operate as per the tenets of Islamic Shariah. A successful Islamic banking venture in My Gamer, Egypt was launched in 1963. Subsequently, Islamic banking movement achieved steady progress and assumed significant dimension and role with the establishment of the Nasser Social Bank (1972), Dubai Islamic Bank (1975), Islamic Development Bank (IDB) (1975), Faisal Islamic Bank in Egypt and Sudan (1977). Emergence of the Islamic Development Bank as and International Islamic Financial Institution with a view to involving all the Islamic Countries in the establishment of Islamic Banks and Financial Institutions was considered as a milestone in the history of Islamic Banking. In August 1974, Bangladesh signed the charter of Islamic Development Bank and committed itself to reorganize its economic and financial system as per Islamic Shariah.



Earlier in November 1980, Bangladesh Bank, the country's central Bank sent a representative to study the working of several Islamic Bank's abroad. In January 1981, at the 3rd Islamic summit conference held at Mecca and Taif, a great emphasize were given on that the Islamic countries should develop a separate banking system of their own in order to facilitate their trade and commerce.

In November 1982, a delegation of IDB visited Bangladesh and showed keen interest to participate in establishing a joint venture Islamic Bank in the private sector. They found a lot of work had already been done and Islamic banking was in ready for immediate introduction. Islamic Economic Research Bureau (IERB) and Bangladesh Islamic Banker Association (BIBA) made contributions towards introduction of Islamic Banking in the country.

Present Status of Islamic Banking in Bangladesh:

The growth of Islamic Banking in Bangladesh is progressing day by day. Islamic Banking is a brighter reality now days in the competitive business and financial world. The present status of the Islamic Baking in Bangladesh has been highlighted in the ongoing passage.

Problems of Islamic Banking in Bangladesh:

Presently 60%-70% investment of Islamic Banks is made on mark-up profit basis (Murabaha & Bai-Muajjal etc.). As a result, ideal mode of investment (Mudaraba & Mushraka) is quite absent. Some of the typical problems faced by the Islamic Banks are:

- ✓ Absence of Islamic Money Market.
- ✓ Absence of Legal framework for Islamic Banking
- ✓ Shortage of support and link institutions
- ✓ Shortage of trained Manpower, and
- ✓ Lack of co-ordination and co-operation among Islamic Banks.

Some achievements of Islamic Banks:

Formation of Islamic Banks Consultative Forum

Under the auspices of Islamic Banks and supervision of Bangladesh Bank (Central Bank), Islamic Bank Consultative Forum has been formed for establishing effective interaction and foster and strengthen the bond of co-operation for all Islamic Banks, so far the Forum met five times and took some important decisions.

Formation of Central Shariah Board

The Central Shariah Board of Islamic Banks has been formed recently for supervision of Shariah principles of Islamic Banks and Islamic Banking Branches of Traditional Banks operating in Bangladesh. The Board will advise and co-operate with Islamic Banks relating all kind of Shariah Issues.

Identified areas of Co-operation:

Development of an Islamic Money Market

In the Islamic Banks Consultative Forum it was decided to work for developing an Islamic Money Market in Bangladeshi mechanism.

Common Islamic Insurance Company

All Islamic Banks have taken initiative for establishing of a common Islamic Insurance Company. Details modus operandi has been formulated.

Islamic Banking Act

It was agreed upon that full-fledged Islamic Banking Act is essential for smooth operation of Islamic Banking in the country. Draft Islamic Banking act has been prepared and now it is under active consideration of Bangladesh Bank (The Central Bank).

New Financial Product

It was decided to put in the best efforts for development of New Financial Products approved by Shariah Board by all Islamic Banks and all other Banks will share Expenditure of one Bank.

Consortium/Syndication

Consortium/Syndication Financing by Islamic Banks was approved possibility for suitable project for syndicate is going on.

Development of Training Institute

It was decided to establish of Central Training and Research Academy and Central Library for the Islamic Banks.

Distinction between interest and profit:

Interest

Any additional benefit charged on loan/credit as per condition of the credit is known as interest. The additional amount charged on credit has no relation with the economic activities such credit may either in the form of cash or in the form of goods and commodities. In Arabic interest is known as "Riba" which means additional expansion, growth etc. Owner of capital gets the interest that bears no risk. Interest is fixed, certain and predetermined.

Features of interest

- ✓ Interest arises in case of credit - the credit may be in the form of cash or in the form of goods and commodities.
- ✓ Principal increases as per condition of the credit.
- ✓ Amount or limit of increase is proportional to time.
- ✓ Three factors/terms as mentioned above are considered as pre-condition of the credit.

Profit

In capitalistic economy profit is the contribution of business to the organization. In capitalism four factors of production are land, labour, capital & organization. Under this system business proceeds or benefit from the production process is distributed among these factors where rent for land, wages for labour, interest for capital and profit for organization are allocated.

In Islamic concept factors of production are three in number. They are land, labour, and capital. Here business proceeds are distributed among the above three. Where rent for land, wages for labour, and rest of the income is profit for capital. Under this system profit is such growth in assets which is derived from economic activities. Capital and organization i.e. owner of the capital and the entrepreneur jointly share the common fact of profit or loss which is absolutely uncertain, so risk is involved in the earning process of profit.

Interest vs. Profit

Interest	Profit
Related with credit.	Related to practical business dealing.
Predetermine and certain	Neither predetermine not certain.
There is no risk of loss	Risk is involved here.
Creditor needs no physical labour or mental anxiety.	Capital, labour and time are needed to be invest/spent here.
Interest comes simultaneously for several times from a single deal.	Profit comes only for one time from a single deal.

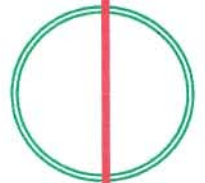


Chapter - 3

Over view of EXIM Bank

The Overview of EXIM Bank & giving some basic ideas about them.

**Chapter
Objectives**



**Pages:
10 to 18**

Historical Background of EXIM Bank Limited:

Export Import Bank of Bangladesh Limited stated its operation on 3rd August, 1999 as a scheduled commercial bank as per rules and regulation of Bangladesh Bank. At present the bank has 19 branches across the country. It renders all types of commercial banking operations to its customers within the purview of the Bank Companies Act, 1991 and in line with the directives and policy guidelines laid down by Bangladesh Bank. Late Mr. Shahjahan Kabir, founder chairman who had a long dream of floating a commercial bank which would contribute to the socio-economic development of our country. He had a long experience as a good banker. A group of highly qualified and successful entrepreneurs joined their hands with the founder chairman to materialize his dream. In deed, all of them proved themselves in their respective business as most successful star with their endeavor, intelligence, hard working and talent entrepreneurship. Among them, **Mr. Nazrul Islam Mazumder** became the honorable chairman after the demise of the honorable founder chairman.

Of its very beginning EXIM Bank Bangladesh limited was known as BEXIM Bank, which, stands for Bangladesh Export Import Bank Limited. But for some legal constraints the bank renamed as EXIM Bank, which means Export Import Bank Bangladesh Limited.

This bank starts functioning from 3rd August, 1999 with Mr. Alamgir Kabir, FCA as the advisor and Mr. Mohammad Lakiotullah as the Managing Director. Both of them have long experience in the financial sector of our country. By their pragmatic decision and management directives in the operational activities, this bank has earned a secured and distinctive position in the banking industry in terms of performance, growth, and excellent management.

In its 5th year of operation, 2004, EXIM Bank has made substantial had way in terms of business growth, profitability and establishing its image as one of

leading private sector bank. From 1st July of 2004 EXIM has become Shariah Based Islamic Bank and from then on they are rendering banking services according to the Shariah banking. For smooth operation of their activities they have established a Shariah Board which will decide about the rules and regulation according to which EXIM would operate its business. This change is the joint result of the change in the belief of the owner and the increasing demand of Islamic Banking amount the customers. Although this is a significant change and requires a substantial amount of adjustment EXIM march towards reaching grater heights in operation continues with full vigor and enthusiasm.

The sponsors of the bank are a renowned group of industrialists and businessmen with a proven track record. They represent reputed industrial and business houses of the country. Mr. Md. Nazrul Islam Mazumder is the present chairman of the bank. The board of directors is Mr. Mohammed Lokiotullah.

The authorized capital and paid up capital of the bank are Tk.1000.00 million and Tk 313.87 million respectively.

The bank conducts all types of commercial banking operations. This core business of the Bank comprises of trade finance, term finance, and working capital finance a corporate finance. The Bank is also providing personal credit, services related to local and foreign remittances and several product related services. The scheme of the bank, which is designed to help the fixed income group in raising standard living is competitively priced and has been widely appreciated by the customers. The bank has achieved success in all sectors and end up with the highest ever operating profit, which is 26% higher than that of the preceding year. The achievement has been possible because of the able leadership, dedicated and committed services provided by all levels of management and staff and above all the trust and confidence that the valued client had reposed in the bank.

EXIM Bank at a Glance:

Name	: Export Import Bank of Bangladesh Limited
Essence	: Local Bank Global Network.
Nature of Business	: Banking service and profit oriented
Registered office	: Printers building (5 th floor) 5, Rajuk Avenue Motijheel Dhaka-1000 Phone # 9566764, 9566418, 9553872 Telex: 642527 EXIMHO BJ Fax: 880-2-9556988 E-mail: eximho@bdonline.com
Date of incorporate	: June 02, 1999
Inauguration of first branch	: August 03. 1999
Chairman	: Md.Nazrul Islam Mazumder
Secretary	: Muhammad Mubarak Hussain
Advisor	: Alamgir Kabir, FCA
Managing Director	: Mohammad Lakiotullah
Number of Branch	: 24
Total manpower	: 1000

Board of directors

Chairman

Mr. Md. Nazrul Islam Mazumder

Managing Director
Mohammad Lakiotullah

Directors

Mr. Md. Nazrul Islam Swapan

Mr. Md Altaf Hossain

Mr. Md Faiz Ullah

Mr. Md Habibullah

Mr. Md Nur Hossain

Mr. Md Abdul Mannan

Mr. Zubayer Kabir

Mr. Anjam Kumar Saha

Mr. A.K.M. Nurul Fazal Bulbul

Mrs. Nasima Aktar

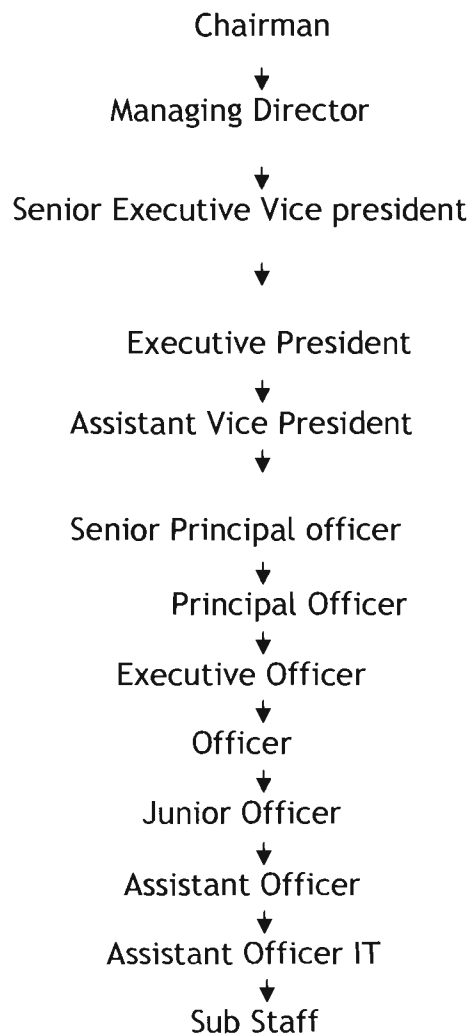
Mrs. Rizwana K. Riza

Mr. Aminur Rahaman Khan



Organization structure of EXIM Bank Limited

The sponsor of the Bank is leading business personalities and industrialists. The chairman of the Board of Directors, Md. Nazrul Islam Majumder is a leading business personality and social worker. Alamgir Kabir , the advisor of the bank is a reputed senior Chartered Accountant having 30 years vast experience in Accounts, Audit, Finance and Banking at home and abroad. Mr. Lakitotullah, the Managing Director of the Bank, is widely trained at home and abroad, having three decades of long experience in banking profession within outside the country.



Mission of EXIM Bank Limited:

The EXIM Bank Limited has completed its successful existence on its career and now it has taken a revolution of its business operation in year 2002 searching for incremental improvement in productivity, operational efficiency and structure consequently, a new organization structure has been developing according to business focus and priorities and competitive pressure.

Vision of EXIM Bank Limited:

By assuring customer satisfaction for its customers, an through proper training of its most selected group of employees it plans to pursue its mission. Also through constant innovation of its product line and establishing constant network with prospective corporate clients its pans to accomplish its mission.

Value of EXIM Bank Limited:

To be one EXIM by holding and guiding the following values:

- ▶ To have a strong customer focus and to build relationship based on integrity, superior service and mutual benefit.
- ▶ To work as a team to serve the best interests of the organization.
- ▶ To work for continuous business improvement.

- ▶ To value and respect people and make decisions based on merit.
- ▶ To provide recognition and reward on performance.

Special Features of the Bank.

- ▶ Through EXIM Bank is engaged in conventional commercial Banking it also consider the inherent desire of the religious Muslims, and has launched Islami Banking System and inaugurated two Islami Banking Branches in the year 2002 and one branch in 2003. And finally on 1st of July 2004 the Bank fully converted a Shariah Based Islami Bank.
- ▶ It is pioneer in introducing and launching different customer friendly deposit schemes to tap the savings of the people for challenging the same to the productive sectors of the economy.
- ▶ For up lifting the standard of living of the limited income group of the population the bank has introduced Monthly saving schemes to encourage the common and fixed income group of people.
- ▶ The bank is committed to continue research and development so as to keep pace with modern banking.
- ▶ The bank has introduced customer relations management system to assess the needs of various customers and resolve any problem on the spot.
- ▶ The bank has introduced camera surveillance system (CCTV) to strengthen the security services inside the Bank premises.
- ▶ The bank has also decided to go for online banking facility to the customer in near future.

SWOT ANALYSIS OF EXPORT IMPORT BANK OF BANGLADESH

SWOT analysis is the detailed strategy of an organization's exposure and potential in perspective of its strength, weakness, opportunity and threat. This facilitates the organization to make their existing line of performance also foresee the future to improve their performance in comparison to their competitors.

On the basis of SWOT analysis following have been found.

Strength:

- ▶ Strong non-interest earning base.
- ▶ Wide branch network among 3rd generation banks.
- ▶ Excellent management.
- ▶ High commitment of customer.
- ▶ Qualified and Experienced Human Resource.
- ▶ Low infection in loan exposure.

Weakness:

- ▶ Lack of motivation of worker.
- ▶ Heavy depends a Head office for Decision making.
- ▶ Lack of network.

- ▶ Inadequate delegation of power.
- ▶ Excessive dependency of term deposits.
- ▶ Inadequate IT infrastructure.

Opportunity:

- ▶ Regulatory environment favoring private sector development.
- ▶ Increased competition in the market for public deposit.
- ▶ Scope of market presentation through diversified products and banking network.
- ▶ Increased competition in the market for public deposit.

Threats:

- ▶ Market pressure for lowering the interest rate.
- ▶ Deteriorate Export, import and guarantee business due to indecent competition as well as economic slump.
- ▶ Some commercial / foreign bank as well as private bank.



Chapter - 4

INVESTMENT

Chapter
Objectives

To introduce with the
Investment Strategies and
criteria of EXIM
Bank

Pages:
19 to 26

INTRODUCTION:

Islam is not just a religion but a complete, comprehensive, exhaustive worldview providing exact answers to all questions and queries of mankind-spatial and practical. The primary sources knowledge is concept and guidelines and the Quran the authentic revelation of the words of Allah, which were caused through Prophet Mohammad S.M (peace be upon him) and the Sunnah. If any problem crops up and is solved in conformity with the Islamic World View, reference has to be made to the primary sources - The Quran and Sunnah and then the Shariah.

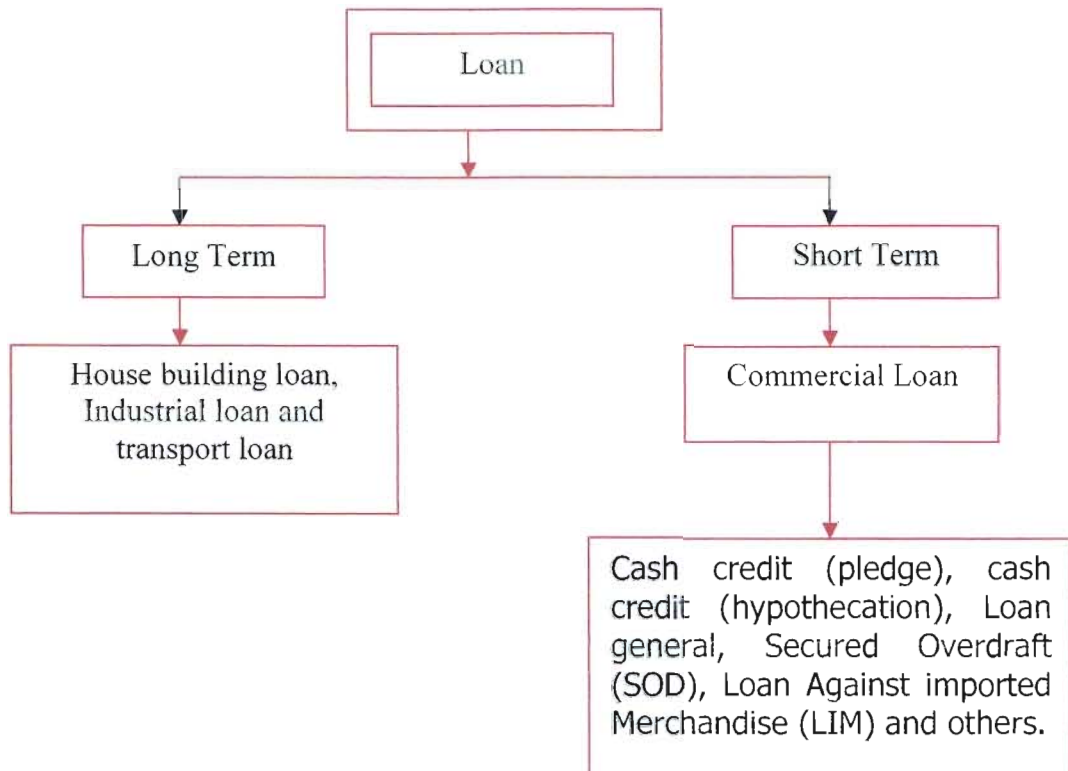
It is commonly known and acknowledged that Islam has strictly prohibited interest. It restricts both the giving and charging interest. The Arabic Word in the Quran against interest is Riba. Riba is also termed as usury. Whoever pays more or taken more has indulged in Riba.

The Islamic fiqh Academy, established by the organization of Islamic Conference (OIC) in it's second session in 1985 declared that "any increase or profit on a loan which has matured, in turn for an extension of the maturity date in the case of borrower is unable to pay and any increase or profit on the loan at the inception of the loan agreement are both forms of usury Riba, which is prohibited under the Shariah" The definition of the Islamic Bank as approved by OIC is "an Islamic Bank is a financial institution whose status, rules and procedures expressly states it's commitment to the principle of Islamic Shariah and to banning of the receipt and payment of interest of interest on any of it's operations". Islamic banking may therefore, be termed as partnership/profit and loss sharing banking and is an economic and financial system that is based upon operation according to the strict compliance of the Islamic Shariah and rules of the economics and social order of Islam. Islamic banking are banking institutions that extend all types of modern banking services within and in conformity with the Islamic principles. It is clear that an Islamic Bank is not only a financial intermediary but it also involves direct participation in business as partner into the deals/business on the principles of sharing profit & loss in order to ensure social equity and justice.

Types of Credit Activities

-1

Depending on the various nature of financing all the lending activities have been brought under the following major heads:



For application of classification criteria, loans are divided into the following types:

Sl. No	Type of loans	Definition
A	Continuous	These are those advances, which do not have any set schedule for drawing or disbursement but usually have a terminal date of full adjustment or repayment. Example- OD, CC, BM, MUSG, etc.
B	Demand	The Loans which become payable after serving demand notice by the bank concerned are termed as Demand Loan, For example- Forced LIM, PAD, FBP, etc.
C	Term	These are loans, which have a specific term for repayment as specified in the loan agreements. For examples - project finance, Industrial finance, HP, CFS, HBFS etc.
D	Short Time agricultural / Micro	The Credits which are categories as short terms in the Annual Credit Programmed issued by the Agricultural credit Department (ACD) of Bangladesh Bank from time to time are termed as Short Term Agricultural Credit (STAC). The credits disbursed in agricultural sector having repayment due up to & including 12 months from the date of first disbursement will also be included in this loan category. Short-term micro credit means loans up to Taka - 10,000/- & having repayment due up to & including 12 months. These loans may be termed as non-agricultural credit, Weaver's credit or credit against bank's own project.

Comparison between terms of General and Islami Banking system:

General	Islami Banking
Deposit	Mudaraba Short notice Deposit
Saving Bank A/C	Mudaraba Savings Deposit
Current A/C	Al Wadia Current Deposit A/C
FC A/C	Foreign Currency A/C
Steady money	Mudaraba steady Money
Cash credit hypothecation	Bai Muajjal (differed)
SD Against Work Order	Bai Muajjal (Work order)
SOD(general)	Bai Muajjal (General)
LTR Loan against Trust Receipt	Bai Muajjal LTR
Cash credit pledge	Murabaha
Lease Finance	Izara
Loan general	Izara Bill Bia
Saving Deposit	Mudaraba Term Deposit
PAD(pay against document)	Murabaha Import Bills
Lim (loan against mortgage)	Murabaha Post Import
FDBP	Foreign Document Bill Purchase
LDBP	Local Document Bill Purchase
PC/ECC/Packing Credit	Musharaka Pre-Shipment
Staff Loan(Car/EHB)	Izara Bill Bia

(Old) House building loan (new) Izara Bill Baia (staff):

Loans allowed to the bank employees for purchase/çonstruction of house shall be known as staff loan (HBFC-STAFF)

Other Loans to Staff:

Loans allowed to employees other than for House Building shall be grouped under head staff loan (general)

Cash credit (pledge)- Murabaha:

Financial accommodations to individual/ firms for trading as well as for wholesaler to industries as working capital against pledge of goods as primary security fall under this head advance. It is also a continuous credit and like the above allowed under the categories.

Commercial lending

Working capital

Hire purchase:

Hire purchase is a installment credit under which the hire purchaser agrees to take the goods on hire at a stated rental, which is inclusive of the repayment of principal as well as profit for adjustment of the loan within a specified period.

(Old) SOD (secured overdraft) (General) (new) Bai Muazzal (General):

Advances allowed o individual/firms against financial obligation (i.e. lien on FDR/PSP/BSP/ insurance policy/share etc.). This may or may not be a continuous credit.

(Old) SOD (Secured overdraft) (Others) Bai Muazzal(Others):

Advances allowed against assignment of work order or execution of contractual works fall under this head. This advance is generally allowed for a definite period and specific purpose, i.e. it is not a continuous credit. It falls under the category "others".

(Old) SOD (Secured overdraft) (Export) New Bai Muazzal (Export):

Advance allowed for purchasing foreign currency for payment against L/Cs (Back to Back) where the exports do not materialize before the date of import payment. This is also an advance for temporary period, which is known as export finance and under the category "commercial lending" - PAD (payment against documents)

Payment made by the bank against lodgment of shipping documents of goods imported through L/C falls under this head. It is an interim advance connected with import and is generally liquidated against payments usually made by the party for retirement of the documents for release of imported goods from the customers' authority. It falls under the category Commercial Bank.

(Old) LIM (Loan against imported merchandise) new (Murabaha post imported):

Advances allowed for retirement of shipping documents and release of goods imported through LIC taking effective control over the goods by pledge in go down under Banks lock & key fall under this type of advance. This is also a temporary advance connected with import, which is known as post-import financing which falls under the category "Commercial lending".



(Old) LTR (Loan against trust receipt) New (Bai Muazzal) LTR:

Advance allowed for retirement of shipping documents which release of goods imported through LIC falls under trust with the arrangement that sale proceeds should be deposited to liquidate the advances within a given period. This is also a temporary advance connected with import and known as post-import finance and falls under the category "commercial Banking"

IBP (inland bill purchased):

Payment made through purchase of inland bills/cheque to meet urgent requirement of the customer falls under this type of credit facility. This temporary advance is adjustable from the proceeds of bill/cheque purchased for collection. It falls under the category "Commercial Lending".

FDBP (Foreign documentary bill purchase) (Foreign):

Payment made to a customer through purchase/negotiation of a foreign documentary bills falls under this head. This temporary advance is adjustable from the proceeds of the shipping/export documents. It falls under the category "Export Credit".

FDBP (Foreign documentary bill purchase)/(Local):

Payment made against documents representing sells of goods industries, which are deemed as export, and which is Currency/Foreign Currency falls under this head. This temporary liability is adjustable from proceeds of the bills.

FBP (Foreign bill purchase):

Payment made to a customer through purchase or foreign Currency drafts falls under this head. This temporary advance is adjustable from the proceeds of the draft.

LDBP:

Payment made to a customer through purchase of inland documentary bills. This temporary liability is adjustable from proceeds of the bill.

Chapter - 5

Policies

The over view of the basic policies of EXM Bank and its procedures

Chapter Objectives

**Pages:
27 to 39**

Murabaha

Meaning

It is a mode of investment under which the bank as per contract and request of the client procures certain goods permissible under Islamic Shariah from a third party and sells those to the client at a cost plus declared profit payable along with principal amount by cash in any future fixed date in lump sum or by investment.

Important features:

1. Bank shall purchase the goods so that ownership of bank on the goods is established at least for a moment .The bank may also engage the investment client as Buying Agent as per previous agreement to purchase the goods from third party on behalf of the bank who after purchase shall handover possession of the same to the bank at least for a second and thereafter the same shall immediately taken into pledge of the bank.
2. There must be three parties in order to perform buying and selling under Murabaha (a) Bank (b) seller of goods (c) purchase of goods. Goods however must not be purchased from client or from any of its sister concern. Goods must also be halal as per Shariah.
3. A commodity in the true sense of the term must be involved in buying and selling.
4. There must be an agreement between the bank and the client. Cost of the goods sold and the amount of profit added therewith should be separately and clearly mentioned in the **MURABHA AGREEMENT**.
5. After procurement of the goods the client shall take delivery of the same signing on the reserve of the purchase schedule and immediately thereafter the bank shall take the goods into pledge as security of Bank's investment.

Introduction of client:



1. Client must have a current Account. He must maintain the current Account satisfactorily for a reasonable period.
2. Preliminary discussion shall be hold with the prospective client regarding his investment needs and business experience.
3. Current investment policy of head office and client's tract record of Murabaha investment shall be checked. If the client is an old one, his past performance must be referred to. If he is new to the Bank his past record like limit enjoyed, turnover etc. shall be verified on obtaining sanction advice, statement of account etc.

Application:

1. Application for investment under different schemes shall be made in prescribed forms developed for each of the Schemes.
2. Photograph(s) of the proprietor/partners/directors shall be affixed on the top right hand corner of the application form.
3. The application of the client shall be scrutinized to see that
 - a) All columns are properly filled in.
 - b) Particulars and information given therein are complete and correct in all respect.

- c) All required documents/papers as listed in the footnoted of the application form are submitted.
 - d) It is signed (as per specimen signature with the Bank) by the client.
4. Action for processing and appraisal shall be initiated.

Processing and appraisal:

1. Shariah permissibility of the items shall be examined proposal shall be rejected if not permitted by Shariah.
2. Credit restriction schedule of Bangladesh Bank and Head office current investment policy guidelines shall be checked. Proposal if it conflicts with the existing credit restrictions of Bangladesh Bank and Head office guidelines shall be rejected.
3. The business site of the client shall be visited. The particulars, information and figures in the application form shall be failed with the original documents/papers and must be sanguine about its genuineness and correctness. Additional information, particulars, facts and figures if required shall be obtained. Hold talk with business and important personalities of the locality in order to ascertain clients' Honesty, integrity and Business dealings.
4. Request for confidential report on the client from local branches. Do not finalize the proposal unit receipt of confidential report from all Bank branches. Confidential Report should also be obtained from local financial and credit institutions.
5. Obtain report from credit information Bureau (CIB) of Bangladesh Bank through Head office in this regard.

6. Obtain declaration of the client about his liability (both contingent & real) with other Banks / Financial institutions/Leasing companies etc.
7. In respects of land, buildings, other assets and properties/assets proposed to be mortgaged or hypothecated ascertain prima - facie genuineness and correctness in cross references to documents, title deeds and other relevant papers.
8. Obtain invoice and examine the same keeping in mind.
 - a) That, the goods against which investment is made are readily saleable and have constant and effective demand in the market.
 - b) That, the price of the goods is in conformity with wholesale market price and are not subject to violent changes.
 - c) That, the Bank will be in a position to procure the goods in time and at negotiated price.

Sanction & Disbursement:

1. Complete appraisal as provided herein above.
2. Issue Sanction advice vide IBADV-07 mentioning all the terms & conditions in duplicate to the client and endorse one copy to head office retaining one copy in the client's file.
3. If the proposal is not within the discretionary power of the branch, forward the proposal with Appraisal Report to Head Office/Zonal Office as the case may be in duplicate together with required documents and papers giving specific comments and recommendation.

4. If the proposal is not within the business power of the zonal Office, they shall accord approval/regret the proposal.
5. If the proposal is not within the business power of the zonal Office, Zonal office shall forward the proposal to Head office with their views & recommendations.
6. On receiving the proposal & the appraisal along with supporting papers, Head Office will either regret or approve.
7. If the proposal is approve by Zonal office/ Head office the branch will issue the sanction advice & then execute Murabaha Agreement with the client and obtain other necessary Charge Forms and Documents duly signed.
8. Allot number to each proposal sanctioned. For this purpose, use investment Account Opening Register.
9. Investment Account Register will be maintained mode wise and branch wise giving account number chronologically deal-wise i.e. 100/1,100/2 etc. for each client for each mode of investment & branch.
10. Open file client-wise and deal wise. Client's name, address,(Business address, present address, permanent address, Residential Address, Telephone/Fax/Telex/ Cable numbers) be recorded prominently in the inner side of the investment file for easy tracing in case of need.
11. Affix account number on each file and page number on the related papers.
12. Enter the proposal in the investment ledger.
13. Complete all ledger Head particulars and get than authenticated by an officer.

14. It should be carefully noted that purchase of goods shall be made only after completion of all documentation formalities including Pre-Audit of all necessary papers, charge Forms and Documents.

Documentation:

Before disbursement of loan bank will finally check the following document:

1. Bai-Muajjal sanction accepts by the client.
2. Bai-Muajjal agreement.
3. Letter of pledge.
4. Single party D. P. Note, if there is no guarantor.
5. Double party D. P. Note, if there is guarantor(s) to be made by the client in the favor of the bank.
6. D. P. Note Delivery paper.
7. Letter of Hypothecation for clients Stock-in-Trade / Work-in-Progress.
8. Letter of Disclaimer, if stored in party's own / hired go down.
9. Insurance policy (If stored in party's go down under banks effective control).
10. Trust Receipt dully executed by the client.
11. Letter of guarantee.
12. Balance confirmation letter
13. Letter of installments.

BAI-MUAJJAL

MEANING:

It is a mode of investment under which the Bank at the instance of the client procures certain goods permissible under Islamic Shariah and the law of the country and sells those to the client at a price payable at a fixed future date in lump sum or in fixed installments and the goods are delivered in advance and the fixed price is paid later or as agreed by the parties.

IMPORTANT FEATURES:

1. Goods are to be purchased from a third party excluding sister concern(s) of the client.
2. Ownership of Bank on the goods must be established at least for a single moment before selling the same to the client.
3. Like Murabaha, Bank is not bound to declare cost of goods and profit mark up separately.
4. It is a credit sale by which ownership of the goods is transferred by the Bank to the client before receipt of sale price. That is payment is deferred for a fixed period. Bank may or may not retain possession of the goods considering the security aspects However in this Bank, generally goods are delivered to the investment client but sufficient collateral is kept.



INTRODUCTION OF CLIENT:

1. Request potential client to open a Current Account. Let him maintain the Current Account satisfactorily for a reasonable period.
2. Hold preliminary discussion with the prospective client regarding his investment needs and business experience and be sure that he has shop/showrooms and he is a trader of the particular item for which investment is being sought.
3. See at the past performance of the client. Check up Head Office current investment policy and Branch's record to Bai- Muajjal investment.
4. If the proposal is found suitable, ask the client to submit a formal application. If not, regret politely.

APPLICATION:

1. Obtain application in duplicate form all types of clients in prescribed form Adv.126 (R) other than the purposes of agricultural investment, small scale industries and cottage industries & other schemes.
2. Application for investment under different Schemes shall be made in prescribed forms developed for each of the schemes.
3. Obtain & affix attested photograph(s) of the proprietor/partners/director on the right hand corner of the application form.
4. Scrutinized the application of the client to see that
 - a. All columns are properly filled in.
 - b. Particulars and information given therein are complete and correct.
 - c. All required documents/papers as listed in the footnote of the application form are submitted.

PROCESSING AND APPRAISAL:

-3

if not secured by first class collateral securities. Investment under Bai-Muajjal mode is

more risky than investment under other modes which may be kept in mind the following points should receive attention before making any investment decision under Bai-Muajjal mode

1. Obtain invoice of Goods to be purchased & ensure that, the goods against which investment is made are readily saleable and have constant and effective demand in the market so that the client does not face any difficulty in marketing the goods and pay the price of the goods sold by the Bank.
2. In case of client's failure to adjust the investment account on due date, the bank may require to take possession of the goods on the basis of letter of Hypothecation and Trust Receipt and dispose of the same to realize the outstanding amount of investment.
3. That, the prices of the goods are in conformity with the prevailing wholesale price & are not subject to violent changes.
4. That the goods are not subject to rapid deterioration due to storage for long period.
5. That, the quantity and other specifications of the goods as desired by the client can be ensured.
6. That the Bank will be in a position to procure the goods in time at a negotiated price.
7. That, besides the stock of goods to be supplied by the Bank, under Bai-Muajjal arrangement, the client has sufficient stock-in-trade to offer for hypothecation to secure the Bank's investment. Bai-Muajjal

investment should not be more than 3/1 of the own investment of the client in the Business.

8. Sale price of the goods is payable by the client at a specified future date in lump-sum or in installments as per agreements / arrangement.
9. Goods delivered to the client & also client's own stock of business remains hypothecated to the bank.
10. Client shall not repay any liability existing or future out of the goods delivered by the Bank before adjusted of the dues of the bank & in no way shall divert the sale proceeds.
11. If diverted, this act of diversion shall be deemed to have been done in order to defraud the Bank & the same shall be treated as criminal offence.
12. Sale price of the goods to be determined through bargaining with the client & profit mark up shall not be less than the rate of profit fixed by Head Office from time to time.
13. Guide line issued/instruction by Head Office from time to time should be followed.
14. Check-up credit restriction scheduled of Bangladesh Bank and Head office current investment policy guidelines.
15. Reject proposal if it conflicts with the existing credit restriction of Bangladesh Bank and Head Office policy guidelines
16. Pay visit to the business site of the client and ensure his NET WORTH and INTEGRITY.
18. Obtain additional information, particulars, facts and facts required.

20. Request for Confidential Report on the client from local bank branches. Do not finalize the proposal until receipt of Confidential Report from all bank branches.

21. Confidential Report should also be obtained from local financial and credit institutions.

22. Obtain report from credit information Bureau (CIB) of Bangladesh Bank through Head office investment Division as per latest instruction Circular issued by Head Office in this regard.

23. Inspect land, building, other assets and properties proposed for mortgage or hypothecation.

24. Ascertain prima-facie genuineness and correctness in cross-reference to documents, title deeds and other relevant papers.

25. Forward documents, title deeds and relevant papers to the approved lawyer of the Bank for examination and furnishing his opinion.

SANCTION & DISBURSEMENT:

- a) Industrial.
- b. Commercial
- c. Different schemes

Or

- d. As appropriate

1. Investment made to the industrial undertakings for supply of raw materials etc. Investment made to individual or firms for trading purposes, import goods from abroad and for supply of seeds,

fertilizers etc. to agricultural sectors shall be termed as "Commercial".

2. Proposal of Bai-Muajjal investment under different schemes shall be appraisal on the formats developed for each type of schemes.

Documentation:

1. If the proposal is within the business power of Branch, they shall accord approval/regret the proposal.
2. If the proposal is not within the business power of the Branch, Head Office shall accord approval/regret the proposal.
3. On receiving the proposal & the appraisal along with supporting papers, Head office will either regret or sanction and issue detailed sanction advice to Branch. Accordingly the branch shall issue a sanction in duplicate copy as token of his acceptance of the terms & conditions of the sanction advice and shall return the same to the branch for record.
4. Allot an account number to each proposal sanctioned. For this purpose, use investment Account Opening Register. This Register will be maintained mode-wise. Separate folio shall be allotted for different modes of investment.
5. Enter the proposal in the investment ledger. Complete all ledger Head particulars and get the terms authenticated by an officer.

IZARA BILL BIA

MEANING:

Izara Bill BIA is a mode of investment under which the Bank as per contract shall invest for purchasing durable assets like Machineries Equipment, Transport, Land & Building etc. along with the client with the stipulation that the client shall pay off the rent at the agreed rate on the outstanding equality of the Bank together with the installment of principal amount of equity of the Bank for the purpose of eventual ownership of the concerned assets

IMPORTANT FEATURES:

1. The Islami Shariah principle of investment under Izara Bill Bia is Musharaka Mutanakasha which means the rent shall be devisable as per equity involved, unpaid rent if any shall not be treated as equity and the assets shall be acquired on participation ownership.
2. Possession of the asset shall be passed on to the client for use as per practicability. Bank shall retain the ownership till payment of equity portion of the Bank along with rental.
3. Rent shall not be compounded in any case i.e. no rent shall be charged on unpaid/outstanding rent. Incident of rent shall be reduced proportionately with the reduction of equity of the Bank on payment of installment by the client.
4. Since it is a kind Muharaka, cash can be paid to the credit of clients account. However the purpose for which cash is disbursed must be ensured from the point of Banking.
5. In case of need the equity portion may be increased or decreased by making lump sum payment by either side. Very often the client may require funds to run equipments/machineries for short period as working capital which may be paid to the debit of respective Izara Bill Bia Account if found feasible and covered by the value of assets.

Chapter - 6

Conclusion

Conclusion &
Recommendation to the
EXIM Bank.

Chapter
Objectives

Pages:
40 to 44

Conclusion:

Lots of new commercial bank has been established in last few years and these banks have made this banking sector very competitive. So, now banks have to organize their operation and do their operations according to the need of the market. Banking sectors no more depends on a traditional method of banking. In this competitive world this sector has trenched its wings wide enough to cover any kind of financial services anywhere in this world. The major task for banks, to survive in this competitive environment is by managing its assets and liabilities in an efficient way.

As a student of BBA I have to submit a project in my final semester. And I have done my project on the topic "investment strategies and policies of EXIM Bank". I have truly enjoyed my project work from the point of view of learning and experience. I am confident that three month projects at EXIM Bank Bangladesh Limited will definitely help me in future.

During the course of my practical orientation I have tried to learn the practical banking to realize my theoretical knowledge, what I have gathered and going to acquire from various courses. It is great pleasure for me to have practical exposure of EXIM Bank Limited, because without practical exposure it couldn't be possible for me to compare the theory with practice.

Through it is not possible to go to the depth of each activities of branch because of time limitation. So objectives of the project program have not been fulfilled with complete satisfaction. However, highest effort has been given to achieve the objectives of the project program.

Success in the banking business largely depends on effective lending, less the amount of loan losses. The more income from Credit operations the

more will be the profit of the Bank and here lays the success of credit financing.

Through there are some drawbacks in implementing Credit facilities in EXIM Bank Limited as per manual, it can be overcome through involvement of more financial expert in the decision making process and utilizing the tools to judge integrity of the customers. Finally it can be argued that through the results achieved so far are not satisfactory, credit financing is a modern scientific technique for enhancing EXIM Bank's strength and there lies the opportunities to make it more effective in the future for their own benefit.

Recommendation:

- ▶ Banking is a service-oriented marketing. Its business profit depends on its service quality. That's why the authority always should be aware about their service quality.
- ▶ To provide quality service to the customer it is necessary to have a trained team in the organization or an institution. For this reason the bank should recruit more fresh, bright and energetic persons such as MBA, BBA, MBM, etc. professional degree holder.
- ▶ Bank should offer more facilities to the customers such as. visa card, ATM machine.
- ▶ As soon as possible the bank should launch more branches in Dhaka city as well as in other cities of the country.
- ▶ Now a day's world is going on very fast. Now most of the banks provide online customer service system. So in order to compete in the world market they should adopt online banking system.
- ▶ One of the business strategies is promotion. Successful business depends how they can promote their products or services to the customer. In this connection to improve the business status bank should introduce more promotional programs.
- ▶ In general banking department it is necessary to implement modern banking process instead of traditional system. It should be more computerized.

- ▶ The loan sanction process should be easier, that the clients can feel convenient to take loan from the bank
- ▶ Delegation of authority should be made enough to make the speed of providing service fast.

So in conclusion it can be said that every organization has its positive as well as negatives and in case of EXIM Bank Bangladesh Limited existence of the later one is less than the earlier one and as the management is determined to reach the pick of success it seems that in near future the negatives will be eliminated. Five years is a very short span of time and the organization, which can establish itself as one of the most reputed private commercial Bank in the country within this short period deserves special credit and with their able leaders EXIM Bank will reach the highest level of success very shortly. I wish the bank all success prosperity in their field



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