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**WELCOME  
TO AN OVERVIEW  
ON  
ISLAMIC BANKING : MECHANISM, MODES & PRODUCTS**

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## Introduction:

Mobilization of deposit is one of the main function of banking business and also an important source of working fund for the bank. Mobilization of deposits for a Bank is essential as oxygen for human being.

So, the main function of Islamic bank is to mobilize deposits from the savings of individuals and to make these deposits available for investment ensuring production and distribution for the establishment of equity, justice and welfare in the society. Allah, the almighty says in the Holy Quran.

فَإِنْ أَمِنَ بَعْضُكُم بَعْضًا فَلْيُؤَدِّ الَّذِي أُؤْتِمِنَ أَمَانَتَهُ وَلْيَتَّقِ اللَّهَ رَبَّهُ ۖ

“And if one of you deposit a thing on trust with another let the trustee (faithfully) discharge his trust, and let him fear his lord”.

(Sura Al Baqarah: 283)

অর্থঃ যদি তোমাদের মধ্য থেকে কোন ব্যক্তি অন্যের ওপর নির্ভর করে তার সাথে কোন কাজ কারবার করে তাহলে যার ওপর নির্ভর করা হয়েছে সে যেন তার আমানত যথাযথরূপে আদায় করে এবং নিজের রব আলাহকে ভয় করে।



يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّ كَثِيرًا مِّنَ الْأَخْبَارِ وَالرُّهْبَانِ لَيَأْكُلُونَ أَمْوَالَ النَّاسِ بِالْبَاطِلِ وَيَصُدُّونَ  
عَنْ سَبِيلِ اللَّهِ ۖ وَالَّذِينَ يَكْنِزُونَ الذَّهَبَ وَالْفِضَّةَ وَلَا يَنْفِقُونَهَا فِي سَبِيلِ اللَّهِ فَبَشِّرْهُمْ بِعَذَابٍ  
أَلِيمٍ

“O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah . And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment.” [Sura At Tawbah : 34]

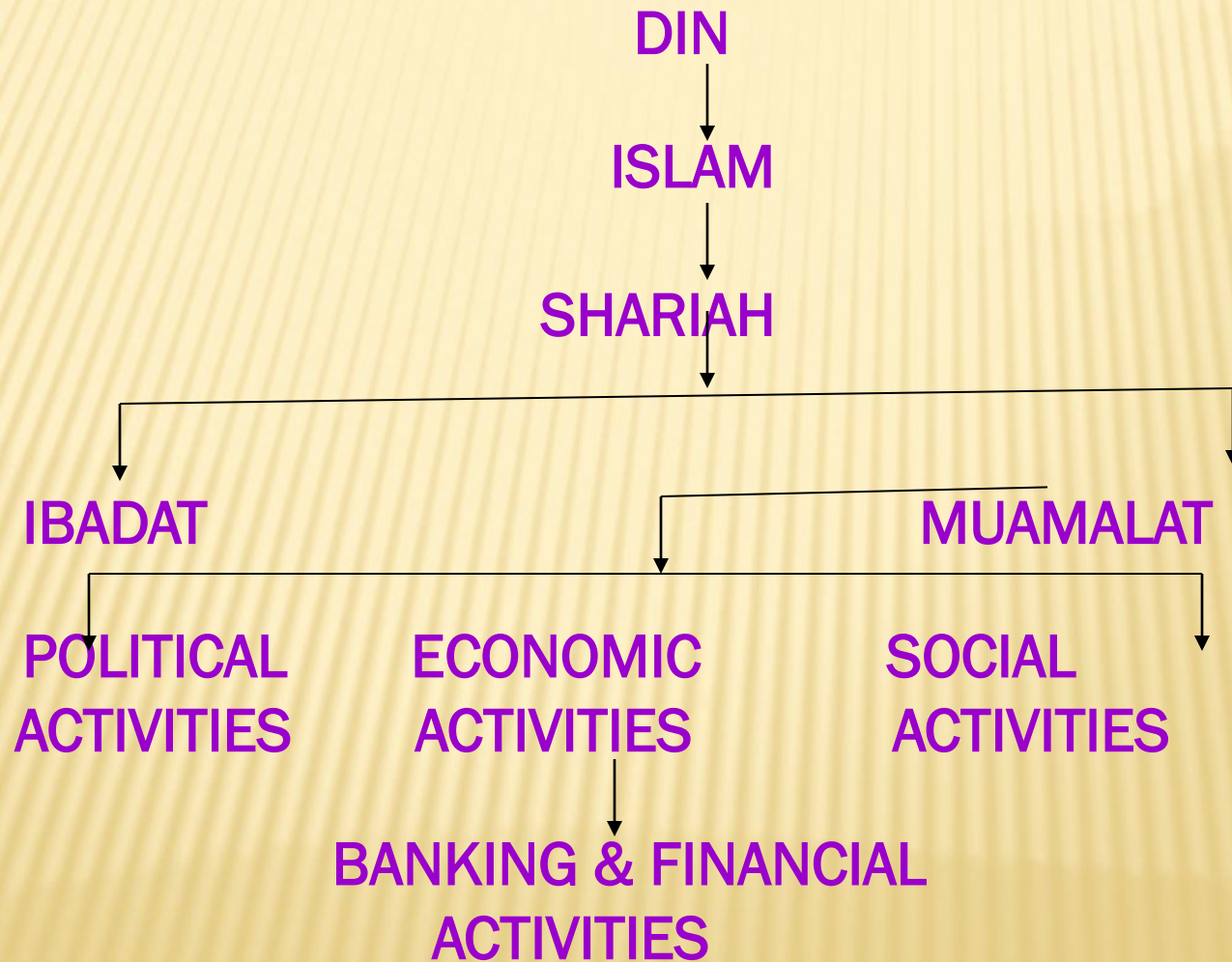
অর্থঃ হে ঈমানদারগণ! এ আহলে কিতাবদের অধিকাংশ আলেম ও দরবেশের অবস্থা হচ্ছে এই যে, তারা মানুষের ধন সম্পদ অন্যায় পদ্ধতিতে খায় এবং তাদেরকে আলাহর পথ থেকে ফিরিয়ে রাখে। যারা সোনা ও রূপা জমা করে রাখে এবং তা আলাহর পথে ব্যয় করে না তাদেরকে যন্ত্রণাময় আযাবের সুখবর দাও।

وَلَا تُؤْتُوا السُّفَهَاءَ أَمْوَالَكُمُ الَّتِي جَعَلَ اللَّهُ لَكُمْ قِيَامًا وَارْزُقُوهُمْ فِيهَا وَاكْسُوهُمْ وَقُولُوا لَهُمْ قَوْلًا  
مَعْرُوفًا

“And do not give to the foolish your property, which Allah has made a means of sustenance for you, but provide for them with it and clothe them and speak to them words of appropriate kindness.” [Sura An Nisa: 5]

অর্থঃ আর তোমাদের যে ধন সম্পদকে আলাহ্ তোমাদের জীবন ধারণের মাধ্যমে পরিণত করেছেন, তা নির্বোধদের হাতে তুলে দিয়োনা তবে তাদের খাওয়া পরার ব্যবস্থা করো এবং সদুপদেশ দাও।

# THE CIRCLE OF SHARIAH LAW



# DEPOSIT MODES & MECHANISMS OF IBBL

- ✖ Al Wadeeah
- ✖ Mudarabah
- ✖ Qaurd
- ✖ Al Amanah



As such, Nowadays Islami Bank Bangladesh Ltd. (IBBL) has so far developed the 18 (eighteen) deposit products for mobilization of its deposit complying with the Shariah Principles which are as follows:

- ❖ Al-Wadeeah Current Account (AWCA).
- ❖ Mudarabah Savings Account (MSA).
- ❖ Mudarabah Term Deposit Account: 1 month/ 3 months/ 6 months / 12 months/ 24 months/ 36 month's term (MTDRA).
- ❖ Mudarabah Special Notice Account. (MSNA)
- ❖ Mudarabah Hajj Savings Account: 1 years to 25 years term (MHSA).
- ❖ Mudarabah Special Savings (pension) Account – 5 years & 10 years term (MSSA).
- ❖ Mudarabah Savings Bond: 5 years & 8 years term (MSB).
- ❖ Mudarabah Foreign Currency Deposit (Savings) Account MFCD)
- ❖ Mudarabah Monthly Profit Deposit Scheme: 3 years & 5 years term (MMPDS).
- ❖ Mudarabah Mohor Savings Account.: 5 years & 10 years term (MMSA).
- ❖ Mudarabah Waqf Cash Deposit Account (MWCD).
- ❖ Mudarabah NRB Savings Bond (MNSB) Scheme: 5 years & 10 years term (MNSB)
- ❖ Mudarabah School Student Savings Account (SMSA)
- ❖ Mudarabah Farmers Savings Account (MFSA)
- ❖ Foreign currency A/c (FCA)
- ❖ Non-Resident Investor Taka A/c. (NITA).
- ❖ Mudaraba Upohar Deposit Scheme.
- ❖ Mudaraba Industry Employees Savings Account (MIESA).

## Al-Wadeeah Principle:

- ❖ Wadeeah – Literally it means deposit. Legally, it is a contract by which a person leaves his property for safe protection to another person and through Wadeeah a person empowers someone else to keep and protect his property.
- ❖ Al-Wadeeah has been derived from the Arabic word “Wadayun” which means to keep/to deposit/Amanot. In banking, bank is here Muaddah-Elaihee (i.e. deposit receiver), depositor is muadde and money/goods are muaddah.
- ❖ Amanat means to keep/to deposit something to any reliable person/institution for secure preservation of the same, keeping its ownership, returnable to the owner on demand as it was in original shape.
- ❖ The holder of Al-Wadeeah deposit can not use it without prior permission of the owner.
- ❖ In case of Al-Wadeeah” there must have prior permission from the owner of the fund to use/invest the same in their business with other fund.

**In Islami Banks:** Bank receives money from the depositors with the condition to return the money on demand. With customers’ permission, the bank can use/invest the money without paying any benefit for this deposit though the bank have right to realize charges from the client of safe keeping of the money or for services if rendered.



## **Characteristics of AWCA:**

- ❖ This A/c is fully governed by “Al-Wadeeah” Principle under Islamic Shariah.
- ❖ It makes customer risk free from the risk of handling cash themselves.
- ❖ No profit is allowed – bearing no risk, No loss.
- ❖ Required an Initial deposit Tk.1000/- and maintenance of minimum balance.
- ❖ Withdrawal and deposit are allowed several time within the banking hours.
- ❖ All kind of charges , Half yearly & yearly will be realized as per banks circular time to time.

## **Opening Formalities:**

- ❖ Use Current Account Opening Form (Prescribed Form F-1)
- ❖ Introduction or reference: To know his character, Integrity and genuineness of the opener as per section 131 of NI Act.
- ❖ Mandate for operation of the A/c by an Agent if required.
- ❖ Special instruction for operating of the A/c.
- ❖ Obtaining of required documents – As per nature of A/c.
- ❖ Letter of thanks to the introducer/ Account opener



## Mudaraba Principle

- ❖ **Meaning:** The word 'Mudaraba' has been derived from Arabic word 'Darb'/'Darbun' which means "Travel" Literally, it means movement to earn Rahmat (Munafa) of Allah (Al-Qur'an 73:20). Thus the word Mudaraba means travel for undertaking business.
- ❖ **Definition:** "Mudaraba is a partnership in profit whereby one party provides capital and other party provides skill and labour. The provider of capital is called "Shahib-al-Mal" or "Rabb-ul-Mal (owner of the fund) while the provider of skill and labour is called "Mudarib" (Organizer/Manager).
- ❖ As per definition of Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI), Mudaraba is a partnership in profit whereby one party provides capital (rab-al-maal) and the other party provides labour (Mudarib).
- ❖ So, Mudaraba may be defined as a contract of partnership where the "Shahib-al-Mal" provides capital to the Mudarib for investing it in a commercial enterprise by applying his labour and endeavor.
- ❖ Both the parties share the profit as per pre-agreed ratio and the losses, if any, being borne by the provider of funds i.e. "Shahib-al-Mal" except if it is due to breach of trust i.e. misconduct, negligence or violation of the conditions agreed upon by the Mudarib. If there is any loss incurred due to the reasons mentioned above, the Mudarib becomes liable for that.

## Characteristics of MSA

- ❖ The Account is conducted as per Mudarabah Principle of Shariah.
- ❖ The Mudarib is in the nature of a trustee as well as an agent of the business.
- ❖ In Islamic Banking, the depositor (owner of the fund) is the “Shahib-al-Mal” and the Bank (organizer/ user/investor/ Manager) is the “Mudarib”. The bank is authorized to invest the Mudaraba funds at the risk of the depositor “Shahib-al-Mal”.
- ❖ The Bank will arrange proper deployment of the fund. The depositor has got no say in the management of business.
- ❖ Total profit resulting from such investments will be distributed between the Bank and the depositor as per agreed ratio. At present the ratio is 35:65 (Bank: Depositor).
- ❖ Normally individuals, Society, Club, Mosque Committee open such kind of Account. We do not encourage to open the Account in the name of business concern, Limited Company etc.
- ❖ Opening of more than one Account in the name of same person is not allowed normally.
- ❖ Mudarabah Savings Account is to be opened with a minimum initial deposit of Tk.500/- which is also minimum balance for sharing profit/lose.
- ❖ Any amount can be deposited in the Account but money can be drawn without 7 days prior notice, maximum four times in a month up to 25% of existing balance or Tk.50,000/- whichever is less or as per rules framed by the bank time to time.
- ❖ All kind of charges , half yearly & yearly will be realized as per Banks circular time to time.
- ❖ Profit / loss will be calculated on monthly product basis.



# **DEFINITION OF INVESTMENT**

1. “Investment is the use of money for the purpose of making more money to gain income or increase in capital or both.”

(Dictionary of Banking & Finance)

2. “The purchase of property with the expectation that its value will increase over time.”

(New Dictionary of Cultural Literacy, Third Edition)

3. “The term investment is used to include those funds both public and private for relatively long period of time with the objective of earning income.”

(E. W. Reed)



# INVESTMENT MECHANISMS

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1. Bai
2. Share
3. Ijarah

# INVESTMENT MODES

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## ✖ Bai Mechanism

- Bia Murabaha
- Bai Muajjal
- Bai Istisna
- Bai Salam

## ✖ Shate Mechanism

- Mudarabah
- Musharaka

## ✖ Ijarah Mechanism

- Hire Purchase under Shirkatul Melk (HPSM)

# BENEVOLENT LOAN/LENDING MODES

1. QBF
2. QTDR
3. QMSS
4. QPF
5. Qard Al Hasan: Pakistan-3%, IDB-0.5%-2%
6. Loans on Normal Profit: Hijbah Agency



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# Questions & Answers

*Thank  
you*



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