

AN INTERNSHIP REPORT ON

Overall Banking System & Performance Analysis of Al-Arafah Islami Bank Limited, Dinajpur Branch, Dinajpur



This Report is submitted to the Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur for the Fulfillment of Degree Master of Business Administration MBA(Evening), Program.

PREPARED BY

MD. AKTARUZZAMAN

MBA (Evening)

1st Batch, Major in Finance

Student no-E 130501082

Faculty of Business Studies

HSTU, Dinajpur.

SUPERVISED BY

RONY KUMAR DATTA

Assistant Professor

Department of Finance &
Banking.

Faculty of Business Studies

HSTU, Dinajpur.

**HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY UNIVERSITY,
DINAJPUR-5200**

May, 2016

**AN INTERNSHIP REPORT
ON**

**Over All Banking System & Performance analysis of
Al-Arafah Islami Bank Limited, Dinajpur Branch,
Dinajpur**

BY-

MD. AKTARUZZAMAN
MBA (Evening)
1st Batch, Major in Finance
Student no-E 130501082
Faculty of Business Studies
HSTU, Dinajpur.



Approved by-

RONY KUMAR DATTA
Supervisor
&
Assistant Professor
Department of Finance & Banking
Faculty of Business Studies
HSTU, Dinajpur.

MD.MAMUNAR RASHID
Co-Supervisor
&
Associate Professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur.

Faculty of Business Studies
HAJEE MOHAMMAD DANESH SCIENCE & TECHNOLOGY UNIVERSITY,

DINAJPUR-5200

May, 2016

LETTER OF TRANSMITTAL

May 09, 2016

Rony Kumar Datta
Assistant Professor
Department of Finance & Banking
Faculty of Business Studies
HSTU, Dinajpur

Subject: Submission of Internship Report.

Dear Sir,

This is my pleasure to present my internship report entitled "**Over All Banking System and Performance analysis of Al-Arafah Islami Bank Limited.**" I have conducted my internship program in Al-Arafah Islami Bank Limited, Nimtala, Dinajpur under your close supervision.

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 at any time.

Your support in this regard will be highly appreciated.

Thanking you.

Sincerely yours

MD. AKTARUZZAMAN

ID: E 130501082

1st Batch, MBA (Evening)

Major in Finance,

HSTU, Dinajpur-5200.

SUPERVISOR'S DECLARATION

I hereby declare that the concerned report "**Overall Banking System and Performance analysis of Al-Arafah Islami Bank Limited.**" is an original work by **Md. Aktaruzzaman, Student ID: E 130501082**, MBA (Evening), 1st Batch, Major in Finance,, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration ,MBA(Evening), (Major in Finance) at HSTU, Dinajpur.

I wish him every success for the days to come.

RONY KUMAR DATTA
Supervisor &
Assistant Professor
Department of Finance
Faculty of Business Studies
HSTU, Dinajpur.

CO-SUPERVISOR'S DECLARATION

I hereby declare that the concerned report "**Overall Banking System and Performance analysis of Al-Arafah Islami Bank Limited.**" is an original work by **Md. Aktaruzzaman, Student ID: E 130501082**, MBA (Evening), 1st Batch, Major in Finance, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration ,MBA(Evening), (Major in Finance) at HSTU, Dinajpur.

I wish him every success for the days to come.

MD. MAMUNAR RASHID

Co-Supervisor &
Associate Professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur.

STUDENT'S DECLARATION

I hereby declare that the report of internship namely **"Over All Banking System and Performance analysis of Al-Arafah Islami Bank Limited."** by me after the completing of 45 days internship with **Al-Arafah Islami Bank Limited** at **Dinajpur Branch** and a comprehensive study of the existing activities of **AIBL** and its implementation.

I also declare that this paper is my original worked and prepared for academic purpose which is a part of MBA (Evening) and the paper may not be used in actual market scenario.

MD. AKTARUZZAMAN

ID: E 130501082

MBA (Evening)

1st Batch, Semester-v

Major in Finance,

HSTU, Dinajpur-5200.

ACKNOWLEDGEMENT

First of all, I would like to thank almighty for his grace in accomplishing my internship report timely.

I would like to express my gratitude to my academic supervisor Rony Kumar Datta and co-supervisor Md. Mamunar Rashid from the core of my heart for his kind support, guidance, constructive, supervision, instructions and advice and for motivating me to do this report.

I am also thankful to Head of HR Division of AIBL for giving me the opportunity to conduct the internship in AIBL. I would like to thank, Md. Abul Kalam Shamsuddin Manager of AIBL Dinajpur branch for supervising me, Md. Mobinul Islam, Second officer also help me by providing various key information and giving me the path to write a fruitful report.

I am also grateful to the employees of AIBL for their cordial acceptance. They helped me a lot to collect the information correctly and also extended their helpful hand to me. They have been very helpful in showing me the work process and provided relevant information for my report whenever I approached. It was a great opportunity to do internship in such an organization. The experience I have gathered will be a privilege for my future career planning.

MD. AKTARUZZAMAN

ID: E 130501082

MBA (Evening)

1st Batch, Semester-v

Major in Finance,

HSTU, Dinajpur-5200.

EXECUTIVE SUMMARY

I have prepared my internship report based on the long internship program that I had successfully completed in Al-Arafah Islami Bank Limited, Dinajpur Branch from 06/03/2016 to 20/04/2016 as a requirement of my MBA (evening) program, Hajee Mohammad Danesh Science & Technology, Dinajpur. My topic is Overall Banking System and Performance Analysis of Al-Arafah Islami Bank Limited.

In this report I described about Islamic concept about overall banking system, overall products of AIBL, condition of investment of the bank, and how they manage their investment money. To describe these things I presented necessary table, graphs and exact figure of the money deployed in various sectors.

The first chapter shows different aspects of the report like a brief introduction, origin of the report, statement of the Issue, objectives, significance, methodology & limitations of the study. Second chapter shows a brief company overview. In this section different important data about Al-Arafah Islami Bank Limited is provided. Background, vision, mission, commitments, special features, product line, organogram of AIBL and some other necessary company related information is provided in this chapter.

The third chapter is about literature review. In this chapter I described the concepts of Islamic banking and basics about my internship report topic deposit and investment management under Islamic Shariah.

The next two chapters is the most important chapter of this report. In chapter 4, I described about investment management. I described how the bank collect the money from different deposit source and allocate them to different investment portfolio to earn profit. I showed current investment position of the bank and some previous records. I also described Shariah concept about investment of the bank. There is a detailed description about their investment products so that their managing strategy could be understood more clearly.

The fifth chapter shows the findings of my study. There I described the condition of deposit and investment of the bank for last two years. Then I stated some problems I realized about the bank that need to be fixed for the improvement of investment related profitability. Then I briefly presented my SWOT analysis of AIBL.

Finally, in the last chapter I stated some recommendations for the improvement of overall banking condition of the bank and then the conclusion has been made.

*Dedicate To
My Parents and
Honorable Teachers*

LIST OF CONTENTS

CHAPTER	TITLE	PAGE NO.
CHAPTER-1	INTRODUCTION	1
1.1	Introduction	1
1.2	Scope of the Report	1
1.3	Statement of the Issue	2
1.4	Objectives of the Study	2
1.5	Significance of the Study	2
1.6	Methodology of the Study	3
1.7	Limitations of the Study	4
Chapter 2	Company overview	5
2.1	Background of Al-Arafah Islami Bank Limited	5
2.2	Vision	5
2.3	Mission	5
2.4	Goals	6
2.5	core values	6
2.6	Commitments	6
2.7	Special Features of the Bank	6
2.8	Corporate Information	8
2.9	Corporate Culture	8
2.10	AIBL at a Glance	8
2.11	Financial Highlights of Last 5 Years	10
2.12	Credit Rating	11
2.13	Hierarchy of the Management Team	12
2.14	Organogram of an AIBL Branch	13
2.15	Internal Control & Compliance (ICC) Environment	13
2.16	Shariah Board of AIBL	14
2.17	Types of Internal & External Audit & Inspection	17
2.18	Correspondent Relationship	17
2.19	Products and Services Provided by AIBL	18
2.20	Branch Network	19
2.21	Branch Information	19
2.22	Card & ATM	19
2.23	Green Banking	20
Chapter 3	Literature Review	21
3.1	Islamic Banking	21
3.2	Principles of Islamic Banking	21
3.3	Islami Banking in Bangladesh	23
3.4	Definition of Bank Deposits	23
3.5	Deposit Account	23
3.6	Deposit Management	24
3.7	Shariah Investments	24

CHAPTER	TITLE	PAGE NO.
3.8	Investment Decision	24
3.9	Modes of Investment of AIBL	25
Chapter 4	Investment Management	36
4.1	Investment	36
4.2	Factors Related with Investment	36
4.3	Importance of Investment	36
4.4	Investment Management	37
4.5	Investment Principles	37
4.6.	Five Years Investment Performance of AIBL	38
4.7	Investment processing of AIBL	39
4.8	Application Stage	39
4.9	Appraisal Stage	40
4.10	Sanction Stage	41
4.11	Documentation Stage	43
4.12	Disbursement Stage	43
4.13	Monitoring & Recovery stage	44
4.14.	Deposit Mix	44
4.15.	Investment Rating Report AIBL Division	45
4.16.	Sector wise Investment 2014 of AIBL	46
4.17.	Sector wise investment 2015 in Dinajpur Branch	47
4.18.	Total Investment To MSME Investment	49
4.19.	Investments On Women Entrepreneurs	50
4.20.	Agricultural Investment of AIBL for 2014	51
4.21.	Grameen Small Investment Scheme (GSIS)	53
4.22.	Investment Deposit Ratio of Dinajpur Branch	53
4.23.	Investments of Dinajpur Branch of AIBL	54
4.24.	Deposit of Dinajpur Branch	55
Chapter 5	Findings	57
5.1	Findings	57
5.2	Problem	58
5.3	SWOT Analysis of AIBL	59
Chapter 6	Recommendations and Conclusions	60
6.1	Recommendations	62
6.2	Conclusions	63
	REFERENCES	64
	ACRONYMS	65



1.1 Introduction

Bangladesh is one of the largest Muslim countries in the world. The people of this country are deeply committed to Islamic way of life as enshrined in the Holy Qur'an and the Sunnah. Naturally, it remains a deep cry in their hearts to fashion and design their economic lives in accordance with the precepts of Islam. The establishment of Al-Arafah Islami Bank Limited on 18 June 1995 is the true reflection of this inner urge of its people, which started functioning with effect from 27 September 1995. This Islamic banking is banking or banking activity that is consistent with the principles of sharia and its practical application through the development of Islamic economics. As such, a more correct term for 'Islamic banking' is 'Sharia compliant finance'. Sharia prohibits acceptance of specific interest or fees for loans of money (known as riba, or usury), whether the payment is fixed or floating. Investment in businesses that provide goods or services considered contrary to Islamic principles (e.g. pork or alcohol) is also haraam ("sinful and prohibited"). Although these prohibitions have been applied historically in varying degrees in Muslim countries/communities to prevent unIslamic practices, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community. Islamic banking commenced operations in Bangladesh in 1983. There are 8 Islami Shariah based banks in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode.

1.2 Scope of the Report

As I was assigned to the Al-Arafah Islami Bank Ltd, Dinajpur Branch, there is enough scope of the study. The report covers the topic “**Overall Banking System & Performance Analysis of AIBL**”. To conduct a study on investment management system & performance analysis of Al-Arafah Islami Bank, I have gathered valuable information from AIBL, Dinajpur Branch and I have also got some information from website of Al-Arafah Islami Bank.

Despite this topic there are many sectors for working and analysis, like:

- An overview of Al-Arafah Islami Bank Limited
- Overall banking scenario of AIBL
- Financial performance of AIBL



1.3 Statement of the Issue

This study titles “Overall banking system & performance analysis of Al-rafah Islami Bank Limited”. It focuses on the overall banking system, overall banking evaluation method, strength and weaknesses of overall banking strategy and future initiatives taken to improve the condition of overall banking of Al-Arafah Islami Bank Limited.

1.4 Objectives of the Study

The main objective of the study is-

- To provide a critical study about the overall banking system of Al-Arafah Islami Bank Limited

Other secondary objectives are-

- To fulfill academic requirement
- To know the present overall banking status of AIBL
- To focus on overall banking practice in of AIBL
- To identify the problems related to overall banking of AIBL
- To provide some policy guidelines for improving overall banking situation of AIBL
- To match the theoretical knowledge with practical knowledge To gain practical knowledge about corporate world

1.5 Significance of the Study

This internship report is an important partial requirement of MBA (Evening) Post-graduation program. This is because knowledge and learning become perfect when it is associated with theory and practice. By this internship program students can establish contacts and networking. Contacts may help to get a job in practical life. That is, student can train and prepare themselves for the job market. A developing country like Bangladesh has an overwhelming number of unemployed educated graduates. As they have no internship experience they have not been able to gain normal professional experience of establish networking system, which is important in getting a job. Therefore, it is obvious that the significance of internship is clearly justified as the crucial requirement of MBA (Evening).



1.6 Methodology of the Study

1.6.1 Type of Research

The study is exploratory in nature. It gives an insight and comprehensiveness of the deposit and overall banking and also the attributes that affects the profitability of the bank. To collect and analyze the information for this report, I have used both qualitative and quantitative research methods.

1.6.2 Data Collection Procedure

Different data and information are required to meet the goal of this report. Those data and information were collected from various sources, such as, primary and secondary which is showed below:

(a) **Primary Sources of Data:** Primary source of data are known as the data which are collected through observation and direct contact. They are not derived from any other sources. The primary data are the information collected during the internship period by the observation and involvement. Most of the primary data are collected through the following sources:

- Day to day operation with staff of AIBL
- Direct dealings with the customer in the bank
- Personal involvements in the activities of bank
- Observations of the bank and its environment
- Daily activities during internship

(b) **Secondary Sources of Data:** The secondary data is one which has already been collected by a source other than present investigator. Secondary data include both raw data and published summaries. Documentary secondary data include written material such as; books, journal articles, newspapers as well as administrative and public records. These types of data are collected through following ways:

- Annual report of AIBL
- File study
- Bangladesh Bureau of Statistics report
- Brochure of AIBL
- Website of AIBL (www.alarafahislamibankltd.com)



- Bank rate sheet
- Different books and newspapers

Data Analysis and Reporting

The quantitative analysis tools are used to analyze the gathered data and different types of computer software are used for reporting the gathered information from the analysis, such as- Microsoft Word, Microsoft Excel and Microsoft PowerPoint.

1.7 Limitations of the Study

On the way of preparing this report, I have faced following problems that may be termed as the limitations of the study:

- Bank's policy of not disclosing some sensitive data and information for obvious reason posed an obstacle to prepare more informative report.
- Personal limitations like inability to understand some official terms, office decorum etc. created a few problems.
- The duration of completing internship program and preparing internship report was inadequate. It was very difficult for me to understand an organization's environment and collect information in so short a time.



2.1 Background of Al-Arafah Islami Bank Limited

With the objective of achieving success here & hereafter by pursuing the way directed by Allah and the path shown by His Rasul (SM), Al Arafah Islami Bank Ltd was established (registered) as a private limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the Bank is Tk.5000.00 million and the paid up capital is Tk. 4677.28 million as on 31.12.2010. Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by indigenous shareholders.

The equity of the bank stood at Tk. 9647.45 million as on 31 December 2010, the manpower was 1711 and the number of shareholders was 49,386. It has achieved a continuous profit and declared a good dividend over the years. High quality customer service through the integration of modern technology and new products is the tool of the bank to achieve success. The bank has a diverse array of carefully tailored products and services to satisfy customer needs.

The Bank is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 128 branches of which 22 is AD throughout the country.

2.2 Vision

- To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy.

2.3 Mission

- Achieving the satisfaction of Almighty Allah both here & hereafter
- Proliferation of Shariah Based Banking Practices
- Quality financial services adopting the latest technology
- Fast and efficient customer service
- Maintaining high standard of business ethics
- Balanced growth
- Steady & competitive return on shareholders' equity
- Innovative banking at a competitive price
- Attract and retain quality human resources



- Extending competitive compensation packages to the employees
- Firm commitment to the growth of national economy
- Involving more in Micro and SME financing

2.4 Goals

Al-arafah Islami Bank Ltd. Will be the absolute market leader in the number of loans given to small and medium sized enterprises throughout Bangladesh. It will be a world-class organization in terms of service quality and establishing relationships that help its customers to develop and grow successfully. It will be the Bank of choice both for its employees and its customers, the model bank in this part of the world.

2.5 core values

- Trust in Almighty ALLAH
- Strict observation of Islamic Shariah
- Highest standard of Honesty, Integrity and Moral
- Equity and Justice
- Adoption of charged Technology

2.6 Commitments

AIBL is a customer focused modern Islamic Bank, sound and steady growth in both mobilizing deposit and making quality investment to keep their position as a leading Islami bank in Bangladesh.

To deliver financial services to retail, small and medium scale enterprises, as well as corporate clients through branches across the country.

AIBL's business initiatives are designed to match the changing trade & industrial needs of the clients.

2.7 Special Features of the Bank

As an Islami bank, AIBL is singular in every positive aspect. They provide a bunch of state-of-art banking services within the wide bracket of shariah. AIBL is unique with their products, strict with their principle and uncompromising with their honesty. Some of the special features that make them notable in Islami banking sector are as follows:



- All activities of AIBL are conducted under a profit/loss based system according to Islamic Shariah to get the nation rid of Usury.
- Its investment policies under different modes are fully Shariah compliant and well monitored by the board of Shariah Council.
- During the year 2007, 70% of the investment income has been distributed among the Mudaraba depositors.
- In 2008, AIBL has included online banking in its wide range of services. Bangladeshi software has been introduced in this feature to promote the local developers.
- AIBL regularly arranges its AGMs (Annual General Meeting). Whenever needed EGMs (Extraordinary General Meeting) are also arranged.
- AIBL regularly pays dividend to their valued shareholders. For the year of 2008, AIBL declared 30% bonus dividend to their shareholders.
- They believe in providing dedicated services to the clients imbued with Islamic spirit of brotherhood, peace and fraternity.
- The bank is committed towards establishing a welfare-oriented banking system to meet the needs of low income and underprivileged class of people.
- The Bank upholds the Islamic values of establishment of a justified economic system through social emancipation and equitable distribution of wealth.
- Following the Islamic traditions, it is assisting in the economic progress of the socially deprived people; in the creation of employment opportunities and in promotion of rural areas to ensure a balance development of the country.
- The Bank believes in social and philanthropic activities and has established AIBL English Medium Madrasha and AIBL Library.



2.8 Corporate Information

Managing Director	Md. Habibur Rahman
Date of Registration	18 June, 1995
1 st Branch	Motijhil Branch, Dhaka
Opening Ceremony	27 September, 1995
Authorized Capital	15000.00 Million
Paid-up Capital	9469.6 Million
Local Partnership of Capital	100%
Equity	15,091.17 Million
Number of Branches	129
Deposit	140,980.55 Million
Investment	125,715.39 Million
Number of Employees	3,000
Number of Shareholders	58,466

2.9 Corporate Culture

Al-Arafah Islami bank is one of the most disciplined Banks with a distinctive corporate culture based on Islami Shariah. Here they believe in shared meaning, shared understanding and shared sense making. The people in this bank can see and understand events, activities, objects and situation in a distinctive way. They mould their manners and etiquette, character individually to suit the purpose of the Bank and the needs of the customers who are of paramount importance to the bank. The people in the Bank see themselves as a tight knit team/family that believes in working together for growth. The corporate culture has developed has not been imposed; it has rather been achieved through their Corporate conduct.

2.10 AIBL at a Glance

Islam provides us a complete lifestyle. Main objective of Islamic lifestyle is to be successful both in our mortal and immortal life. Therefore in every aspect of our life we should follow the doctrine of Al-Qur'an and lifestyle of Hazrat Muhammad (Sm.) for our supreme success. Islami Banking System is becoming more and more attractive



day by day to peoples irrespective of nations, religious, colors and species. More than 300 Banks & financial institutions are serving Islami banking throughout the world. At present in our country 8 full-fledged Islamic Banks are working successfully. And other traditional banks have Islami Banking Wings conducting Shariah based banking activities. Recent Development of Bangladesh Government Islamic Investment Bond (BGIIB) is the milestone for shariah based banking practices in Bangladesh. Al-Arafah Islami Bank started its journey in 1995 with the said principles in mind and to introduce a modern banking system based on Al-Qur'an and Sunnah.

A group of established, dedicated and pious personalities of Bangladesh are the architects and directors of the Bank. Among them a noted Islamic scholar, economist, writer and ex-bureaucrat of Bangladesh government Mr. A. Z. M Shamsul Alam is the founder chairman of the bank. His progressive leadership and continuous inspiration provided a boost for the bank in getting a foothold in the financial market of Bangladesh. A group of 20 dedicated and noted Islamic personalities of Bangladesh are the member of Board of Directors of the bank. They are also noted for their business acumen. Its authorized capital is Taka 15,000.00 Million and the paid-up capital is Taka 9469.6 Million. The equity of the bank has stood at Tk. 16,091.17 million as on 31 December 2015, the manpower was 3,000 and the number of shareholders was 58,466. It has achieved a continuous profit and declared a good dividend over the years. High quality customer service through the integration of modern technology and new products is the tool of the bank to achieve success. The bank has a diverse array of carefully tailored products and services to satisfy customer needs. The Bank is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 128 branches of which 22 is AD throughout the country.

Wisdom of the directors, Islamic bankers and the wish of Almighty Allah make Al-Arafah

Islami Bank Ltd. most modern and a leading bank in Bangladesh.



2.11 Financial Highlights of Last 5 Years:

(In million taka)

Particular	2011	2012	2013	2014	2015
Authorized Capital	5,000.00	10,000.00	10,000.00	15,000.00	15,000.00
Paid up Capital	4,677.28	5,893.37	7,130.98	8,343.25	9,469.6
Reserve Funds & Other Reserve	1,779.08	2,437.43	4,079.63	4,827.20	5,727.1
Shareholders' Equity (Capital & Reserve)	9,790.36	11,989.11	14,050.69	16,091.17	16,579.7
Deposits	53,882.96	82,186.98	118,683.39	140,980.55	175,964.2
Investment	53,582.96	77,714.95	106,650.42	125,715.39	145,420.3
Total Income	7,685.57	11,332.59	16,692.58	19,723.41	23,596.5
Total Expenditure	4,462.30	7,005.81	11,937.04	14,774.85	16,8589
Profit Before Tax & Provision	3,223.27	4,326.78	4,755.54	4,948.56	6,134.5
Profit Before Tax	2,852.47	3,946.62	3,944.10	4,360.41	4,534.5
Profit After Tax	1,959.04	2,198.75	1,945.41	2,276.68	2,727.3
Fixed Assets	655.39	968.13	2,361.2	22490.0	2611.3
Total Assets (Excluding off-balance sheet items)	74,005.01	106,768.18	146,334.8	170,935.6	207,334.5
Import Business	55,934.10	76,112.10	71,931.70	85,915.00	101,244.7
Export Business	32,042.40	52,202.10	58,476.60	68,980.30	75,843.9
Core Capital (Tier-I)	9,582.85	11,924.50	13,073.14	15,113.62	15,602.2
Supplementary Capital (Tier-II)	929.96	1,123.40	1,731.59	1,511.75	1,636.9
Tier-I Capital Ratio	13.21	12.31	9.49	12.16	11.90
Tier-II Capital Ratio	1.28	1.16	1.44	1.36	1.25
Total Capital	10,512.81	13,047.90	13,179.8	15,012.2	17,239.1
Total Capital Ratio	14.49	13.47	10.93	13.52	13.15
% of NPIs to Total investment	1.14	0.95	1.63	2.77	
Number of Shares Outstanding	467,727,936	589,337,199	713,098,010	834,324,671	946,958,503
Earnings per Share (Taka)	4.14	2.73	2.30	2.46	2.37
Book Value per Share (Taka)	16.47	16.69	20.19	19.29	19.29
Price Earnings Ratio (Times)	16.15	13.85	10.56	7.76	6.29
Price Equity Ratio (Times)	4.06	2.26	1.23	0.99	0.77
Bonus Share (%)	26	21	17	13.50	-
Number of Branches	78	88	100	110	119
Number of Employees	1,711	1,807	2,110	2,387	2,649
Number of Shareholders	49,386	54,267	52,739	58,468	52,007

Source: AIBL Annual Report 2014,

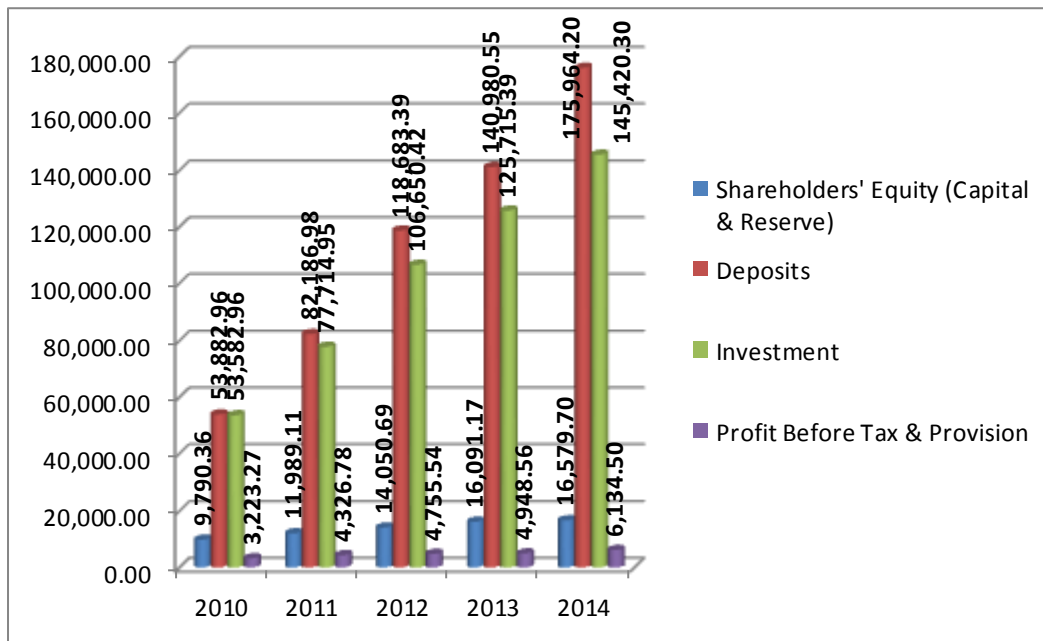


Figure 2.1: Performance at a Glance (in millionTaka)

Interpretation:

Figure 2.1 shows the 5 years financial highlights of AIBL. From the figure we can see that the Bank is improving every year. Shareholders Equity has increased in 2015 to 16,579.70 from 9,790.36 in 2011. As well as deposit increased to 175,964.20 in 2015 from 140,980.55 in 2014. And the Bank has also increased investment and Profit before Tax & Provision, as It had Investment 125,715.39 in 2014 and increased to 145,420.30 in 2015.

2.12 Credit Rating

Credit Rating Agency of Bangladesh (CRAB) Limited has adjudged AA 3 (pronounced Double A Three) rating in the Long Term and ST-2 rating in the Short Term for Al-Arafah Islami Bank Limited.

Based on: Audited Financial Statement 2013

Date of Rating: 30 June, 2015

Validity: 30 June, 2014

Definitions of AA3 & ST-2 are given below:



A3 (very Strong Capacity & Very High Quality): Commercial Banks rated in this category have very strong capacity to meet their financial commitments. They differ from the highest-rated commercial banks only to a small degree. This level of rating is adjudged to be of very high quality and is subject to very low credit risk.

ST-2 (High Grade): Commercial Banks rated in this category are considered to have strong capacity for timely repayment. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of funds.

2.13 Hierarchy of the Management Team





2.14 Organogram of an AIBL Branch

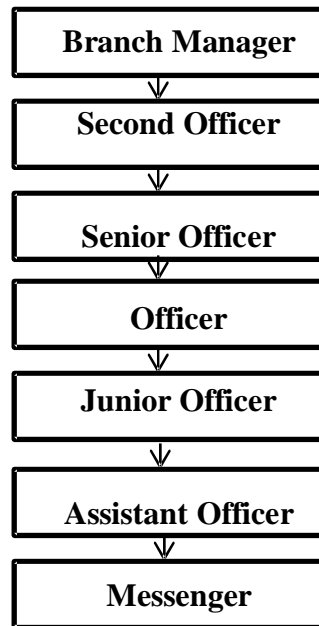


Figure 2C: Organ gram of an AIBL Branch

2.15 Internal Control & Compliance (ICC) Environment

The internal control environment is the framework, under which internal controls are developed, implemented and monitored. The main components, which together comprise the control environment, are:

(a) Board of Directors: One of the responsibilities of the Board of Directors is the financial stewardship. Financial stewardship involves the directors being the guardians of the Bank's assets and being predisposed to act in the shareholders/stakeholders best interests. The Board is actively concerned with sound corporate governance, risk management and that understands and diligently discharges its responsibilities by ensuring that the bank is appropriately and effectively managed and controlled; to fulfill the oversight responsibilities of the Board including implementation of the objectives, strategies and overall business plans for effective functioning of the bank, the Board shall have the following Committees: (a) Executive Committee, (b) Audit Committee & (c) Risk Management Committee. All the above committees are also the element of Internal Control of the bank



(b) Board Audit Committee: The Audit Committee has particular responsibility to evaluate the adequacy and appropriateness of internal control, internal audit and risk management, evaluate compliance with laws and regulations etc.

(c) Management: Management actively manages and operates the bank in a sound and prudent manner as per policy & guidelines of Board of Directors and regulatory authorities.

(d) Shariah Supervisory Committee: To ensure whether the Shariah Principles are followed in all the transactions & procedures of any activities.

(e) All the Zonal/ Divisional/ Departmental Heads/ Branch Managers & Executive/ Officials have to play a few roles in implementing Internal Control & Compliance of the Bank.

(f) Independent Internal Audit Mechanism: Independent Internal & External Audit have scope of providing bias free reports to the competent authority, so that the authority can maintain integrity standard of its financial operation and goal of the bank can be achieved in long run.

(g) Standard Policy/ guidelines on Risk Management & all the important aspects of the bank, well designed Organizational Structure, Concurrent Audit, Auto Information/ Whistle Blowing System, healthier use of Information Communication & Technology (ICT), well designed Management Information System (MIS) etc. also ensure the smooth Internal Control & Compliance of the bank.

2.16 Shariah Board of AIBL

2.16.1 Shariah Board

Scholars of high repute with extensive experience in law, economics and banking systems and specializing in law and finance as prescribed by Islamic Shariah make up the AIBL's Fatwa & Shariah Supervision Board. The Board is appointed by the bank's Board of Directors. The Shariah Board supervises the development and creation of innovative Shariah-compliant investment and financing products and services. The Board is empowered to issue fatwa on any matter proposed to it by different business units of the bank. The Shariah auditors ensure that all the transactions are carried out in strict compliance to Islamic principles of banking.



This framework along with a stringent compliance to rules has made AIBL the pioneering organization to practice Islamic finance in true letter and spirit. The name AIBL has come to signify innovation, financial dynamism, leadership and above all a complete assurance that all the transactions are free from riba (interest).

2.16.2 The Board's Role

The Fatwa & Shariah Supervision Board oversees the application of different aspects of Shariah in the Bank. It also ensures that all transactions are in strict compliance with the right of contradicting (fatwa) any violating procedures, if found. The Board of Directors is obligated to obey the fatwas, irrespective of whether a unanimous or a majority consensus secured the decision.

Board meetings are held periodically or whenever the need arises. The rights of the Board are enshrined in Article Seven of the Bank's Memorandum & Articles of Association (Clauses).

2.16.3 Important Duties of the Shariah Board

- As an expert source on Islamic Principles (Including Fatwas), the Board through a representative, usually the General Secretary of the Board, supervises the Shariah compliance of all the transactions in the Bank.
- To devote time and effort to devising more Shariah -compliant transactional procedures, templates and banking products that enable the Bank to adapt to market trends while maintaining a high competitive edge in deposit procedures, Investments, and banking services. At the same time, the Board gives its opinion on proposed new templates, and banking transactions.
- Analyzing unprecedented situations that are not covered by fatwa, in the Bank's transactional procedures or those reported by different departments, branches and even the customers. This is to ensure Shariah compliance before the Bank develops any new products or implements any new procedure.
- Analyzing contracts and agreements concerning the Bank's transactions, as submitted by the Chairman of the Board of Directors or any department/branch within the bank or requested by the Board itself so that



Shariah compliance can be evaluated and maintained.

- Ensuring Shariah compliance in the implementation of all banking transactions and correcting any breaches.
- Analyzing administrative decisions, issues and matters that require the Board's approval.
- Supervising Shariah training programs for the Bank's staff.
- Preparing an annual report in the Bank's balance sheet with respect to its Shariah compliance.
- The Fatwa & Shariah Supervision Board submits a complete annual report for the Board of Director, summarizing all the issues referred to the Board, as well as its opinion on the Bank's transactional procedures.

2.16.4 AIBL's Library

The AIBL's library houses a vast collection of more than 4,000 books on Islamic Fiqah, law, economy, banking and Shariah, The library was primarily established with the aim of serving the Fatwa & Shariah Supervision Board's research team and the AIBL staff. The facility is also accessible to the bank's customers, researchers and students of higher education.

2.16.5 Shariah Supervisors

The Clause ---- of the Bank's Memorandum & Articles of Association requires the Board of Directors to appoint a Shariah Supervisor, responsible for monitoring all the Bank's transactional procedures and assuring Shariah compliance.

Also the General Secretary of the Fatwa & Shariah Supervision Board, the Shariah Supervisor handles queries about the Bank's administration from staff members, shareholders, depositors and customers, liaises with the Shariah auditors and provides them with guidance. He submits reports and suggestions to the Fatwa & Shariah Supervision Board and to the Chairman of the Board of Directors. The position also calls Page | 16 for participation in the Bank's training programmes.



2.16.6 Shariah Auditing

The supervisory function forms a part of the Shariah Supervision procedures, its main task being to check Shariah compliance under the guidance of the Shariah Supervisor.

The auditors continuously review the Bank's transactional procedures to ensure adherence to the framework created by the Fatwa & Shariah Supervision Board. The Shariah auditors submit periodic reports to the Shariah Supervisor so as to monitor and maintain Shariah compliance.

2.17 Types of Internal & External Audit & Inspection

Risk Based Comprehensive Internal Audit Inspection, Quarterly Foreign Exchange & Investment Audit, Core Risk Management (CRM) System Inspection, Surprise Inspection, Special Inspection, Shariah Audit, Management Audit, Concurrent Audit, External Audit, Regulatory/Bangladesh Bank Inspection etc. are carried out effectively and efficiently.

2.18 Correspondent Relationship

The Bank has continued efforts and endeavor to develop relationship with foreign correspondents worldwide to facilitate the International Trade operation of the Bank. As on 31st December 2014, the number of foreign correspondents is 298 Banks in 52 countries and number of Nostrums accounts with foreign correspondent banks stood 26 (twenty six) in 5 major international currencies. The bank also enjoys substantial credit lines from the correspondent banks for adding confirmation to letter of credit as and when needed which is facilitating our international trade.



2.19 Products and Services Provided by AIBL

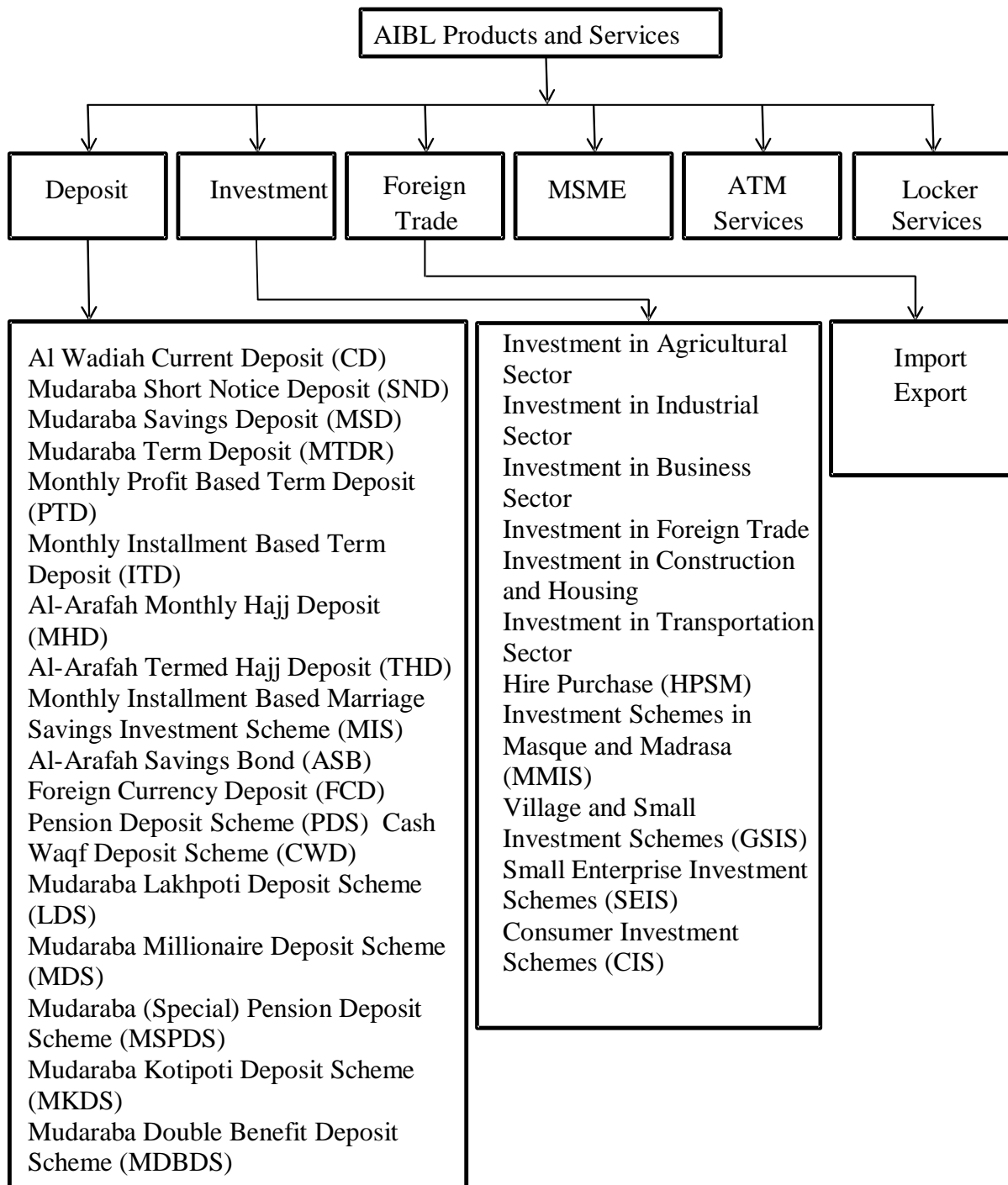


Figure 2D: Products and Services Provided by AIBL



2.20 Branch Network

At present AIBL have 129 branches all over the country. Al-Arafah Islami Bank Ltd, Dinajpur, is 75th Branch of AIBL all over Bangladesh.

2.21 Branch Information

Date of Incorporation	08.12.2010
Manager	Md. Abul Kalam Shams uddin
Second Officer	Md. Mobinul Islam
Branch No.	75 th
Local Partnership of Capital	100%
No. of Employees	14
Total Deposit (as on 31.12.2015)	50,57,92,475.17
Total Investment(as on 31.12.2015)	62,01,75,682.70
Total Profit/Loss(as on 31.12.2015)	1,18,37,773.22
Used Software	ABABIL
Situated at	333, Nimtala, Kotwali, Dinajpur

2.22 Card & ATM

Over the past couple of years the usage of Debit/ATM Cards has increased dramatically. People now feel safer and comfortable in carrying plastic cards rather than bundles of money with them. Nowadays, remarkable transactions occur in ATMs. AIBL have issued about 20,000 (twenty thousand) Debit/ATM Cards. Considering this scenario the bank has intended to expand the ATM network and increase card facility among the customers. Meanwhile AIBL have deployed 40 ATM booths in various location and another 10 ATMs are in process. They have already completed testing with NPSB (National Payment Switch of Bangladesh) and the network will be open very soon. The introduction of the common switch has greatly enhanced the efficiency of the ATM system since the account holders will be able to use all the ATM booths of other banks located countrywide. They are in the process to get



VISA membership. AIBL will provide Islamic VISA international and local card among our customers very soon.

2.23 Green Banking

We are aware that global warming is an issue that calls for a global response. The rapid change in climate will be too great to allow many eco-systems to suitably adapt, since the change have direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. Society demands that business also take responsibility in safeguarding the planet. Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general. Green banking is a component of the global initiative by a group of stakeholders to save environment.

Green banking is a simple word but its magnitude is significantly wide covering social environment and economical aspects. Green banking is a device that considers social and ecological factors to protect environment and conserve natural resources. If we protect environment, we protect ourselves. Green bankers think to protect environment and conserve power and energy in order to ensure a safer world for the next generation.

Al-Arafah Islami Bank Ltd. Being an ethical Bank and in compliance to Bangladesh Bank guidelines has formed green Banking Unit, headed by a senior executive and supervised by Board Audit Committee.



3.1 Islamic Banking

Islamic banking is banking or banking activity that is consistent with the principles of sharia and its practical application through the development of Islamic economics. As such, a more correct term for 'Islamic banking' is 'Sharia compliant finance'. Sharia prohibits acceptance of specific interest or fees for loans of money (known as *riba*, or usury), whether the payment is fixed or floating. Investment in businesses that provide goods or services considered contrary to Islamic principles (e.g. pork or alcohol) is also *haram* ("sinful and prohibited"). Although these prohibitions have been applied historically in varying degrees in Muslim countries/communities to prevent non-Islamic practices, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community.

3.2 Principles of Islamic Banking

Islamic banking has the same purpose as conventional banking: to make money for the banking institute by lending out capital. But that is not the sole purpose either. Adherence to Islamic law and ensuring fair play is also at the core of Islamic banking. Because Islam forbids simply lending out money at interest, Islamic rules on transactions (known as *Fiqh al-Muamalat*) have been created to prevent it. The basic principle of Islamic banking is based on risk-sharing which is a component of trade rather than risk-transfer which is seen in conventional banking. Islamic banking introduces concepts such as profit sharing (*Mudharabah*), safekeeping (*Wadiah*), joint venture (*Musharakah*), cost plus (*Murabahah*) and leasing (*Ijara*).

In an Islamic mortgage transaction, instead of lending the buyer money to purchase the item, a bank might buy the item itself from the seller, and re-sell it to the buyer at a profit, while allowing the buyer to pay the bank in installments. However, the bank's profit cannot be made explicit and therefore there are no additional penalties for late payment. In order to protect itself against default, the bank asks for strict collateral. The goods or land is registered to the name of the buyer from the start of the transaction. This arrangement is called *Murabahah*. Another approach is *Eljara wa Elqina*, which is similar to real estate leasing. Islamic banks handle loans for vehicles in a similar way (selling the vehicle at a higher-than-market price to the debtor and then retaining ownership of the vehicle until the loan is paid).



An innovative approach applied by some banks for home loans, called Musharaka al-Mutanaqisa, allows for a floating rate in the form of rental. The bank and borrower form a partnership entity, both providing capital at an agreed percentage to purchase the property. The partnership entity then rents out the property to the borrower and charges rent. The bank and the borrower will then share the proceeds from this rent based on the current equity share of the partnership. At the same time, the borrower in the partnership entity also buys the bank's share of the property at agreed installments until the full equity is transferred to the borrower and the partnership is ended. If default occurs, both the bank and the borrower receive a proportion of the proceeds from the sale of the property based on each party's current equity. This method allows for floating rates according to the current market rate such as the BLR (base lending rate), especially in a dual-banking system like in Malaysia.

There are several other approaches used in business transactions. Islamic banks lend their money to companies by issuing floating rate interest loans. The floating rate of interest is pegged to the company's individual rate of return. Thus the bank's profit on the loan is equal to a certain percentage of the company's profits. Once the principal amount of the loan is repaid, the profit-sharing arrangement is concluded. This practice is called Musharaka. Further, Mudaraba is venture capital funding of an entrepreneur who provides labor while financing is provided by the bank so that both profit and risk are shared. Such participatory arrangements between capital and labor reflect the Islamic view that the borrower must not bear all the risk/cost of a failure, resulting in a balanced distribution of income and not allowing the lender to monopolize the economy.

Islamic banking is restricted to Islamically acceptable transactions, which exclude those involving alcohol, pork, gambling, etc. The aim of this is to engage in only ethical investing, and moral purchasing. The Islamic Banking and Finance Database provides more information on the subject.

In theory, Islamic banking is an example of full-reserve banking, with banks achieving a 100% reserve ratio. However, in practice, this is not the case, and no examples of 100 per cent reserve banking are known to exist. Islamic banks have micro-lending institutions founded by Muslims, notably Grameen Bank, use conventional lending practices and are popular in some nations, especially Bangladesh, but some do not



consider them true Islamic banking. However, Muhammad Yunus, the founder of Grameen Bank and microfinance banking, and other supporters of microfinance, argue that the lack of collateral and lack of excessive interest in micro-lending is consistent with the Islamic prohibition of usury (riba).

3.3 Islami Banking in Bangladesh

Islami Banking System is becoming more and more attractive day by day to peoples irrespective of nations, religious, colors and species. More than 300 Banks & financial institutions are serving Islami banking throughout the world. At present, eight full-fledged private Islamic commercial banks and 17 conventional banks through Islamic windows and branches are operating in Bangladesh. About half a dozen conventional banks have applied to the Central Bank for being converted into Islamic ones. Currently, Islamic banks hold 24 percent of total banking deposit having around 10 percent of the total bank branches. The combined share of Islamic banks (excluding Islamic banking branches/windows of conventional banks) is around 17 percent in assets, 20 percent in investments (loans), 14 percent in equity and 17 percent in liabilities (BB Financial Stability Report, July 2014).

3.4 Definition of Bank Deposits

Money placed into a banking institution for safekeeping. Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited.

For example, when someone opens a bank account and makes a deposit of Tk. 50,000 cash, the account holder surrenders legal title to the Tk. 50,000 cash. This cash becomes an asset of the bank; the account becomes a liability.

3.5 Deposit Account

A deposit account is a savings account, current account, or other type of bank account, at a banking institution that allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting



balance is recorded as a liability for the bank and represents the amount owed by the bank to the customer. Islamic banks pay the customer profit on the funds deposited.

3.6 Deposit Management

One of the main functions of banks is to accept deposits. Deposits may be fixed, saving, current etc. Islamic banks will have to pay profit to the customers on the basis of the sharia compliant bank rules. Deposits are used for the purpose of investment but since banks are using other people's money to do business, it should make sure that it will be able to repay the deposits to the respective customers when they claim for it. The management of all this is called deposit management.

3.7 Shariah Investments

Sharia is the Muslim or Islamic law which regulates many aspects of a Muslim's life including the type of investments allowed. For instance, interests are considered usury according to the Riba rule therefore bonds is prohibited to investors following the Sharia law. A Shariah compliant fund is an investment vehicle fund structured in accordance to Shariah rules. Shariah funds can be managed as mutual funds, exchange-traded funds or hedge funds. They are in essence common funds with an extra layer of ethical rules integrated in the investment policies of the fund not dissimilar to socially responsible investing. While the funds are required to be fully compliant with Shariah rule, the companies structuring, managing and promoting the funds do not have to be necessarily Shariah compliant.

3.8 Investment Decision

Investment operation is the vital operation, which earn greater share of total revenue. Well planned and appropriate investment policy frame work is a pre-requisite for achieving the goal of the bank i.e. implementation.

Investment is the action of deploying funds with the intension and exception that they will earn a positive return for the owner. Funds may be invested in either real assets or financial assets. When resources are used for purchasing fixed and current assets in a production process or for a trading purpose, then it can be turned as Investment. Specific examples of financial investments are: Deposits of money in a bank account, the purchase of Mudaraba savings bonds or stock in a company. Since Islam condemns hoarding



savings and 2.5% annual tax (zakat) is imposed on savings, the owner of excess savings, if he is unable to invest in real assets, has no option but to invest his savings in financial assets.

The special feature of the investment policy of the bank is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of Islamic shariah.

3.9 Modes of Investment of AIBL

When money is deposited in the AIBL, the bank, in turn, makes investments in different forms approved by the Islamic shariah with the intension to earn a profit. Not only a bank but also an Individual or organization can use Islamic modes of investment to earn profit for wealth maximization. Some popular modes of investment of AIBL's are discussed bellow:

Bai meachanism	Bai Murabaha
	Bai Muajjal
	Bai Salam
	Bai Istisna
Share meachanism	Mudaraba
	Musharaka
Ijara meachanism	Hire purchase under shirkatul malek
	Ijara

3.9.1. BAI-MURABAHA (Contract sale on profit)

Meaning of Murabaha

“*Bai-Murabaha*” means **sale for an agreed upon profit**. *Bai-Murahaba* may be defined as a contract between a buyer and a seller under which the seller sales certain specific goods permissible under Islamic Shariah and the law of the land to the buyer at a cost plus an agreed upon profit payable today or on some date in the future in lump-sum or by installments. The profit may be either fixed sum or based on a percentage of the price of the goods.

Features of Murabaha

- A client can make an offer to purchase particular goods from the bank for a specified agreed upon price, including the cost of the goods plus a profit.



- A client can make the promise to purchase from the bank, that is, he is either to satisfy the promise or to indemnify any losses incurred from the breaking the promise without excuse.
- It is permissible to take cash/collateral security to guarantee the implementation of the promise or to indemnify any losses that may result.
- Documentation of the debt resulting from Bai-Murabaha by a guarantor, or a mortgage, or both like any other is permissible. Mortgage/Guarantee/Cash security may be obtained prior to the signing of the Agreement or at the time of signing the agreement.
- The Bank must deliver the goods to the client at the date, time and place specified in the contract.
- The Bank sells the goods at a price above the cost to obtain a profit. The sale price that is charged by the Bank is agreed upon in the Bai-Murabaha. The profit can be stated in terms of a flat dollar amount or on a percentage of the purchase price. If a percentage is used, the percentage shall never be expressed in terms of time, in order to avoid confusion that the price is a form of interest (Riba), which is not allowed.
- The price agreed to in the agreement is binding on both parties.
- It is permissible for the Bank to contract with a third party to buy and receive the goods on its behalf. This agreement must be a separated contract.

Rules of Bai-Murabaha

- It is permissible for the client to offer to purchase a particular commodity, deciding its specifications and committing itself to buy it on Murabaha for the cost plus the agreed upon profit.
- It is permissible that the mutual agreement shall contain various conditions agreed upon by the two parties, especially with respect to the place of delivery, the payment of a cash security to guarantee the implementation of the operation and the method of payment.
- It is permissible to stipulate the binding nature of the promise to purchase. Thus, the agreement can only be satisfied by either fulfilling the promise to purchase or by indemnifying the Bank for any losses incurred if the promise to purchase is not fulfilled.



- It is a condition that the Bank purchases the requested commodity (first purchase contract) before selling it on Murabaha to the buyer. The contract in the first purchase must be settled, in principle, between the source seller and the bank.
- It is permissible for the bank to authorize a second party including the buyer to receive the commodity on its behalf. This authorization must be in a separate contract, particularly if the buyer is going to receive the goods on behalf of the Bank. This is necessary to avoid any conflicts with the ensuing Murabaha sale.
- Once the bank takes ownership of the goods, it is responsible for any damages or defects. Thus, if the goods are damaged, the bank is liable and must repair the damage prior to delivering the goods to the purchaser.
- It is a condition that the Bai-Murabaha contract be drawn at the last phase. That is after the promise to purchase and the purchase of the commodity in the name of the bank and receipt of the commodity directly by the bank or through an agent.
- The legal rules of Bai-Murabaha must be observed in drawing the contract of the Murabaha sale connected with a promise to purchase. Particularly concerning the issue of the transparency of the cost of the first purchase and the amount of profit because discrepancies lead to disputes, which may invalidate the contract.
- It is permissible to document the debt resulting from Bai-Murabaha by a guarantor or a mortgage, like any other sale on credit. Further, it is permissible that the mortgage accompanies the contract, because it is possible to take a mortgage on actual debt as well as promised debt before it is realized. However, the mortgage shall only be in effect if the debt is actually incurred.

3.9.2. BAI-MUAJJAL (Deferred Sale)

Meaning of Bai-Muajjal

The Bai-Muajjal may be defined as a contract between a buyer and a seller under which the seller sells certain specific goods, permissible under Shariah and law of the country, to the buyer at an agreed fixed price payable at a certain fixed future date in lump sum or in fixed installments.



Features of Bai-Muajjal

- It is permissible and in most cases, the client will approach the bank with an offer to purchase a specific good through a Bai-Muajjal agreement.
- It is permissible to make the promise binding upon the client to purchase the goods from the bank.
- It is permissible to take cash/collateral security to guarantee the implementation of the promise or to indemnify the bank for damages caused by non-payment.
- It is also permissible to document the debt resulting from Bai-Muajjal by a Guarantor, or a mortgage or both, like any other debt. Mortgage/Guarantee/Cash security may be obtained prior to the signing of the Agreement or at the time of signing the Agreement.
- All goods purchased on behalf of a Bai-Muajjal agreement are the responsibility of the bank until they are delivered to the client.
- The bank must deliver the goods to the client at the time and place specified in the contract.
- The bank may sell the goods at a higher price than the purchase price to earn profit.
- The price is fixed at the time of the agreement and cannot be altered.
- The bank is not required to disclose the profit made on the transaction.

Some Observations

The following points should receive attention before making any investment decision under Bai-Muajjal.

- Whether the goods that the client intends to purchase are marketable and have steady demand in the market.
- Whether the price of the goods is subject to frequent and violent changes.
- Whether the goods are perishable in short or in long-term duration.



- Whether the quality and other specifications of the goods as desired by the client can be ensured.
- Whether the goods are available in the market and the bank will be in a position to purchase the Goods in time and at the negotiated price.
- Whether the sale price of the goods is payable by the client at the specified future date in lump sum or in Installments as per the agreement.

3.9.3. BAI-SALAM (Advance payment)

Meaning of Bai-Salam

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

Rules of Bai-Salam

1. The seller receives advance payment in exchange for the obligation to deliver the commodity at some later date. He benefits from the Salam sale by locking in a price for his commodity, thereby allowing him to cover his financial needs whether they are personal expenses, family expenses or business expenses.
2. The purchaser benefits because he receives delivery of the commodity when it is needed to fulfill some other agreement, without incurring storage costs. Second, a Bai-Salam sale is usually less expensive than a cash sale. Finally a Bai-Salam agreement allows the purchase to lock in a price, thus protecting him from price fluctuation.
3. It is a condition that the commodity known by both parties to the agreement.
4. It is a condition that the quality of the commodity be monitored closely, as very little variation from specifications in the contract is allowable.
5. It is a condition that the commodity be deliverable on the due date. If there is uncertainty about the ability to deliver the commodity at the due date, a Salam transaction is impermissible.
6. It is permissible to draw a Salam sale contract for a total to be delivered increments on different specified future dates.



7. It is a condition that the commodity is a liability debt. The seller is obliged to deliver the commodity when it is due, according to the specifications stipulated in the contract, whether or not his firm produces the commodity or obtained from other firms.
8. Salam sales are impermissible on existing commodities because damage and deterioration cannot be assured before delivery on the due date.

3.9.4. Istisna'a Sale

Definition of Istisna'a Sale

The Istisna'a sale is a contract in which the price is paid in advance at the time of the contract and the object of sale is manufactured and delivered later. AIBL can utilize Istisna'a in two ways.

1. It is permissible for the bank to buy a commodity on Istisna'a contract then sell it after receipt for cash or deferred payment.
2. It is also permissible for the bank to enter into a Istisna'a contract in the capacity of seller to those who demand a purchase of a particular commodity and then draw a parallel Istisna'a contract in the capacity of a buyer with another party to manufacture the commodity agreed upon in the first contract.

Application of Istisna'a Sale

The Istisna'a contract allows AIBL to finance the public needs and the vital interests of the society to develop the Islamic economy in accordance with Islamic teachings. For example Istisna'a contracts are used to finance high technology industries such as the aviation, locomotive and ship building industries. In addition, this type of business transaction is also used in the production of large machinery and equipment manufactured in factories and workshops. Finally, the Istisna'a contract is also applied in the construction industry such as apartment buildings, hospitals, schools, and universities to whatever that makes the network for modern life. One final note, the Istisna'a contract is best used in those transactions in which the product being purchased can easily be measured in terms of the specified criteria of the contract.



3.9.5. MUDARABA (Investment made by the entrepreneur)

Definition of Mudaraba

The term Mudaraba refers to a contract between two parties in which one party supplies capital to the other party for the purpose of engaging in a business activity with the understanding that any profits will be shared in a mutually agreed upon..Mudaraba is also known as Qirad and Muqaradah

Rules of Mudaraba

There are some legal rules that govern the business relationship *Mudaraba* which are as follows.

1. It is a condition in Mudaraba that the capital be specific in nature. In other words, the amount of capital must be known at the inception of the contract. The purpose of this rule is to ensure that there is no uncertainty about the amount of capital and, thus, no uncertainty about the division of profits.
2. It is a condition that capital must be in the form of currency in circulation. However, merchandise can be contributed, so long as both parties to the business arrangement agree upon its value.
3. It is a condition that the capital cannot be subject to indebtedness.
4. It is permissible for a Mudarib to mix his private capital with the capital of the Mudaraba, thus becoming a partner. In addition, it is also permissible for the Mudarib to dispose of capital on behalf of the Mudaraba.
5. It is a condition that the capital of the Mudaraba is delivered to the Mudarib.
6. It is permissible to impose restrictions on the Mudarib as long as the restriction is beneficial and does not hinder the agent's ability to make a profit.
7. It is permissible for the Mudarib to hire an assistant to perform difficult work that he is unable to perform on his own.



3.9.6. MUSHARAKA (Partnership based investment)

Definition of Musharaka

The word Musharaka is derived from the Arabic word Sharikah meaning partnership. At an AIBL, a typical Musharaka transaction may be conducted in the following manner.

One, two or more entrepreneurs approach an AIBL to request the financing required for a project. The bank, along with other partners, provides the necessary capital for the project. All partners, including the bank, have the right to participate in the project. The profits are to be distributed according to an agreed ratio, which need not be the same as the capital proportion. However, losses are shared in exactly the same proportion in which the different partners have provided the finance for the project.

3.9.7 HIRE-PURCHASE UNDER SHIRKATUL MELK (HPSM)

Hire-Purchase under Shirkatul Melk has been developed through practice. Actually, it is a synthesis of three contracts: (a) Shirkat; (b) Ijarah, and (c) Sale. These may be defined as follows:

Definition of Shirkatul Melk

‘Shirkat’ means partnership. When two or more persons supply equity, purchase an asset and own the same jointly and share the benefit as per agreement and loss in proportion to their respective equity, the contract is called Shirkatul Melk.

Definition of Ijarah

The term ‘Ijarah’ has been defined as a contract between two parties, the lessor and the lessee, where the lessee enjoys or reaps a specific service or benefit against a specified consideration or rent from the asset owned by the lessor. It is a lease agreement under which a certain asset is leased out by the lessor or to a lessee against specific rent or rental for a fixed period.

Definition of Sale contract

This is a contract between a buyer and a seller under which the ownership of certain goods or asset is transferred by the seller to the buyer against agreed upon price paid by the buyer.



Stages of Hire Purchase under Shirkatul Melk

Hire Purchase under Shirkatul Melk Agreement has got three stages:

1. Purchase of asset under joint ownership of the lessor and the lessee.
2. Hire, and
3. Sale and transfer of ownership by the lessor to the other partner – lessee.

Important Features

1. In case of Hire Purchase under Shirkatul Melk transaction the asset/property involved is jointly purchased by the lessor (bank) and the lessee (client) with specified equity participation under a Shirkatul Melk contract in which the amount of equity and share in ownership of the asset of each partner (lessor bank and lessee client) are clearly mentioned. Under this agreement the lessor and the lessee become co-owners of the asset under transaction in proportion to their respective equity.
2. In Hire Purchase under Shirkatul Melk Agreement the exact ownership of both the lessor (bank) and lessee (client) must be recognized. However, if the partners wish and agree the asset purchased may be registered in the name of any one of them or in the name of any third party clearly mentioning the same in the Hire Purchase Shirkatul Melk Agreement.
3. The share/part of the purchased asset owned by the lessor (bank) is put at the disposal possession of the lessee (clients) keeping the ownership with him for a fixed period under a hire agreement in which the amount of rent per unit of time and the benefit for which rent to be paid along with all other agreed upon stipulations are clearly stated. Under this agreement the lessee (client) becomes the owner of the benefit of the asset not of the asset itself, in accordance with the specific provisions of the contract that entitles the lessor (bank) the rentals.
4. As the ownership of leased portion of asset lies with the lessor (bank) and rent is paid by the lessee against the specific benefit, the rent is not considered as price or part of price of the asset.
5. In the Hire Purchase under Shirkatul Melk agreement the Lessor (bank) does not sell or the lessee (client) does not purchase the asset but the lessor (bank) promise to sell



the asset to the lessee only if the lessee only if the lessee pays the cost price/equity price of the asset as fixed and as per stipulations on which the lessee also gives undertakings.

6. The promise to transfer legal title by the lessor and undertakings given by the lessee to purchase the ownership of leased asset upon payment part by part as per stipulations are affected only when it is actually done by a separate sale contract.
7. As soon as any part of lessor's (bank's) ownership of asset is transferred to the lessee (client), that becomes the property of the lessee and hire contract for that share/part and entitlement for rent thereof lapses.
8. The hire contract becomes effective from the day on which the lessor transfers the possession of the leased asset in good order and usable condition, so that the lessee may make use of the same as per provisions of the agreement.
9. Effectiveness of the sale contract depends on the actual sale and transfer of ownership of the asset by the lessor to the lessee.

3.9.8. IJARAH

Definition of Ijarah

According to Islamic Shariah, Ijarah is a contract between two parties – the lessor and the lessee, where the lessees (Hirer or Mustajir) have the right to enjoy/reap a specific benefit against a specified consideration/rent/wages from the lessor – the owner (Muajjir).

Rules for Ijarah

It is condition that the subject (benefit/service) of the contract and the asset (object) should be known comprehensively.

1. It is a condition that the assets to be leased must not be a fungible one (perishable or consumable) which cannot be used more than once, or in other words the asset(s) must be a non-fungible one which can be utilized more than once, or the use/benefit/service of which can be separated from the assets itself.
2. It is a condition that the subject (benefit/service) or the contract must actually and legally be attainable/derivable. It is not permissible to lease something, the handing-



over of the possession of which is impossible. If the asset is a jointly owned property, any partner, according to be majority of the jurists, may let his portion of the asset(s) to co-owner(s) or the person(s) other than the co-owners. However, it is also permissible for a partner to lease his share to the other partner(s),

3. It is a condition that the lessee shall ensure that he will make use of the asset(s) as per provisions of the Agreement or as per customs/norms/practice, if there is no expressed provision.
4. The lessor is under obligation to enable the lessee to the benefit from the assets by putting the possession of the asset(s) at his disposal in useable condition at the commencement of the lease period.

3.9.9. Quard

Quard-Al-Hasana is a contract under which one of the parties (the lender) puts under the ownership of other party (borrower) a definite amount of his property, so that the borrower may pass on to the lender like of it, or in case of inability, the price of the same. There are two important differences to be noted:

1. Quard-Al-Hasana operations are concentrated in the Head Office of each bank and branch offices are not permitted to extend these loans which are granted on compassionate grounds. However, each loan is repayable if and when the borrower is able to pay.
2. No service charge is imposed on Quard-Al-Hasana loans.



4.1 Investment

Investment has different meanings in finance and economics. Finance investment is putting money into something with the expectation of gain that upon thorough analysis has a high degree of security for the principal amount, as well as security of return, within an expected period of time. The making of loans and advances has always been prominent profitable function of the Bank. The objective of the investment management is to maximize the performing asset and the minimization of the non-performing asset as well as ensuring the optimal point of loans and advances and their efficient management.

4.2 Factors Related with Investment

- Risk
- Time
- Interest Rate
- Security or Collateral
- Operating Expense
- Legal Considerations
- Inflation
- Finance Charge

4.3 Importance of Investment

Investment plays a vital role in national economy in the following ways-

- It provides working capital for industrialization
- It helps to create employment opportunities
- Investment controls almost all kinds of production activities of the country
- It brings social equity
- Cash generation occurs for its successful performance
- Business cycle can run well only by the help of lending system
- Economic stabilization
- Raise standard of living.



4.4 Investment Management

Investment management is a dynamic field where a certain standard of long-range planning is needed to allocate the fund in diverse field and to minimize the risk and maximizing the return on the invested fund. Continuous supervision, monitoring and follow-up are highly required for ensuring the timely repayment and minimizing the default. Actually the Investment portfolio is not only constituted the bank's asset structure but also a vital factor of the bank's success. The overall success in Investment management depends on the banks investment policy, portfolio of investment, monitoring, supervision and follow-up of the loan and advance. Therefore, while analyzing the Investment Management of AIBL, it is required to analyze its investment policy, Investment procedure and quality of Investment portfolio.

4.5 Investment Principles

In the feature, Investment principles include the general guidelines of providing credit by branch manager or Investment officer. In Al-Arafah Islami Bank Limited they follow the following guideline while giving loan and advance to the client.

- Investment advancement shall focus on the development and enhancement of customer relationship. All credit extension must comply with the requirements of Bank's Memorandum and Article of Association, Banking Company's Act, Bangladesh Bank's instructions, other rules and regulation as amended from time to time.
- Loans and advances shall normally be financed from customer's deposit and not out of temporary funds or borrowing from other banks.
- The bank shall provide suitable credit services for the markets in which it operates.
- It should be provided to those customers who can make best use of them.
- The conduct and administration of the loan portfolio should contribute within defined risk limitation for achievement of profitable growth and superior return on bank capital. Interest rates of various lending categories will depend on the level of risk and types of security offered.



4.6. Five Years Investment Performance of AIBL:

SL	Particulars		2011	2012	2013	2014	2015
1	Deposit	Amount	5,388	8,218	12,435	14,501	17,602
		Growth	40%	53%	51%	17%	21%
2	Investment	Amount	5,358	7,771	10,910	13,011	15,503
		Growth	48%	45%	40%	19%	20%
3	Investment Income	Amount	431	948	1500	1752	1960
		Growth		120%	58%	17%	12%
4	Overdue Investment	Amount	109	167	317	288	491.42
		Growth	92%	53%	89%	-9%	70%
5	Classified Investment	Amount	59	72	178	360	721.00
		Growth	0.05%	23%	145%	102%	100%
6	Rescheduled Investment	Amount	22	23	108	345	539.95
		Growth	0%	3%	370%	219%	56%
7	Written-off Investment	Amount	62	63	66	83	211.98
		Growth	7%	2%	5%	27%	153%

Diagram:

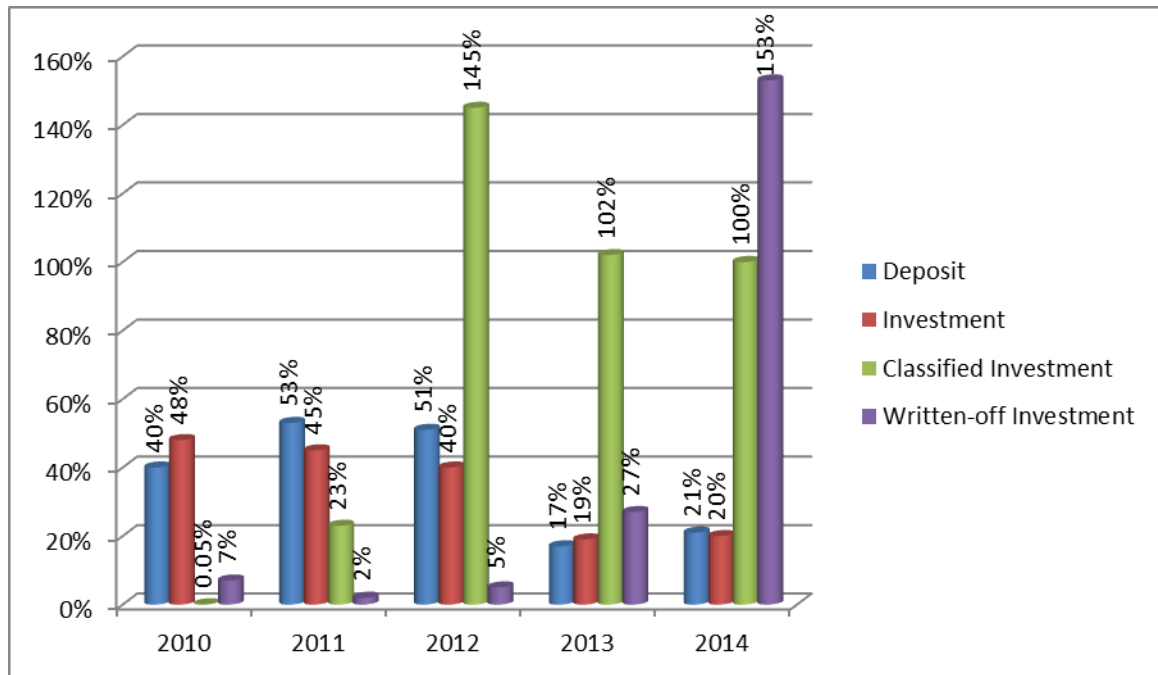


Figure 4.1: 5 Years Investment Performance of AIBL



Interpretation:

It is evident from the above table that investment has grown matching with the growth of deposit in 2015. Investment Income is Tk.1960.00 crore having growth @ 12% against the growth of 17% in 2014. Overdue investment decreased in 2014 but increased in 2013 on various reasons. Classified Investment increased in 2014 & 2015 more than the previous years due to the new rules of classification as well as business fall. But The Dinajpur Branch of AIBL has no Classified Investment.

4.7 Investment processing of AIBL

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 are not bank's own fund. If the bank fails to meet depositors demand, then it must collapse. So each, bank should take strong concentration on investment proposal. However, Al-Arafah Islami Bank (AIBL) makes its investment decision through successfully passing the following crucial steps-

Here, investment taker (client) approaches to any of the branch of Al-Arafah Islami Bank Bangladesh Limited (AIBL). Then he talks 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 bank's rules & regulations before availing investment. Generally, bank analyses the following five C's of the client-

- Character
- Capacity
- Capital
- Collateral
- Condition

4.8 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 initial 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 AIBL are prescribed below-

- Trade License photocopy (for proprietorship)
- Abridged pro forma income statement
- Attested copy o partnership deed (for partnership business)
- Prior three (03) years` audited balance sheet (for Joint Stock Company)
- Prior three (03) years` business transaction statement for the Musharaka / Mudaraba investment
- Abridged proof income statement for the the Musharaka / Mudaraba investment
- Attested copy of the Memorandum (MOA) & Articles of Association (AOA) for the joint stock company
- Attested copy of the Tax Identification Number (TIN) including final assessment
- Detailed summary of the sundry Debtors and creditors (including both time & schedule)

Summary of the personal movable & immovable assets, and others

4.9 Appraisal Stage

At this stage, the bank evaluates the client and his/ her business. It is the most important stage. Because, on the basis of this stage, bank usually goes for sanctioning the proposed investment limit or proposal. If anything goes wrong here, the bank suddenly stops to make payment of investment. In order to appraise the client, AIBL provides a standard F-167B from (Appraisal report) to the client for gathering all the information. The original copy of the appraisal report is enclosed in the appendix chapter. However, the following contents are presented from that appraisal report-

- Company's or Client's information
- Owner's information
- List of partners
- Purpose of investment/ Facilities
- Details of proposed facilities/ Investment
- Break up of present outstanding
- Other liabilities of the client
- Previous Banker's information



- Details of sister/ Allied concerns
- Allied Deposits as on
- Business/ Industry Analysis
- Relationship analysis
- Asset- Liability position of the client as per Audited Balance sheet
- Working capital assessment
- Risk grade
- Particulars of the go down for storing MPI/ Murabaha goods
- Insurance coverage
- Audit observation
- Security analysis

4.10 Sanction Stage

As this stage, the bank officially approves the investment proposal of the respective client. In this case client receives bank's sanction letter. Al-Arafah Islami Bank (AIBL) sanction letter contains the following elements-

- Investment Limit in Million
- Mode & amount of Investment
- Purpose of investment
- Period of Investment
- Rate of Return
- Securities

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

Cash/ Goods-

Bai Murabaha- 25% cash security on cost price to be subsequently converted to goods security



TR (Trust Receipt)- Without cash security

Collateral- Immovable properties

Cash/ Goods security

In allowing Murabaha investment and amount of cash security is generally realized from the client (amount depends on the nature of goods, creditworthiness of the client, collateral security obtained etc.) 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 bank's custody before its delivery to the client on payment.

Example- if for a Murabaha investment cash security is fixed at 25% Bank's investment stands at 75% on the total goods purchased. For example, if cost of total goods purchased is Tk. 100000 Bank's investment will be tk. 75000 and client's cash security will be tk. 25000

Cash/ Goods security

Bank	Client	Total Cost of Goods
Tk. 75000 (75%)	Tk. 25000 (25%)	Tk. 100000 (100%)

4.11 Documentation Stage-

At this stage, usually the bank analyses wealthier required documents are in order. In the documentation stage, AIBL checks the following some documents of the client-

- Tax payment Certificate
- Stock Report
- Trade License (Renewal)
- VAT certificate
- Liability statement from different parties
- Receivable from different clients
- Other Assets statement
- Aungkar Nama
- Ghosona Potra
- Three (03) years net income & business transaction
- Performance report with bank



- Valuation Certificate
- Particulars of the Proposal
- Particulars of the Mortgagor
- Particular of the properties
- Outstanding Liability position of the bank
- CIB (Credit Information Bureau) report

4.12 Disbursement Stage-

As this stage, bank decides to pay out money. Here, the clients get his/ her desired funds 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.

4.13 Monitoring & Recovery stage-

At this final stage of investment processing of the Al-Arafah Islami Bank Limited (AIBL), bank will contact with the client continually, for example- bank can obtain monthly stock report from the client in case of micro investment. Here the bank will keep his eye on over the investment taker. If needed, bank will physically verify the client's operations. Also if back feels that anything is going wrong then it tries to recover its investment fund from the client.

4.14. Deposite Mix:

Deposit Type	Deposit	% of Cost
High Cost	431950445	85.94%
Low Cost	45317808	9.02%
Cost free	25364381	5.05%
Total	502632634	100%



Diagram:

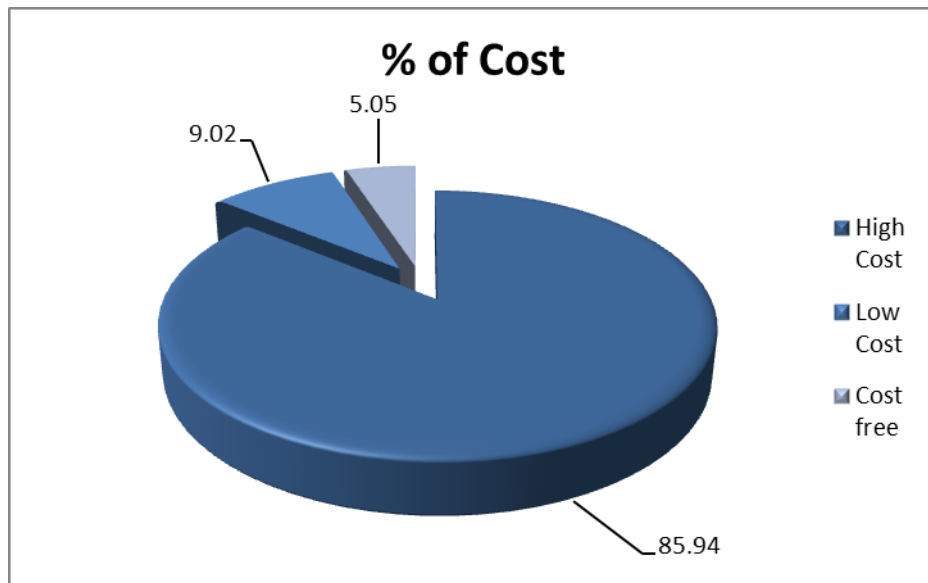


Figure 4.2: Deposit Mix

Interpretation:

Shows the Deposit Mix of Dinajpur Branch of AIBL, where High Cost Deposit is 85.94%, Low Cost Deposit is 9.02% and Cost Free Deposit is 5.05% for the year 2015.

4.15. Investment Rating Report AIBL Division (Figure- 2.4)

	Long Term	Short Term
Surveillance Rating-2009	AA	ST-2
Surveillance Rating-2008	AA-	ST-2
Outlook	Stable	
Date of rating	April10,2014	

Credit Rating information and Services Limited (CRISL) upgrades long term credit rating of Al-Arafah Islami Bank Limited (AIBL) to AA (Pronounced as double A) from AA- (Pronounced as double A minus) and reaffirms short term credit rating to ST-2. The above ratings have been arrived at on the basis of strong fundamentals of the bank in the areas of asset quality, capital adequacy, financial performance, increasing trend in market share, performance in non funded business, expansion of branch network etc. However, above are moderated, to some extent, by declining trend of profit margin, high funding cost, investment concentration risk, limited independent ATM network etc.



The long term rating implies that banks rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. The short term rating indicates high certainty of timely payment of financial obligations. Liquidity factors are strong and supported by good fundamental protection factors. Risks factors are very small.

4.16. Sector wise Investment 2015 of AIBL:

Sectors	Taka (in million)	(%)
Agriculture, Fishing & Forestry	1,970.16	1.23%
Industry	61,743.00	38.48%
Construction	7,175.90	4.47%
Water Works & Sanitary Service	6,701.60	4.18%
Transport & Communication	8,411.10	5.24%
Storage	1032.50	0.64%
Trade Finance	59,246.92	36.92%
Miscellaneous	14,192.49	8.84%
Total (including Profit Receivable)	160,464.67	-
Less Unearned Profit on Investment	13,724.37	-
Total	146,740.36	-

Diagram:

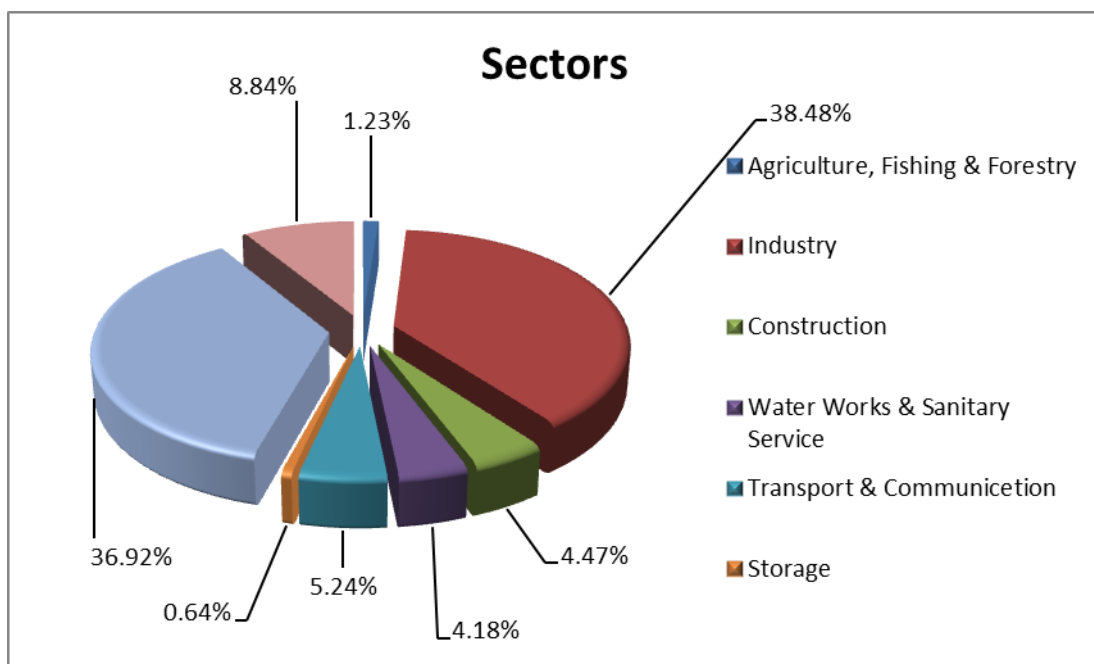


Figure 4.3: Sector Wise Investment 2015 of AIBL



4.17. Sector wise investment 2015 in Dinajpur Branch:

Sector wise investment amounts of AIBL for the year 2015 is given bellow:

Product Name	Amounts in million
Agriculture	0.1020
Small & Medium Enterprise Fund	9.76856
Grameen & Small Investment Scheme	6.82990
Medium Enterprise Finance (general)	535.06416
Personal Investment Scheme (Staff)	0.88118
Consumer Investment Scheme (Staff)	1.22580
Consumer Investment Scheme (General)	1.05685
Small Enterprise Investment Scheme	0.05652
Small Enterprise Finance	23.17663
Solar Energy Investment	0.44980
SEF-Rural Agriculture Investment Scheme	0.28317
Industry	43.21264
Real State	2.72566
Quad Against TDR	3.67465
Total	628.50752



Diagram:

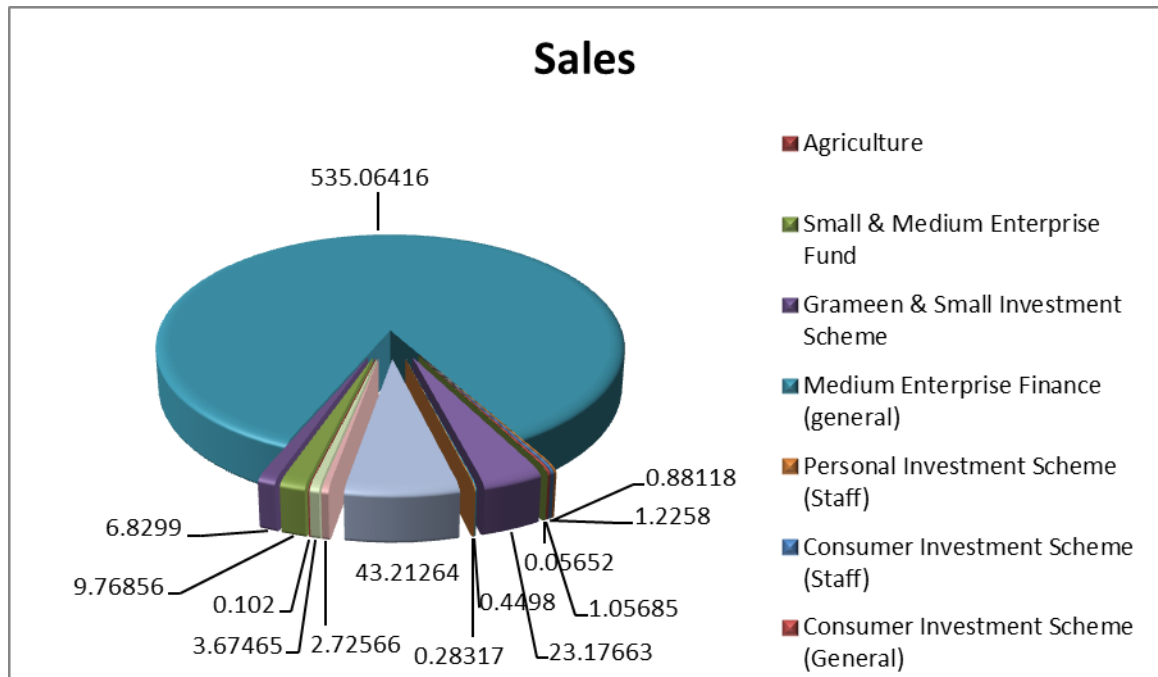


Figure 4.4: Sector wise Investment for 2015 at AIBL, Dinajpur

Interpretation:

Shows the sector wise investment of Dinajpur Branch of AIBL for the year 2015. We can see that the highest amount of investment was made on Medium Enterprise Finance as it encourages the entrepreneurs with medium capital to do business with AIBL. 85.13% of the investment was made in this sector. Second highest amount was invested to industry. About 0.69% was invested in this sector.



4.18. Total Investment To MSME Investment

(in million):

Description	2013	2014	2015
Total SME Portfolio	24,095.7	68,913.6	86,277.00
% of SME Portfolio to Total Portfolio	22.59%	54.81%	50.47%
Target to SME Investment	16,000.00	20,000.00	35,000.00
Total SME Disbursement	16,284.6	28,592.8	39,666.2
% of Achievement	101.78%	142.96%	113.33%
Number of SME Clients	2655	3891	5064
Number of SME Women Entrepreneurs	186	390	410
SME Investment Without Collateral	48.98	58.25	62.83
Average Profit Rate	15%	15%	16%

Diagram:

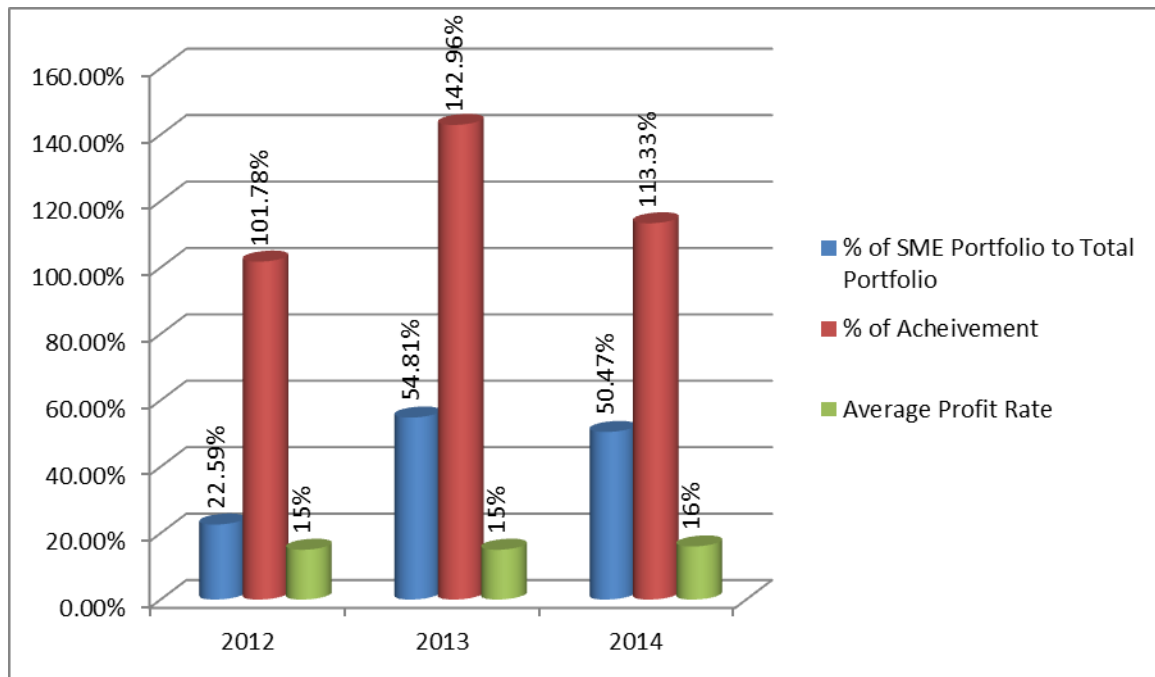


Figure 4.5: Total Investment to MSME investment

Interpretation:

Figure 4.5 shows the total investment to MSME investment of AIBL. From the figure we can see that in the year 2013, total SME portfolio was 24,095.7, target was to 16,000, achievement was 101.78% and average profit rate was 15%. Then in 2014, total portfolio became 68,913.6, target was 20,000, achievement was 142.96% and average profit rate was 15%. It improved more in 2015. Total SME portfolio is 86,277.00, target 35,000, achievement is 113.33% and average profit rate is 16%.



4.19. Investments On Women Entrepreneurs:

Description	2014	2015
Total SME Portfolio in Women Entrepreneurs	580.23	653.63
% of SME Portfolio to Women Entrepreneurs	8.42%	8.57%
Target to SME Investments in Women Entrepreneurs	110.00	150.00
Amount of Disbursements to Women Entrepreneurs	102.16	152.54
% of Achievement	92.87%	101.69%

Diagram:

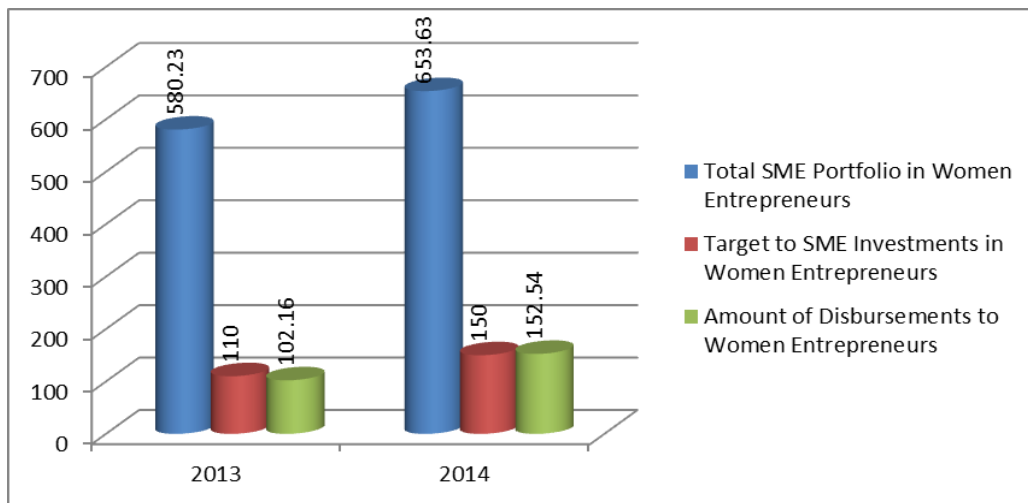


Figure 4.6: Investments On Women Entrepreneur

Interpretation:

Figure 4.6 proves that, AIBL is good in investments on Women Entrepreneur. It's total portfolio was 580.23 in 2014 and improves to 653.63 in 2015. It's target was 110 in 2014 and 150 in 2015. And percentage (%) of achievement was 92.87% in 2014 and it became 101.69% in 2015.



4.20. Agricultural Investment of AIBL for 2015:

1. Short term loan:	Disbursement	Outstanding
a) Crop	7.38	32.94
b) Fisheries	6.29	18.52
c) Crop Storage	4.26	15.82
d) Poverty Alleviation	34.92	32.45
e) Others	9.31	35.87
Sub Total	62.16	135.60
2. Long term Loan:		
a) Irrigation Tools	2.46	11.10
b) Livestock Development	17.88	16.35
c) Fisheries	39.12	14.46
d) Agricultural Tool	2.03	2.75
e) Other	2.72	31.35
Sub Total	64.21	76.01
Grand Total	126.37	211.61

Diagram:

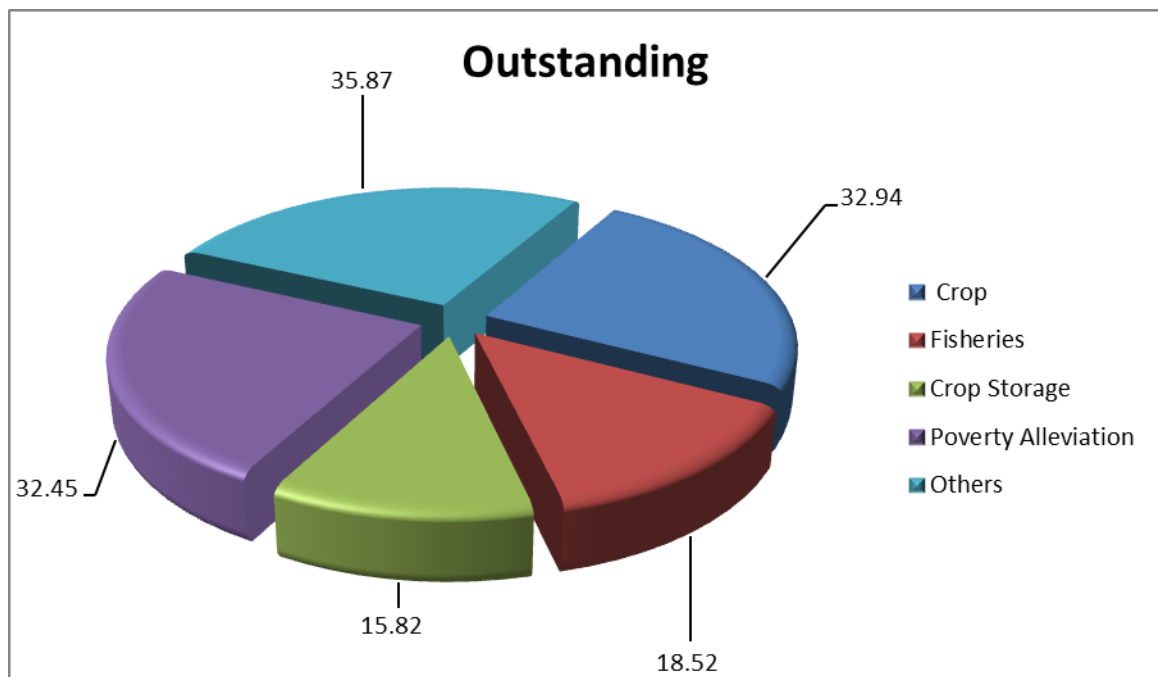


Figure 4.7: Agricultural Investment of AIBL (Short-Term Loan)

Interpretation:

Figure 4.7 shows the Outstanding of short term loan of Agricultural investment. We can see that in Crop it was 32.94, in fisheries 18.52, as well as in others it was 135.60.

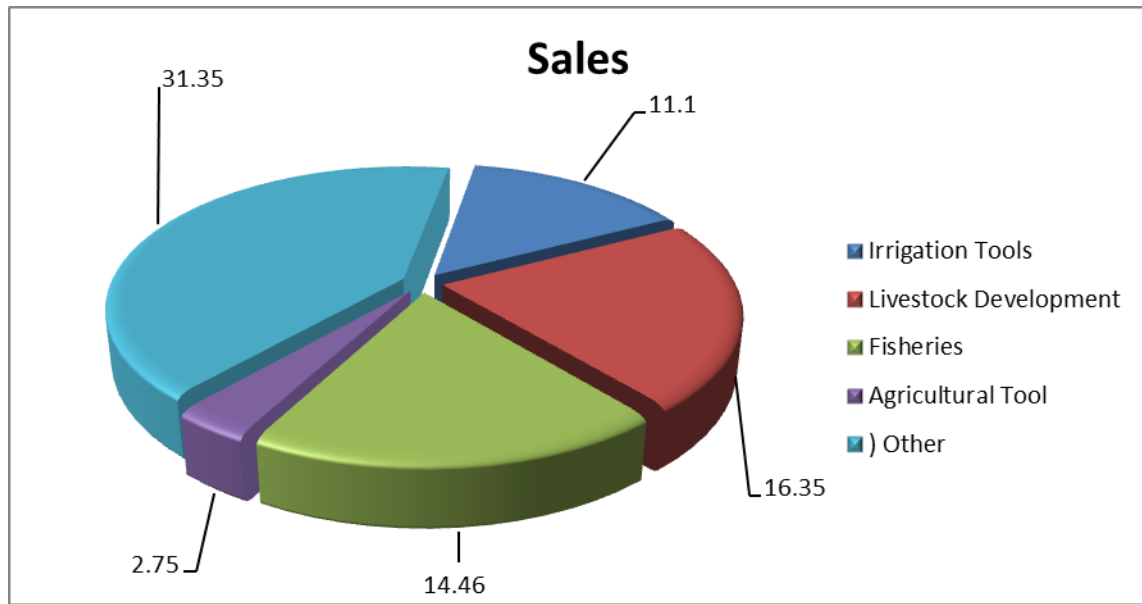


Figure 4.8: Agricultural Investment of AIBL (Long-Term Loan)

Interpretation:

In figure 4.8, we can see the outstanding of long term Agricultural Investment. In Irrigation Tool it was 11.10, in Livestock development 16.35, as well as in other sector it was 31.35.

4.21. Grameen Small Investment Scheme (GSIS):

Disbursement From Starting	Tk. 212.34 Crore
Portfolio	39.76 Crore
Number of Villages Covered	1152
Maximum Investment	Tk 50,000.00
Number of Clients	35,876 persons
Savings by the Clients	Tk. 22.04 Crore
Number of Branches Under the Scheme	69
Number of Samity	1220
Number of Group	6266
Repayment System	Weekly Installment
Recovery Rate	99.98%



4.22. Investment Deposit Ratio of Dinajpur Branch

(in million):

Year	Total Investment	Total Deposit	Investments as a Percentage of Total Deposit
2011	477.968	296.795	161.04%
2012	566.604	410.911	137.89%
2013	576.998	479.362	120.37%
2014	630.342	488.426	129.06%
2015	620.176	505.792	122.61%

Diagram:

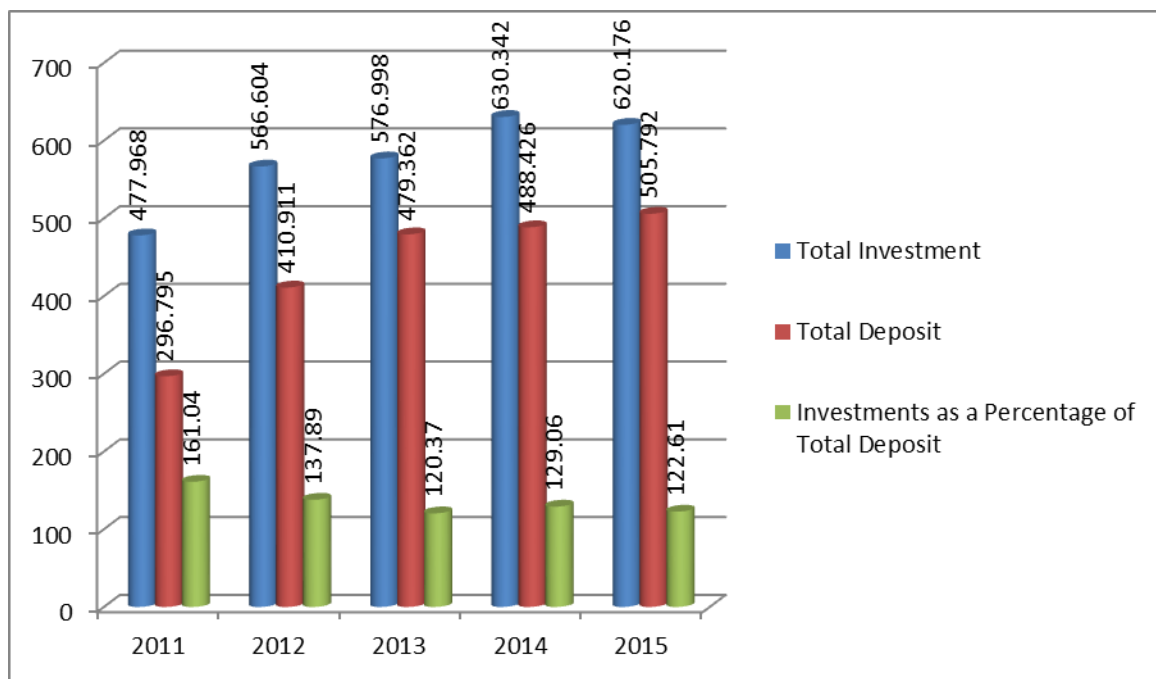


Figure 4.9: Investment Deposit Ratio of AIBL, Dinajpur for 2015

Interpretation:

The figure 4.9 demonstrate that the investment deposit ratio tediously change from 2011 to 2015 in Dinajpur Branch of AIBL. In 2011 investment deposits ratio was higher than other year that is 161.04% and lower amount is 120.37% in 2013 and later it increase to 122.61% in 2015. All scheduled banks are required to maintain a minimum reserve with the Bangladesh Bank. The SLR requirement for Islami Bank is 10% and they are to keep 4% of this reserve as CRR.



4.23. Investments of Dinajpur Branch of AIBL:

(in million)

Investment	2011	2012	2013	2014	2015
	477.96807	566.60452	576.99800	630.34205	620.17568

Diagram:

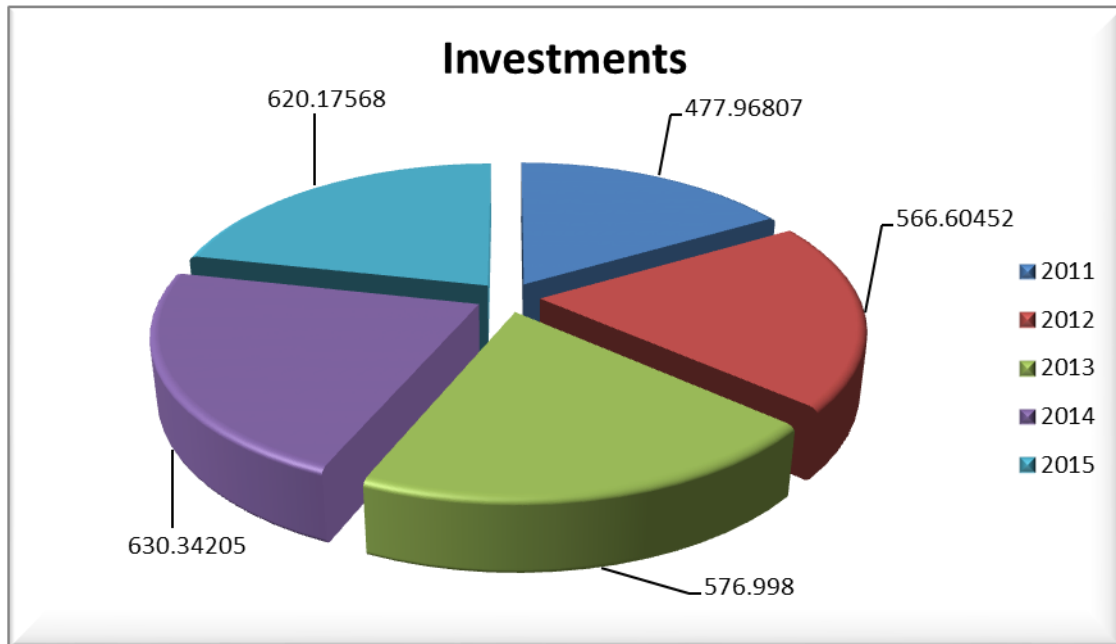


Figure 4.10: Investments for 2015 of AIBL, Dinajpur

Interpretation:

The supplied illustration provides information that the amount of investment of the bank was progressively increase. On the contrary, the growth rate of investment of the AIBL actually varies. From 2011 it is 477.96807 and lastly it increase in 2015 and the amount is 620.17568. The bank should be careful in deployment of the fund.



4.24. Deposit of Dinajpur Branch

(in million):

Deposit	2011	2012	2013	2014	2015
	296.79538	410.90998	479.36221	488.42619	505.79247

Diagram:

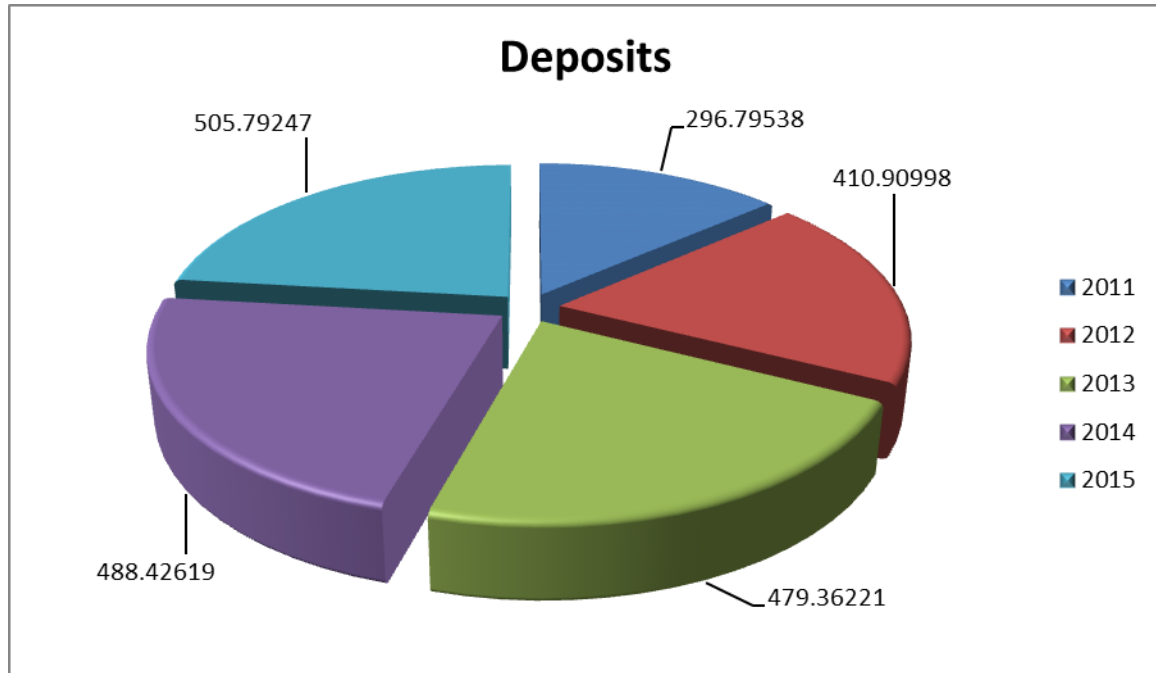


Figure 4.11: Deposits for 2015 Of AIBL, Dinajpur

Interpretation:

The graph shows that the total deposit of Al-Arafah Islami Bank, Dinajpur increases gradually. In 2011, it was 296.79538 which increased in the next year 2012 to 410.90998 and then it slightly increases to 479.36221 in 2013 and then to 488.42619 in 2014 and finally 505.79247 in 2015. If the amount of deposit increases in this way then the Bank can use more proportion of deposit for loan & advance.



5.1 Findings

AIBL is committed to provide banking services that is purely based on Islamic Sharia transparent and efficient in this competitive environment. Investment Management related finding for the year 2014 and 2015 are given below:

SL	Particulars	2014	2015
1.	Total Deposits	141,704,640,624	175,964,245,882
2.	Total Investment	121,298,985,439	145,420,335,153
3.	Investment Deposit Ratio (%)	85.60%	88.59%
4.	Ratio of Classified Investment to Total investment (%)	2.97%	3.34%
5.	Amount of Classified Investment	3,598,828,155	7,215,846,431
6.	Provision kept against Classified Investment	1,128,028,705	1,200,029,000
7.	Return on Investment (ROI)	13.01%	14.51%
8.	Income from Investment in Shares/securities	968,325,060	1,075,608,821

- We can see that deposit is the main part of the AIBL fund. So we can say that deposit is the heart of AIBL. Investment of the bank increased with the increase of deposit.
- AIBL's total deposit amount increased in 2015. In 2015 total deposit amount is TK. 175,964,245,882. In 2014 it was TK. 141,704,640,624.
- The Investment deposit ratio is used to calculate a bank's ability to cover withdrawals made by its customers. If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be. AIBL's Investment Deposit Ratio of 2015 is 88.59% and 2014 is 85.60%. Which is good for the bank.
- Any bank investment that is in danger of default is called classified investment. Classified investments have unpaid interest and principal outstanding, and it is unclear whether the bank will be able to recoup the investment proceeds from the borrower. Banks usually categorize such investments as adversely classified assets on their books.
- AIBL's classified investment condition is better in 2013. In 2015 the classified investment ratio is 3.34% which is higher than 2014's 2.97%.



- ROI is performance measure used to evaluate the efficiency of an investment.
- AIBL's ROI has been increased in 2015. It was 13.01% in 2014 but in 2015 it is increased to 14.51%. Higher ROI is good for the bank.
- Through AIBL is the of in private sector banking in Bangladesh. But it has a few branch operation with 128 branches and only 3000 manpower are enjoying employment opportunity.
- The audit procedures are very strongly straightforward. So accounts officers are very effective to maintain account. as a result auditor can provide his opinion fairly.
- The Officers engaged in financial statement are very much aware in maintaining accounts to ensure that financial statement are free from material misstatement.
- The top management is more conscious about the liquidity of company.
- From the trend analysis we have seen that AIBL's Net profit margin is increasing year by year. It indicates positive operating result of AIBL.
- They have interest free banking. They only receive profit of the goods.
- It has a lowest profit rate comparatively to other commercial bank, which is affordable for the clients.
- The have a significant role in social and financial development by investing like, masque, madrasa, grameen and small enterprise.

5.2 Problems

1. Due to lack of ATM Booth facilities, the bank is not able to attract more new deposits
2. AIBL does not provide credit card facilities to its customers.
3. SMS banking facility is not available which is essential nowadays for depositors. They have to come to the bank to know their account balance.



4. Banking service is not fast enough. Often customer need to wait for a long time for service.
5. Marketing strategy of the bank is very poor. They do not use any modern advertising method to attract customers.
6. People cannot know about their investment products through online. Their website is not up-to-date and most of the section are incomplete.
7. Lack of manpower slows down their service.
10. They do not have any dedicated helpline for customers.
11. Investment processing is lengthy therefore people become demotivated.
15. People do not know the actual profit rate for their deposited amount. So they often become confused.

5.3 SWOT Analysis of AIBL

Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in its whole life cycle.

5.3.1 Strengths

- AIBL provides its customers excellent and consistent quality in every service.
- AIBL is a financially sound company.
- AIBL utilizes state of the art technology to ensure consistent quality and operation.
- AIBL provides its work force an excellent place to work.
- AIBL already achieved a goodwill among the clients.
- AIBL has a research and training division.
- AIBL has strong deposit and investment management capabilities.

5.3.2 Weaknesses

- AIBL lacks well trained human resource in some area.
- AIBL lacks aggressive advertising.
- The procedure of credit facility is to long compare to other banks.
- Employees are not motivated in some areas.



5.3.3 Opportunities

- Emergence of online banking will open more scope for AIBL.
- AIBL can introduce more innovative and modern customer service.
- Many branches can be opened in local remote area as its high demand.
- AIBL can recruit experienced, efficient and knowledgeable officers and staffs as it offers good working environment.

5.3.4 Threats

- The worldwide trend of mergers and acquisition in financial institutions is causing problems.
- Frequency taka devaluation and foreign exchange rate fluctuation is causing problem.
- Lots of new banks are coming in the scenario with new service.
- Local competitors can capture huge market share by offering similar products.



6.1 Recommendations

- AIBL should change the outlook of the branch to attract premium customers.
-
- IBL should provide an effective training program for the junior level officers.
- The service in Dinajpur Branch has real good prospect, thus the bank should work actively so that it can attract more clients.
- The branch should give more emphasis on proper record keeping.
- They should give more attention in increasing their deposits in different accounts.
- As it has been seen that AIBL's Investment income were more than double by last 4 years, it convey very good sign. They should try to retaining their position.
- Optimal cost for sanctioning and disbursing investment should be minimized.
- The number of branches should be increased.
- Bank should offer more facilities to the consumers such as credit card, master card, ATM Machine etc.
- Banking is service-oriented marketing. Its business profit depends on its service quality. That is why the authority always should be aware about their service quality. Employees must give individual attention to the consumer. For that, they can recruit more employees.
- AIBL should invest in profitable sector. Among the different sector AIBL should invest highly in Industry and Commerce sector for high profit.
- They should increase Manpower.
- They should emphasize on Advertising of their Product, so that the customer can know about the Product information and Facilities.
- The Bank should increase the number of ATM Booth, so that the customer can easily make Transaction.

A



6.2 Conclusions

Al-Arafah Islami Bank limited is a leading Private Islami bank in Bangladesh with superior customer bases that are loyal, faithful, worthy towards the bank. The service provided by the young energetic officials of the Al-Arafah Islami Bank Limited is very satisfactory. As an islami bank AIBL has to follow the rules of Bangladesh bank despite the fact that these rules sometime restrict the foreign business to some extent. During my internship in this branch I have found the investment department to be very efficient; therefore this department plays a major role in the overall profitability of the branch and to the Bank as a whole.

Al-Arafah Islami Bank Ltd is one of the most potential islami banks in the islami banking sector. It has a large portfolio with huge assets to meet up its liabilities and the management of this bank is equipped with the expert bankers and managers in all level of management.

The Bank's drive towards market leadership as well as quality in choosing business will continue in the coming years although competition is intensified with the opening of more financial institutions. The Bank is optimistic that the volume of business will increase in future through pragmatic and market friendly policies. The Bank shall continue to explore new fields of investment and take steps to open new Branches for Banking. The bank should endeavor to adopt customer-oriented policies and introduce new techniques that will help to earn profit and increase greater confidence of the existing prospective customers.

It was an honor for me that I have worked as an intern in a reputed organization like Al-Arafah Islami Bank Limited. AIBL is a bank that offers the best islami banking services to its customer and also a fast growing bank. By working in Dinajpur Branch, the knowledge learned would be helpful enough to sustain with the real organizational environment.



My Internship Experience

Dinajpur Branch is one of the established branches of Al-Arafah Islami Bank Limited. It has built up a very good customer base and performing really well. I got the opportunity to work as an intern in the Dinajpur Branch and the tenure of my internship was 6 March to 20 April (45 Days). Through this period I had many responsibilities and job roles. Any branch of AIBL deals with the three parts of activities.

These are: general banking, investment and foreign exchange. As I was an intern, my tasks were mostly related to Investment. I got to learn a lot of things about branch banking & Investment during this time. I got familiar with the work environment, I got to know how all the branches are centralized and about the process flow. I mainly had to report to the Branch Manager, but my supervisor was the Officer of the branch.

--- Experience Regarding Personal Improvement ---

1. Time Management

Time management is the great virtue for each & every person. As a public university student, I spent only 4 to 5 hours in the university campus with gossiping, taking tea & snacks. But in the professional life like bank, each & every employee reach in the office not more than 9.30 am and go out from office not less than 6 pm due to heavy working pressure. So, I also maintained my office time. They do their daily task in daily basis. I also helped them to make their task easier.

2. Direct Communication with Customer

Today's world is so challenging. Customer has more power due to wide range of switching option. I was little nervous in my first few days to communicate with customer. But in later, I was enjoying serving the customer.

3. Formal Dress Code

I always wear formal dress.. In the 45 days internship period I maintained the dress code regularly and I'm habituated with this now.



4. Teamwork

Theoretically I read what is team and teamwork but practically I did not have experience about it. In the professional life there's exist team like Bangladesh cricket team. Each & every team member has some responsibilities and target to fill up. I observed it very closely and helped them to make their task easier.

--- Practical Working Experience ---

(a) Account Opening

- I filled different types of account form for the customer. There is different type of Bank account such as-
- Current Account: I filled up the current account form for the clients. I also checked the account form and checked the documents for opening the account.
- Savings Account: I filled up the savings account form which is known as Mudaraba Savings Account (MSD) for the clients. I also checked the account form and check the documents of opening the Account.
- Term Deposit: Here I filled up the DPS form which is known as ITD in AIBL & also checked the DPS form and attested the documents, opened the DPS number, wrote deposit book for the customer.
- I collected necessary papers from customers such as- photocopy of National ID card, Passport, Trade License etc.
- I wrote down Transaction Profile of several accounts.

(b) General Banking Task:

- Filled up Pay Order for the client and signed by the applicant, update in pay order register
- Filled up the application of cheque book for the customer
- Input the cheque book number in register book
- Issued cheque random digit number
- Matched the initial of customer at the time of giving cheque book
- Wrote inward and outward register book
- Wrote Deposit Book.



(c) Investment Task

- Filled up the investment application form for the customer
- Checked the necessary document and listed them up
- Filled up the dill papers for the clients
- Prepared debit and credit voucher for the payment and adjustment
- Filled up the CI form
- Listed the document for sanction

(d) Cash Department Task

- Received cash from the customer and pay in counter
- Counted cash which was given by the clients of the bank
- Received cheque from the client and gave them cash.

(e) Others

- Assisted customers with necessary information
- Putted various types of seals for clearing
- Updated the record book of clearing, FDR and cheque books
- Data entry task by computer
- Filled up other necessary forms for the bank
- Furnished all documents for monthly report
- Checked out the previous account form & correction if needed
- Contacted with the customers over Telephone.



REFERENCES

- 1) *Frank K. Reilly and Keith C. Brown, "Investment Analysis Portfolio Management", 7th Edition.*
- 2) *AIBL Annual Report 2015*
- 3) *AIBL Annual Report 2014*
- 4) *AIBL Annual Report 2013*
- 4) *AIBL Probaho (October-December 2015)*
- 5) *www.al-arafahbank.com/*
- 6) *www.facebook.com/alarafah.bd*
- 7) *en.wikipedia.org/wiki/Islamic_banking*
- 8) *www.bangladesh-bank.org/fnansys/bankfi.php*



ACRONYMS

AIBL	:	Al- Arafah Islami Bank Limited
MD	:	Managing Director
DMD	:	Deputy Managing Director
EVP	:	Executive Vice President
SVP	:	Senior Vice President
VP	:	Vice President
AVP	:	Assistant Vice President
FAVP	:	First Assistant Vice President
BB	:	Bangladesh Bank
BCD	:	Bearer Certificate of Deposit
OB	:	On line Banking
BBLC	:	Back to Back Letter of Credit
BL	:	Bill of Lading
AWCD	:	Al Wadiah Current Deposit A/C
MTDR	:	Mudaraba Term Deposit
ITD	:	Installment Term Deposit
SND	:	Short Notice Deposit
MSD	:	Mudaraba Savings Deposit
STD	:	Short Term Deposit
PTD	:	Profit Term Deposit
IBC	:	In ward Bills for Collection
OBC	:	Out ward Bills for Collection
LC	:	Letter of Credit
CC	:	Cash Credit
DD	:	Demand Draft
OD	:	Over Draft
TT	:	Telegraphic Transfer
PO	:	Pay Order
PAD	:	Payment Against Document
LTR	:	Loan against Trust Receipt
LIM	:	Loan against Imported Merchandise
SOD	:	Secured Over Draft
MSME	:	Micro Small Medium Enterprise
SME	:	Small & Medium Enterprise
GSIS	:	Geameen Small Investment Scheme
MEF	:	Medium Enterprise Finance