

# **An Internship Report On**

## **“Overall Banking System and Performance Analysis of Al-Arafah Islami Bank Limited”**

*This Report is submitted to the Faculty of Post-graduate Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur for the fulfillment of degree of Master of Business Administration (Evening) program.*

### **PREPARED BY**

**MD. MONJURUL ISLAM**  
MBA (EVENING)  
1<sup>st</sup> Batch, Major in Finance  
Student no-E 130501010  
Faculty of Business Studies  
HSTU, Dinajpur.

### **SUPERVISED BY**

**MD. KUTUB UDDIN**  
Associate Professor  
Department of Management.  
Faculty of Business Studies  
HSTU, Dinajpur.



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

**May, 2016**

# An Internship Report On

## “Overall Banking System and Performance Analysis of Al-Arafah Islami Bank Limited”

Prepared By-

**MD. MONJURUL ISLAM**  
MBA (Evening)  
1<sup>st</sup> Batch, Major in Finance  
Student no-E 130501010  
Faculty of Business Studies  
HSTU, Dinajpur.

Approved by-

---

Supervisor  
**(MD. KUTUB UDDIN)**  
Associate Professor  
Department of Management  
Faculty of Business Studies  
HSTU, Dinajpur.

---

Co-Supervisor  
**(DR. MD. ZAHANGIR KABIR)**  
Associate Professor  
Department of Management  
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

To

Md. Kutub Uddin

Associate Professor

Department of Management

Faculty of Business Studies

HSTU, Dinajpur

Subject: Submission of Internship Report.

Dear Sir,

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

I believe that the knowledge and experience which I have, gathered during the internship period will be helpful in my future through the life. I hope you will be kind enough to accept this report.

Thanking you.

Sincerely yours

---

**MD. MONJURUL ISLAM**

ID: E 130501010

1<sup>st</sup> Batch, MBA (Evening)

Major in Finance,

HSTU, Dinajpur-5200.

## ***SUPERVISOR'S DECLARATION***

I hereby declare that the concerned report "**Over All Banking System and Performance analysis of Al-Arafah Islami Bank Limited**" is an original work done by **Md. Monjurul Islam**, Student ID: E 130501010, (Evening), 1<sup>st</sup> Batch, Major in Finance, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200. He has performed his internship under my supervision and submitted this internship report for the partial fulfillment of the requirement of the degree of Master of Business Administration, (Evening), Major in Finance.

I wish him every success in life.

---

**Supervisor**  
**(MD. KUTUB UDDIN)**  
Associate Professor  
Department of Management  
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. Monjurul Islam, Student ID: E 130501010**, MBA (Evening), 1<sup>st</sup> 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.

---

**DR. MD. ZAHANGIR KABIR**

Co-Supervisor and  
Associate Professor  
Department of Management  
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. MONJURUL ISLAM**

ID: E 130501010

MBA (Evening)

1<sup>st</sup> 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 Md. Kutub Uddin and co-supervisor Dr. Md. Zahangir Kabir from the core of my heart for her 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. MONJURUL ISLAM**

ID: E 130501010

MBA (Evening)

1<sup>st</sup> 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 Investment Management 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 Beloved Parents  
&  
Honorable Teachers*

## LIST OF CONTENTS

CHAPTER	TITLE	PAGE NO.
<b>CHAPTER-1</b>	<b>INTRODUCTION</b>	<b>1-3</b>
1.1	Introduction	1
1.2	Scope of the Report	2
1.3	Objectives of the Report	2
1.4	Significance of the Study	2
1.5	Methodology of the Study	3
1.6	Limitations of the Report	3
<b>CHAPTER-2</b>	<b>COMPANY OVERVIEW</b>	<b>4-15</b>
2.1	Background of Al-Arafah Islami Bank Limited	4
2.2	Vision	4
2.3	Mission	4
2.4	Goals	5
2.5	Core values	5
2.6	Commitments	5
2.7	Special Features of the Bank	5
2.8	Corporate Information	7
2.9	Corporate Culture	7
2.10	Financial Highlights of Last 5 Years	8
2.11	Credit Rating	9
2.12	Hierarchy of the Management Team	10
	Organogram of an AIBL Branch	11
2.13	Internal Control & Compliance (ICC) Environment	11
2.14	Products and Services Provided by AIBL	13
2.15	Branch Network	14
2.16	Branch Information	14
2.17	Card & ATM	14
2.18	Green Banking	15
<b>CHAPTER-3</b>	<b>LITERATURE REVIEW</b>	<b>16-17</b>
3.1	Deposit Management of AIBL	16
3.2	Shariah Investments of AIBL	16
3.3	Investment Decision of AIBL	16
3.4	Modes of Investment of AIBL	17
<b>CHAPTER-4</b>	<b>INVESTMENT MANAGEMENT</b>	<b>18-36</b>
4.1	Investment	18
4.2	Factors Related with Investment	18

<b>CHAPTER</b>	<b>TITLE</b>	<b>PAGE NO.</b>
4.3	Importance of Investment	18
4.4	Investment Principles	18
4.5	Five Years Investment Performance of AIBL	19
4.6	Investment processing of AIBL	20
4.7	Application Stage	21
4.8	Appraisal Stage	21
4.9	Sanction Stage	22
4.10	Documentation Stage	23
4.11	Disbursement Stage	24
4.12	Monitoring & Recovery stage	24
4.13	Deposit Mix	25
4.14	Investment Rating Report AIBL Division	26
4.15	Sector wise Investment 2014 of AIBL	27
4.16	Sector wise investment 2015 in Dinajpur Branch	28
4.17	Total Investment To MSME Investment	30
4.18	Investments On Women Entrepreneurs	31
4.19	Agricultural Investment of AIBL for 2014	32
4.20	Grameen Small Investment Scheme (GSIS)	33
4.21	Investment Deposit Ratio of Dinajpur Branch	34
4.22	Investments of Dinajpur Branch of AIBL	35
4.23	Deposit of Dinajpur Branch	36
<b>CHAPTER-5</b>	<b>FINDINGS</b>	<b>37-40</b>
5.1	Findings	37
5.2	Problem	38
5.3	SWOT Analysis of AIBL	39
<b>CHAPTER-6</b>	<b>RECOMMENDATIONS AND CONCLUSIONS</b>	<b>41-44</b>
6.1	Recommendations	41
6.2	Conclusions	42
	<b>REFERENCES</b>	<b>45</b>

# 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

## **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").

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.

### **Experience from Internship**

- i. Time Management
- ii. Direct Communication with Customer
- iii. Formal Dress Code
- iv. Teamwork
- v. Account Opening
- vi. General Banking Task:
- vii. Investment Task
- viii. Cash Department Task

## **1.2 Scope of the Report**

As I was assigned to the Al-Arafah Islami Bank Ltd, (AIBL), Dinajpur Branch, The report covers the topic “**Overall Banking System and Performance Analysis of AIBL**”. To prepare this report on general banking and investment management system and performance analysis of AIBL.

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

- i. An overview of AIBL
- ii. Overall banking scenario of AIBL
- iii. Financial performance of AIBL

The report 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.

## **1.3 Objectives of the Internship Report**

The main objective of this report is to arrange the gathered practical knowledge from Al-Arafah Islami Bank Limited.

The specific objective are-

- i. To fulfill academic requirement
- ii. To focus on overall banking practice in of AIBL
- iii. To provide some policy guidelines for improving overall banking situation of AIBL
- iv. To match the theoretical knowledge with practical knowledge to gain practical knowledge about corporate world

## **1.4 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) post-graduation.

### **1.5 Methodology of the Study**

The study is explanatory in nature. It gives an insight and comprehensiveness of the deposit and investment management 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.

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 show below:

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.

The secondary 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](http://www.alarafahislamibankltd.com)), Bank rate sheet, Different books and newspapers.

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

### **1.6 Limitations of the Report**

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

- i. Bank's policy of not disclosing some sensitive data and information for obvious reason posed an obstacle to prepare more informative report.
- ii. Personal limitations like inability to understand some official terms, office decorum etc. created a few problems.
- iii. 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 129 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**

- i. Achieving the satisfaction of Almighty Allah both here & hereafter
- ii. Proliferation of Shariah Based Banking Practices
- iii. Quality financial services adopting the latest technology
- iv. Fast and efficient customer service
- v. Maintaining high standard of business ethics
- vi. Balanced growth
- vii. Steady & competitive return on shareholders' equity
- viii. Innovative banking at a competitive price
- ix. Attract and retain quality human resources
- x. Extending competitive compensation packages to the employees

- xi. Firm commitment to the growth of national economy
- xii. 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 give 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**

- i. Trust in Almighty ALLAH
- ii. Strict observation of Islamic Shariah
- iii. Highest standard of Honesty, Integrity and Moral
- iv. Equity and Justice
- v. Adoption of charged Technology

## **2.6 Commitments**

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

- i. All activities of AIBL are conducted under a profit/loss based system according to Islamic Shariah to get the nation rid of Usury.

- ii. Its investment policies under different modes are fully Shariah compliant and well monitored by the board of Shariah Council.
- iii. During the year 2007, 70% of the investment income has been distributed among the Mudaraba depositors.
- iv. 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.
- v. AIBL regularly arranges its AGMs (Annual General Meeting). Whenever needed EGMs (Extraordinary General Meeting) are also arranged.
- vi. AIBL regularly pays dividend to their valued shareholders. For the year of 2008, AIBL declared 30% bonus dividend to their shareholders.
- vii. They believe in providing dedicated services to the clients imbued with Islamic spirit of brotherhood, peace and fraternity.
- viii. The bank is committed towards establishing a welfare-oriented banking system to meet the needs of low income and underprivileged class of people.
- ix. The Bank upholds the Islamic values of establishment of a justified economic system through social emancipation and equitable distribution of wealth.
- x. 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 <sup>st</sup> 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

Source: AIBL head office, motijhil branch, Dhaka

## 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 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
<b>Total Income</b>	<b>7,685.57</b>	<b>11,332.59</b>	<b>16,692.58</b>	<b>19,723.41</b>	<b>23,596.5</b>
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
<b>Total Assets (Excluding off-balance sheet items)</b>	<b>74,005.01</b>	<b>106,768.18</b>	<b>146,334.8</b>	<b>170,935.6</b>	<b>207,334.5</b>
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
<b>Earnings per Share (Taka)</b>	<b>4.14</b>	<b>2.73</b>	<b>2.30</b>	<b>2.46</b>	<b>2.37</b>
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,

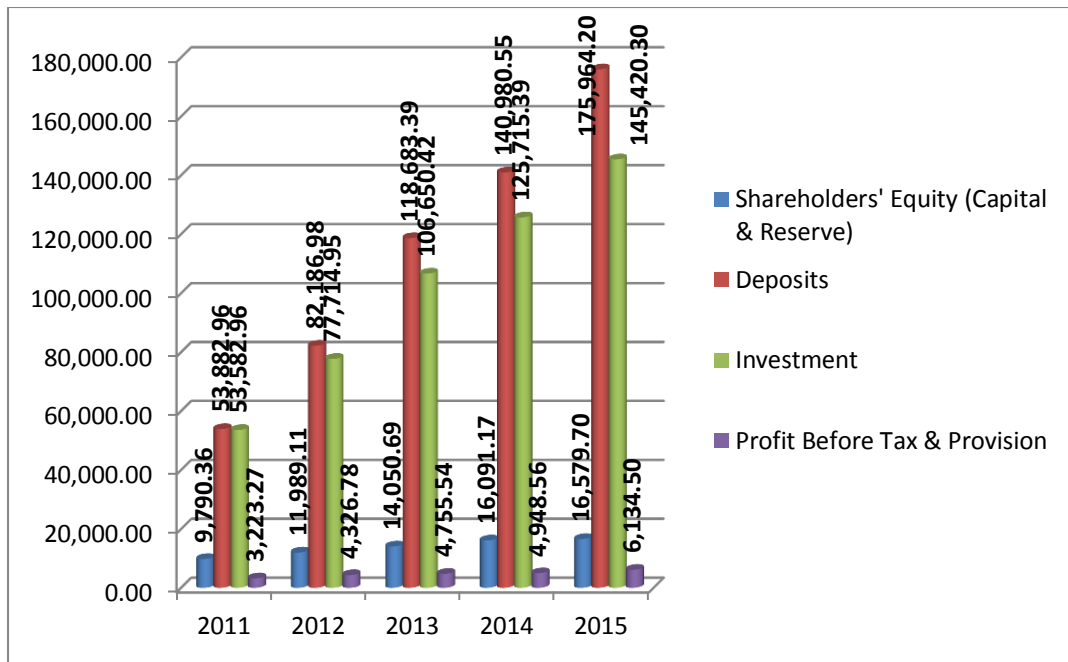


Figure 2.1: Performance at a Glance (in million Taka)

### 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.

### 2.11 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.

**2.12 Hierarchy of the Management Team**



### 2.13 Organogram of an AIBL Branch

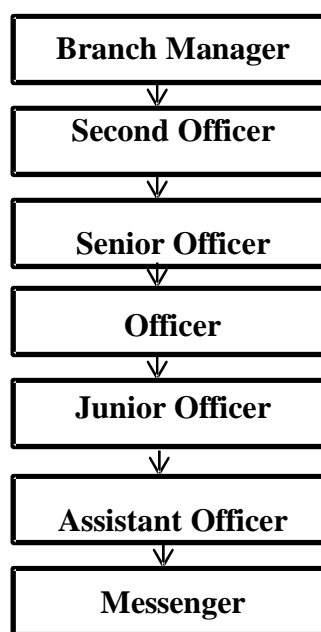


Figure 2C: Organogram of an AIBL Branch

### 2.14 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:

**(i) 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

**(ii) 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.



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

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

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

**(vi) 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.

**(vii)** 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.

## 2.15 Products and Services Provided by AIBL

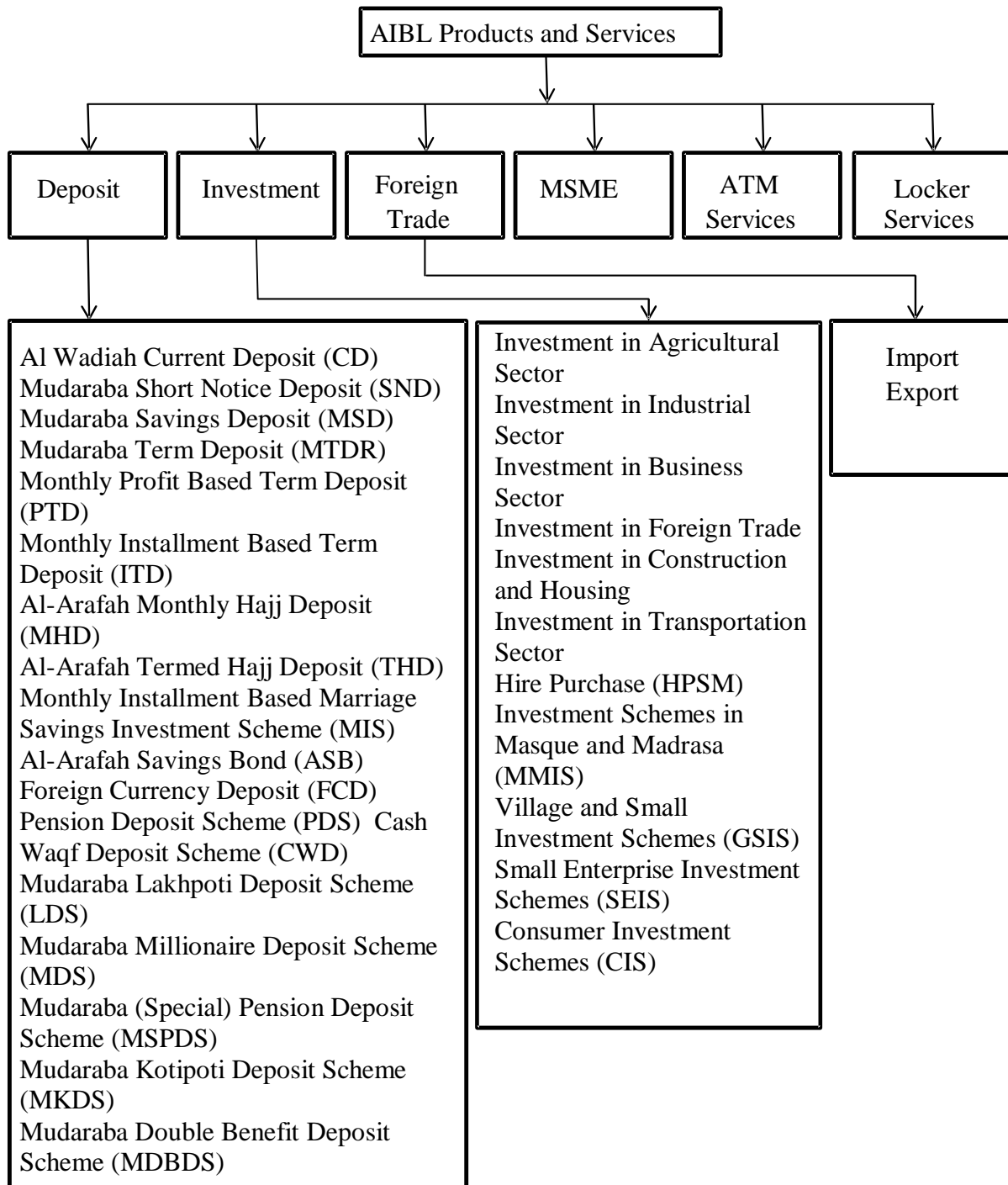


Figure 2D: Products and Services Provided by AIBL

## 2.16 Branch Network

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

## 2.17 Branch Information (Dinajpur Branch, Dinajpur)

Date of Incorporation	08.12.2010
Manager	Md. Abul Kalam Shams uddin
Second Officer	Md. Mobinul Islam
Branch No.	75 <sup>th</sup>
Local Partnership of Capital	100%
No. of Employees	15
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

## 2.18 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.

## **2.19 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 Deposit Management of AIBL**

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.

### **3.2 Shariah Investments of AIBL**

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.

### **3.3 Investment Decision of AIBL**

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.

### 3.4 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:

<b>1. Bai meachanism</b>	Bai Murabaha
	Bai Muajjal
	Bai Salam
	Bai Istisna
<b>2. Share meachanism</b>	Mudaraba
	Musharaka
<b>3. Ijara meachanism</b>	Hire purchase under shirkatul malek
	Ijara

#### **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**

- i. Risk
- ii. Time
- iii. Interest Rate
- iv. Security or Collateral
- v. Operating Expense
- vi. Legal Considerations
- vii. Inflation
- viii. Finance Charge

#### **4.3 Importance of Investment**

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

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

#### **4.4 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.

- i. 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.

- ii. Loans and advances shall normally be financed from customer's deposit and not out of temporary funds or borrowing from other banks.
- iii. The bank shall provide suitable credit services for the markets in which it operates.
- iv. It should be provided to those customers who can make best use of them.
- v. 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.

#### 4.5. 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:

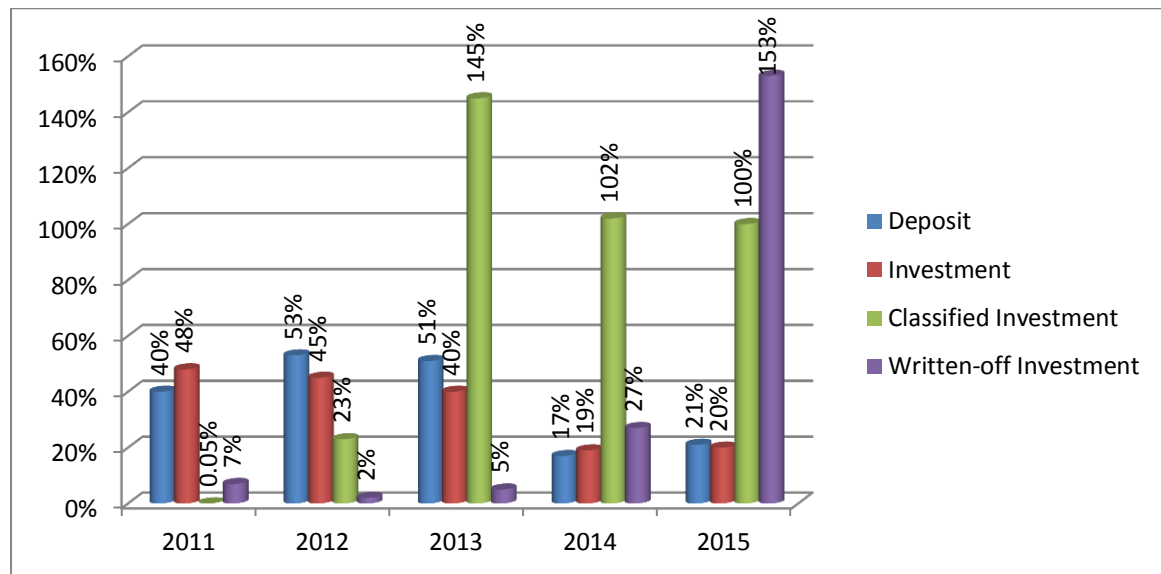


Figure 4.1: 5 Years Investment Performance of AIBL

### 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.

### 4.6 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-

- i. Character
- ii. Capacity
- iii. Capital
- iv. Collateral
- v. Condition

#### **4.7 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-

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

Summary of the personal movable & immovable assets, and others

#### **4.8 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-

- i. Company's or Client's information
- ii. Owner's information
- iii. List of partners
- iv. Purpose of investment/ Facilities
- v. Details of proposed facilities/ Investment
- vi. Break up of present outstanding
- vii. Other liabilities of the client
- viii. Previous Banker's information
- ix. Details of sister/ Allied concerns
- x. Allied Deposits as on
- xi. Business/ Industry Analysis
- xii. Relationship analysis
- xiii. Asset- Liability position of the client as per Audited Balance sheet
- xiv. Working capital assessment
- xv. Risk grade
- xvi. Particulars of the go down for storing MPI/ Murabaha goods
- xvii. Insurance coverage
- xviii. Audit observation
- xix. Security analysis

#### **4.9 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-

- i. Investment Limit in Million
- ii. Mode & amount of Investment
- iii. Purpose of investment
- iv. Period of Investment
- v. Rate of Return
- vi. 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%)

#### **4.10 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-

- i. Tax payment Certificate
- ii. Stock Report
- iii. Trade License (Renewal)
- iv. VAT certificate
- v. Liability statement from different parties
- vi. Receivable from different clients

- vii. Other Assets statement
- viii. Aungkyar Nama
- ix. Ghosona Potra
- x. Three (03) years net income & business transaction
- xi. Performance report with bank
- xii. Valuation Certificate
- xiii. Particulars of the Proposal
- xiv. Particulars of the Mortgagor
- xv. Particular of the properties
- xvi. Outstanding Liability position of the bank
- xvii. CIB (Credit Information Bureau) report

#### **4.11 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.

#### **4.12 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 bank feels that anything is going wrong then it tries to recover its investment fund from the client.

#### 4.13. Deposit Mix:

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

Diagram:

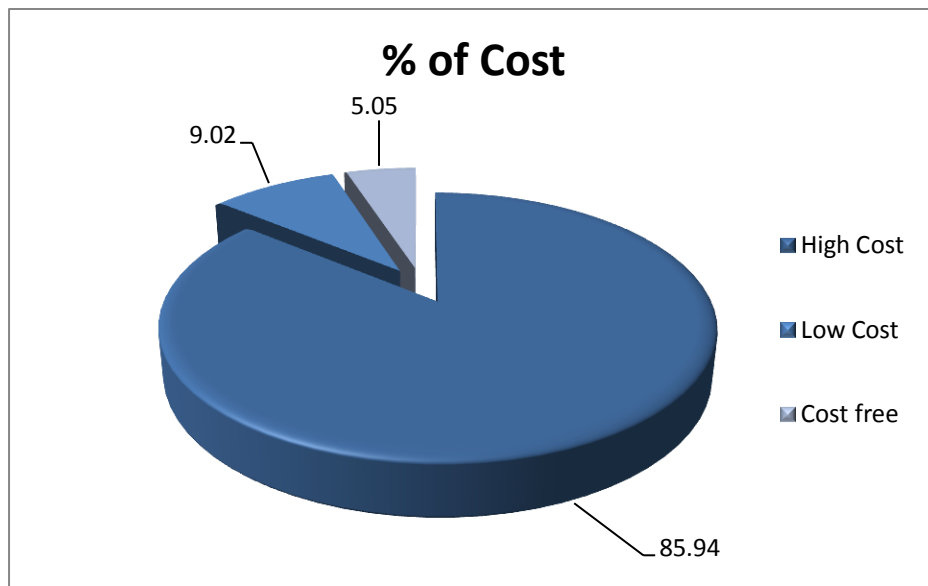


Figure 4.2: Deposit Mix

#### 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.

#### 4.14. Investment Rating Report AIBL Division (Figure- 2.4)

	<b>Long Term</b>	<b>Short Term</b>
<b>Surveillance Rating-2009</b>	AA	ST-2
<b>Surveillance Rating-2008</b>	AA-	ST-2
<b>Outlook</b>	Stable	
<b>Date of rating</b>	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.

#### 4.15. 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:

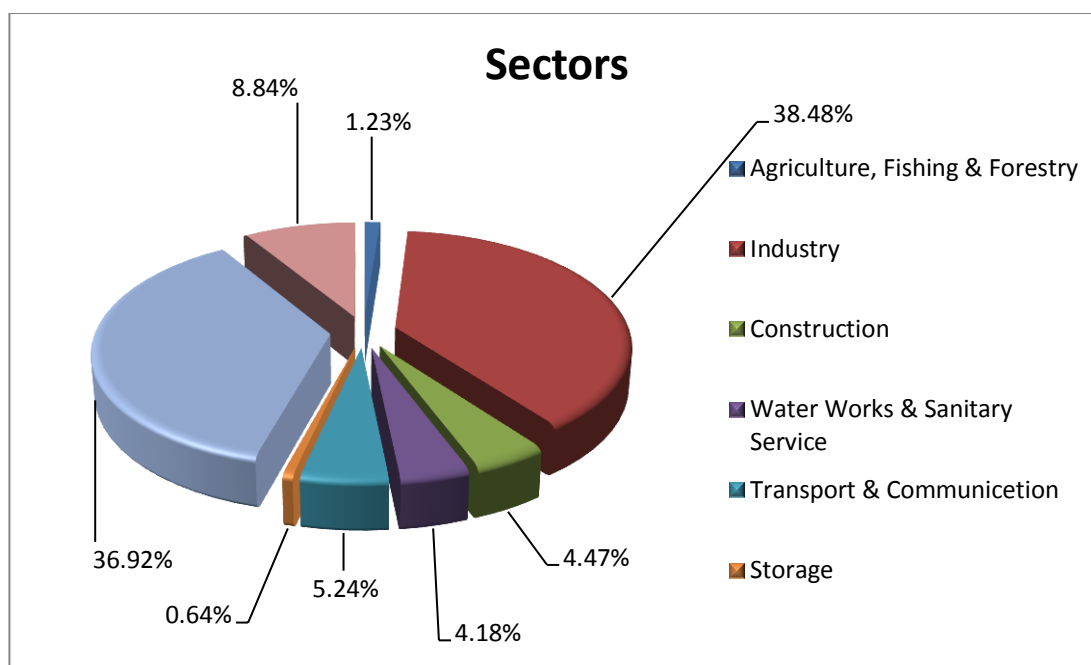


Figure 4.3: Sector Wise Investment 2015 of AIBL



#### 4.16. 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
<b>Total</b>	<b>628.50752</b>

**Source: Dinajpur Branch, 2015**

**Diagram:**

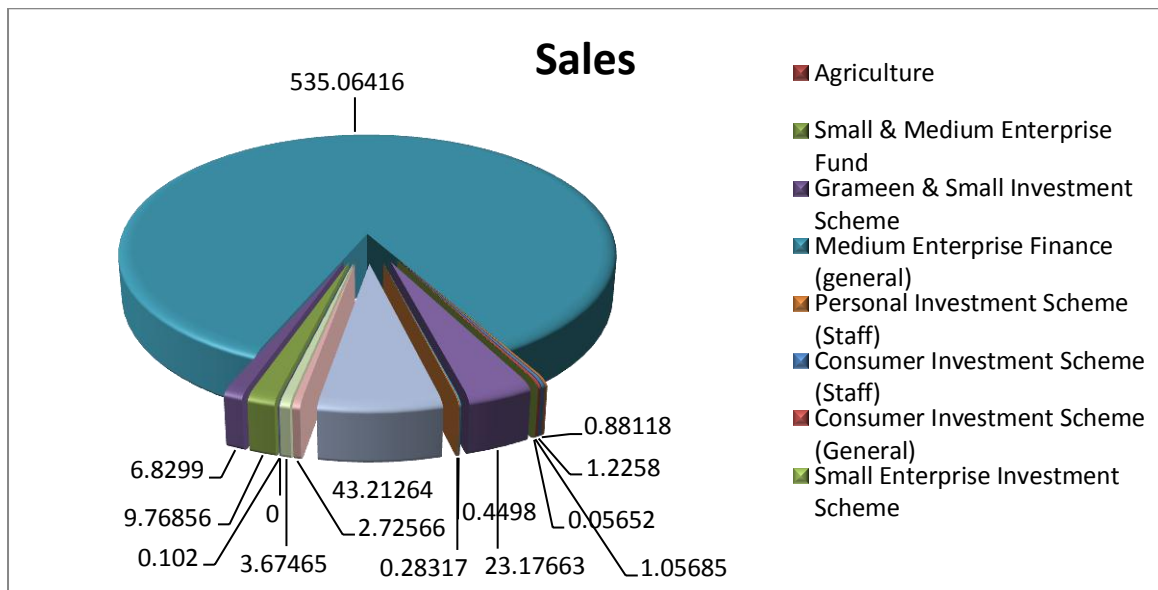


Figure 4.4: Sector wise Investment for 2015 at AIBL, Dinajpur

**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.

#### 4.17. 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:

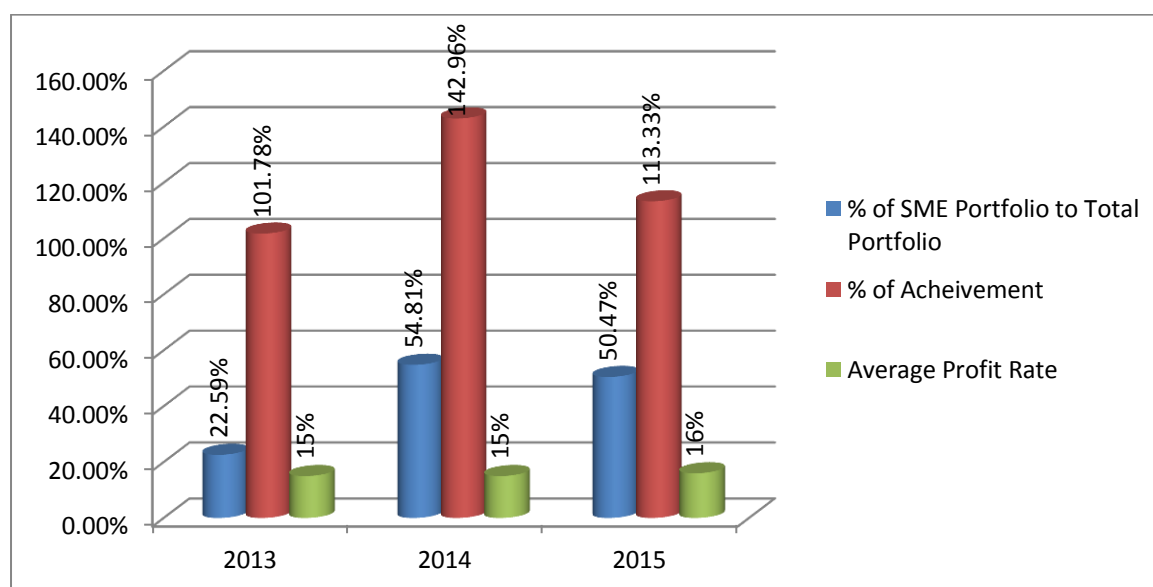


Figure 4.5: Total Investment to MSME investment

#### 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%.

#### 4.18. Investments On Women Entrepreneurs:

Description	2013	2014
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:

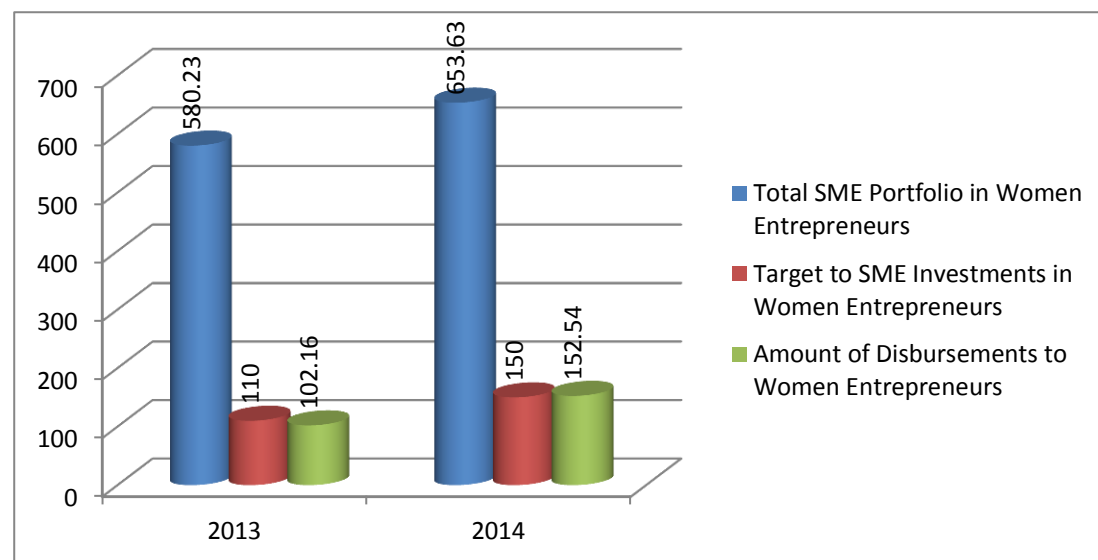


Figure 4.6: Investments On Women Entrepreneur

#### Interpretation:

Figure 4.6 proves that, AIBL is good in investments on Women Entrepreneur. It's total portfolio was 580.23 in 2013 and improves to 653.63 in 2014. It's target was 110 in 2013 and 150 in 2014. And percentage (%) of achievement was 92.87% in 2013 and it became 101.69% in 2014.

#### 4.19. 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
<b>Sub Total</b>	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
<b>Sub Total</b>	64.21	76.01
<b>Grand Total</b>	126.37	211.61

#### Diagram:

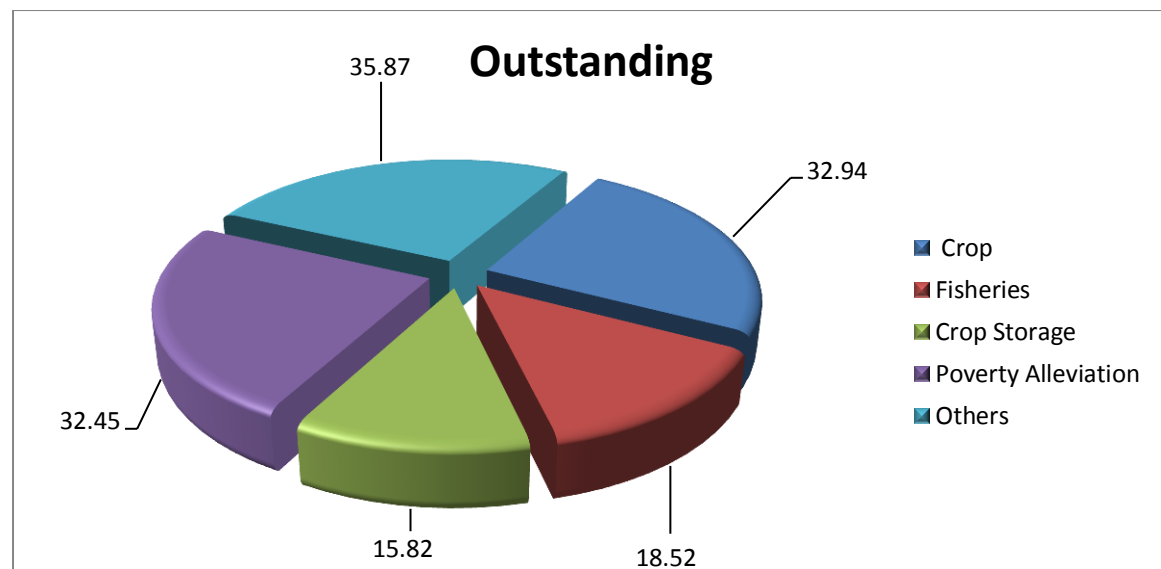


Figure 4.7: Agricultural Investment of AIBL (Short-Term Loan)

#### 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.

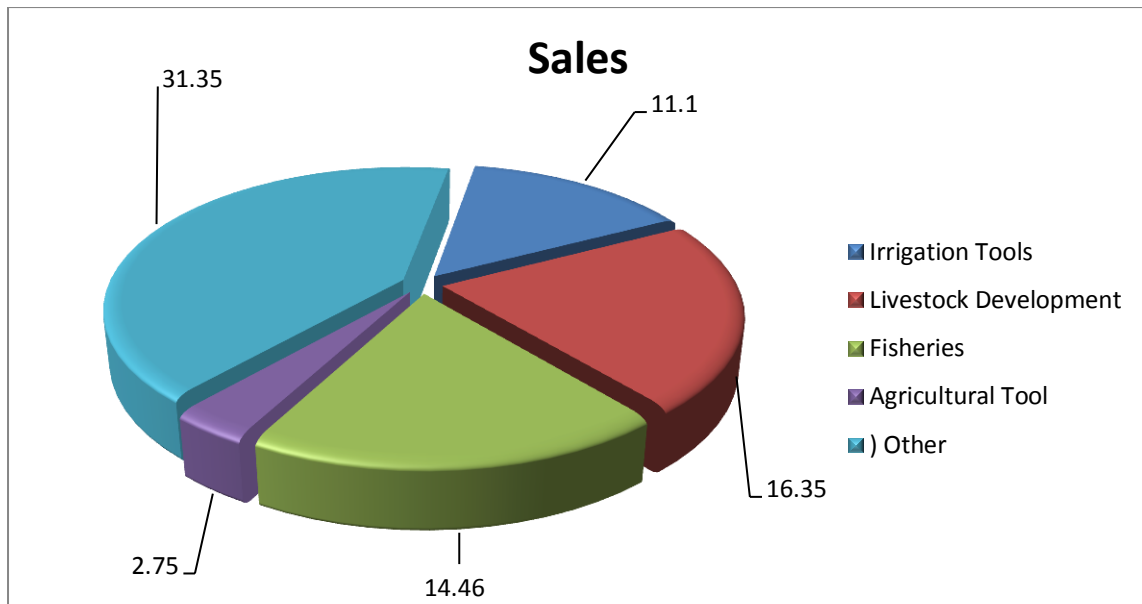


Figure 4.8: Agricultural Investment of AIBL (Long-Term Loan)

**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.

**4.20. Grameen Small Investment Scheme (GSIS):**

<b>Disbursement From Starting</b>	<b>Tk. 212.34 Crore</b>
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%

#### 4.21. 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:

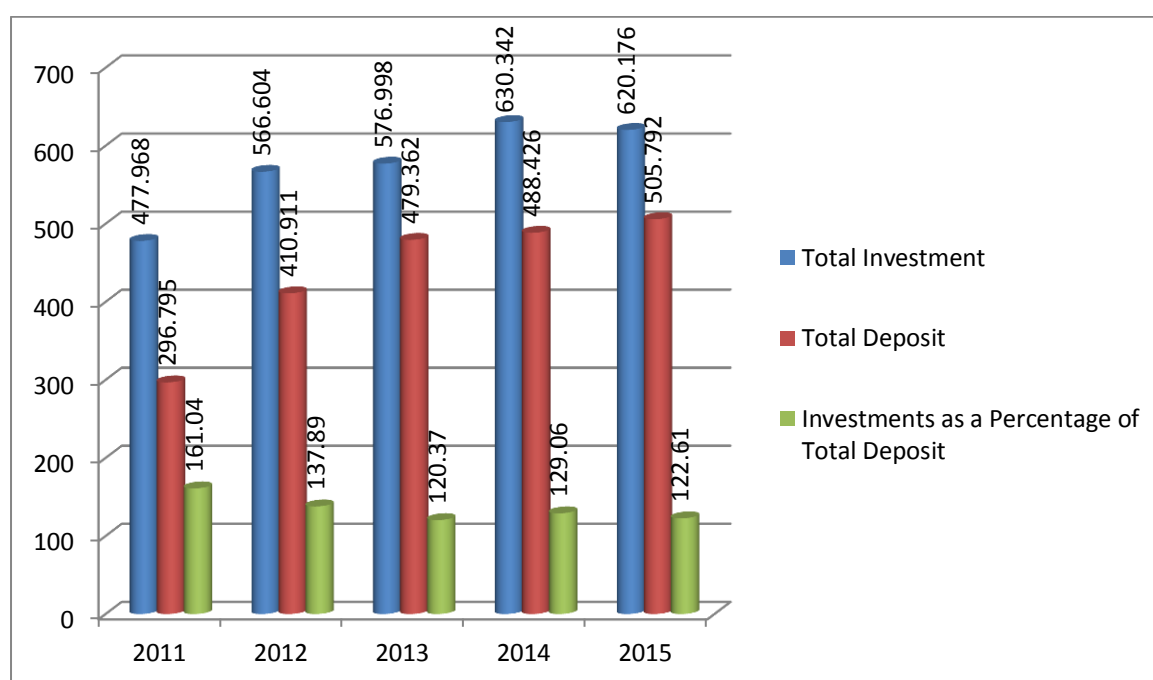


Figure 4.9: Investment Deposit Ratio of AIBL, Dinajpur for 2015

#### 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.

#### 4.22. 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:

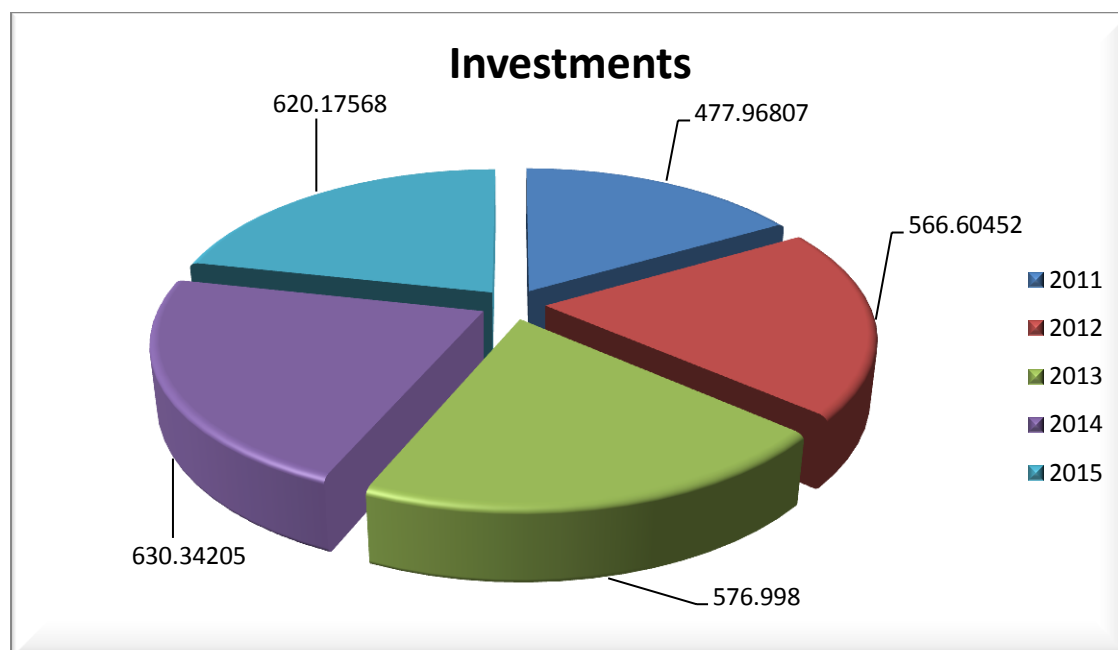


Figure 4.10: Investments for 2015 of AIBL, Dinajpur

#### 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.



#### 4.23. Deposit of Dinajpur Branch

(in million):

Deposit	2011	2012	2013	2014	2015
	296.79538	410.90998	479.36221	488.42619	505.79247

#### Diagram:

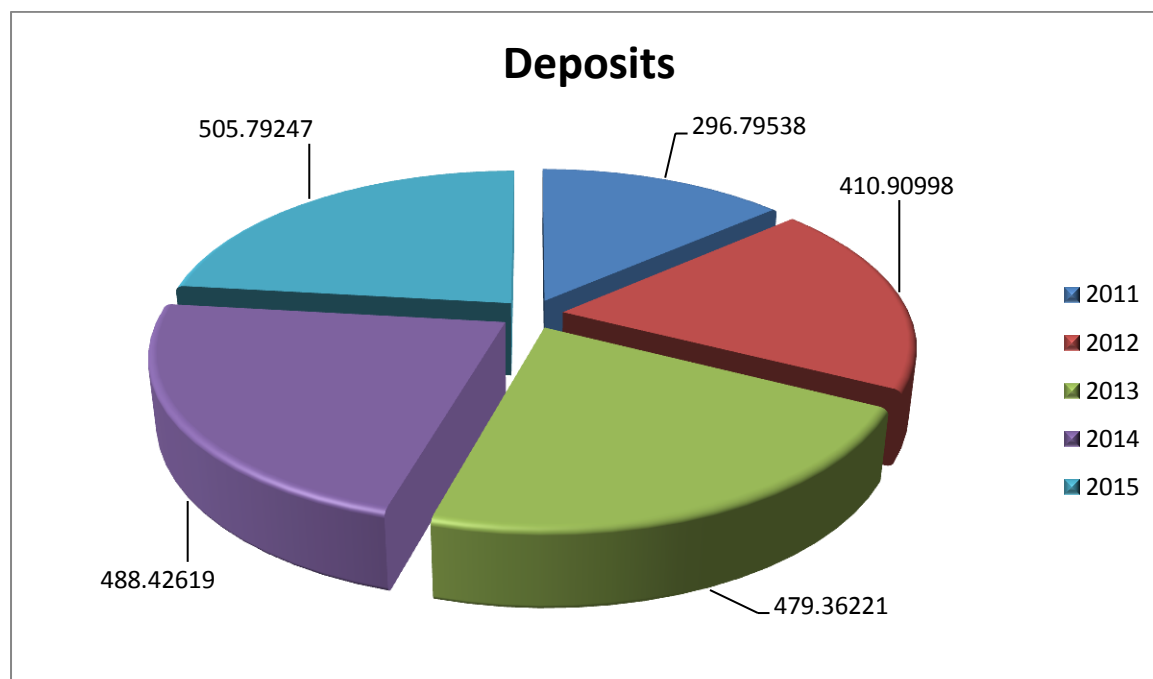


Figure 4.11: Deposits for 2015 Of AIBL, Dinajpur

#### 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

- i. 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.
- ii. 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.
- iii. 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.
- iv. 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.
- v. 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%.

- vi. ROI is performance measure used to evaluate the efficiency of an investment.
- vii. 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.
- viii. 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.
- ix. 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.
- x. The Officers engaged in financial statement are very much aware in maintaining accounts to ensure that financial statement are free from material misstatement.
- xi. The top management is more conscious about the liquidity of company.
- xii. 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.
- xiii. They have interest free banking. They only receive profit of the goods.
- xiv. It has a lowest profit rate comparatively to other commercial bank, which is affordable for the clients.
- xv. The have a significant role in social and financial development by investing like, masque, madrasa, grameen and small enterprise.

## **5.2 Problems**

- i. Due to lack of ATM Booth facilities, the bank is not able to attract more new deposits
- ii. AIBL does not provide credit card facilities to its customers.
- iii. SMS banking facility is not available which is essential nowadays for depositors. They have to come to the bank to know their account balance.
- iv. Banking service is not fast enough. Often customer need to wait for a long time for service.
- v. Marketing strategy of the bank is very poor. They do not use any modern advertising method to attract customers.
- vi. People cannot know about their investment products through online. Their

website is not up-to-date and most of the section are incomplete.

- vii. Lack of manpower slows down their service.
- viii. They do not have any dedicated helpline for customers.
- ix. Investment processing is lengthy therefore people become demotivated
- x. 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**

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

#### **5.3.2 Weaknesses**

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

#### **5.3.3 Opportunities**

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

#### **5.3.4 Threats**

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

#### **5.4 Experience From Internship**

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.

## 6.1 Recommendations

- i. AIBL should change the outlook of the branch to attract premium customers.
- ii. AIBL should provide an effective training program for the junior level officers.
- iii. The service in Dinajpur Branch has real good prospect, thus the bank should work actively so that it can attract more clients.
- iv. The branch should give more emphasis on proper record keeping.
- v. They should give more attention in increasing their deposits in different accounts.
- vi. 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.
- vii. Optimal cost for sanctioning and disbursing investment should be minimized.
- viii. The number of branches should be increased.
- ix. Bank should offer more facilities to the consumers such as credit card, master card, ATM Machine etc.
- x. 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.
- xi. AIBL should invest in profitable sector. Among the different sector AIBL should invest highly in Industry and Commerce sector for high profit.
- xii. They should increase Manpower.
- xiii. They should emphasize on Advertising of their Product, so that the customer can know about the Product information and Facilities.
- xiv. The Bank should increase the number of ATM Booth, so that the customer can easily make Transaction.

## **6.2 Conclusion**

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.

## --- 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.

### **5. Account Opening**

- i. I filled different types of account form for the customer. There is different type of Bank account such as-
- ii. 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.
- iii. 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.
- iv. 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.



- v. I collected necessary papers from customers such as- photocopy of National ID card, Passport, Trade License etc.
- vi. I wrote down Transaction Profile of several accounts.

#### **6. General Banking Task:**

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

#### **7. Investment Task**

- i. Filled up the investment application form for the customer
- ii. Checked the necessary document and listed them up
- iii. Filled up the dill papers for the clients
- iv. Prepared debit and credit voucher for the payment and adjustment
- v. Filled up the CI form
- vi. Listed the document for sanction

#### **8. Cash Department Task**

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

#### **9. Others**

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

## REFERENCES

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