



*In the Name of Allah
The Most Gracious the Most Merciful*



**AN INTERNSHIP REPORT
ON**

**“Islami Banking System in Al Arafah
Islami Bank Limited, Dinajpur Branch”**

This Report is submitted to the Department Of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur for the Fulfillment of the Degree Bachelor of Business Administration (BBA).

SUBMITTED TO

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

November, 2014

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On



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Arafah Islami Bank Limited,
Dinajpur Branch”**

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Faculty of Business Studies
HAJEE MOHAMMAD DANESH SCIENCE & TECHNOLOGY UNIVERSITY,
DINAJPUR-5200

November, 2014

Letter of Transmittal

Date: November, 2014

Dr. Fahima Khanam
Supervisor
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Professor,
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Faculty of Business Studies
HSTU, Dinajpur.

Subject: Submission of Internee Report.

Dear Sir,

It is a great pleasure and privilege to present the internee report titled “**Islami Banking System in Al Arafah Islami Bank Limited, Dinajpur Branch**”. This was assigned to me as a partial requirement for the competition of BBA Program. Throughout the study I have tried with the best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instructions as you have suggested. I tried my best to make this report as much informative as possible. I sincerely believe that it will satisfy your requirements. I however sincerely believe that this report will serve the purpose of my internee program.

I am grateful to you for your guidance and kind cooperation at every step of my endeavor on this report. I shall remain deeply grateful if you kindly take some pan to go through the report and evaluate my performance.

My effort will be reworded only if it adds value to the research literature.

Md. Rianul Hoque
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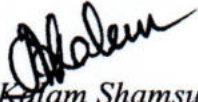
Ref: AIBL/DNJ/2014/1251

Date: 16-11-2014

To Whom It May Concern

*This is to certify that Md. Rianul Haque, student of BBA(Major in Accounting) Department of Accounting, student ID No.1003077 Faculty of Business Studies of Hajee Mohammad Danesh Science and Technology University, Dinajpur, has successfully completed internship Program on “**Islami Banking System of Al-Arafah Islami Bank Limited**” with effect from 30-09-2014 to 13-11-2014 (Forty Five Days) at Al-Arafah Islami Bank Limited, Dinajpur Branch, Dinajpur. During the Internship Program we also found him impressive, praiseworthy & enthusiastic.*

We wish him every success in life.


(Md. Abul Kalam Shamsuddin)
Manager

Student's Declaration

I hereby declare that the report of internship namely “ **Islami Banking System in Al Arafah Islami Bank Limited, Dinajpur Branch**” by me after the completing of 45 days internship with **Al Arafah Islami Bank Limited, Dinajpur Branch** and a comprehensive study of the existing activities of al Arafah Islami Bank Limited and its implementation.

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



Md. Rianul Hoque
BBA (Major in Accounting)
Level-4, Semester-II
Student No: 1003077
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Supervisor's Declaration

I hereby declare that the concerned report on **Islami Banking System in Al Arafah Islami Bank Limited, Dinajpur Branch**” is an original work by **Md. Rianul Hoque, Student No: 1003077**, BBA (Major in Accounting), Level-4, Semester-II, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my supervision and submitted for the fulfillment of the requirement of the degree of Bachelor of Business Administration (BBA) , (Major in Accounting) at HSTU, Dinajpur.



Dr. Fahima Khanam
Supervisor
&
Professor,
Department of Economics
HSTU, Dinajpur.

Co-Supervisor's Declaration

I hereby declare that the concerned report on **Islami Banking System in Al Arafah Islami Bank Limited, Dinajpur Branch**” is an original work by **Md. Rianul Hoque, Student No: 1003077**, BBA (Major in Accounting), Level-4, Semester-II, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my co-supervision and submitted for the fulfillment of the requirement of the degree of Bachelor of Business Administration (BBA) , (Major in Accounting) at HSTU, Dinajpur.

Kutub Uddin
Co-Supervisor
&
Associate professor
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Preface

The discussed report is the terminal formalities of the internship program for the degree of Bachelor of Business Administration (BBA), (Major in Accounting), faculty of Business Studies at Hajee Mohammad Danesh Science and Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement of after the successfully completion of 45 days internship organized at Al Arafah Islami Bank Limited(AIBL), Dinajpur Branch with the view to familiarized the students with the practical implementations of the knowledge provides the theoretical aspects of practical life.

It is my pleasure and great privilege to submit my report titled “**Islami Banking System in Al Arafah Islami Bank Limited, Dinajpur Branch**” worked out at Dinajpur Branch during 45 days. As the presenter of this report, I have tried my level best to get together as much information as possible to enrich the report while working at this company. I believe that it was a fascinating experience to work in the company and it has enriched both my knowledge and experience.

However, after all this, as a human being, I believe everyone is not beyond limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these of my further information on those matters.

Acknowledgement

It is my great privilege to express our gratitude to our creator Allah (SWT) for such great opportunity to be in touch with Al-Arafah Islami Bank Limited for the 45 days. I have to put my heartened feelings and gratitude for the kindness and assistance that was provided to me to complete my assigned report on the topic “**Islami Banking System in Al Arafah Islami Bank Limited: A Case Study on Dinajpur Branch.**” In preparing the report, I want to express my strong gratitude to my Honorable supervisor **Dr. Fahima Khanam**, Professor, Department of Economics, Hajee Mohammad Danesh Science and Technology University. I also want to express my strong gratitude to my Honorable Co-supervisor **Kutub Uddin**, Associate Professor, Department of Management, Hajee Mohammad Danesh Science and Technology University. I will never forget the kind cooperation I received from my Honorable supervisor.

I express my heart full thanks to all the branch members of Al-Arafah Islami Bank Limited especially **Md. Abul Kalam Shamsuddin**, SPO & Manager, AIBL, Dinajpur Branch and all other branch members who gave me necessary information and excellent guidance to prepare this internship report.

I am very grateful to **Md. Shahinur Rahman and Md. Mirza Solaiman Hossain**, Executive Officer, **Md. Rafiqul Islam** Executive Officer & Investment In-Charge of AIBL Dinajpur branch, for his kind and helpful cooperation with me. I would also like to thanks all the other employees of all level for their beloved manner and attitude that they had shown to me during the staying in the Branch.

I would like to thank from the deep of my heart to those people who are related with making of this report and make it a success.

At last but not the least, Hajee Mohammad Danesh Science and Technology University, Dinajpur for giving me an opportunity to complete my BBA degree and give me a scope to gather practical experience and enrich my knowledge.

May **ALLMIGHTY ALLAH** bless all of them.

Executive Summary

This report aims toward providing an overview on Islami Banking System of Al-Arafah Islami Bank Limited. The report is prepared within the broader framework of Internship Program of the Department of Accounting, Hajee Mohammad Danesh Science & Technology University, Dinajpur. I have chosen an important topic of banking system, Islami Banking System. While preparing this report it has been tried to reveal the insights of the functions of Islami Banking System. Simultaneously efforts have been made to provide an in depth analysis on the Export Procedure system in the light of the theoretical aspects. And a few recommendations and suggestions were also prescribed based on the observation and findings.

While discussing the different aspects and functions of the bank, priority has been given to depict the real situation as far as appraisal and management system in Al-Arafah Islami Bank Ltd. are concerned by employing the experience gathered during the internship program. Analysis on the findings is basically done to sort out the major aspects of Investment Management system and to draw some significant inferences.

At the same time for easier understanding of the report, an overview of AIBL, supporting topics and terms are explained in light of textbooks and regulatory guidelines. The objectives, vision, mission, management and overall performance of AIBL are included in this report to state a clear understanding about the bank.

Different sections of Investment and the details of its functions are explained briefly here. To examine the efficiency of the Export management system, Letter of credit has been taken as the prime factor. Utmost care has been given to explain all necessary aspects related to the subject matter for easier and quick understanding of the report.

*Dedicated
To
My Parents,
Honorable Supervisor
and
Co-Supervisor*

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CHAPTER ONE

INTRODUCTION

1.1 Introduction:

Service businesses, like other businesses, consider customers as kings and queens. Their competitive power in the industry, even their existence in the same depends on their acceptability to present and potential customers. Customers' acceptability to any company is the outcome of the ability of that company to provide the customers with superior value. Customers' value again depends on the level of perception of the service they gave received. Whenever, after consumption of service, the perceive level of service customer receive, is perceive less than the expected level of service, the customers become dissatisfied. When customers are dissatisfied to the respective service providers, they may either do nothing or may simply switch to any other service provider of that industry.

Commercial Banks are the most important functionary of financial system of a country. They play a dynamic role in the economic development of a nation through the mobilization of savings and allocation of credit to productive sectors. All the policies, programs and strategies of a Bank must be formulated and implemented to satisfy the needs of the customers in the most efficient manner.

Service is any activities or benefits that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Service is completely experience based, intangible, unstoreable and simultaneous. It is given in a specific location. Moreover, it is different from products. Customer service includes the following and much more:

- Giving customers information about their present and future products, services, employees, etc.
- Processing customer order efficiently and instantly.
- Communicating effectively and if necessary instantly with customers at different levels on different matters.
- Being close to customers physically or otherwise.

- Delivering service as per schedule.
- Gaining confidence and trust of customers.
- Keeping customers satisfaction.
- Listening to customer complaints and taking action on them.
- Finding out new requirements of customers and endeavoring to fulfill these requirements.

Al Arafah Islami Bank Limited is one of the reputed private commercial Bank of Bangladesh. There are 118 branches of National Bank Limited in Bangladesh and Dinajpur Branch, Dinajpur is one of the Branches. It renders service to thousands of people of Dinajpur, Dinajpur district with the activities of special investment as well as general banking, foreign exchange, and loan & advance activities. It is necessary to find out the nature of the service facilities and the ways of improving customer services.

1.2 Importance of the Study:

Marketing is the performance of the business activities that direct the flow of goods and service from producer to customer or user in order to satisfy customer and accomplish the firm objectives. In order to achieve the customers' satisfaction product must be available in the right form of the right firm in the right place and the number that will allow customer to obtain possession of the product.

Bank is a symbol of financial stability of a country. It is an institute which is responsible for safeguarding the financial stability of a country. In modern age, the role of Banks is very wide as well as comprehensive. Al-Arafah Islami bank limited contributes over all the fields agriculture, small and middle industry, trade and commerce, foreign exchange and foreign trade, poverty alleviation, etc. and so more. So it is very much important to find out the problem and prospects of customer services of Al-Arafah Islami Bank Limited, Dinajpur Branch, Dinajpur.

After knowing customer opinion about service and Bank performance of Al-Arafah Islami Bank Limited, Dinajpur Branch, Dinajpur, we will be capable to achieve customer satisfaction. Which problem we have found out from the SWOT analysis, the corporate

branch will take initiative to solve these problems and give guidelines to Dinajpur branch, Dinajpur to be more profitable to ensure how to solve problems.

This study will be helpful for the students of BBA to gather practical knowledge along with their theoretical knowledge. It will also enrich the existing literature of comparative business.

1.3 Objective of the Study:

It is said that “where there is no objective there is no way to do something.” Whatsoever, should be performed depending on any specific objective. This study is not out of the above concept. However the objectives depending on which the research study will be performed as follows:

- To find out various activities/services rendered by the National Bank Limited.
- To measure the marketing activities and problem behind those activities.
- To know the opinion of the customers regarding the existing services of National Bank Limited.
- To find out service efficiency.
- To identify strength, weakness, threats, and opportunity and observe future growth prospect.

CHAPTER TWO

METHODOLOGY OF THE STUDY

2.1 Methodology

Methods followed to perform a job or conducting activities to complete a task is called methodology. In conducting this study the following methodology was adopted in collecting data & information, preparation of reports etc. The methodology of report is given below-

Research Type

This is a Descriptive Research, which briefly reveals the overall activities of the Al-Arafah Islami Bank Limited and also critically analyzes the investment activities of this bank.

Sources of Data

To prepare this report all the necessary information collected from **primary** and **secondary** sources of data.

Primary data collected for this report are as follows:

- Discussion with the Employees
- Interviewing Employees and Manager
- Observation on Organizational procedures and structures
- Conversation with the customers

Secondary sources of data

Secondary sources of data are of two kinds:

Internal: Annual Reports of Al-Arafah Islami Bank limited, other published documents of the bank and Al-Arafah Islami bank Website.

External: Books, Articles, Journals, Newspaper, Web browsing.

2.2 Data Analysis and Reporting

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

2.3 Limitations

Though I have given utmost effort to prepare this paper but there are some limitations of the study. Such are as follows:

- The main constrain of the study was insufficiency of information, which was required for the study. There are various information the bank employee can't provide due to security and other corporate obligations.
- Since the bank personnel were very busy, they could not provide enough time to me and lack of opportunity to visit more than one branch.
- The functions and activities of Al-Arafah Islami Bank are too vast, so they change their strategy day by day. As a result I can't collect update information & strategy.
- The website of AIBL is not that much rich with data.

CHAPTER THREE

PROFILE OF AL-ARAFAH ISLAMI BANK LIMITED

3.1 Background of the Bank

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. Al-Arafah Islami Bank Ltd. was established (registered) as a private limited company on 18 June 1995. It is committed to conduct all banking and investment activities on the basis of interest-free profit-loss sharing system. 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 is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 118 branches of which 21 is AD throughout the country.

Al-Arafah Islami Bank Ltd. offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software. Their strategy is to serve the customers through capacity building across multi delivery channels. Their past performance gives an indication of our strength. They are ensuring better placed and poised to serve customers through fast changing times and enable them compete more effectively in the market they operate.

3.2 What is Islamic Banking?

Islamic banking has been defined in a number of ways. The definition of Islamic bank, as approved by the General Secretariat of the OIC, is stated in the following manner, 'An Islamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations' (Ali & Sarkar 1995, pp.20-25). Shawki

Islami Shehta viewing the concept from the perspectives of an Islamic economy and the prospective role to be played by an Islamic bank there in opines: 'It is, therefore, natural and, indeed, imperative for an Islamic bank to incorporate in its functions and practices commercial investment and social activities, as an institution designed to promote the civilized mission of an Islamic economy' (IBID).

It appears from the above definitions that Islamic banking is systems of financial intermediation that avoids receipts and payment of interest in its transactions and conducts its operations in a way that it helps achieve the objectives of an Islamic economy.

3.3 Corporate Information

(As on December 31, 2013)

Date of Registration	18th June, 1995
1st Branch	Motijheel Branch, Dhaka
Opening Ceremony	27th September, 1995
Authorized Capital	15,000.00 Million
Paid-up Capital	8,343.25 Million
Local partnership of Capital	100%
Equity	16,091.17 Million
Number of Branches	118
Deposit	140,980.55 Million
Investment	125,715.39 Million
Number of Employees	2,387
Number of Shareholders	58,466

3.4 Objectives of Islamic Banking

The objective of Islamic Banking is not only to earn profit but also to do good and welfare to the people. Islam upholds the concept that money, income and property belong to ALLAH and this wealth is to be used for the betterment of the society. The main objectives of Islamic Banking are as follows:

- To conduct interest free banking
- To establish participatory Banking instead of Banking on debtor-creditor relationship
- To invest through different modes permitted under Islamic Shariah
- To accept deposits on profit-loss sharing basis
- To establish welfare oriented Banking System
- To contribute in achieving the ultimate goal of Islamic economic system.

3.5 Vision of Al-Arafah Islami Bank Limited

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

3.6 Mission of Al-Arafah Islami Bank Limited

- Achieving the satisfaction of Almighty Allah both here & hereafter.
- Proliferation of Shariah based banking practices.
- Quality financial services adopting the latest technology.
- First 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 committed to the growth of national economy.
- Involving more in Micro and SME financing.

3.7 Commitments

Ours is a customer focused modern Islamic Banking making sound and steady growth in both mobilizing deposit and making quality Investment to keep our position as a leading Islami Bank in Bangladesh.

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

Our business initiatives are designed to match the changing trade & industrial needs of the clients.

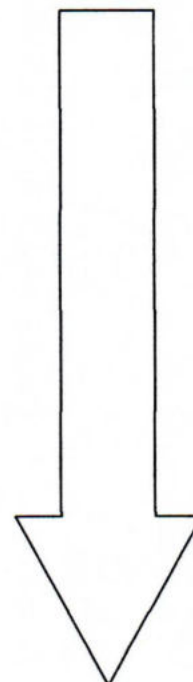
3.8 Special Features of the Bank

- As an Islami bank, we are singular in every positive aspect. We provide a bunch of state-of-art banking services within the wide bracket of shariah. We are unique with our products, strict with our principle and uncompromising with our honesty. Some of our special features that make us 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.
- We regularly pay dividend to our valued shareholders. For the year of 2008, we declared 30% bonus dividend to our shareholders.
- We 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. More endeavors will inshallah follow in future.

3.9 Organizational chart of AIBL

Managing Director
Deputy Managing Director
Executive Vice President
Senior Vice President
Vice President
Assistant Vice President
First Assistant Vice President
Senior Principal Officer
Principal Officer
Senior Executive Officer
Executive Officer
Officer



3.10 Principal Activities

The principal activities of the bank is to provide all kinds of commercial banking products and services to the customers including deposits taking, cash withdrawal, extending investments to corporate organization, retail and small & medium enterprises, trade financing, project finance, working capital finance, lease and hire purchase financing, issuance of Debit card. Its vision is to be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability.

3.11 Strategies

- To strive for customers best satisfaction & earn their confidence
- To manage & operate the bank in the most effective manner
- To identify customers needs & monitor their participation towards meeting those requirements
- To review & update policies, procedures & practices to enhance the ability to extend better services to the customers
- To train & develop all employees & provide them adequate resources so that the customer's needs are reasonably addressed
- To promote organizational efficiency by communicating company plans, polices & procedures openly to the employees in a timely fashion

3.12 Objectives

- The objectives of Al-Arafah Islami Bank Limited include-
- To conduct interest-free and welfare oriented banking business based on Islamic Shariah
- To implement and materialize the economic and financial principles of Islam in the banking arena
- To contribute in sustainable economic growth
- To help in poverty alleviation and employment generations

- To remain one of the best banks in Bangladesh in terms of profitability and assets quality
- To earn and maintain a 'Strong' CAMEL Rating
- To introduce fully automated systems through integration of information technology
- To ensure an adequate rate of return on investment
- To maintain adequate liquidity to meet maturing obligations and commitments
- To play a vital role in human development and employment generation
- To develop and retain a quality work force through an effective Human Resources Management System
- To ensure optimum utilization of all available resources

3.13 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.

3.14 Core Values

- Trust in Almighty ALLAH
- Strict observation of Islamic Shariah
- Highest standard of honesty, integrity and morale
- Equity and Justice
- Adoption of charged Technology

3.15 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.

3.16 Key Features of the Banking services:

(i) Computerized Banking system

The head office and the other branches have been provided with the state of the art computer hardware as well as software to carry on day-to-day accounting and routine work efficiently and quickly. The AIBL is already moved to the next stage of automation through introduction of online banking in all branches.

(ii) ATM Banking

AIBL has implemented successfully Automated Teller Machine (ATM). Through ATM/Debit card, customer can avail the facilities like withdrawal money, balance inquiry. Now the Bank has established total 57 Booth over the country and made a smooth network inside the country.

(iii) Branch Networks

AIBL started its working at 161; Motijheel C/A with a Branch named Motijheel Branch on 27th September, 1995 was the first & main Branch of AIBL and has been operating throughout the country. But from 11 January, 2007 The Head Office of the Bank started its working at its own premises 36, Dilkusha, Dhaka-1000. Now the Bank has established total 118 Branches over the country and made a smooth network inside the country. That is...

Division	No. of Branch	Total
Dhaka Division	59	118
Chittagong Division	29	
Rajshahi Division	5	
Khulna Division	9	
Sylhet Division	7	
Barisal Division	5	
Rangpur Division	4	

(i) Others

- Online Banking
- SMS Banking
- ATM
- Utility Bills
- Money gram
- Western Union
- Placid
- Xpress Money Transfer
- Ria
- Aftab Currency

3.17 Information of AIBL, Dinajpur Branch: (As on 31th October, 2014)

Particular	Information
Date of Incorporation	08.12. 2010
No. of Division at that Time	General Banking, Investment & Cash
Period of 1st Investment	At the beginning of 2011
No. of Division	Four
No. of Employee	13
No. of Deposit Holder	4147
No. of Investment Client	925
Situated at	333, Nimtala, Dinajpur

3.18 Performance Highlights of AIBL, Dinajpur Branch: (In Tk.)

(Up to October, 31)

Year	Deposit	Investment	Profit
2011	29,66,63,856	47,80,05,739	13,09,188
2012	40,89,53,293	56,66,65,238	55,37,619
2013	47,93,62,210	57,69,98,000	1,20,54,999
2014	48,17,60,929	60,41,87,707	1,63,51,599

CHAPTER FOUR

ISLAMI BANKING SYSTEM IN AL ARAFAH ISLAMI BANK LIMITED

4.1 Principles of Al-Arafa Islami Bank Ltd.

As we know that bank does its business with the money of others, so it is relatively a risky business organization. By avoiding these risk bank wants to become a powerful and confidential organization for the economic development of the bank. Therefore, like other Al-Arafah Islami Bank Limited also follows some principles. Some of the principles are in the below:

Cannon of Solvency: Bank should have enough money to run the banking business smoothly. Banking activities may be hampered if the fails to pay clients money on demand. Therefore, Al-Arafah Islami Bank to run the banking business smoothly follows the principle of solvency.

Cannon of Safety: To ensure the depositor's money as well as the loan amount Al-Arafah follows the principle of safety. The bank also takes clear investigation about the clients before sanctioning any loan.

Cannon of Honesty and Reliability: People save their money and valuable things in the bank based on the honesty and reliability of the bank. Therefore, to gain the attention of the clients Al-Arafah Islami Bank Limited always try to be honest and reliable.

Cannon of efficiency: Every bank's success depends a lot on the performance of bank's employees. Therefore to achieve this success Al-Arafah Islami Bank also follows the principle of efficiency by providing efficient services to the clients.

Cannon of Secrecy: The bank that does not disclose secrets of the customer attract more clients. Therefore Al-Arafah Islami Bank by maintaining secrecy of the clients also follows the principle of secrecy.

Cannon of Liquidity: Liquidity means how quickly a bank can transform its assets to cash. It is one of the major principles of banking business.

4.2 Products & Services of Al-Arafah Islami Bank Limited

The product and services that are currently available are given below:

1. Cash Management.
2. Wire Transfer.
3. Automated clearinghouse transactions.
4. Bill presentment and payment.
5. Funds transfer.
6. Downloading transaction information.
7. Loan application.
8. Investment activity.
9. Others value added services.

4.3 Deposit Product of Al Arafah Islami Bank Limited

- Mudaraba Term Deposit.
 1. 36 Months
 2. 24 Months
 3. 12 Months
 4. 06 months
 5. 03 Months
- Mudaraba Savings Deposit.
- Short Notice Deposit (SND).
- Monthly Hajj Deposit.
- Monthly Installment Term Deposit.
- Monthly Profit Based Deposit.

- Monthly Savings Investment.
- Marriage Saving Investment Schemes.
- Pensioners Deposit Scheme.
- Cash WAQF.
- Kotipati Deposit Scheme.
- Millionaire Deposit Scheme.
- Double Benefit Scheme.
- Triple Benefit Scheme.

4.4 Investment Product of Al Arafah Islami Bank Limited

1. General Investment.

- Murabaha Investment.
- Bai-Muajjal Investment.
- Hire-Purchase Investment.
- Pre shipment Investment.
- Quard

2. Uzrat Bill Wakala.

3. Maturity grouping of Investment.

- Payable on Demand
- Up to 1 Month
- Over 1 Month but not more than 3 Month
- Over 3 Month but not more than 1 Year
- Over 1 Year but not more than 5 Year
- Over 5 Year.

4.5 Investment of AIBL

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 investment 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.

Factors Related with Investment

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

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
- It brings social equity
- Business cycle can run well only by the help of lending system
- Economic stabilization
- Raise standard of living.

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.

4.6 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.

Principles of Sound Lending

It should be clearly understood that the criteria/principles are not inflexible laws & are given as guidelines for protecting Investment. In a practical competitive world, risks are defined, accepted and Investment is often granted even though a proposal does not strictly with some of the criteria described below:

The basic lending criteria can be considered as eight main headings, as follows:

- Principle of Safety
- Principle of Liquidity
- Principle of Purpose
- Character and ability of the borrower
- Principle of Security
- Principle of profitability
- Source of repayment
- Principle of National Interest

Each of the headings will now be discussed further in the following paragraph:

Principle of Safety

The first lending Principle of sound lending is safety. The very existence of a bank depends upon the safety of its advances. Safety should not be sacrificed for profitability. So utmost care should be exercised to ensure that the funds go to the right type of borrower, are utilized in such a way that they remain safe and the repayment comes in the normal course.

Principle of Liquidity

Liquidity means the availability of Bank funds on short notice. The liquidity of an advance means its repayment on demand on due date or after a short notice. Therefore, the banks must have to maintain sufficient liquidity to repay its depositors and trade off between the liquidity and profitability is must.

Principle of Purpose

The bank should not lend money for any purposes for which a borrower may be free from all risks but if the funds borrower are employed for unproductive. Purpose like marriage ceremony, pleasure trip etc or speculative activities, the repayment in the

normal course will become uncertain. Banks therefore discourage advances from boarding stocks and refuse advances for speculative activities.

Character and ability of the borrower

The primary responsibility of the leading banker is “know your customer and his business”. While considering the character and ability of a borrower, the following point must be kept in mind.

- Do know your customer already?
- Was he respectively introduced?
- If he was previously customer of another bank, why has he come to Al-Arafah Islami Bank Ltd. Try to see previous bank statement?
- Have you made the account opening inquiries required by the bank?
- What are the business its ownership?
- What is the customer’s background and financial track record?
- Customer’s honesty & integrity and personal stability?
- How has the customer managed his financial circumstances in the past?

The branch manger should have the answer of the above queries and should be to judge his ability to use the credit facilities to his advantage. Advance should be granted only to those borrowers in whom the branch manager has full confidence. Integrity of the borrower and his ability to conduct business are of paramount importance and take precedence over the value of securities offered.

Principle of Security

The security offered by a borrower for an advance is insurance to the banker. It serves as the safety value for an unforeseen emergency. So another principle of sound lending is the security of lending. The security accepted by a banker to cover a bank advance must be adequate, readily marketable, easy to handle and free from any encumbrance.

Principle of Profitability

Banking is essentially a business, which aims at earning of a good profit. The working funds of a bank are collected mainly by means of deposit from the public and interest has to be paid on those deposits. Banks have also to meet their establishment charges and other expenses. Interest earned by a bank on its advance is the main source of its income. The difference between the interest received on advances and the interest paid on deposits constitute a major portion of the banker's income. Besides foreign exchange business is also highly remunerative. The bank will not enter into a transaction unless a fair return from it is assured.

Source of Repayment

After the branch manager has ensured that the Investment will be a profitable proposition for the bank, he should then turn his attention to the cash flow situation of the borrower. The bank's Investment can be classified into three main categories, as follows:

- A very short-term advance will be liquidated by funds received in the very near future, such as advances against foreign or local bills or bridge functioning where evidence of Investment sanction from another financial institution is available.
- Provision for current assets; this type facility is needed for trading and /or manufacturing activities.
- Long term loans, generally over 5 years; example of such facilities as investment in plant and machinery, a farm or a shop, generally, a long term is repaid out profits generated by the business.

Principle of National Interest

The development of banking has reached a stage where a banker is required to identify his business with national policies. Banking Industry has significant role to play in the economic development of a country. So, the savings of the people which are mobilized by banks must be distributed to those sectors which require development in the country's Planning Program.

4.7 Investment procedure 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 Limited (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

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 profit income statement for 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)

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 form (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

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

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%)

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
- Aungkyar 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

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.

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.

CHAPTER FIVE

ANALYSIS OF INVESTMENT

5.1 An Appraisal of Financial Statements of 5 Year

5 Year Financial Highlights

(Figure in Million)

Particulars	2009	2010	2011	2012	2013	Growth %
Income Statement						
Investment Income	4,004.54	4,306.62	9,481.01	14,998.60	17,966.32	19.79
Profit paid on Deposit	2,667.34	3,133.69	5,466.12	9,710.48	12,107.71	24.69
Net Investment Income	1,337.20	1,172.93	4,014.89	5,288.12	5,858.61	10.79
Non Investment Income	1,301.10	3,378.95	1,851.58	1,693.98	1,757.09	3.73
Non Investment Expenses	908.47	1,328.61	1,539.69	2,226.56	2,667.14	19.79
Net Non Investment Income	392.63	2,050.34	311.89	(532.58)	(910.05)	70.88
Profit Before Tax & Provision	1,729.83	3,223.27	4,326.78	4,755.54	4,948.56	4.06
Provision For Investment	140.59	370.80	380.16	811.44	588.15	(27.52)
Profit Before Tax	1,589.24	2,852.47	3,946.62	3,944.10	4,360.41	10.56
Provision For Tax (including Deferred Tax)	730.25	893.43	1,747.87	1,998.69	2,083.73	4.25
Profit After Tax	858.99	1,959.04	2,198.75	1,945.40	2,276.68	17.03
Balance Sheet						
Authorized Capital	5,000.00	5,000.00	10,000.00	10,000.00	15,000.00	50.00
Paid up Capital	1,798.95	4,677.28	5,893.37	7,130.98	8,343.25	17.00
Reserve Funds & Other Reserve	1,223.18	1,779.08	2,437.43	4,079.63	4,827.20	18.32
Shareholders' Equity (Capital & Reserve)	3,564.73	9,790.36	11,989.11	14,050.69	16,091.17	14.52
Deposits	38,355.50	53,882.96	82,186.98	118,683.39	140,980.55	18.79
Investment	36,134.08	53,582.96	77,714.95	106,650.42	125,715.39	17.88
Investment in Shares & Securities	1,502.00	2,078.83	3,771.83	5,511.24	7,138.93	29.53
Fixed Assets	466.30	655.39	968.13	2,394.62	2,517.22	5.12
Total Assets (Excluding off- balance sheet items)	48,515.79	74,005.01	106,768.18	149,320.36	173,161.63	15.97
Foreign Exchange Business						
Import Business	34,074.80	55,934.10	76,112.10	71,931.70	85,915.00	19.44
Export Business	23,546.10	32,042.40	52,202.10	58,476.60	68,980.30	17.96
Guarantee Business	2,841.32	3,081.15	1,812.38	1,955.72	2,006.61	2.60
Inward Foreign Remittance	2,832.28	4,431.90	6,876.20	23,120.40	7,042.50	(69.54)
Capital Measures						
Core Capital (Tier-I)	3,498.07	9,582.85	11,924.50	13,073.14	15,113.62	15.61
Supplementary Capital (Tier-II)	567.89	929.96	1,123.40	1,731.59	1,511.75	(12.70)
Tier-I Capital Ratio	9.68	13.21	12.31	10.38	13.33	28.43
Tier-II Capital Ratio	1.57	1.28	1.16	1.37	1.33	(3.02)
Total Capital	4,065.96	10,512.81	13,047.90	14,804.73	16,625.37	12.30
Total Capital Ratio	11.25	14.49	13.47	11.75	14.66	24.75
Investment Quality						
Volume of Non-Performing investment	608.14	610.48	751.10	2,297.55	3,598.83	56.63
% of NPIs to Total investment	1.68	1.14	0.95	1.63	2.77	69.94
Provision for Unclassified investment	409.19	666.95	866.46	1,021.15	749.60	(26.59)
Provision for Classified investment	173.13	137.58	305.93	706.33	1,128.03	59.70
Provision for Off Balance sheet Exposures	124.35	230.71	214.48	221.66	273.37	23.33

Share Information						
Number of Shares Outstanding	179,895,360	467,727,936	589,337,199	713,098,010	834,324,671	-
Earning per Share (Taka)	2.00	4.14	3.73	2.30	2.46	17.00
Book Value per Share (Taka)	19.82	16.47	16.69	20.19	19.29	21.18
Market Price per Share (Taka)	53.63	66.88	37.80	24.29	19.10	(21.37)
Price Earning Ratio (Times)	11.23	13.24	10.13	10.21	7.76	(23.92)
Price Equity Ratio (Times)	2.71	4.06	2.26	1.20	0.99	(19.67)
Dividend per Share						
Cash Dividend (%)	-	-	-	-	-	-
Bonus Share	30	26	21	17	13.50	(20.59)
Operating Performance Ratio						
Net Profit Margin%	4.11	2.22	5.55	5.88	5.70	(3.03)
Investment /Deposit Ratio	94.21	93.43	89.07	90.56	88.74	(2.01)
Return on Equity (ROE)%	24.10	20.01	18.34	13.51	14.15	2.19
Return on Assets (ROA)%	1.77	2.65	2.06	1.30	1.20	(7.89)
Cost of fund %	11.08	9.72	11.08	12.34	11.02	(10.70)
Cost /Income ratio in operating business (%)	67.40	58.06	61.82	71.51	74.91	4.75
Other Information						
Number of Branches	60	78	88	100	110	10.00
Number of Employees	1,296	1,711	1,807	2,110	2,387	13.13
Number of Shareholders	11,382	49,386	54,267	52,739	58,466	10.86

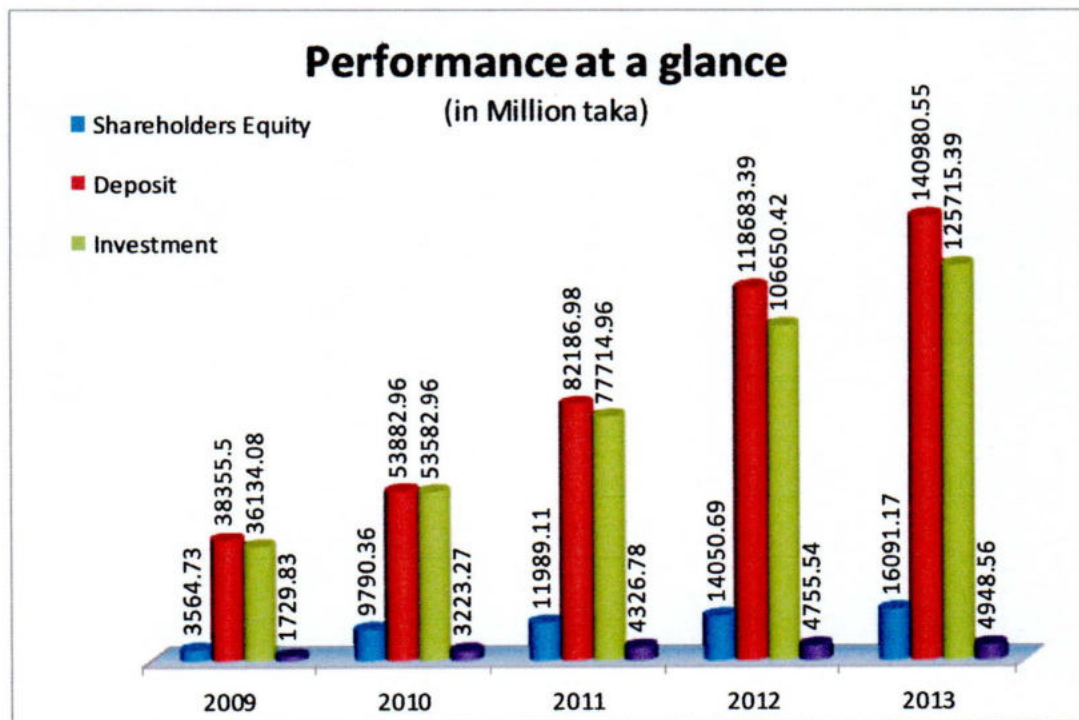


Figure: Performance of AIBL

5.2 Mode wise Investment

SL. No.	Mode of Investment	Investment (%)	Taka (Figure in Million)
1	Murabaha	26.90	32788.06
2	Bai- Muazzal	48.10	58639.16
3	Hire Purchase	21.21	25856.41
4	Pre Shipment	2.13	2601.57
5	Quard	1.66	2015.07
Total		100	121900.27

Source: AIBL Annual Report -2013

Illustration

From the graph it is found that the AIBL distribute its investment schemes according to different modes. Among the different modes AIBL invest higher in 2010 than 2009 and it's also clearly seen that among the different modes AIBL highly concentrate at Bai-Murabaha that is 38.53%.

5.3 Sector wise Classification of Investment

Sector	Taka (Figure in Million)	Investment (%)
Agriculture, Fishing and Forestry	1617.08	1.20%
Industry	57003.70	42.37%
Construction	2334.40	1.73%
Water works & Sanitary Service	1984.80	1.47%
Transport & communication	8262.50	6.14%
Storage	831.20	0.61%
Trade Finance	48128.20	35.77%
Miscellaneous	14369.01	10.68%
Total	134530.89	100.00%

Source: AIBL Annual Report -2013

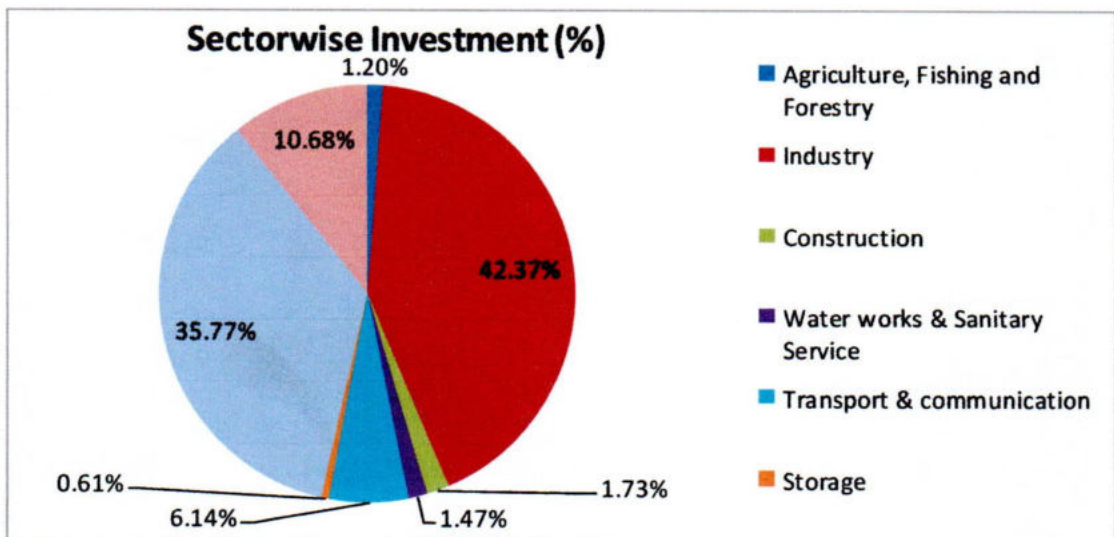


Figure: Sector wise Investment

The above graph demonstrates that AIBL distribute its investment facilities according to different sector. Among those sectors the bank more invested in the industrial, trade finance, and miscellaneous sector more than other sector in 2013. Moreover, the lowest investment had made in storage and transport service.

5.4 Geographical Investment Allocation

Division	Taka (<i>Figure in Million</i>)	Investment (%)
Dhaka	97910.63	75.48
Chittagong	17938.66	13.83
Sylhet	967.27	0.75
Rajshahi	8192.99	6.32
Khulna	3484.26	2.69
Barisal	1220.66	0.93
Total	129714.47	100.00

Source: AIBL Annual Report -2013

Above the graph it is seen that AIBL provides most of the portion of investment in Dhaka Division, whereas they provide a small portion in Sylhet and Barishal Division. As we seen before that this bank provide more loan & advance in textile and Garments Sector. For this reason the bank contribution to urban area is more than rural area.

5.5 Growth rate of Investment

(In Million)

Year	2009	2010	2011	2012	2013
Investment	36,134.08	53582.96	77714.95	106650.42	125715.39
Growth Rate	30.24%	48.28%	45.03%	37.23%	17.88%

Source: AIBL Annual Report- 2013

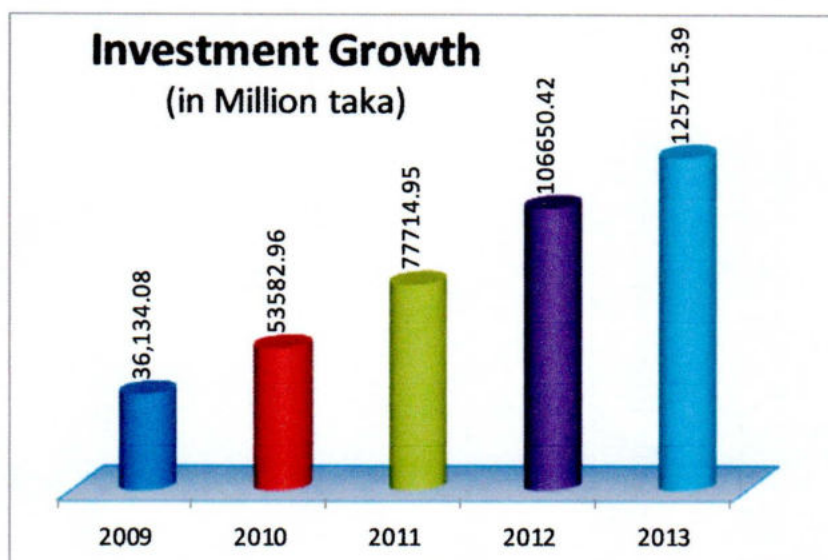


Figure: Investment growth

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. In 2009 it is 34.24% and lastly it increase in 2013 and the amount is 17.88%. The bank should be careful in deployment of the fund.

5.6 Provision for Unclassified Investment

(In Million)

Year	2009	2010	2011	2012	2013
Amount	409.19	666.95	866.46	1021.15	749.60

Source: Annual Report 2013

Interpretation

It is found from chart that the unclassified investment was fluctuating from the year 2009 to 2013. In 2009 the investment as lower than the other year and it was 409.19 million. In the year 2012 the investment amount was 1021.15 million and which is the higher among this five year.

5.7 Provision for Classified Investment

(In Million)

Year	2009	2010	2011	2012	2013
Amount	173.13	137.58	305.93	706.33	1128.03

Source: Annual Report 2013

Interpretation

From the analysis it has been that classified investment fluctuate from 2009 to 2013, after that it was also sharply decreasing which convey good sign. In the year 2013 the investment amount was **1128.03** and which is the higher investment among this five year.

5.8 Investment income

(In Million)

Year	2009	2010	2011	2012	2013
Amount	4004.54	4306.62	9481.01	14998.60	17966.32

Source: Annual Report 2013

Interpretation

The data exhibits that each year their income was increasing as much as their investments increase. The amount of income from investment was 4004.54 million in 2009 and finally 2013 it increase the amount is 17966.32 million. Moreover, there had been a moderate growth over the five year.

5.9 Return on Investment in Securities

(In Million)

Year	2009	2010	2011	2012	2013
Amount	1502.00	2078.83	3771.83	5511.24	7138.93

Source: AIBL Annual Report -2010

Interpretation

The return on Investment in Securities varies with the year. In 2009, it was 1502.00 million which was later increased in 2010 to 2078.83 million and later in 2011, it again increase to 3771.83 million and in 2012, it increase to 5511.24 and in 2013 was at the highest peak to 7138.93 Million . So the Bank is literally developing on the Return on Investment in Securities.

5.10 Non- performing Investment (NPI)

A loan is nonperforming when payment of interest and principal are past due by 90 day or more, or at least 90 days of interest payment have been capitalized, refinanced or delayed by agreement, or payment are less that 90 days overdue, but there are other good reasons to doubt that payment will be made in full.

Year	2009	2010	2011	2012	2013
Non-Performing Investment	1.68%	1.14%	0.95%	1.63%	2.77%

Source: AIBL Annual Report -2013

Interpretation

The Bank Non-performing Investment is increased in the year 2013, where the growth rate is 2.77%. The chart showed that in 2012, the Non-performing Investment was 1.63% and 0.95% in 2011. These showed that the Bank had been unable to keep the NPI ratio at a manageable level.

CHAPTER SIX

SWOT ANALYSIS

6.1 SWOT Analysis of the Branch:

SWOT analysis is the most important element. To analyze the overall situation of any organization strength, weakness, opportunity and threat are the including elements of SWOT. It is possible to balancing the strength and weakness of internal environment with the opportunity threat of external environment.

It is easy to achieve the goals to face any situation through analyzing those elements carefully.

I have included SWOT analysis in my study for this reason. I think that corporate body can be able to do through this SWOT analysis and they can take necessary steps to overcome any challenges.

Here, the overall evaluation of a bank's strength, weakness, opportunity, and threat is called "SWOT" analysis.

S = Strength (Positive + Internal)

W =Weakness (Negative +Internal)

O =Opportunity (Positive +External)

T =Threat (Negative +External)

In general, a business unit has key external macro environment forces (demographic/ economic, technological, political/legal, and social/cultural) and internal micro environment factors (customers, competitors, channels) that affect its ability to earn profits.

SWOT internal and external factors of a bank. Internal factors are controllable but external factors are uncontrollable. Internal factors are management related that is controlled by the bank. The impact of SWOT may be negative or positive on the bank. Favorable impact of SWOT can create organizational growth and unfavorable SWOT creates organizational problem.

6.2 Objectives of SWOT Analysis:

- To assess overall strong competitive position.
- To decide whether to continue current strategy or not.
- To determine possible course of actions.
- Development of functional strategy.

Strength:

Strength is a resource skill or other advantage relative to competitors and the needs of market a firm serves or anticipates saving. Strength is a distinctive competence that gives the firm a comparative advantage in the market place.

Al-Arafah Islami Bank Ltd. is a modern private Bank. It has more capacity to adopt new technology when the environment will be changed. This Dinajpur branch, Dinajpur has various types of strength elements which are as follows:

- The image /goodwill of the branch are very good.
- The market share of this branch is satisfactory than others in Dinajpur.
- The product portfolio or scheme of this branch is exception than other private commercial bank of this region, such as AB Bank Jamuna Bank, etc.
- The bank has good communication with their clients. For this reason the client of this branch is too much loyal upon this branch.
- The client is favorable regarding the Foreign Exchange Service of this branch.
- The branch has huge amount of deposits and market potentiality.
- The branch has skilled and experienced personnel who can properly handle clients needed in right time and right place.
- The branch is providing various consumer credit scheme, commercial network, standard documents keeping, computerized services, money transfer system, and international connection.

- Skill communication with other branch and corporate head office to solve any kind of client oriented problem.
- The working place of this branch is too much upgraded. So the employees feel interest to work here and have enough security for the personnel and client.

Weaknesses:

Weakness is the limitation or deficiency in resources, skills, and capabilities that seriously impedes effective performance.

When I study in Dinajpur branch, Dinajpur-5200, some problems surface me. Those internal problems are mentioned in below:

- Corporate head office provides various types of product or scheme but Dinajpur branch cannot provide all those scheme to the client still now AIBL Deposit Scheme, etc.
- The credit section of head office permits various types of credit but this branch can not able to provide all those credit scheme to the client such as- House Building Loan, Lease Finance, Hire purchase, etc.
- This branch does not operate extensive promotional activities among upper to lower level people regarding the various scheme and credit section and customer service.
- All kinds of decisions are taken by the top management. So, in many times this branch cannot able to deliver quick service.
- This branch has online banking facilities only for Telegraphic Transfer (TT). For this reason, this branch is less acceptable to the clients than other private commercial bank having online banking.

Opportunity:

A marketing opportunity is an attractive area of relevant marketing action in which a particular organization or company is likely to enjoy a differential advantage. It is an area of customer need in which a company can perform profitably.

In my study on Dinajpur branch, Dinajpur, some opportunities surface to me. Those opportunities of AIBL are given below:

- AIBL, Dinajpur branch, Dinajpur is situated at the centre point of Dinajpur. So, it is very easy to communicate with this bank for all kinds of people and people can easily and safely come here.
- Many types of middle class people live in Dinajpur region. AIBL provides various types of products/schemes and credit facilities to fulfill the banking needs of those people. So, it is great opportunity for this branch to collect deposits from the savory and the bank give credit facilities to the loan seeker from those deposit funds.
- In the modern time all business activities are operated by modern technology. To collect the modern technology, the business man has to invest large capital to get modern service in business field. If the business man gets those modern technological services, they have to take shelter under the shadow of bank to fulfill their capital requirement and transfer money. So, it is a great opportunity for the branch to sell credit card to set up online banking service, Computer/Internet based service to provide upgraded banking service.

Threat:

An environmental threat is a challenge posed by an unfavorable trend of specific disturbance in the environment that would head in the absence of purposeful action to the stagnation or demise of an organization or company, product.

When I study on Dinajpur branch, Dinajpur, I observed that this bank faces various types of threats. Such kind of threats are representing below:

- There are four well known Bank such as Sonali Bank, Agrani Bank, Janata Bank, and Rupali Bank. People are too much familiar with these bank since a long time as these bank establish early time than Al-Arafah Islami Bank Ltd.. For this reason the public image is more upon those Banks than Al-Arafah Islami Bank Ltd.. So, it is threat for Al-Arafah Islami Bank Ltd. to create an extra image among the people.

- At present the main competitors of Al-Arafah Islami Bank Ltd. are AB Bank, Islami Bank, Dhaka Bank, etc.
- Recent time Finance planning ministry has imposed some rules and regulations such as- low interest on credit scheme, money laundering act which are creating pressure for the M.B. to expand their scheme and other facilities.

CHAPTER SEVEN

FINDINGS AND RECOMMENDATIONS

7.1 Findings of the Report:

AIBL is committed to provide banking services that is purely based on Islamic Shariah transparent and efficient in this competitive environment. From this report we get some positive and negative findings. The findings are necessary for bank to take corrective measure. So we disclose the findings bellow-

In every year the deposit amount and the investment amount increases gradually in AIBL.

- Among the different sector AIBL invest highly in **Industry and Trade Finance** sector.
- It is seen that AIBL is providing more investment facilities in urban areas than rural areas.
- Among the different modes AIBL highly concentrate in Bai-Muazzal and Murabaha.
- The growth rate of investment of AIBL is increasing year by year.
- The investment amount Storage sector and water works & sanitary services were decrease year by year.
- The debt ratio of AIBL is escalating year by year.
- The return of investment in security of AIBL through varies with year but it is seen that recent year the bank is trying its best to keep it up.
- The classified investment against take total investment of AIBL is increasing year by year.
- Income from investment of AIBL is increasing year by year but the growth rate here also varies from 15.86% to 19.79% from the year 2009 to 2013 and it also increasing.
- The return on investment in security increasing year by year

7.2 The problem of Musharaka:

- The concept of Mudarib being aman (trustworthy) is the cornerstone of the application of the technique. The fact that the Sahib-al-mal (in this case the bank) bears all the loss in Musharaka may result in moral hazards.
- The presence of moral hazards may not allow the bank to make large investment with and individual Mudarib. This may affect the profitability of the bank.
- Too much adventurism can bring about low profit or even loss, and that may lead to the loss of customer.
- Lack of knowledge
- Lack of expertise persons
- Lack of governmental support
- Lack of legal framework of Islamic Banking in Bangladesh
- Uncertain cost of capital

7.3 The problem of Bai-Salam:

- The asset can yield income only during its productive life. It is also uncertain what price the asset will fetch if the bank wants to dispose it at any time during its productive life.
- Uncertainty about the extent to which the asset will remain on lease during its life.
- On expiry of the contract with the first lessee, the owner cannot be certain how long it may take to find another lessee or how much rent will then be agreed. Even if the first lessee renews the contract, it is quite possible that he might demand a reduction in the rent against possible defect that may adversely affect the productivity or service for which the asset was rented.
- Leasing based techniques creates liquidity problems.

7.4 The problem of Bai-Muajjal:

- Client doesn't repay the profit in time.
- Bank has to bear the risk of goods until those are delivered to the client and the bank is also responsible for any damages of the goods in this period.
- The bank will face problem if the client refuse to satisfy the contract.

7.5 The problem of Bai-Murabaha:

- Client doesn't repay the profit in time.
- Bank has to bear the risk of goods until those are delivered to the client and the bank is also responsible for any damages of the goods in this period.
- The bank will face problem if the client refuse to satisfy the contract.

7.6 General problems:

- The decoration of the branches is older than other commercial banks.
- They don't use the Share Mode of investment.
- Absence of Islamic Money Market.
- State law defers with Islamic Shariah
- Lack of proper monitoring system of the Islamic Banks by the central bank
- Absence of Islamic Economic system in Bangladesh.
- In the money market of Bangladesh there is no easy provision to take short time loan from the bank.

7.7 Recommendations

Banking sector is now more competitive. Each bank wants to capture maximum market share and to become a market leader. Like other AIBL also wants to be market leader. I think they have capability to be market leader. The private commercial banks that are currently operating in Bangladesh offering different product but there are few basic difference among them in term of structure and performance. Thus, the competitions increase day by day. So, based on finding it can be recommendation to progress in future, Al-Arafah Islami Bank should adopt some policy which will help the bank to capture a large market share. The recommendation can be disclose below:

- They should give more attention in increasing their deposits in different accounts.
- AIBL should attention highly to hold their position in Industry and finance sector investment; moreover they should try to improve their position for their near future competition.
- As It has seen that AIBL Investment income were more than triple by last 4 years, it convey very good sign. They should try to retaining their position.
- From the geographical allocation it has seen that AIBL give less concentration at Sylhet and Barisal Region but more concentration at Dhaka and Chittagong, they should give concentration at Rajshahi and Khulna Region also.
- Classified investment is changeable from 2009 to 2013 and should give concentration to control this.
- Optimal cost for sanctioning and disbursing investment should be minimized.
- As Non Performing loan is decreasing gradually they should try to retain their position.
- A depth evaluation of projects and use effective monitoring of investment portfolios are needed to improve the high productivity for the bank.

As we have seen from the comparison the four banks are trying to perform well in the previous years. The recommendations for Al-Arafah Islami Bank and other three banks (EXIM, Islami Bank Bangladesh Limited, Social Islami Bank Limited) are as follows:

7.8 Recommendation to Al-Arafah Islami Bank Limited:

This bank should increase the deposit amount in the following years. In 2009 the bank deposited BDT Taka 29690.12 million which is very little to BDT Taka 200343.41 million of Islami Bank Bangladesh Limited. They should increase the deposit in the next years. The investment position of the bank is also lower compared to the other banks except Social Islami Bank Limited. The bank should increase the investment. The mode wise investment of this bank is not satisfactory so it should be developed. This bank is almost maintaining the traditional banking so it should innovate on-line banking. The bank should increase the branch network and should introduce new technology. The information should be available to the shareholders.

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 Limited is one of the most potential Islami bank 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. I would rather feel like producing my personal opinion about the ongoing practices in Dinajpur Branch.

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. We shall 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.