

Internship Report On

An analysis of the Investment Operations of Al-Arafah Islami Bank Limited

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Letter of Transmittal

To

Md. Arif Hassan

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Sub: Submission of internship report on “**An analysis of the investment operations of Al-Arafah Islami Bank Limited**”

Dear Sir,

This is my great pleasure that I have completed my internship report and ready to submit this report on “An analysis of the investment operations of Al-Arafah Islami Bank Limited”. In preparing this internship report, I have complied with the instructions of my organization supervisor. I have tried my best to include all the information collected during the internship period. I must mention here that I am very grateful to you for your valuable supervision, uncompromising efforts and constant attention to preparing this report. This report gave me the prospect to have a brief knowledge of the Investment operations of AIBL.

I have thoroughly enjoyed the overall work during my internship period which is a carrying vast description of practical knowledge. If you have any inquiry, I will be pleased to answer that. I hope that you would be gracious enough to accord approval to my report.

Sincerely yours,

.....

Al Aman Uddin Nayan

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Major in Accounting

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Certificate of Approval

This is to certify that Al Aman Uddin Nayan has done the Internship program under my guidance and supervision. He has prepared a report on “An analysis of the investment operations of Al-Arafah Islami Bank Limited. Particular focus on Hemayetpur branch, Savar, Dhaka and submitted it to me by completing the rules and regulation.

Al Aman Uddin Nayan has submitted this report in partial completeness of requirement for the degree of BBA program. This report is passed for presentation.

I wish every success in his future effort.



.....
Md. Arif Hassan

Assistant professor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

Acknowledgement

Firstly, Thanks to Almighty Allah for giving the capability of completed this internship report within the proper time successfully. I am also grateful to my family for supporting me during the making term of this report. With that, I was more grateful to my parents, who gave me the opportunity to study the renowned University of Bangladesh.

Then I would like to thanks my Supervisor Md. Arif Hassan (Assistant Professor). He gives me his expensive guideline which helps me to complete my internship report. It may concern to say that without his cooperation it was impossible to full fill my internship report.

I would also thanks to Ashraf Hossain Manager & VP of Al-Arafah Islami Bank Limited of Hemayetpur, Savar, Dhaka branch who helps me a lot learn about banking activities. And I would also thanks to second manager Hasanul Banna ,Tanvir Alam Khan (Executive officer), Atiqul Islam Khan (Executive officer) & all employee of this who cooperates with me learn about how they actually work.

Paying my hearty appreciation to all of these leading people for their great cooperation, this will always be remembered by me.

Executive Summary

The internship report is based on the analysis of the investment operations of Al-Arafah Islami Bank Limited. In the opening of the report the scope, origin, objectives, methodology, limitations are viewed. The main objective of the report is to current overview of analysis the investment operations of Al-Arafah Islami Bank Limited. Primary sources of data are discussed with the officers and staffs and work knowledge in different desk. The secondary data collected from the annual report and various web pages. The scope of this report is limited to the analysis of the investment operations of Al-Arafah Islami Bank Limited.

The study not only focuses on the activities of Al-Arafah Islami Bank Limited, but also highlights the Investment operations of the bank. In the first chapter of this report contains few descriptions about the banking sector and the perspective of the AIBL. The second chapter of this report is about the company. Third chapter contains the investment operations of AIBL. The fourth chapter is the analysis part of this report, which contains year wise investment growth, Income from Investment, Investment deposit ratio, Return on investment, Investment Murabaha, Investment in Bai-Muazzal, Standard Loan, Sub-Standard, Doubtful, Bad and Loss, Sector wise investment etc. Lastly chapter five includes few findings that made based on the analysis part and few recommendations for the improvement of the analysis of the investment operations.

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CHAPTER: ONE

INTRODUCTION

1.1 Introduction:

Bangladesh is one of the biggest Muslim countries in the world. The people of this country are really committed to Islamic way of life as enshrined in the Holy Qur'an and the Sunnah. Actually, 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, whether the payment is fixed or floating. Investment in businesses that provide goods or services considered contrary to Islamic principles is also haram. These prohibitions have been applied historically in varying degrees in Muslim countries to prevent islamic practices, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community. Islamic banking commenced operations in Bangladesh in 1983. There are eight Islami Shariah based banks in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode.

1.2: Origin of the Report:

This internship report is an essential part for all student at Daffodil International University who have completed other course credit. To complete BBA every student has to do an internship course in any reputed organization government or private. After completing 3 credit program every student required to maintain a schedule with the university supervisor to accomplish an internship report. It will help in the future when I will enter professional life. This report generally indicates all of the relevant topics about the bank's Investment sector. Morally, this report is highlighted on Deposit and Investment Management system, evaluation, structure, the performance of AIBL, and own experience, recommendation, and conclusion. I had to prepare report under the supervision of Md. Arif Hassan, Associate Head & Assistant Professor of Department of Business Administration. In addition, in charge of investment operations

department of Al-Arafah Islami Bank Limited supervised me in the organization. So, an intern I got the opportunity to perform my internship in the AIBL.

1.3: Objectives of the Study:

The main objectives of this report are to analysis the investment operations of Al-Arafah Islami bank Limited. The report has been carried out with the following specific objectives:

- To understand the investment operations of Al-Arafah Islami bank Limited.
- To evaluate the performance of the investment of the bank from year 2013 to year 2017.
- To identify problems related to investment operations of Al-Arafah Islami Bank Limited.
- To make some recommendations to solve the problem.

1.4: Methodology

Different data and information are required to meet the goal of this report. Those data and information are collected from various sources. In my report most of the data are secondary data.

Data Collection

The data collecting method consists of both of primary and secondary sources. However greater part of the information collected from secondary sources.

Primary data:

- Face-to-face conversation with the respective officers of the branch.
- Official Records & documents of AIBL.
- Practical work experience in the different desk of the branch.

Secondary Data:

- Annual report of Al- Arafah Islami Bank Limited.
- Various document from Deposit and Investment Management department.
- Different website.
- Internal report.

Computer support:

- Microsoft Word
- Microsoft Excel

1.5: Scope of the study:

This report will show the whole investment operations of AIBL for the last five years. Besides compared with their market conditions to other banks in our country. Analyzing all of their banking working to show how really, they deal with their customers.

1.6: Limitations of the Study:

- Depending more on secondary data because of inadequate primary data.
- Limitation of Information Because Website of the bank not much rich.
- I am preparing the report on the activities of all of the branches, but I am not permitted & it is not possible to visit & collect data & information from all of the branches.
- Short of time: I had to complete this report writing within a shorter period of time. So, the time constraint of the study hindering the course of vast area and time for preparing a report within the mentioned period is really difficult.
- Busy working environment: The officials had some times been unable to provide information because of their huge routine work. The officers are very co-operative but they are too busy to give me time to get knowledge about practical activities.
- While the banker was busy, they could not provide enough time to discuss to me.
- I could not log in anytime their website internal sector because I had no user ID.
- Lack of experience and opportunity to visit more than one branch.

Chapter –Two

Overview of Al-Arafah Islami Bank Limited

2.1 An Overview of Al-Arafah Islami Bank Limited

Bangladesh is one of the largest Muslim countries in the world. The people of this country are really 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 their economic lives in symphony with the precepts of Islam. Al-Arafah Islami Bank Ltd was established 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.

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.

AIBL Profile

Chairman: Alhajj Abdus Samad Labu

Vice Chairman: Alhajj Abdus Salam

Managing Director: Md. Habibur Rahman

Company Secretary: Md. Mahmudur Rahman

Date of Registration 18 June, 1995

1st Branch Motijheel Branch, Dhaka

Opening Ceremony 27 September, 1995

Authorized Capital 15,000.00 Million

Paid-up Capital 9, 943.06 Million

Local Partnership of Capital 100%

Equity 22,520.68 Million

Number of Branches 154

Deposit 244,806.26 Million

Investment 235,905.23 Million

Number of Employees 3,446

Number of Shareholders 30,386

Auditors: Hoda Vasi Chowdhury & Co.

2.2: Historical Background of Al-Arafah Islami Bank Limited (AIBL)

Islamic ideology encourages us to succeed in life here & hereafter. To achieve this success, we must follow the way dictated by the Holy Quran and the path shown by Rasul (SM). With this goal in view Al-Arafah Islami Bank Ltd was established as a public limited company on 18-06-1995. The preliminary ceremony took place on 27-09-1995. The authorized capital of the bank is Tk.2500 million and the paid-up capital Tk.1500 million. Few renowned Islamic personalities and pious businessmen of the country are the sponsors of the bank. The total paid up capital was invested locally.

The bank is committed to contribute significantly in the national economy system. The equity of the bank stood at Tk.3415 million as 31-12-2011, the manpower is 1805 and number of shareholders are 12561.

The bank operates its business on the principles of Mudaraba, Bai-muazzal, and hire purchase transactions approved by Bangladesh Bank. Naturally, its modes and operations are substantially different those of another conventional commercial bank. There is a Shariah council in the banks who maintains constant vigilance to secure that the activities of the bank are being conducted on the precepts of Islam. The Shariah association consists of prominent Ulema, reputed bankers, reputed lawyers and eminent economist.

2.3: 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.
- Maintaining high standard of business ethics and balanced growth.
- Innovative banking at a competitive price.
- Attract and retain quality human resources.
- Extending competitive compensation packages to the employees.
- Firm commitment to the growth of national economy.
- Involving more in Micro and SME financing.

2.4: Vision of Al-Arafah Islami Bank Limited:

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

2.5: Features of Al-Arafah Islami Bank Limited:

The features of Islamic Banking are 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 good of the society. The main features of Al-Arafah Islami Bank Limited are as follows:

1. To conduct interest free banking.
2. To establish participatory Banking instead of Banking on debtor-creditor relationship.
3. To invest through different modes permitted under Islamic Shariah.
4. To accept deposits on profit-loss sharing basis.
5. To establish welfare-oriented Banking System.
6. To contribute in achieving the ultimate goal of Islamic economic system.
7. To help in poverty alleviation and employment generations.
8. To ensure an adequate rate of return on investment.

9. To maintain adequate liquidity to meet maturing obligations and commitments.
10. To play a vital role in human development and employment generation.
11. To develop and retain a quality work force through an effective Human Resources Management System.

2.6: Financial product of Al-Arafah Islami Bank Limited:

All kinds of commercial banking armed forces are provided by Al-Arafah Islami Bank Limited to the customer following the values of Islamic shariah the supplies of the bank company act 1995 & Bangladesh Banks orders. Financing products (Debt-Based) are below:

- Investment for Fisheries
- Investment for Poultry rearing
- Investment for cattle rearing
- Investment for poultry firm.
- Murabaha (Industrial, Commercial, Real estate)
- Bai-Muajjal Agriculture Transport.
- Musharaka
- Mudaraba
- Ijarah
- Hire purchase sirkatul milk Agriculture Transport.
- Quard Agriculture Transport.
- Bai Istisna Agriculture Transport.
- Bai Salam Agriculture Transport etc.

In the Al-Arafah Islami Bank Limited following accounts are operation:

1. Al Wadiah Current Deposit (CD)	7. Mudaraba Lakhpoti Deposit Scheme (LDS)
2. Mudaraba Savings Deposit (MSD)	8. Mudaraba Millionaire Deposit Scheme
3. Mudaraba Term Deposit (MTDR)	9. Mudaraba Kotipoti Deposit Scheme (MKDS)

4. Monthly Installment Based Term Deposit (ITD)	10. Al-Arafah Monthly Hajj Deposit (MHD)
5. Mudaraba Short Notice Deposit (SND)	11. Pension Deposit Scheme (PDS)
6. Mudaraba Double Deposit (MDD)	12. Mudaraba Double Benefit Deposit Scheme (MDBDS)

And Continuing- Al-Arafah Termed Hajj Deposit (THD), Monthly Installment Based Marriage Savings Investment Scheme (MIS), Al-Arafah Savings Bond (ASB), Foreign Currency Deposit (FCD), Cash Waqf Deposit Scheme (CWD), Mudaraba (Special) Pension Deposit Scheme (MSPDS).

Al-Wadiah Current Deposit:

Bank is not pay to customer profit in current accounts. Current account has advantages over savings account. Advantages are - no such withdrawal limit and overdraft facility. The minimum account opening balance is Tk.2000. The minimum balance maintained in the account. The account maintaining fee is Tk.400 and charged one a year. On the other hand, the balance falls below Tk.2000, bank will charge minimum duty Tk.250 half-yearly.

Mudaraba Term Deposit Receipt (MTDR):

It's a certain period deposited system, which is not repayable before the maturity date of a fixed period. AL-ARAFAH-ISLAMI Bank offers higher rates of profit on such deposits. Customers are allowed to open this account for a particular period and the rate of profit in accordance with the terms of the deposit. The features of MTDR as follows: Minimum balance TK 10,000.00

Month	3	6	12
Profit	6 %	6.50%	7%

Installment Term Deposit (ITD):

It's a sure investment for a steady return. It can be opened for 2, 3, 5, 8, 10, or 12 years for Tk.200, TK.300, TK.500, Tk1000, Tk.1500 and Tk2000, Tk 3000, Tk.4000, TK.5000. The savings amount is to be deposited any day of the month. In case the depositor has a separate account in the bank for which a standing instruction can be given to transfer the monthly deposit

in the scheme's account. After 3 years of savings in this scheme the depositor is eligible for a loan up to 75% of his deposited amount.

Monthly installment-based term (ITD)

- To make it more pleasant deposited amount will be weighted 1.05, which is 0.05 percent higher than 3 years term deposit
- Duration of the deposit will be 5,8,10 or 12 years towards with installment amount of either tk. 200, 300, 500, and 1000.

2.7: Investment of Al –Arafah Islami Bank Limited

1. Investment in Agricultural sector
2. Investment in Industrial sector
3. Investment in Business sector
4. Investment in Foreign Trade
5. Investment in Construction and Housing
6. Village and small investment schemes
7. Consumer investment schemes

2.8: Online service of Al-Arafah Islami Bank Limited

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 swiftly. The AIBL is already moved to the next stage of automation through introduction of online banking in all branches.

The Bank may set up few more products for consumer, like:

- ✓ Online Banking
- ✓ SMS Banking
- ✓ ATM

- ✓ Utility Bills
- ✓ Money gram

ATM Banking

AIBL has implemented successfully Automated Teller Machine (ATM). Through ATM / Debit card, customer can avail the facilities like withdrawal money, balance inquiry.

2.9: Management of Al-Arafah Islami Bank Limited

Management the process of planning, leading and controlling the work of organizations members. The power of bank depends on the strength of its management group.

The management level of Al-Arafah Islami Bank Limited are given below:

Board of Directors

Shariah Council

Executive committee

Audit Committee

Management Committee

2.10: SWOT Analysis of Al-Arafah Islami Bank Limited

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

Strengths

- AIBL provides its customers excellent quality in every banking service.
- AIBL is a financially sound company.
- AIBL utilizes state of the art technology to sure consistent quality and operation.
- AIBL provides its work force a super place to work

- AIBL achieved a goodwill among the clients.
- AIBL has a large research and training division.
- AIBL has strong deposit and investment management system.

Weaknesses:

- AIBL lacks well trained human resource in different area.
- AIBL lacks investive advertising.
- Employees are not motivated in few areas.
- The method of credit facility is to long compare to other banks.

Opportunities:

- Rise of online banking will open more scope for AIBL.
- AIBL can establish more innovative and modern customer service.
- Many branches can be opened in local far area as its high demand.
- AIBL can recruit efficient and knowledgeable officers and staffs as it offers proper working environment.

Threats

- The worldwide trend of mergers and acquirement in financial institutions is causing problems.
- Frequency taka devaluation and foreign exchange rate fluctuation is causing puzzle.
- Lots of new banks are coming in the continually with new service.
- Local competitors can capture large market share by offering same products.

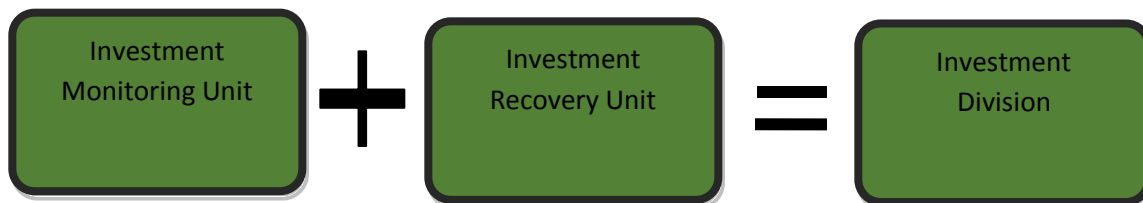
Chapter-Three

Investment Activities of Al-Arafah Islami Bank Limited

3.1: Investment:

Investment is the action of deploying funds with the expectation 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 termed as real investment. Specific examples of financial investments are: deposits of money in a bank account, the purchase of Mudaraba Savings Bonds in a company. While Islam condemns hoarding savings and a 2.5% annual tax is imposed on savings, the owner of excess savings, he is unable to invest in real assets, has no option but to invest his savings in financial assets. Investment is one of the main functions of AIBL. AIBL collect Deposits on Al-wadia and Mudaraba principles and deploy the collected fund using sharia-based Mechanism & Modes of Investment.

3.2. Investment Division of AIBL



Investment division divided into two parts.

Investment monitoring unit: Following to Investment monitoring unit monitor Investment recovery unit's work. Further recovery division did accurate thing or not. After doing recovery unit employment investment monitoring division just observe recovery unit work.

Investment recovery unit: Investment recovery unit improve the loan money to the consumer. This part head talk with the client and make a decision moreover expend loan to the client or not.

3.3: Investment Principles and Investment products:

The found of Islamic Banks are invested in following way:

Mudaraba:

It is a form of partnership in profit where by one party provides funds while the other provides expertise and management. The first party is called the Sahib-al-Maal and the latter is referred to as the Mudarib. Any profit accrued is shared between two parties on a pre-agreed rate, while capital expect it is due to the breach of trust by the Mudarib.

Important Features of Mudaraba:

- Capital must be specific. Capital must be in currency.
- Mudarib is not entitled to wages/salary but may get actual expenses incurred
- Profit must be shared as per agreed ratio
- Loss must be borne by the owner of the capital
- Profit and loss are ascertained after expiry of contract period.

Musharaka:

Musharaka is a contract of partnership between two or more individuals or bodies in which all partners contribute capital, participate in the management, share the profit as per-agreed ratio and bear the loss, if to their any in proportion capital/ equity ratio.

Features:

- The Capital in Musharaka comes from all the party.
- Musharaka, all partners can participate in the management of the business and can work for it.
- Profit is distributed as per pre-agreed ratio.
- Loss shared as per Capital ratio.

Bai-Murabaha:

Murabaha mode of finance means purchase of commodities as per request of the client permissible by Shariah and sale thereof with profit to the client. The commodity is procured at the instance of the investment client from a 3rd party. Purchase price and profit are disclosed to

the client. Goods are kept under bank's custody as security and the client lifts the same respectively or at a time on payment of sale price of the commodity.

Features of Bai-Murabaha:

- Sale is on agreed upon profit on agreement of seller & buyer.
- Cost of the goods and profit separately is informed to buyer.
- Purchasing of goods and selling the same to the latter is a condition.
- Existence & availability of goods is essential for signing a Murabaha contract.

Bai-Muajjal:

Bai-Muajjal means cost plus sale of the commodity on deferred payment basis against adequate collateral. The commodity is procured at the instance of the investment client from a third party as per firm agreement between the client and the bank and sale price is paid by the client within stipulated period of time. After having possession of the goods, the bank delivers the same to the client on credit which is required to be paid at a specified future date with the development of sale of goods within the given period.

Features of Bai-Muajjal:

- Deferred sale, the agreed price of which is payable in some fixed future date
- Goods delivered; price deferred must be after getting ownership by purchaser
- Goods must be visible and purchasable at the time of execution of contract.

Bai-Salam (Advance Sale):

Below this mode, the bank buys the goods from the producer or supplier on payment in advance after entering a firm contract and the goods are delivered or supplied to the bank at a future specified date. In the contract of Bai- Salam quantity, quality, shape, size, price and time of delivery of the goods are clearly specified.

Features of Bai-Salam:

- Price paid in advance; goods deferred.

- Total price be paid or fixed at the time of agreement.
- Buy-sale is Halal without existence or visibility of goods in a Salam contract.
- If goods are in existence or visible, there will be no Bai-Salam.

Hire Purchase Sherkatul Melk (HPSM):

Durable items, machinery, equipment, etc., are purchased on equity participation by both the bank and the client and the same is handed over to the investment client on rental basis entering into an agreement with the client that principal amount shall be paid within a particular period of time by installments. Rent is to be paid on the principal outstanding till the ownership is transferred to the party on payment of the entire principal amount.

Bai-Istisna:

Istisna'a is a sale contract by which the seller on the basis of the order placed by the buyer after having manufactured or otherwise acquired the goods as per specification sells the same to al-mustasni' for an agreed upon price a method of settlement whether that be in advance, by installments or deferred to a specific time. It is a Condition of Istisna'a contract that the seller should provide either the raw material or the labor.

Bai-As-Sarf:

Bai sarf consists of two Arabic words, Bai and Sarf. The word Bai means buying and selling and the word sarf means increase/gain. The definition of sarf in Islamic jurisprudence: refers to a gain from the exchange contract through mutual exchange of the Badal in a defined format. In short it is buying and selling of currency. Bai – as- sarf mode of investment is mainly applied in negotiation/purchase of Export Bill and Foreign Cheques and Drafts. It is applied when exporters come to the Bank after shipment of goods and submit their export documents /Bills with an offer of sale to the Bank. On the other hand, it is found the bill is free of any discrepancy the bank purchases it with a mutual agreed upon rate where the Bank pays off the value of the bills in local currency instantly to the client and receives the bills in foreign currency, which is realized from abroad at maturity.

3.4: The features of Investment Products:

- The customer applies to the bank expressing his/her wishes to buy the assets and the bank coherence its approval after suitable rating.
- The customer deposits his/her share of equity with the bank after obtaining support and the bank pays total price of the assets mutually with its clearness.
- Before purchasing of the resources, a contract is formed stipulating the actual prices, monthly rents, prices of the bank's item of the assets, payment program & installment amount the environment of the safety.
- The bank shall rent out its personal portion of the assets to the customer as per terms & situation of the contract.

Direct Investment: Under this form, the bank can under its complete proprietorship perform business by openly investing in the industries, trading and transport. In this system, the profit fully goes to the bank.

Investment Auctioning: Selling by auction of those property acquired by the bank throughout direct investment is called investment auctioning. Usually, the bank establishes manufacturing units by direct investment, makes the same operationally profitable & after the sales out on auction.

3.5: Mode of Investment

Bai-Muajjal

Here Bai-Muajjal there are numerous investment modes. They are:

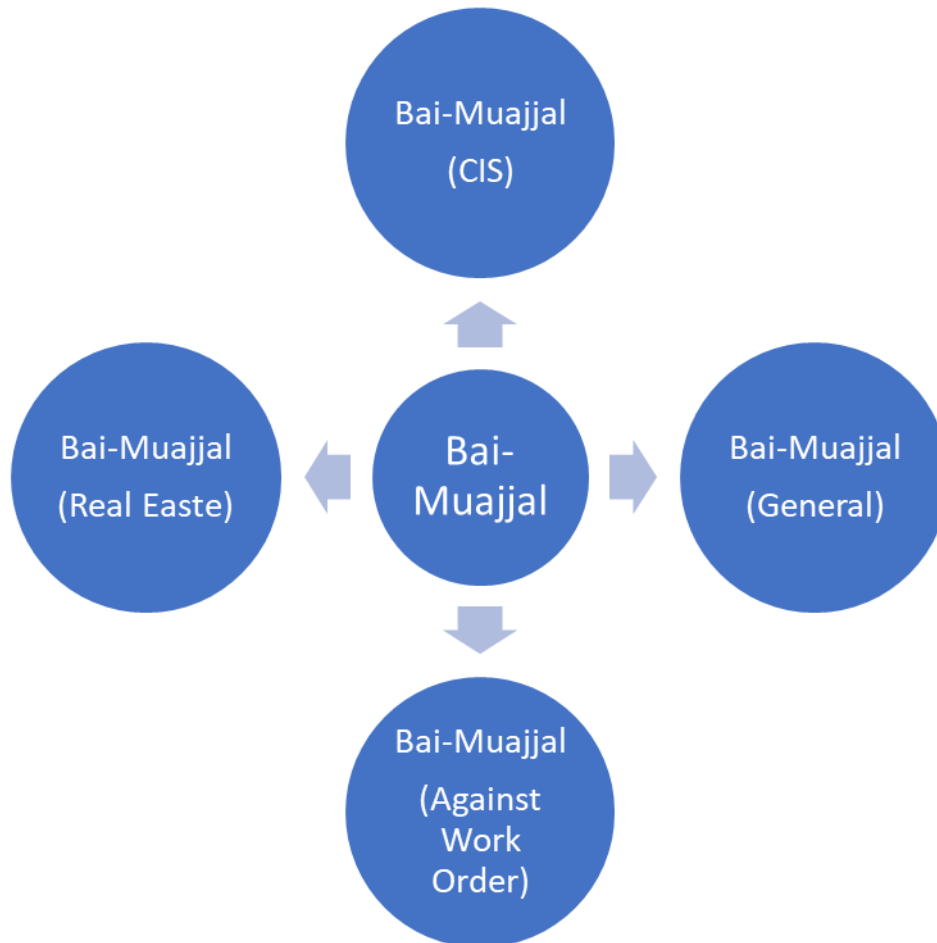


Figure: Investment modes of Bai-Muajjal

Hire Purchase under Shirkatul Meelk or H.P.S.M.

Here Hire purchase under Shirkatul Meelk or H.P.S.M. there are numerous investment modes.

They are:

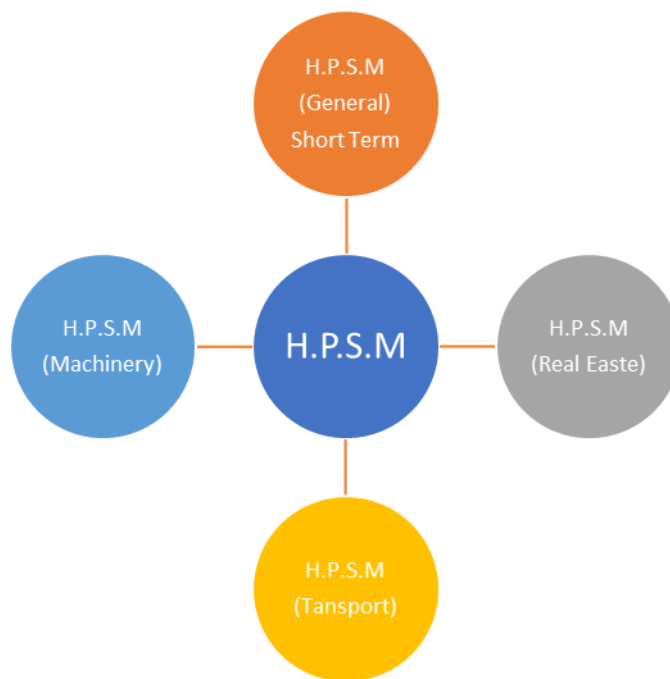


Figure: Investment modes of H.P.S.M.

Bills Purchased

Bills Purchased there are few modes. They are:

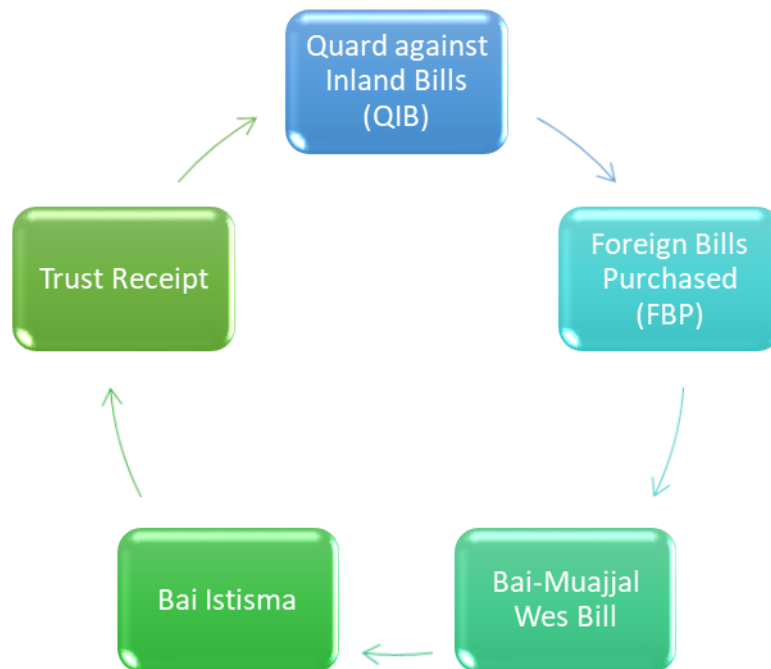


Figure: Investment modes bill purchased

Other Investment

Under other Investment there are several modes. They are:

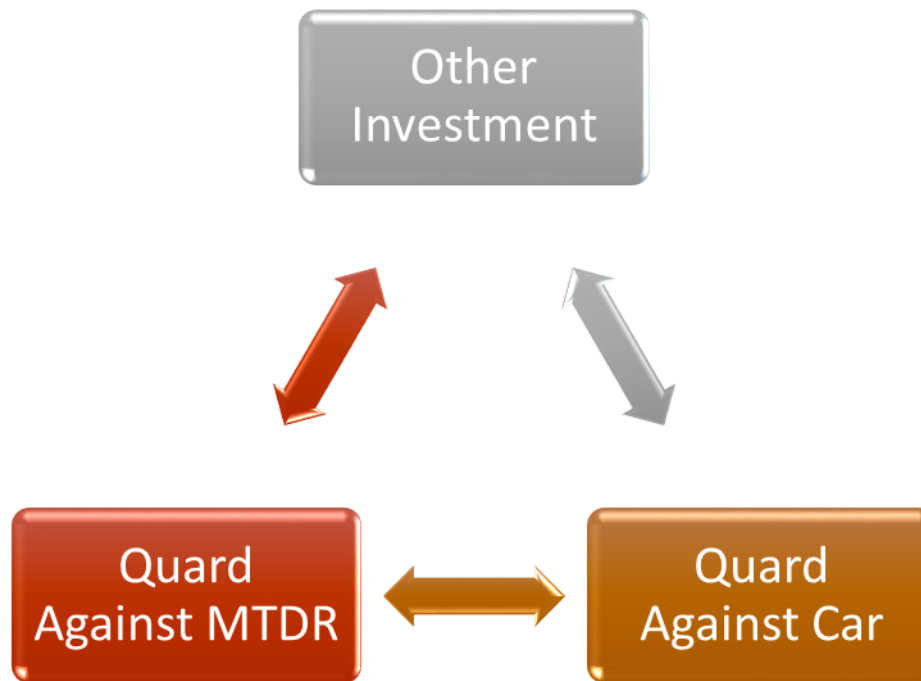


Figure: Investment modes of Other Investment.

3.6: Personal Investment scheme

Personal investment shall be acceptable for miscellaneous personal financial requisite of salaried or self-employed people stay in the cities where the bank has its system. That is a fresh or unsecure investment in the logic that only security in the type of investment goods is:

- Letter of opening from employer.
- Transfer of monthly salary and project of ultimate benefits
- Personal guarantee taken from definite class of people

Purpose: The client has to announce the purpose if investment. Pleasure may well be as follows:

- Marriage expenses and buy of gold ornaments.
- Hospitalization or other crisis medical wants.
- Educational handling cost
- Mobile/telephone place
- Residence alteration

Maximum amount of investment

- Without collateral security, up to tk.2,70,000/=

Tenure:

- Minimum 1 year
- Maximum 4 years
- Repayment will be same monthly installment.

3.7: Loan Classification:

Loan classification is a procedure by which the risk or loss probable relates with the loan accounts of a bank on a specific date is acknowledge to measure exactly the level of reserve to be sustained by the bank to provide for the possible loss on account those risky loan.

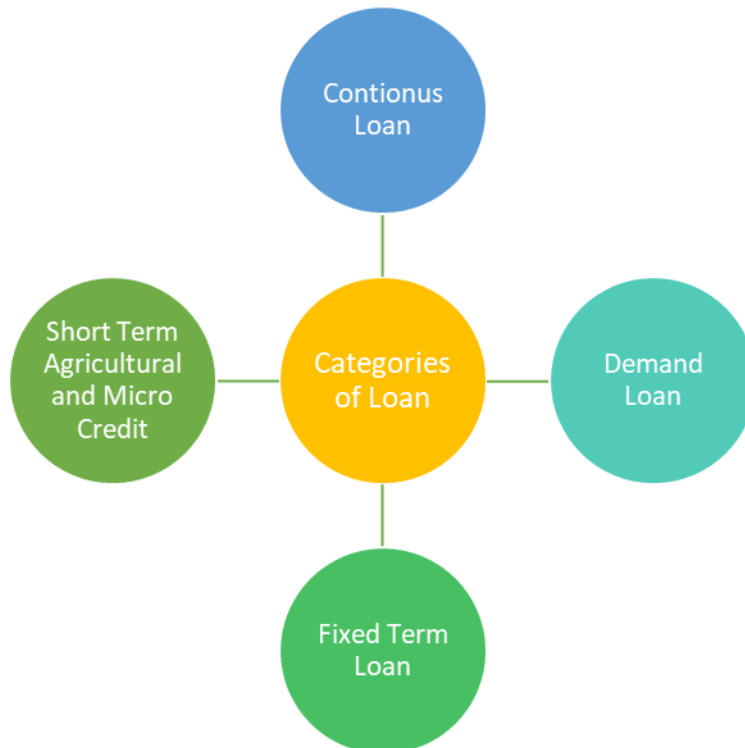
Here, all kinds of loans of Al-Arafah Islami Bank Ltd following that rule:

- **Unclassified:** Repayment is consisting.
- **Substandard:** Repayment is irregular but has responsible prospect of enlargement.
- **Doubtful debt:** Scarce to be refunded but special group efforts may result in incomplete recovery.
- **Bad/Loss:** Too much late recovery rate.

Classification	1 st phase	2 nd phase	3 rd phase	4 th phase	5 th phase
Status	Length of overdue	Length of overdue	Length of overdue	Length of overdue	Length of overdue
Unclassified	Less than 12 months	Less than 9 months	Less than 9 months	Less than 6 months	Less than 3 months
Substandard	12 months or more but less than 36 months	9 months or more but less than 24 months	9 months or more but less than 24 months	6 months or more but less than 12 months	3 months or more but less than 6 months
Doubtful	36 months or more but less than 48 months	24 months or more but less than 36 months	24 months or more but less than 36 months	12 months or more but less than 24 months	6 months or more but less than 12 months
Bad/Loss	48 months or more	36 months or more	36 months or more	24 months or more	12 month or more

3.8 Categories of Loan

All kinds' loan and advances will be collected into four types for the purpose of classification, likely:



Continuous Loan

The loan accounts in which transactions may be prepared within determine limit and have an ending date for full corrective will be continuous loans. Like: CC, OD etc.

Demand Loan

The Loans that change repayable on call by the bank will be treated as demand loans. If any other liabilities are revolved to forced loans those also will be treated as demand land.

Like: Forced LIM, PAD, FBP, and IBP etc.

Fixed term loan:

The loans, which are repayable within a define time period under an exact repayment schedule will be treated as permanent loans.

3.9: Legal Framework for Loan Recovery

After being classified, if the debtor is incapable to discern the loan then the bank can take the following lawful actions by filing suit:

- I. Filling documentation cases under public Demand Recovery Act.”1913”
- II. Filling money suit circumstances under Aretha Rin Adalat.”1990”
- III. Filling Bankruptcy circumstances under Bankruptcy Act.”1997”
- IV. Filling circumstances under Negotiable. Instrument Act.1881 section 138 to141 for deficient fund.

Chapter-Four

Analysis of Investment Activities

4.1 Year wise Investment Growth of Al-Arafah Islami Bank Limited

2013	2014	2015	2016	2017
125,715.39	146,740.37	162,503.14	196,519.38	235,905.23

Table: Investment growth of AIBL

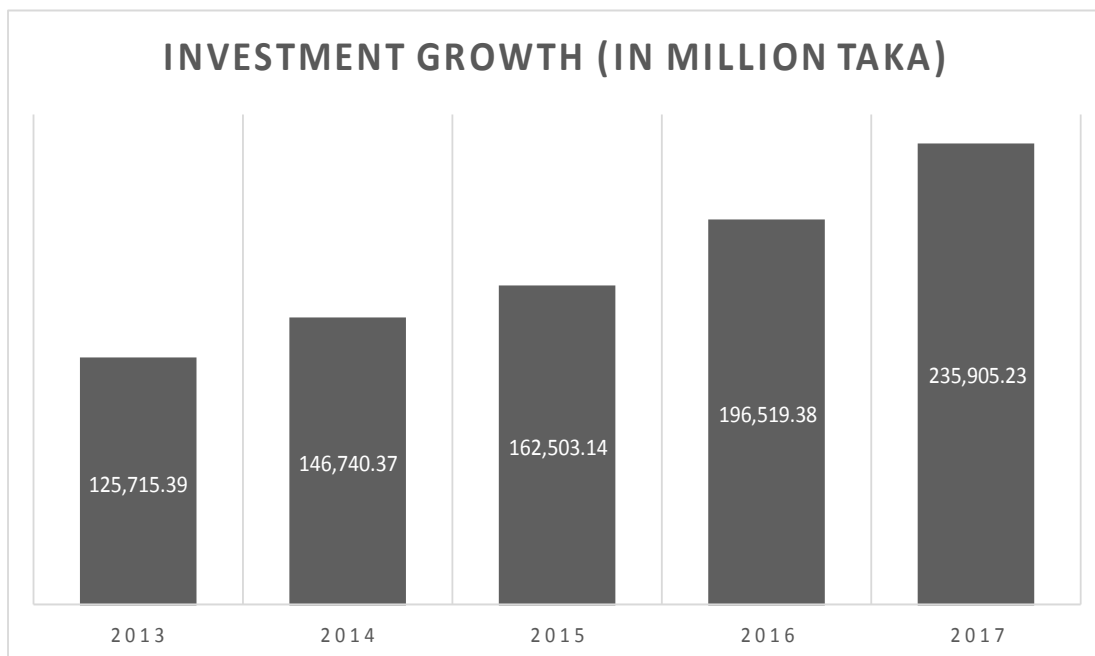


Chart: Investment growth of AIBL

Interpretation: From the graph and figure it showing 2013 to 2017 investment growth. We can see that the investment of AIBL is increasing every year. In 2017 the amount of investment was is 235905.23 million taka which was much higher than 2013's 125,715.39 million taka. If the tendency of the years exists longer, finally it can be said it is possible for Al-Arafah Islami Bank Limited it increase its condition.

4.2: Income from Investment

2013	2014	2015	2016	2017
17966.32	19725.91	18568	18830.15	20491.03

Table: Income from investment of AIBL

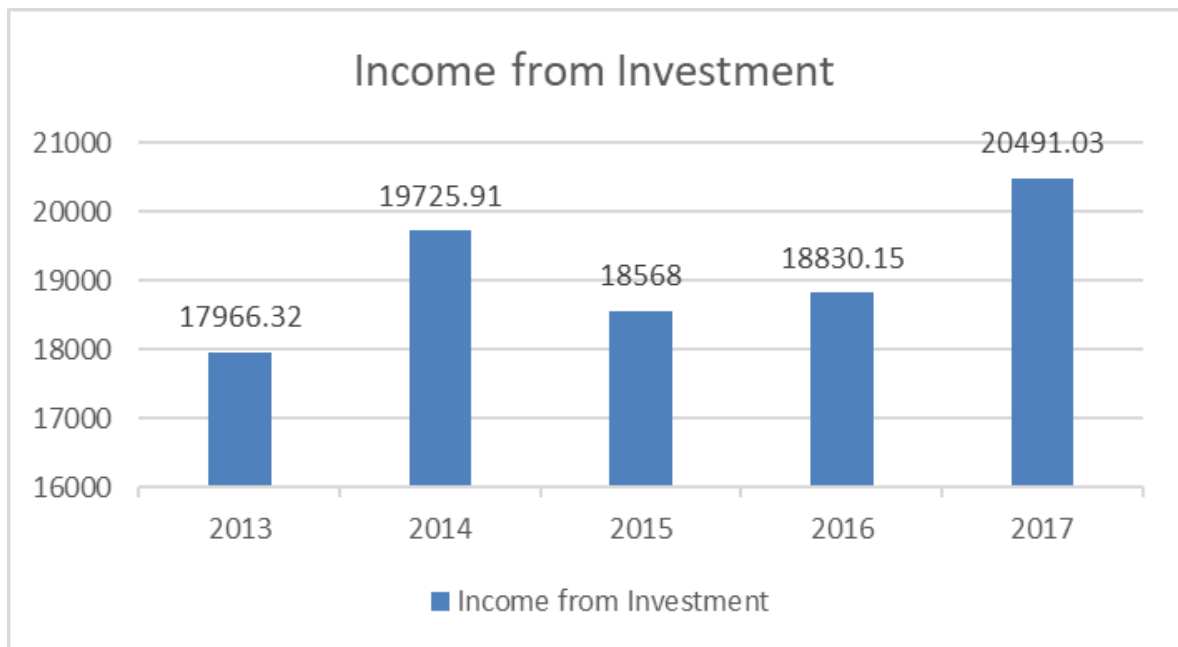


Chart: Income from investment

Interpretation: we can see the bank income from investment of Tk.20, 491.03 million during the year 2017 which registered growth of 8.11% over the preceding year. Here the bank earned Tk. 1,301.10 million from sources other than profits, locker rent. In 2016, the investment income was 18830.15 which registered a growth of 8.11% over the preceding year.

4.3 Investment Deposit Ratio

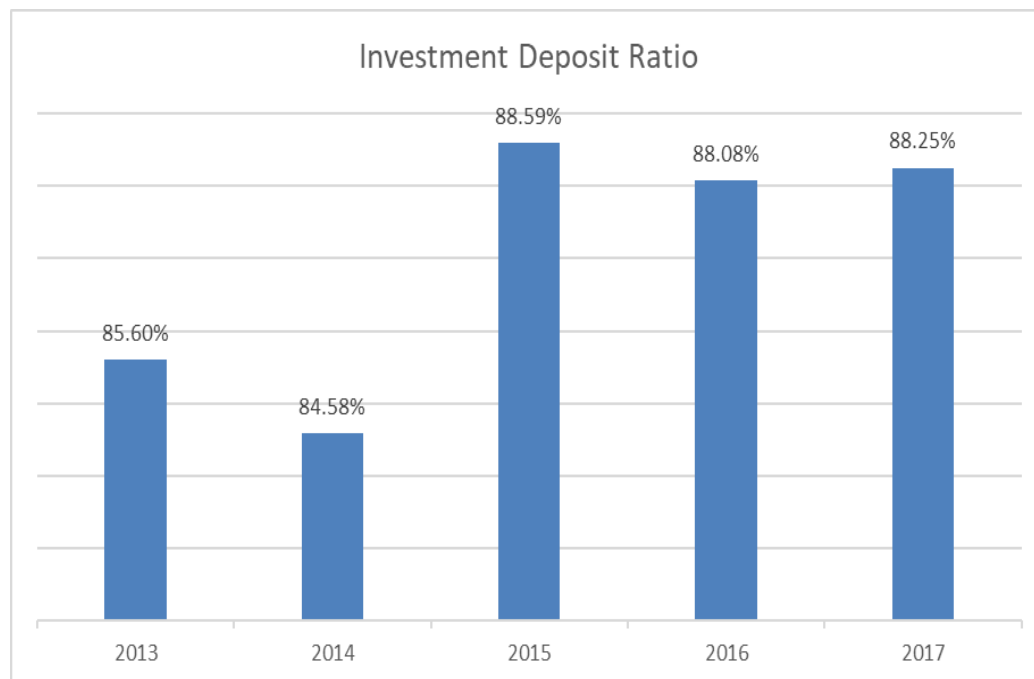
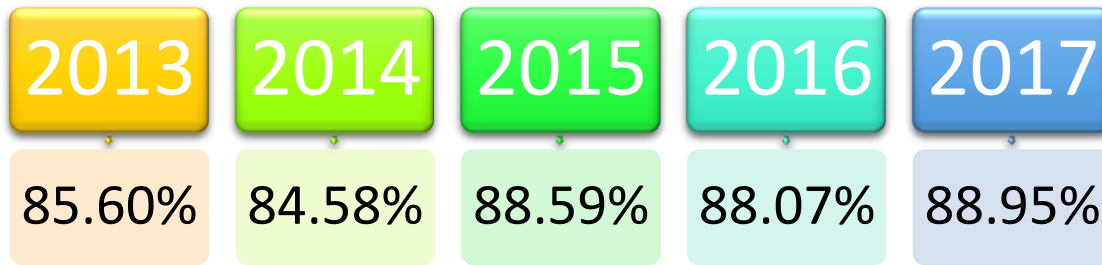


Figure: Investment Deposit Ratio (Sources; Annual report of AIBL)

Interpretation: From the graph, that investment to deposit ratio has decreased above the years. In this graph we have seen that the ratio has decreased from 85.60% in 2013 84.58% 2014 and 88.59% in 2015 to 88.07% 2016. Here the cause of decreased the trend line is because AIBL as hold deposits quantity year by year and then they have surplus of money but they can't correctly invest the money. Here main causes of some political turbulence.

4.4 Return on Investment (ROI) Of Al-Arafah Islami Bank Limited

2013	2014	2015	2016	2017
13.01%	13.70%	11.70%	10.41%	9.47%

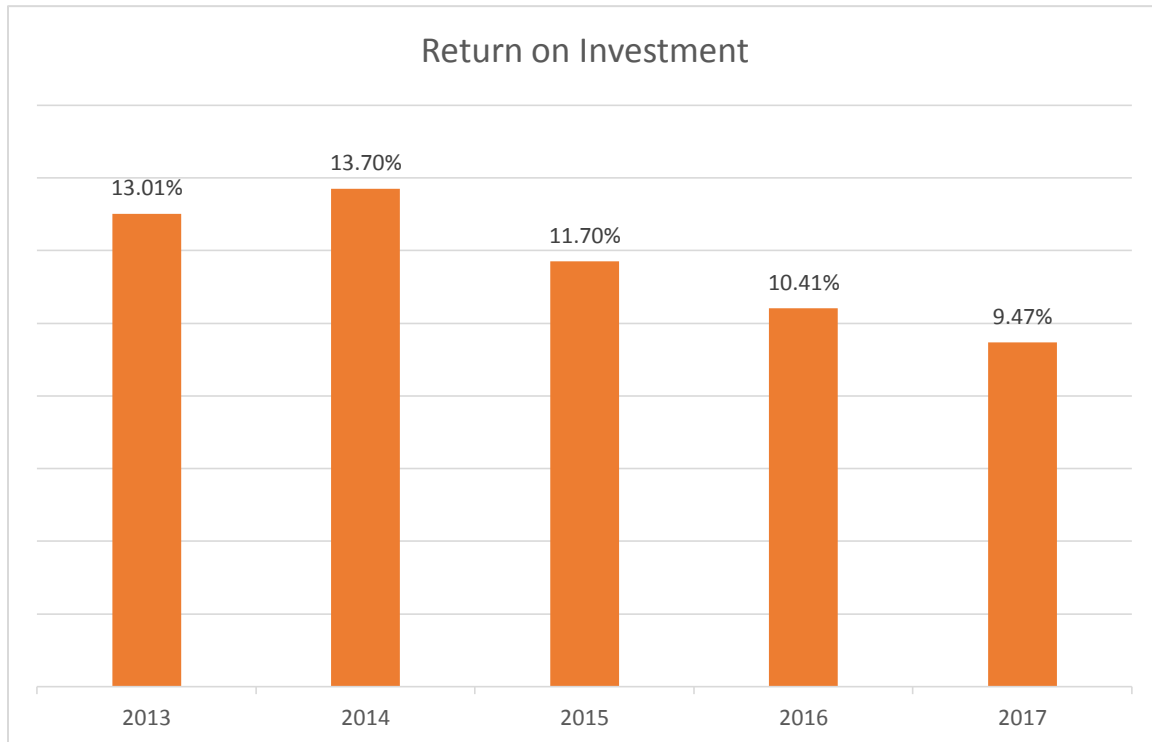


Chart: Return on Investment (Source: Annual report of AIBL)

Interpretation: From the above graph shows the return on investment of the total investment from the year 2013 to 2017. But the ROI of Al-Arafah Islami Bank Limited has decreased from 2014 to 2017. From the graph it can be seen in the year 2013 was 13.01% but 2017 was 9.47%. However, this is a bad sign for the bank. The cause of decrease of the trend line was because past three years AIBL faces few problems like: economic extinction, political trouble.

4.5 Investment in Murabaha

2013	2014	2015	2016	2017
32788.06	15583.03	12,709.30	17335.76	48754.96

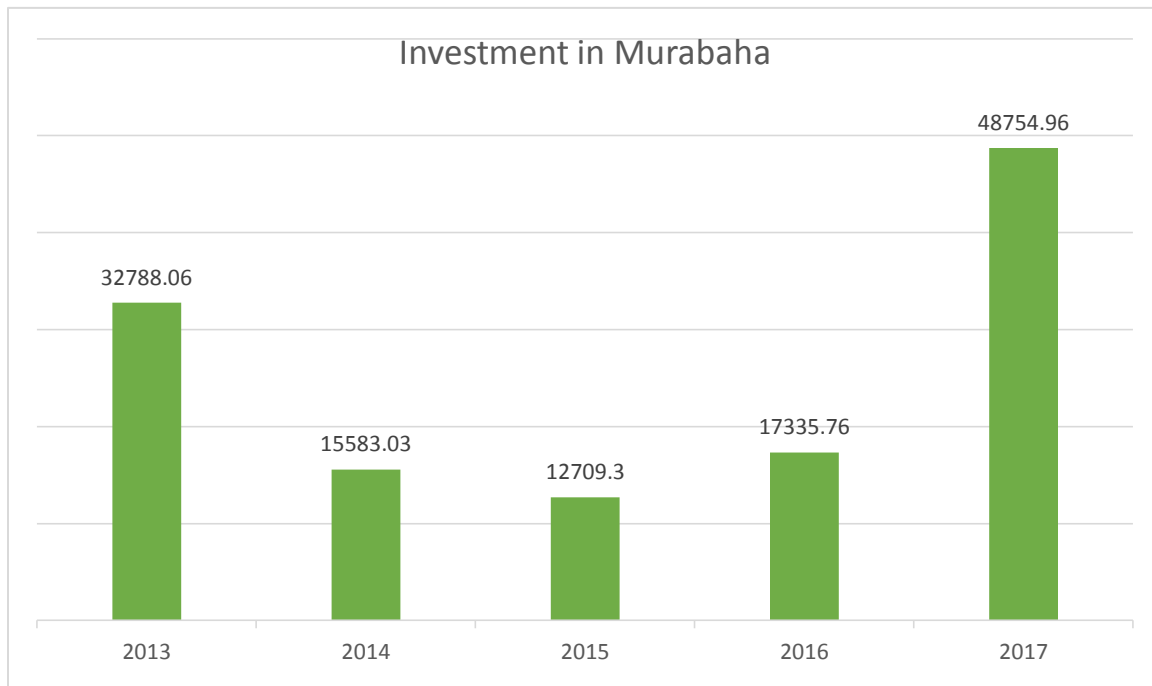


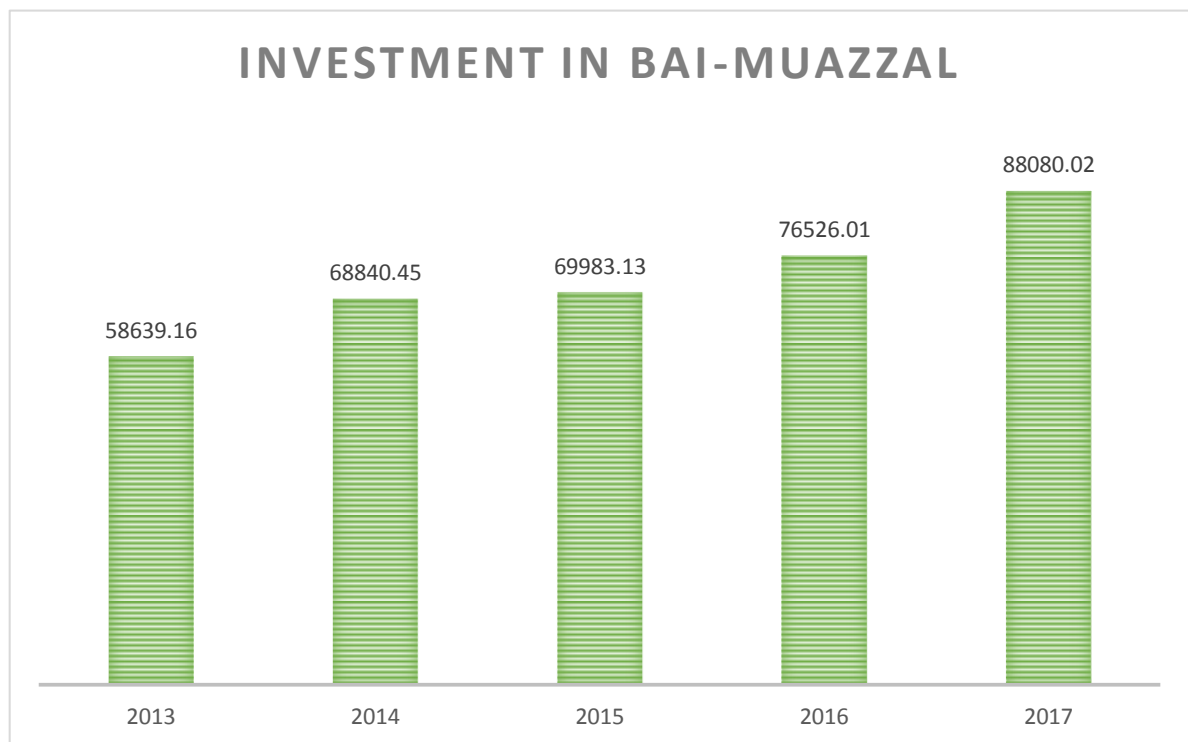
Chart: Investment of Murabaha (Source: Annual Report of AIBL)

Interpretation: Here we can see the graph that the lowest investment was TK. 12,709.30 million in 2015 and the highest amount is TK.48,754.96 million in 2017. In this chart 2013 to 2014 decreased almost 50%. Last three years day by day increasing trend of investment in Murabaha of Al-Arafah Islami Bank Limited. Some clients are contented with the service and they don't face any problems as Murabaha credentials need some papers, it makes them to investment in this way.

4.6: Investment in Bai-Muazzal

2013	2014	2015	2016	2017
58,639.16	68840.45	69983.13	76526.01	88,080.02

Figure: Investment in Bai-Muazzal (Sources: Annual report of AIBL)



Interpretation: In the graph we can see an increasing turn of investment in Bai-Muazzal of Al-Arafah Islami Bank Limited. Here every year almost 10% increase investment. In the year 2017 increased 12%. We also see that the lowest investment was TK.58, 639.16 million in 2013 and the highest amount is TK. 88,080.02 million in 2017. From 2013 to 2017 the trend line increased because consumers are pleased with the service and they did not face any problems.

4.7 Investment in Hire Purchase

2013	2014	2015	2016	2017
25,856.41	33800.78	38,339.30	49,638.99	63,373.69

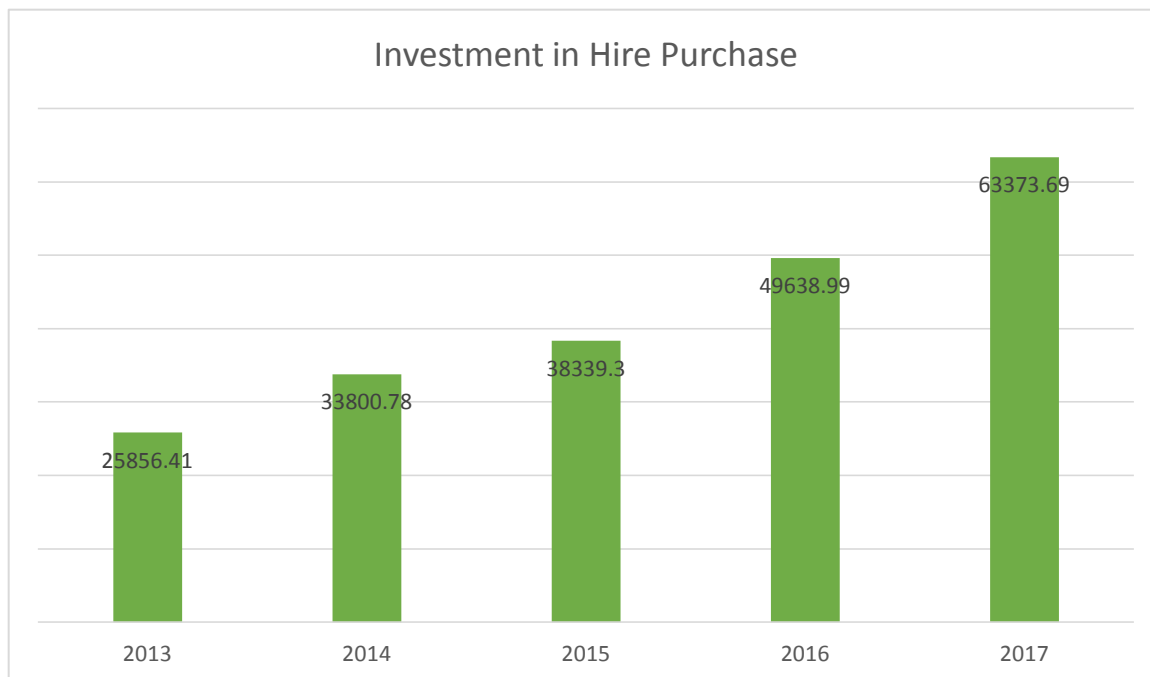
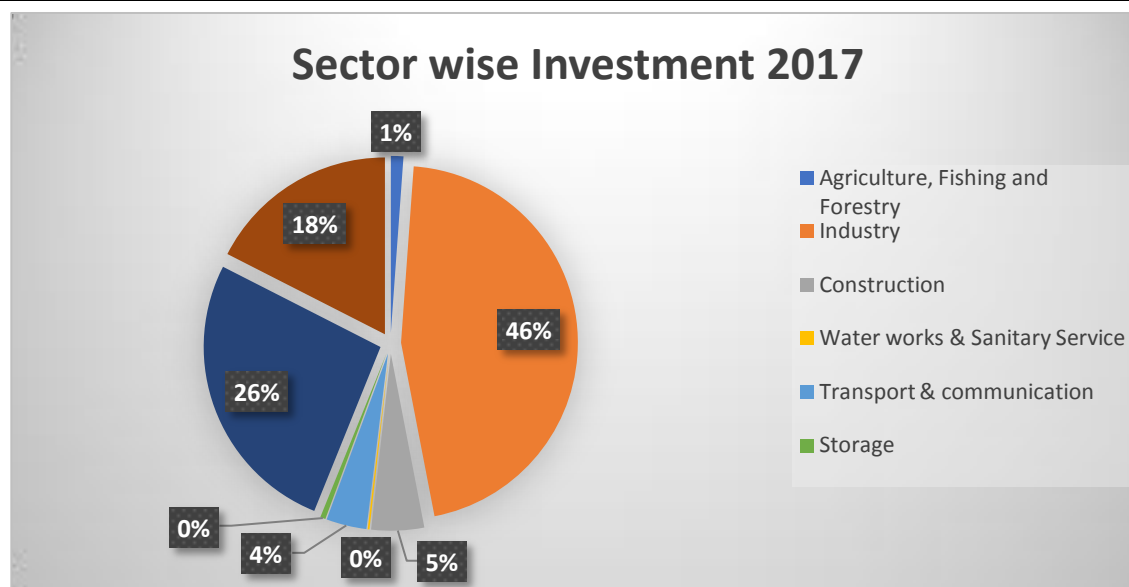


Figure: Investment in Hire Purchase (Source: Annual report of AIBL)

Interpretation: There is an increasing turn of investment in Hire Purchases of Al-Arafah Islamic Bank Limited. From this graph we can see the lowest investment was TK. 25,856.42 million in 2013 & the highest figure is TK. 63,373.69 million in 2017. This makes the trend high. Almost every year 8% increase investment in hire purchase. In 2016 to 2017 increase almost 15% investment in hire purchase.

4.8: Sector wise Investment 2017

Sectors	Taka in million
Agriculture, Fishing and Forestry	2,800.00
Industry	112,386.00
Construction	11,823.00
Water works & Sanitary Service	391.00
Transport & communication	9,048.00
Storage	1,182.00
Trade Finance	64,701.00
Miscellaneous	42,921.78
Total (Including Profit Receivable)	245,252.78
Less Unearned Profit on Investment	9,347.55
Total	235,905.23



Interpretation: From the graph, we can see that sector wise investment of AIBL for the year 2017. In Industry sector the amount was 112386.00 taka which is the highest amount of all and in trade finance sector, it was 64,701.00 taka. The bank should invest its credit in the water works & sanitary service because increasing of financial efficiency and a positive impact on the

financial sector size particularly in lower income economy, water and sanitary plays a necessary role.

4.9: Standard Loan

Year	2013	2014	2015	2016	2017
Total Loans & Advances	121298.99	141574.51	156646.15	189169.39	232614.23
Unclassified Loans	103443.78	123891.85	139728.37	174697.93	206445.13
Ratio	85.28%	87.51%	89.20%	92.35%	88.75%

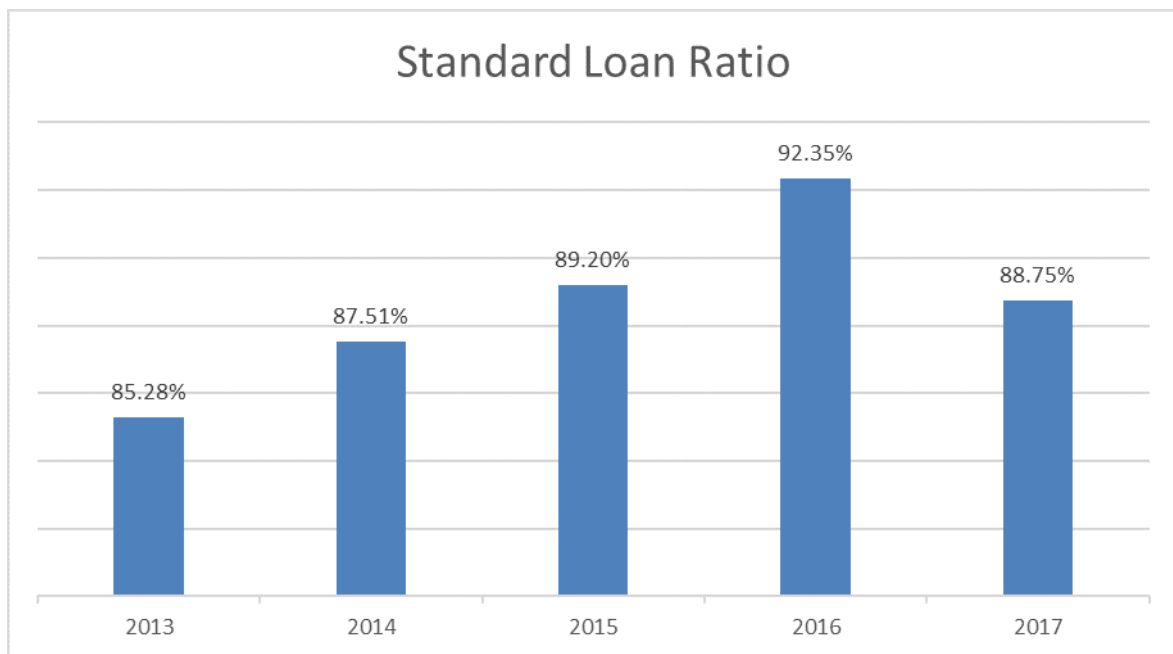


Figure: Standard loan ratio of AIBL

Interpretation: In the above figure and graph, it can be seen that percentage of loan to deposit ratio. The ratio is developed here in percentage terms. From 2013 to 2016 the ratio of loan to deposit day by day increased 85.28 to 92.35 percentages. Its expose the deposit increase over the year by 2.23%. However, in 2017 loan and advance 88.75%. A loan to deposit ratio must be 70%-75%. Finally, the performance of the bank is good.

4.10: Sub-Standard Loan

Year	2013	2014	2015	2016	2017
Total Loans & Advances	121298.99	141574.51	156646.15	189169.39	232614.23
Sub Standard Loan	103443.78	123891.85	139728.37	174697.93	206445.13
Ratio	0.27%	0.35%	0.39%	0.32%	0.25%

Table: Sub-standard loan of AIBL

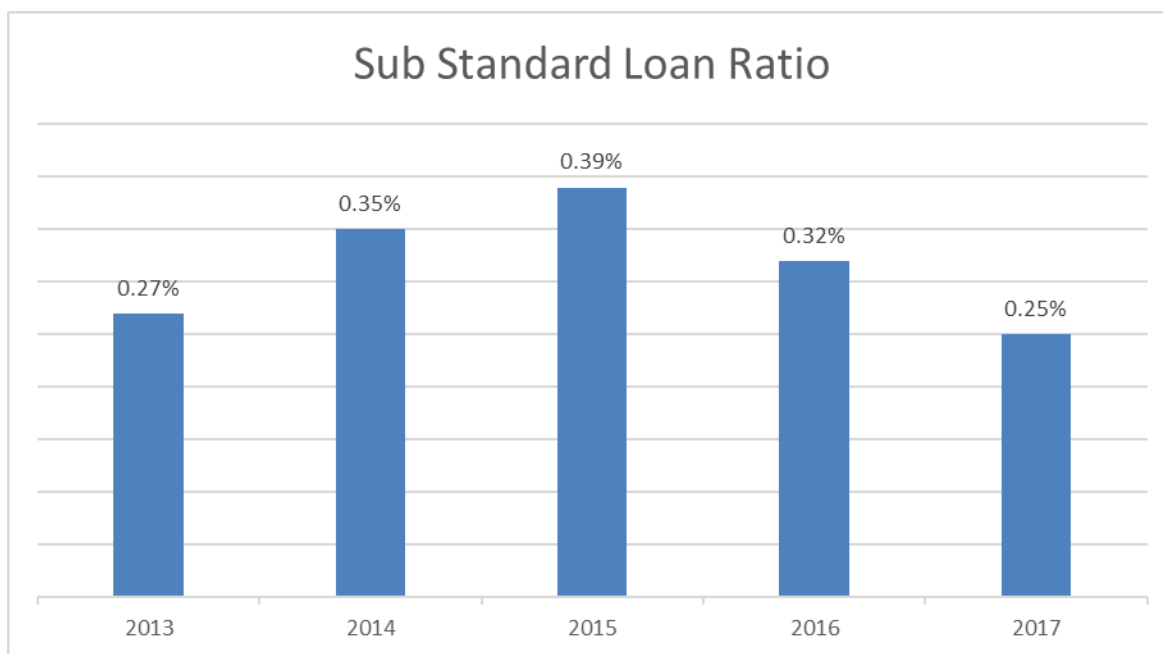


Chart: Sub-standard loan ratio of AIBL

Interpretation: This graph shows the performance analysis of Sub-standard loan of the Al-Arafah Islami Bank Limited from 2013 to 2017. From the table and graph it can be seen that the ratio and sub-standard loan in the year 2014 was 0.35% and 2013 it was 0.27%, in 2015 it was the highest which was 0.39%. It can be seen that the ratio of the loan decreased 0.32% from the year 2015 to 2016, and in 2017 it decreased by 0.26%.

4.11: Doubtful Loan

Year	2013	2014	2015	2016	2017
Total Loans & Advances	121298.99	141574.51	156646.15	189169.39	232614.23
Doubtful Loans	181.95	254.83	579.59	586.43	511.75
Ratio	0.15%	0.18%	0.37%	0.31%	0.22%

Table: Doubtful loan of AIBL

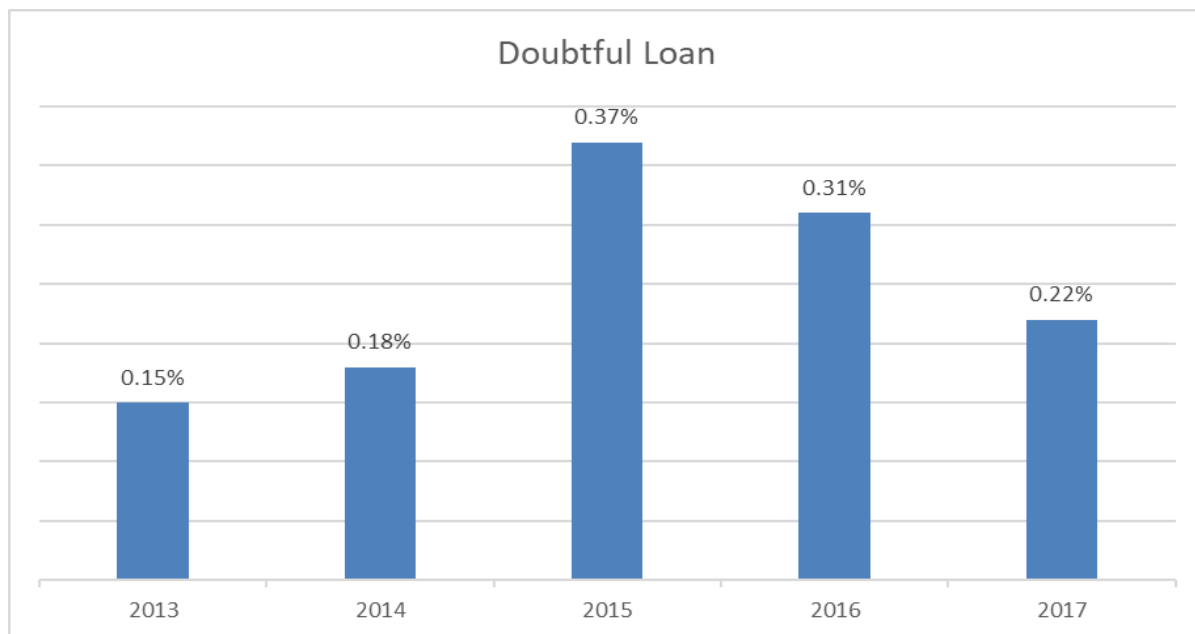


Chart: Doubtful loan ratio of AIBL

Interpretation: The graph shows the performance analysis of doubtful loan of the A-Arafah Islami Bank Limited from 2013 to 2017. From the above graph and table ratio of doubtful loan and advance it agitated from 2013 to year 2017. The lowest ratio was o.15%. In the year 2013. The highest ratio was in 2015 which was 0.37%. As the ratio is increase occasionally and decreasing occasionally that means an unstable condition.

4.12: Bad and loss

Year	2013	2014	2015	2016	2017
Total Loans & Advances	121298.99	141574.51	156646.15	189169.39	232614.23
Bad & Loss Loan	3359.98	5054.21	7299.71	8985.55	9932.69
Ratio	2.77%	3.57%	4.66%	4.75%	4.27%

Table: Bad and loss ratio of AIBL

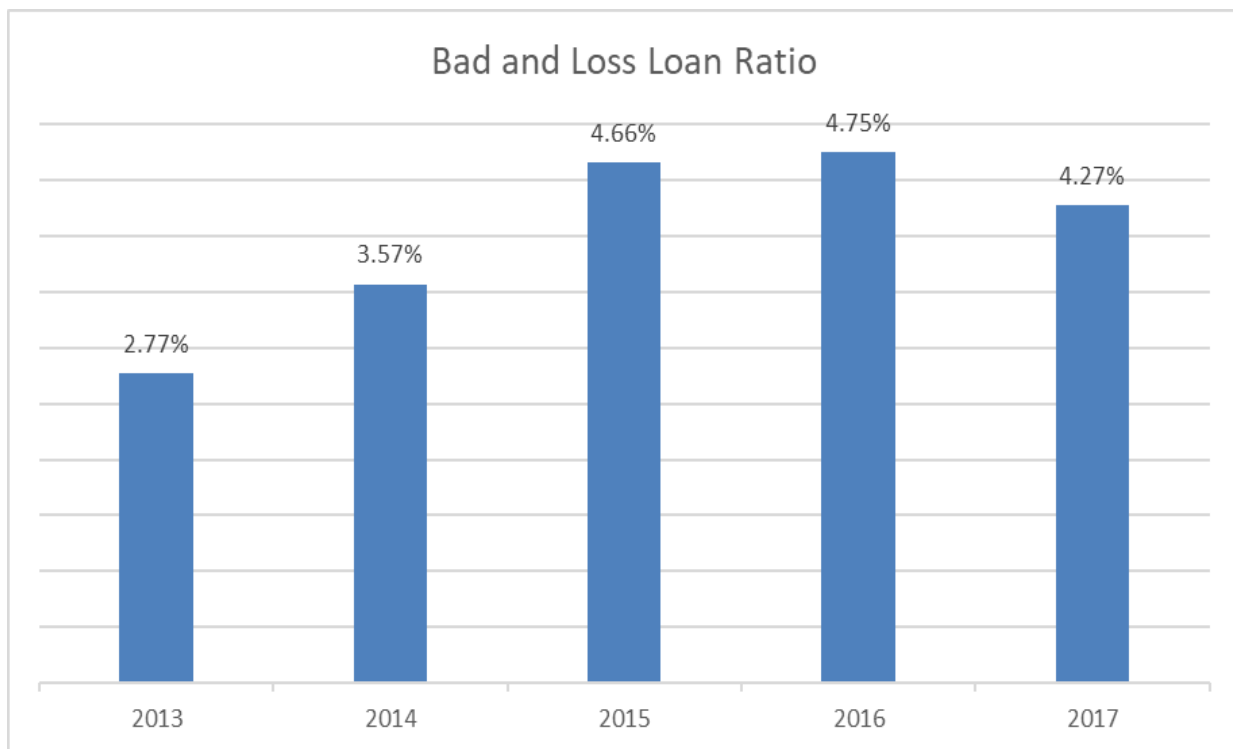


Chart: Bad and loss of AIBL

Interpretation: The graph shows the performance analysis of the bad and loss of the AIBL bank from 2013 to 2017. From year 2013 to the 2014 the ratio 3.57%, but from the year 2014 to 2015 its increased 4.66%. In the year 2017 it was 4.27% and In the year 2016 it was 4.75, which was the highest in parallelism to other years.

CHAPTER: FIVE

Findings, Recommendations, Conclusion

5.1: Findings of the Analysis:

- Loan and advances are increasing over the year. Recently it is increased by 7.63% 2017 was more than the previous four years.
- The income from investment increased few in the last some years which is not good. The investment income was TK. 20,491.03 million by the 2017 which shown a growth of only 8.11% over the former year.
- Investment to deposit ratio is not good, in 2017 this year percentage is 88.95% and 2013 this year percentage is 85.60%. Its shows a lack of utilization of liquidity.
- The sub-standard loan expending step by step shape 2013, 2014 and 2016. But 2015 was much increased. 2014 and 2016 some decreased 0.35% and 0.32%.
- The highest amount of investment was made on industry sector as AIBL always inspire industry basis entrepreneurs to do business with AIBL. 46 % of the investment was made to this sector.
- Doubtful loan and advance ratio are decreased 0.22% in the year. But it decreases it shifted to bad and loss category.

5.2 Recommendations:

- AIBL should provide more loan in different sectors as it is found a lack of utilization of their deposit fund. They should placement the standard loan to deposit ratio.
- Accurate monitoring in needed over clients for refund credit.
- For reduce sub-standard advance Al-Arafah Islami Bank Limited can grow more redone parameters for credit sanction process under the general rule of Bangladesh bank.
- Growth rate of the sector wise investment disbursement has been decreasing so bank should take action to increase the growth in the following sectors-agriculture, fishing and forestry, construction, transport and communication, storage, pharmaceutical industry and service industries in line with bank's policy.
- They should also increase their deposit to keep the loan to deposit ratio in normal level that would help to manage liquidity.
- They should give major focus on proper investment, they need to estimate previous income growth performance to understand the condition of current investment performance, however that their income from investment will increase day by day.

5.3: Conclusion:

The establishment of Al-Arafah Islami Bank Limited on 18-06-1995 is the true reflection of this inner urge of its people, which started functioning with effect from 27-09-1995. 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.

Al-Arafah Islami Bank Limited is a leading private Islami bank in Bangladesh with real customer bases that are loyal, worthy towards the bank. The service provided by the young energetic officials of the Al-Arafah Islami Bank Limited is very sincere. As an Islami bank AIBL has to follow the rules of Bangladesh Bank investment management the fact that these rules sometime restrict the foreign business to several extent. The investment department to be efficient; therefore, this department plays a great role in the overall profitability of the branch.

Al-Arafah Islami Bank Ltd is one of the most workable Islamic banking sectors. Financial especially banks have a more important role to play to develop investment sectors. Investment management is one of the most important things in our banking sector and now banks are providing various types of deposit scheme to attract customer.

Lastly it can be said that, Al-Arafah Islami Bank Limited has been acknowledged with a view to conduct interest free banking to set up participatory banking instead of debtor and creditor connection. AIBL is a bank that offers the best Islamic banking service to its customer and also a fast-growing bank.

5.4: References

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