

Internship Report on Financial Performance Analysis of Al-Arafah Islami Bank Limited



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**Internship Report on
Financial Performance Analysis of Al-Arafah Islami
Bank Limited**

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Letter of Transmittal

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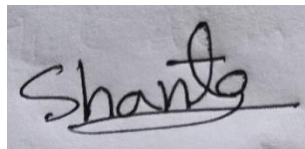
Subject: Submission of Internship Report.

Dear Sir,

This is to inform you that I have completed my internship report on “Financial Performance Analysis of Al-Arafah Islami Bank Limited” which has been prepared as a requirement for the completion of the BBA program of the Department of Business Administration, Daffodil International University. I have tried my best to make this report a comprehensive and informative one. I hope you will appreciate my endeavor and find the report up to your expectation.

It has to be mentioned further that without your advice and cooperation it would not be possible for me to complete this report. I shall be gratified to answer any sort of queries you think necessary regarding this report.

Sincerely

A photograph of a handwritten signature in black ink on a light-colored background. The signature is written in a cursive style and reads "Shaikhul Alam Shanto".

Shaikhul Alam Shanto

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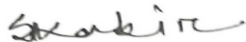
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Approval Certificate

This is to certify that **Shakhiul Alam Shanto ID# 191-11-6144, BBA (Finance)**, is a regular student of Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University. He has successfully completed his internship report on **“Financial Performance Analysis of Al-Arafah Islami Bank Limited”** and has prepared this report under my direct supervision. This research paper is worthy of fulfilling the partial requirements of BBA program. I also declare that the study has been prepared for academic purposes only and this paper may not be used in actual market scenario.

I have gone through the internship report and found it a beautifully written. He has completed the report by himself. I wish him every success in life.



Ms. Shahana Kabir

Assistant Professor

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Acknowledgment

In the name of Allah, the beneficent the merciful. This paper would not have been possible without the guidance and the help of several individuals who in one way or another contributed and extended their valuable assistance in the preparation and completion of this study.

I started this internship report and finally it has been completed. The special thanks to my helpful supervisor Ms. Shahana Kabir, Assistant Professor, Department of Business Administration. Faculty of Business & Entrepreneurship, Daffodil International University.

I would like to express my gratitude towards my supervisor and experienced in online of observe impact of firm's profitability on stock price return for kind encouragement which has helped me in completion of this report. This report is an essential part of BBA program as one cannot gather educational knowledge and experience without observing & doing work at chosen this topic.

I would like to express my special gratefulness and thanks to all online platform for finding anything so easily. This report makes me realized the value of working as a new experience from online platform.

Executive Summery

The report has been prepared to fulfill the requirement of BBA program. This is mandatory to involve with organization for the earning theoretical and practical experience. This report is an analysis of the financial performance of Al-Arafah Islami Bank Limited. Al-Arafah Islami Bank Limited is the economic and service-related institution. Its main aim to earn money through exchange of money and other products. Banks have four parts for the operation like general banking, accounts and general service, foreign exchange and loans. Al-Arafah Islami Bank Limited to collect deposit from customers and portfolio invests more profitable area for the reducing risk and get more profit.

Financial performance analysis is the most necessary elements for the organization. In this report tried to find out overall financial condition through the ratio analysis and identify some findings and possible recommendations. Al-Arafah Islami Bank Limited liquidity position fluctuating and current ratio is good for the bank but cash ratio less than one that is not good sign for the bank. Operating efficiency ratio fails randomly last some years for the lack of proper utilizations of assets. ROA and ROE both are decreased which is bad for the bank. Al-Arafah Islami Bank Limited net profit margin decreasing for the huge operating expense and cost of goods sold.

Al-Arafah Islami Bank Limited can take decision based on ratio analysis. External user can use it for the understand overall health of the organization. This bank needs to focus on liquidity ratio because this ratio included with short-term debt obligations. Financial performance analysis given information about present scenario of the internal and external users. Organization can find out the problems through financial analysis and try to recovery the problems. Users can use some way to analyze the performance like common size statement, trend analysis and ratio analysis. Finally, this report helps to get practical knowledge about research in own practical life.

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Chapter: 01

Introduction

1.1 Introduction

Al-Arafah Islami Bank Limited is a large leading bank in our country. Al-Arafah Islami Bank Limited is a registered bank under company's act,1994. This bank started activity from 27 september,1995 with specific vision and mission. Al-Arafah Islami Bank Limited are different from other banks. Because this bank is an interest free shariah bank. This bank continues their operation based on Islami shariah. We know that all type of banks provides banking service under company act 1991. A shariah council of the bank constantly observe activities of the bank are being conducted according to the principle of Islam. Al-Arafah Islami Bank Limited collect deposit from different type of customers and to invest their deposit in different type of projects and earning more profit from operation. This bank has lots of products such as personal loan, auto loan, student loans, home loan, land loan and business loan etc. Al-Arafah Islami Bank Limited has different culture and working environment. In this organization have lots of employee and they are committed to achieving the organizational objective. We know that Al-Arafah Islami Bank Limited is the private bank and play role in economy and business sector. This bank provides wonderful service with update technologies.

1.1.1 Background of the study:

The internship program is full credit subject of BBA, which has relationship with real life and theoretical concepts.

I am a student of Bachelor of Business administration (BBA) Program of Daffodil International University. I have completed internship and prepare internship report. This report is a part of BBA program that performed by me. Internship report named is "Financial Performance Analysis of Al-Arafah Islami Bank Limited" by using annual report of Al-Arafah Islami Bank Limited.

1.1.2 Scope of the study:

To covers general activities and financial performance analysis of Al-Arafah Islami Bank Limited in Bangladesh.

Major analysis of this report:

- SWOT Analysis of Al-Arafah Islami Bank Limited based on analysis.
- Ratio Analysis
- 3 Factor DuPont Analysis
- Common size Analysis
- Trend Analysis

1.1.3 Objective of the study:

To analysis of the financial statements of Al-Arafah Islami Bank Limited in Bangladesh and focus of its overall financial position.

- To analyze and evaluate the financial performance of Al-Arafah Islami Bank Limited.
- To identify the problems related to the financial performance of Al-Arafah Islami Bank Limited.
- To make some recommendations to solve the problems.

1.1.4 Methodology of the study:

Primary source:

- Face to face conversation with respective employees of the bank.
- Conversation with clients.
- Practical working experience in the bank with different desk and department.

Secondary source:

1. Annual report of Al-Arafah Islami Bank Limited (2017-2021)
2. Internet and Website of Al-Arafah Islami Bank Limited.
3. Related Books study
4. Product brochure of Al-Arafah Islami Bank Limited.

Analysis of the data:

- MS Excel used for the data analysis.

1.1.5 Limitations of the study:

- ❖ Only three months not sufficient time.
- ❖ Unavailable of necessary documents.
- ❖ Employees are so much busy.
- ❖ Understanding some procedures and policies was difficult.

Chapter: 02

Company Overview and theoretical analysis

2.1 Company Overview:

Al-Arafah Islami Bank Limited is the interest free banking service provider in Bangladesh. This bank to maintain Islamic shariah and to continue its operation. Al-Arafah Islami Bank Limited was founded in 1995. This bank has lots of contribution in our GDP and growing our economic sector and business sector. Al-Arafah Islami Bank Limited to continue operation with 74 branches in the country. This organization continuous achieve profit and declared a good dividend over the years. Al-Arafah Islami Bank Limited also provide high quality service with modern technologies and new products are the tool of the bank to achieve success. This bank is more careful about consumers satisfaction. In this organization all employee respect with others and bank to motivate employee for achieving the organizational goal. This bank main objectives of Islamic lifestyle are to be successful both in our mortal and immortal life.

2.1.1 Vision of the Bank:

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

2.1.2 Mission of the Bank:

Achieving the satisfaction of almighty Allah both here and hereafter. Proliferation of shariah based banking practices.

2.2 Financial Performance Analysis:

Financial performance analysis is a critical method for evaluating financial performance for the specific organization. It is conducted for internal or external use because it helps to determine a business's potential future growth, structure, effectiveness, and most importantly, performance. Performance analysis helps for judging the earning potential of the enterprise.

2.2.1 Ratio Analysis:

Ratio analysis relationship with financial variables. Company financial performance can be calculated by the ratio analysis. Knowing about financial position before investment money, that is very important think. Ratio analysis also provides valuable information about company profitability, liquidity, operational efficiency, and solvency. Organization and investor to use this method to identify the problem and company can take recovery action. In this report common ratio analysis for evaluating financial performance of Al-Arafah Islami Bank Limited from 2017- 2021.

2.2.2 Liquidity ratio:

Liquidity is relationship with organizational ability. This ratio to measure ability to pay current debt without increasing capital. Liquidity ratio is the important think for the organization. Because this ratio related with to meet short-term obligations. Organization can identify the problem using this ratio and company can find out which factor are affecting. By the liquidity ratio organization can take possible way to operation and recovery the problems in future.

$$\text{➤ Current Ratio: } \frac{\text{Current Asset}}{\text{Current Liability}}$$

$$\text{➤ Cash Ratio: } \frac{\text{Cash \& Cash Equivalents}}{\text{Current Liability}}$$

2.2.3 Operating Efficiency Ratio:

The operational efficiency ratio shows how efficient your business is at minimizing costs while generating income. It shows the impact of your management by comparing the total expenses incurred with the net sales or revenue.

- Total Asset Turnover: $\frac{Net\ Sales}{Total\ Assets}$
- Equity Turnover: $\frac{Net\ Sales}{Total\ Equity}$
- Current Asset Turnover: $\frac{Net\ Sales}{Current\ Asset}$
- Fixed Asset Turnover: $\frac{Net\ Sales}{Total\ Fixed\ Asset}$

2.2.4 Profitability Ratio:

We know that any organization can't continue operation without profit. If any organization is failed for gain profit this company will be solvency in future. This analysis is to measure company earnings and cash flow information. All investors need to analysis profitability ratio before invest money. Profitability ratio means ability to earn by using investment capital.

- Gross Profit Margin: $\frac{Gross\ Profit}{Sales}$
- Operating Profit Margin: $\frac{Operating\ Profit}{Sales}$
- Net Profit Margin: $\frac{Net\ Profit}{Sales}$
- Return on Assets: $\frac{Net\ Income}{Total\ Asset}$
- Return on Equity: $\frac{Net\ Income}{Common\ Equity}$

2.3 3 Factor Dupont Analysis:

Dupont analysis is the alternative formula for the return on equity (ROE). This formula helps to identify the company opportunity, threats, and weakness. Dupont analysis to present company life scenario. This analysis to helps for the investor because an investor can analysis which factor to affect in ROE.

2.4 Common size analysis:

Common size analysis is a method to evaluate individual financial statement items or a group of items on term of specific based amount. Common size analysis is required common-size statements. I have prepared common-size income statements and common-size balance sheets for five years.

I use common-size statements of Al-Arafah Islami Bank Limited to reveal the changes in the relative importance of each financial statement items. All individual amounts in common-size statements are redefined in terms of common-size percentages. The common-size balance sheets and income statements are shown comparatively from 2017 to 2021.

2.5 Trend Analysis:

Trend analysis is a technique for the analysis, which to predict outlook about stock price movements based on present situation. Trend analysis provide idea based on history and what will happen in the future. We know that trend analysis is the horizontal analysis. In trend analysis, base period refers only one successive period, not the previous period of analysis period.

2.6 SWOT Analysis of Al-Arafah Islami Bank limited:

2.6.1 Strength of the Bank

AIBL continue his activity under direct supervision of Bangladesh bank.

- Better current assets which included with quality.
- Islami shariah based banking activity.
- Customer satisfaction and business growth.
- Continue operation by the experience top management.
- Diversify product lines.

2.6.2 Weakness of the Bank:

- Share market is very low.
- Al-Arafah Islami Bank Limited does not have lots of ATM booth.
- Cash ratio is not in satisfaction level.
- Profit level less than expectation.
- Lack of utilization of assets.

2.6.3 Opportunity of the Bank:

- Al-Arafah Islami Bank Limited can introduce with more modern technologies for the customer service.
- Successful launching Islamic money market in Bangladesh.
- Lots of new branches and ATM booth can be open.
- E-banking will give more benefits for the AIBL.
- Launching new apps for the customers.
- To invest money more profitable area.

2.6.4 Threats of the Bank:

- Huge number of new banks are coming into the market.
- Local competitors can motivate customers by the offering similar products.
- Bangladeshi rules and regulations are not favorable for Islami bank.

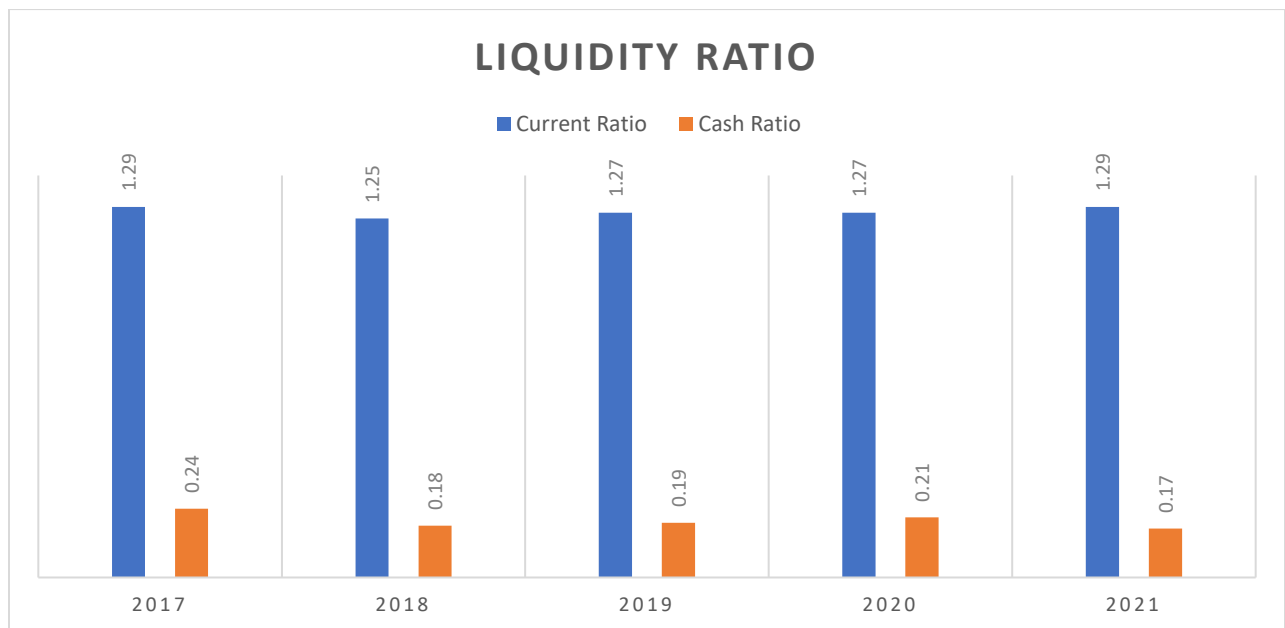
Chapter: 03

Financial Performance of Al-Arafah Islami Bank Limited.

3.1 Liquidity Ratio

Liquidity means how quickly assets of a company get converted into cash. Liquidity ratio for a business is its ability to pay off its debt obligations. A good liquidity ratio is anything greater than 1. It indicates that the company is in good financial health and is less likely to face financial problem.

Liquidity Ratio					
<i>Particular</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Current Ratio	1.29	1.25	1.27	1.27	1.29
Cash Ratio	0.24	0.18	0.19	0.21	0.17



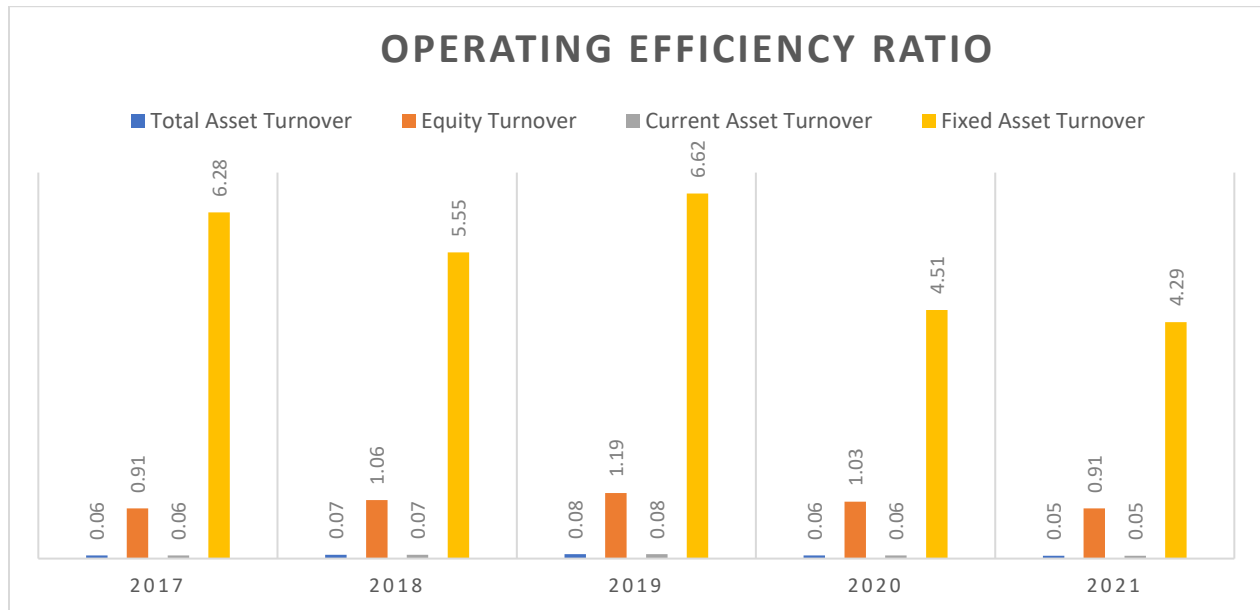
Interpretation: Liquidity ratio to present organizational financial position. Liquidity is a format to identify current situation of the organization. This ratio includes with short-term debt and solvency. Current ratio of the Al-Arafah Islami Bank Limited in 2017 was 1.29 and in 2018 decrease from 1.29 to 1.25. Rest of the year's current ratio of the Al-Arafah Islami Bank Limited increasing in 2019, 2020 & 2021 (1.27, 1.27 & 1.29). Current ratio greater than 1 that is good sign for the Al-Arafah Islami Bank Limited. Cash ratio of the bank is fluctuating in 2017 was 0.24 and in 2018 was 0.18. In 2019 & 2020 increase cash ratio 0.19 & 0.21 and in 2021 again decrease from 0.21 to 0.17. Cash ratio less than 1 that is not good for the Al-Arafah Islami Bank Limited. Liquidity crises occur when the markets for various assets freeze up, and purchase lots of assets, making it hard for businesses to sell their stocks and bonds. Other site if organization to avoid various assets freeze up and to sale unnecessary assets this time liquidity ratio will be increased. In such a scenario, the demand for liquidity increases dramatically while its supply drops, which usually leads to mass defaults and even bankruptcies.

3.2 Operating Efficiency Ratio

The operating ratio shows the efficiency of a company's management by comparing the total operating expense (OPEX) of a company to net sales. The operating ratio shows how efficient a company's management is at keeping costs low while generating revenue or sales. Since a bank's operating expenses are in the numerator and its revenue is in the denominator, a lower efficiency ratio means that a bank is operating better.

Operating Efficiency Ratio					
<i>Particular</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Total Asset Turnover	0.06	0.07	0.08	0.06	0.05
Equity Turnover	0.91	1.06	1.19	1.03	0.91

Current Asset Turnover	0.06	0.07	0.08	0.06	0.05
Fixed Asset Turnover	6.28	5.55	6.62	4.51	4.29

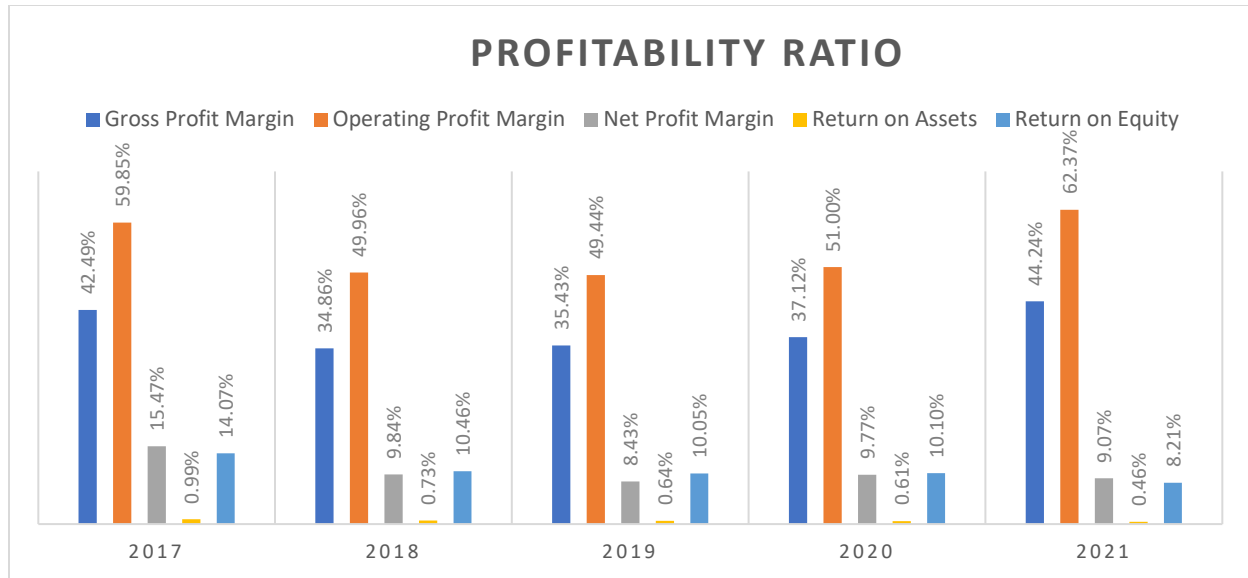


Interpretation: The asset turnover ratio is calculated by dividing total interest income by average total assets. Al-Arafah Islami Bank Limited's total assets turnover was 0.06 in 2017 and in 2018 & 2019 increased 0.07, 0.08 and rest of the years in 2020 & 2021 again decreased (0.06, 0.05). If asset turnover ratio is more that is better for the bank. The asset turnover ratio decrease that is not good sign for the Al-Arafah Islami Bank Limited. Equity turnover in 2018 & 2019 increased from 2017 (1.06 to 1.19). Last two-years in 2020 & 2021 was 1.03, 0.91. Equity turnover is not at satisfaction level for the Al-Arafah Islami Bank Limited because Equity turnover decreasing last three years. Current asset turnover of 2017-2019 increased from (0.06 to 0.08) and rest of the years again fail. If the current assets turnover ratio is greater than 1, it's always good. Because that means the company can generate enough revenue for itself. Fixed assets turnover was up and down from 2017-2021. Fixed asset turnover is not satisfied position of Al-Arafah Islami Bank Limited. A higher ratio implies that management is using its fixed assets more effectively.

3.3 Profitability Ratio

More profit is better for the organization but consider aiming for profit ratios between 10% and 20% while paying attention to the industry's average, since most of the industries usually consider 10% as the average and 20% high or above average.

Profitability Ratio					
<i>Particular</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Gross Profit Margin	42.49%	34.86%	35.43%	37.12%	44.24%
Operating Profit Margin	59.85%	49.96%	49.44%	51.00%	62.37%
Net Profit Margin	15.47%	9.84%	8.43%	9.77%	9.07%
Return on Assets	0.99%	0.73%	0.64%	0.61%	0.46%
Return on Equity	14.07%	10.46%	10.05%	10.10%	8.21%



Interpretation: Profitability ratio provide information about company overall profit position. All the organization want to earn huge profit by the operation. If any organization fail to achieve more profit the organization will be failed to continue operation into the market in future. Al-Arafah Islami Bank Limited in 2017 gross profit margin was 42.49% than again decrease. In 2018 it was 34.86% and rest of the years increasing from (34.86% to 44.24%) that is good for the organization. Organization tries to increase gross profit by reducing cost. High cost to decrease gross profit and operating expenses to decrease operating profit. Operating profit margin decreasing from 2017 to 2019 (59.85% to 49.44%) and in 2020 & 2021 again increase operating profit margin (51% to 62.37%) that is good sign for the Al-Arafah Islami Bank Limited. Net profit fluctuating continuously in 2017 was 15.47% and in 2018, 2019 again decrease 9.84% to 8.43%, in 2020 again improve and in 2021 it decreased (9.77% to 9.07%). Al-Arafah Islami Bank Limited net profit is not at satisfaction level. Organization should improve net profit margin by reducing cost. Return on assets decreasing total five years (0.99%, 0.73%, 0.64%, 0.61%, 0.46%) that is not better sing for the Al-Arafah Islami Bank Limited. The two other factors that affect a company's ROA are the revenue and the expenses. Return on equity randomly decrease from 2017 to 2019 (14.07% to 10.05%) only in 2020 it improved and in 2021 again decreased (10.10% - 8.21%) ROE to decrease of the huge cost & expenses. One of the simplest factors that can lead to declining net profit margin is higher costs of goods sold and high operating expenses.

3.4 3 Factor Dupont Analysis

3 Factor Dupont Analysis					
<i>Particular</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
NPM	0.15	0.10	0.08	0.10	0.09
TAT	0.06	0.07	0.08	0.06	0.05
EM	14.18	14.41	15.78	16.43	17.86
ROE	14.07%	10.46%	10.05%	10.10%	8.21%

Interpretation: 3 factor Dupont analysis very helpful for the organization and investor. This analysis is to provide information deeply. Which factors change return on equity that can identify easily. Al-Arafah Islami Bank Limited return on equity in 2017 was 14.07% and in 2018 & 2019 it decreased (10.46% to 10.05%) in 2020 was 10.10% and 2021 again decreased from (10.10% to 8.21%). Here NPM & TAT are more affecting change in ROE.

3.5 Common Size Analysis

3.5.1 Common Size Analysis of Balance Sheet:

Al-Arafah Islami Bank Ltd. Balance Sheet Common Size Analysis										
Particular	2017	%	2018	%	2019	%	2020	%	2021	%
Cash in hand (including foreign currencies)	2096.408	0.66%	2616.496	0.77%	3063.285	0.80%	2898.208	0.69%	3232.054	0.70%
Balance with Bangladesh Bank and its Agents Banks	37669.57	11.80%	23104.62	6.83%	27705.4	7.27%	28660.9	6.85%	20456.55	4.42%

(including foreign currencies)	39765.98	12.46%	25721.12	7.60%	30768.69	8.07%	31559.11	7.54%	23688.6	5.12%
Balance with other Banks and Financial Institutions	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
In Bangladesh	1070.657	0.34%	2005.164	0.59%	5473.391	1.44%	8288.026	1.98%	3133.653	0.68%
Outside Bangladesh	10328	3.24%	8303.795	2.45%	6120.224	1.61%	8273.813	1.98%	8907.483	1.93%
	11398.66	3.57%	10308.96	3.05%	11593.62	3.04%	16561.84	3.96%	12041.14	2.60%
Placement with Banks & Other Financial Institutions	8200	2.57%	4400	1.30%	12000	3.15%	14270.01	3.41%	23985	5.18%
Investment in Share & Securities	10145.49	3.18%	12214.67	3.61%	16170.52	4.24%	21563.67	5.16%	30156.14	6.52%
Government	8000	2.51%	11000	3.25%	14500	3.81%	19583.83	4.68%	23504.94	5.08%
Others	2145.49	0.67%	1214.67	0.36%	1670.52	0.44%	1979.844	0.47%	6651.2	1.44%
Investments	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
General Investments etc.	216659.8	67.86%	244932.3	72.37%	274017	71.91%	296717.9	70.93%	323342.8	69.88%
Bills purchased and discounted	19245.41	6.03%	16941.83	5.01%	14468.99	3.80%	11902.81	2.85%	13547.88	2.93%
	235905.2	73.89%	261874.1	77.37%	288486	75.71%	308620.7	73.78%	336890.7	72.81%
Fixed assets less Accumulated Depreciation	3209.502	1.01%	4494.609	1.33%	4351.927	1.14%	5833.88	1.39%	5470.273	1.18%
Other Assets	14379.55	4.50%	15600.93	4.61%	17630.17	4.63%	19838.6	4.74%	30404.31	6.57%
Non-Banking Assets	50.87504	0.02%	50.87504	0.02%	50.87504	0.01%	50.87504	0.01%	50.87504	0.01%
Total Assets	319255.3	100.00%	338465.3	100.00%	381051.8	100.00%	418298.7	100.00%	462687	100.00%
LIABILITIES AND CAPITAL	0		0		0		0		0	
Liabilities	0		0		0		0		0	
Placement from Banks & Other Financial Institutions	32218.68	10.09%	21759.84	6.43%	27546.38	7.23%	24000.48	5.74%	32506.76	7.03%
Deposits and other Accounts	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mudaraba Savings Deposits	32130	10.06%	37678.76	11.13%	45211.43	11.86%	54879.13	13.12%	62011.04	13.40%
Mudaraba Term Deposits	135929	42.58%	152181.8	44.96%	162587.9	42.67%	164009.5	39.21%	175485.1	37.93%
Other Mudaraba Deposits	47832.42	14.98%	49467.88	14.62%	55156.1	14.47%	66743.97	15.96%	68093.14	14.72%
Al-wadeeah Current Accounts and Other Accounts etc.	26435.04	8.28%	24454.57	7.23%	30701.54	8.06%	37331.44	8.92%	43639.19	9.43%
Bills Payable	2479.779	0.78%	2422.489	0.72%	3584.859	0.94%	3059.381	0.73%	4059.481	0.88%
	244806.3	76.68%	266205.5	78.65%	297241.8	78.01%	326023.4	77.94%	353288	76.36%
Other Liabilities	16608.73	5.20%	19450.87	5.75%	25157.58	6.60%	31485.71	7.53%	36298.39	7.85%
Deferred tax Liabilities/ (Assets)	100.9492	0.03%	165.8664	0.05%	157.833	0.04%	133.2042	0.03%	93.59515	0.02%
AIBL Mudaraba Bond	3000	0.94%	7400	2.19%	6800	1.78%	11200	2.68%	14600	3.16%

Total Liabilities	296734.6	92.95%	314982.1	93.06%	356903.6	93.66%	392842.8	93.91%	436786.7	94.40%
Capital/Share holders Equity	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Paid -up Capital	9943.064	3.11%	10440.22	3.08%	10649.02	2.79%	10649.02	2.55%	10649.02	2.30%
Statutory Reserve	7576.581	2.37%	8388.044	2.48%	9379.989	2.46%	10334.63	2.47%	10649.02	2.30%
Revaluation Reserve	980.3762	0.31%	977.5837	0.29%	938.6189	0.25%	1084.327	0.26%	1084.332	0.23%
Retained Earnings	2259.156	0.71%	1908.963	0.56%	1531.42	0.40%	1732.137	0.41%	1823.373	0.39%
Total Equity attributable to equity holders of the bank	20759.18	6.50%	21714.81	6.42%	22499.05	5.90%	23800.11	5.69%	24205.75	5.23%
Non-Controlling Interest	1761.497	0.55%	1768.421	0.52%	1649.161	0.43%	1655.731	0.40%	1694.594	0.37%
Total Equity	22520.67	7.05%	23483.23	6.94%	24148.21	6.34%	25455.84	6.09%	25900.34	5.60%
Total Liability and Shareholders equity	319255.3	100.00%	338465.3	100.00%	381051.8	100.00%	418298.7	100.00%	462687	100.00%

3.5.2 Common Size of Income Statement

Al-Arafah Islami Bank Ltd. Income Statement Common Size Analysis										
Particular	2017	%	2018	%	2019	%	2020	%	2021	%
Investment Income	20491.03	100.00%	24956.81	100.00%	28811.65	100.00%	26331.28	100.00%	23446.01	100.00%
Profit paid on deposits &	-11784.2	-57.51%	-16256.6	-65.14%	-18604.4	-64.57%	-16556.6	-62.88%	-13072.8	-55.76%
Net Investment Income	8706.832	42.49%	8700.201	34.86%	10207.24	35.43%	9774.633	37.12%	10373.22	44.24%
Income from Investment in Shares /Securities	437.3191	2.13%	701.0971	2.81%	770.633	2.67%	681.9376	2.59%	359.5548	1.53%
Commission, Exchange and Brokerage	2790.685	13.62%	2729.472	10.94%	2916.08	10.12%	2627.55	9.98%	3299.109	14.07%
Other Operating Income	329.3533	1.61%	338.8247	1.36%	350.8581	1.22%	345.976	1.31%	591.5015	2.52%
	3557.357	17.36%	3769.394	15.10%	4037.571	14.01%	3655.464	13.88%	4250.166	18.13%
Total operating income	12264.19	59.85%	12469.6	49.96%	14244.81	49.44%	13430.1	51.00%	14623.39	62.37%
Salaries and allowances & contribution to P.F	3571.96	17.43%	4118.565	16.50%	4178.565	14.50%	4546.406	17.27%	4756.914	20.29%

Directors fees & expenses	18.93765	0.09%	15.3242	0.06%	11.44288	0.04%	6.142217	0.02%	6.962107	0.03%
Shariah Supervisory Committee's fees & expenses	0.560969	0.00%	0.62066	0.00%	0.860014	0.00%	0.298376	0.00%	0.24677	0.00%
Rent, taxes, insurance and lighting etc.	584.9552	2.85%	681.5682	2.73%	749.8516	2.60%	499.3034	1.90%	539.4649	2.30%
Postage, telegram, telephone and stamp etc.	78.42987	0.38%	65.8641	0.26%	78.2491	0.27%	68.34843	0.26%	67.2314	0.29%
Legal charges	10.69864	0.05%	15.5272	0.06%	9.578703	0.03%	16.04684	0.06%	13.42797	0.06%
Auditors' fee	1.6025	0.01%	1.58725	0.01%	1.691	0.01%	1.6675	0.01%	1.64075	0.01%
Salary & Allowances to the Managing Director	15.825	0.08%	16.954	0.07%	19.05	0.07%	19.344	0.07%	20.418	0.09%
Depreciation and repairs to the bank's properties	317.8993	1.55%	482.1136	1.93%	584.3631	2.03%	836.3006	3.18%	891.4002	3.80%
Stationery, printing & advertisement etc.	125.3053	0.61%	171.2723	0.69%	153.204	0.53%	186.3235	0.71%	149.0751	0.64%
Other expenses	582.2459	2.84%	591.303	2.37%	597.3233	2.07%	562.1529	2.13%	682.4658	2.91%
Total operating expenses	5308.42	25.91%	6160.699	24.69%	6384.179	22.16%	6742.334	25.61%	7129.247	30.41%
Profit/(Loss) before Tax &	6955.77	33.95%	6308.896	25.28%	7860.627	27.28%	6687.763	25.40%	7494.14	31.96%
Provision against Investments & Contingent Liabilities	1354.892	6.61%	2174.105	8.71%	2845.817	9.88%	1878.171	7.13%	2647.118	11.29%
Provision for diminution in value of investment	0	0.00%	0.635613	0.00%	21.83928	0.08%	9.725095	0.04%	8.459961	0.04%
Other Provision	0	0.00%	3.237	0.01%	0	0.00%	0	0.00%	0	0.00%
Total provision	1354.892	6.61%	2177.978	8.73%	2867.656	9.95%	1887.896	7.17%	2655.578	11.33%
Profit/(Loss) before Tax	5600.878	27.33%	4130.918	16.55%	4992.971	17.33%	4799.866	18.23%	4838.562	20.64%
Current tax	2405.892	11.74%	1607.481	6.44%	2615.089	9.08%	2258.441	8.58%	2751.343	11.73%
Deferred tax	25.4926	0.12%	66.62973	0.27%	-49.7558	-0.17%	-30.3818	-0.12%	-39.225	-0.17%
Provision for Taxation	2431.385	11.87%	1674.111	6.71%	2565.333	8.90%	2228.06	8.46%	2712.118	11.57%
Net Profit/(Loss) after tax	3169.493	15.47%	2456.807	9.84%	2427.637	8.43%	2571.807	9.77%	2126.444	9.07%

Interpretation: The common figure for a common-size balance sheet analysis is total assets. By the accounting equation, this also equals total liabilities and shareholders' equity, making either term interchangeable in the analysis. It is also possible to use total liabilities to indicate where a company's obligations lie and whether it is being conservative or risky in managing its debts. Based on common size analyze we can see Cash in hand fluctuating from 2017 to 2021. Net profit randomly decreasing from 2017- 2021 and organization assets increased year to year.

3.6 Trend Analysis

3.6.1 Trend Analysis of Balance Sheet:

Al-Arafah Islami Bank Ltd. Balance Sheet Trend Analysis										
Particular	2017	%	2018	%	2019	%	2020	%	2021	%
Cash in hand (including foreign currencies)	2096.408	100.00%	2616.496	124.81%	3063.285	146.12%	2898.208	138.25%	3232.054	154.17%
Balance with Bangladesh Bank and its Agents Banks	37669.57	100.00%	23104.62	61.33%	27705.4	73.55%	28660.9	76.09%	20456.55	54.31%
(including foreign currencies)	39765.98	100.00%	25721.12	64.68%	30768.69	77.37%	31559.11	79.36%	23688.6	59.57%
Balance with other Banks and Financial Institutions	0		0		0		0		0	
In Bangladesh	1070.657	100.00%	2005.164	187.28%	5473.391	511.22%	8288.026	774.11%	3133.653	292.69%
Outside Bangladesh	10328	100.00%	8303.795	80.40%	6120.224	59.26%	8273.813	80.11%	8907.483	86.25%
	11398.66	100.00%	10308.96	90.44%	11593.62	101.71%	16561.84	145.30%	12041.14	105.64%
Placement with Banks & Other	8200	100.00%	4400	53.66%	12000	146.34%	14270.01	174.02%	23985	292.50%

Financial Institutions										
Investment in Share & Securities	10145.49	100.00%	12214.67	120.40%	16170.52	159.39%	21563.67	212.54%	30156.14	297.24%
Government	8000	100.00%	11000	137.50%	14500	181.25%	19583.83	244.80%	23504.94	293.81%
Others	2145.49	100.00%	1214.67	56.62%	1670.52	77.86%	1979.844	92.28%	6651.2	310.01%
Investments	0		0		0		0		0	
General Investments etc.	216659.8	100.00%	244932.3	113.05%	274017	126.47%	296717.9	136.95%	323342.8	149.24%
Bills purchased and discounted	19245.41	100.00%	16941.83	88.03%	14468.99	75.18%	11902.81	61.85%	13547.88	70.40%
	235905.2	100.00%	261874.1	111.01%	288486	122.29%	308620.7	130.82%	336890.7	142.81%
Fixed assets less Accumulated Depreciation	3209.502	100.00%	4494.609	140.04%	4351.927	135.60%	5833.88	181.77%	5470.273	170.44%
Other Assets	14379.55	100.00%	15600.93	108.49%	17630.17	122.61%	19838.6	137.96%	30404.31	211.44%
Non-Banking Assets	50.87504	100.00%	50.87504	100.00%	50.87504	100.00%	50.87504	100.00%	50.87504	100.00%
Total Assets	319255.3	100.00%	338465.3	106.02%	381051.8	119.36%	418298.7	131.02%	462687	144.93%
LIABILITIES AND CAPITAL	0		0		0		0		0	
Liabilities	0		0		0		0		0	
Placement from Banks & Other Financial Institutions	32218.68	100.00%	21759.84	67.54%	27546.38	85.50%	24000.48	74.49%	32506.76	100.89%
Deposits and other Accounts	0		0		0		0		0	
Mudaraba Savings Deposits	32130	100.00%	37678.76	117.27%	45211.43	140.71%	54879.13	170.80%	62011.04	193.00%
Mudaraba Term Deposits	135929	100.00%	152181.8	111.96%	162587.9	119.61%	164009.5	120.66%	175485.1	129.10%
Other Mudaraba Deposits	47832.42	100.00%	49467.88	103.42%	55156.1	115.31%	66743.97	139.54%	68093.14	142.36%
Al-wadeeah Current Accounts and Other Accounts etc.	26435.04	100.00%	24454.57	92.51%	30701.54	116.14%	37331.44	141.22%	43639.19	165.08%
Bills Payable	2479.779	100.00%	2422.489	97.69%	3584.859	144.56%	3059.381	123.37%	4059.481	163.70%
	244806.3	100.00%	266205.5	108.74%	297241.8	121.42%	326023.4	133.18%	353288	144.31%
Other Liabilities	16608.73	100.00%	19450.87	117.11%	25157.58	151.47%	31485.71	189.57%	36298.39	218.55%
Deferred tax Liabilities/ (Assets)	100.9492	100.00%	165.8664	164.31%	157.833	156.35%	133.2042	131.95%	93.59515	92.72%

AIBL Mudaraba Bond	3000	100.00%	7400	246.67%	6800	226.67%	11200	373.33%	14600	486.67%
Total Liabilities	296734.6	100.00%	314982.1	106.15%	356903.6	120.28%	392842.8	132.39%	436786.7	147.20%
Capital/Share holders Equity	0		0		0		0		0	
Paid -up Capital	9943.064	100.00%	10440.22	105.00%	10649.02	107.10%	10649.02	107.10%	10649.02	107.10%
Statutory Reserve	7576.581	100.00%	8388.044	110.71%	9379.989	123.80%	10334.63	136.40%	10649.02	140.55%
Revaluation Reserve	980.3762	100.00%	977.5837	99.72%	938.6189	95.74%	1084.327	110.60%	1084.332	110.60%
Retained Earnings	2259.156	100.00%	1908.963	84.50%	1531.42	67.79%	1732.137	76.67%	1823.373	80.71%
Total Equity attributable to equity holders of the bank	20759.18	100.00%	21714.81	104.60%	22499.05	108.38%	23800.11	114.65%	24205.75	116.60%
Non-Controlling Interest	1761.497	100.00%	1768.421	100.39%	1649.161	93.62%	1655.731	94.00%	1694.594	96.20%
Total Equity	22520.67	100.00%	23483.23	104.27%	24148.21	107.23%	25455.84	113.03%	25900.34	115.01%
Total Liability and Share holders equity	319255.3	100.00%	338465.3	106.02%	381051.8	119.36%	418298.7	131.02%	462687	144.93%

3.6.2 Trend Analysis of Income Statement:

Al-Arafah Islami Bank Ltd. Income Statement Trend Analysis										
Particular	2017	%	2018	%	2019	%	2020	%	2021	%
Investment Income	20491.03	100.00%	24956.81	121.79%	28811.65	140.61%	26331.28	128.50%	23446.01	114.42%
Profit paid on deposits & Borrowing	-11784.2	100.00%	-16256.6	137.95%	-18604.4	157.88%	-16556.6	140.50%	-13072.8	110.93%

Net Investment Income	8706.83 2	100.00 %	8700.20 1	99.92%	10207.2 4	117.23 %	9774.63 3	112.26 %	10373.2 2	119.14 %
Income from Investment in Shares /Securities	437.319 1	100.00 %	701.097 1	160.32 %	770.633	176.22 %	681.937 6	155.94 %	359.554 8	82.22%
Commission, Exchange and Brokerage	2790.68 5	100.00 %	2729.47 2	97.81%	2916.08	104.49 %	2627.55	94.15%	3299.10 9	118.22 %
Other Operating Income	329.353 3	100.00 %	338.824 7	102.88 %	350.858 1	106.53 %	345.976	105.05 %	591.501 5	179.59 %
	3557.35 7	100.00 %	3769.39 4	105.96 %	4037.57 1	113.50 %	3655.46 4	102.76 %	4250.16 6	119.48 %
Total operating income	12264.1 9	100.00 %	12469.6	101.67 %	14244.8 1	116.15 %	13430.1	109.51 %	14623.3 9	119.24 %
Salaries and allowances & contribution to P.F	3571.96	100.00 %	4118.56 5	115.30 %	4178.56 5	116.98 %	4546.40 6	127.28 %	4756.91 4	133.17 %
Directors fees & expenses	18.9376 5	100.00 %	15.3242	80.92%	11.4428 8	60.42%	6.14221 7	32.43%	6.96210 7	36.76%
Shariah Supervisory Committee's fees & expenses	0.56096 9	100.00 %	0.62066	110.64 %	0.86001 4	153.31 %	0.29837 6	53.19%	0.24677	43.99%
Rent, taxes, insurance and lighting etc.	584.955 2	100.00 %	681.568 2	116.52 %	749.851 6	128.19 %	499.303 4	85.36%	539.464 9	92.22%
Postage, telegram, telephone and stamp etc.	78.4298 7	100%	65.8641	83.98%	78.2491	99.77%	68.3484 3	87.15%	67.2314	85.72%
Legal charges	10.6986 4	100.00 %	15.5272	145.13 %	9.57870 3	89.53%	16.0468 4	149.99 %	13.4279 7	125.51 %
Auditors' fee	1.6025	100.00 %	1.58725	99.05%	1.691	105.52 %	1.6675	104.06 %	1.64075	102.39 %

Salary & Allowances to the Managing Director	15.825	100.00 %	16.954	107.13 %	19.05	120.38 %	19.344	122.24 %	20.418	129.02 %
Depreciation and repairs to the bank's properties	317.8993	100.00 %	482.1136	151.66 %	584.3631	183.82 %	836.3006	263.07 %	891.4002	280.40 %
Stationery, printing & advertisement etc.	125.3053	100.00 %	171.2723	136.68 %	153.204	122.26 %	186.3235	148.70 %	149.0751	118.97 %
Other expenses	582.2459	100.00 %	591.303	101.56 %	597.3233	102.59 %	562.1529	96.55%	682.4658	117.21 %
Total operating expenses	5308.42	100.00 %	6160.699	116.06 %	6384.179	120.27 %	6742.334	127.01 %	7129.247	134.30 %
Profit/(Loss) before Tax & provision	6955.77	100.00 %	6308.896	90.70%	7860.627	113.01 %	6687.763	96.15%	7494.14	107.74 %
Provision against Investments & Contingent Liabilities	1354.892	100.00 %	2174.105	160.46 %	2845.817	210.04 %	1878.171	138.62 %	2647.118	195.37 %
Provision for diminution in value of investment	0		0.635613		21.83928		9.725095		8.459961	
Other Provision	0		3.237		0		0		0	
Total provision	1354.892	100.00 %	2177.978	160.75 %	2867.656	211.65 %	1887.896	139.34 %	2655.578	196.00 %
Profit/(Loss) before Tax	5600.878	100.00 %	4130.918	73.75%	4992.971	89.15%	4799.866	85.70%	4838.562	86.39%
Current tax	2405.892	100.00 %	1607.481	66.81%	2615.089	108.70 %	2258.441	93.87%	2751.343	114.36 %
Deferred tax	25.4926	100.00 %	66.62973	261.37 %	-49.7558	-195.18%	-30.3818	-119.18%	-39.225	-153.87%
Provision for Taxation	2431.385	100.00 %	1674.111	68.85%	2565.333	105.51 %	2228.06	91.64%	2712.118	111.55 %

Net Profit/(Loss) after tax	3169.49 3	100.00 %	2456.80 7	77.51%	2427.63 7	76.59%	2571.80 7	81.14%	2126.44 4	67.09%
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Interpretation: Trend analysis is a technique for the analysis, which to predict outlook about stock price movements based on present situation. Trend analysis provide idea based on history and what will be happen in future. We know that trend analysis is the horizontal analysis. Cash in hand increasing from 2017 to 2019, in 2020 again decrease and in 2021 again improve. Investment for the long time is zero because this bank to operate operation based on Islamic shariah. Net Profit after tax fluctuating randomly which show that organization NPM position is not at satisfaction level.

Chapter: 04

Findings, Recommendations and Conclusion

4.1 Findings Identified:

- Cash ratio of the Al-Arafah Islami Bank Limited are not in satisfied position. Because cash ratio included with liquidity ratio this ratio decreases from previous year. Cash ratio less than 1 that is not good for the Al-Arafah Islami Bank Limited This ratio can be decreased through the purchase unnecessary assets and huge overhead expense.
- Total assets turnover hasd decrease from lasts some years for the lack of proper assets utilization. That is not good sing for the Al-Arafah Islami Bank Limited, Operating ratio to calculate organization efficiency by comparing with company total operating expense and profit.
- Cost of goods sold and huge operating expense affects in net profit. If organization expenses are huge this time organization cannot earn more profit. Huge expenses are not good for the organization.
- Al-Arafah Islami Bank Limited Net profit margin decrease from previous years. Organization operate operation for the more profit. If organization fails to earn more profit for the huge expenses that is not good for the organization.
- Based on analyze Return on assets (ROA) decreasing last three years. ROA to identify how to generate profit using company assets.
- Return on equity (ROE) randomly fluctuating that is a problem for the Al-Arafah Islami Bank Limited. ROE talks about net income from invested capital of the bank.
- Al-Arafah Islami Bank Limited did not have lots of ATM booth. Customer cannot receive service after closing the bank. If there more customer booth it would have reached them easily and transaction will increased.

4.2 Recommendation for the Al-Arafah Islami Bank Limited.

- ✓ Al-Arafah Islami Bank Limited need to concern about cash ratio. Because this ratio indicates liquidity position of the organization. If organization face liquidity problem, it will be difficult to meet short term debt. Origination can improve cash ratio by the control of overhead expense, sales unnecessary assets and avoid assets purchase.
- ✓ Asset turnover was often use as an indicator of the efficiency; company should take care of it. Al-Arafah Islami Bank Limited should increase proper utilization of assets in future. Operating ratios decrease for the lack of proper assets utilization. It can improve through understand and review business operations and provide regular training.
- ✓ Organization should focus on expenses because operating expenses to affect earning more profit. Organization should try to increase operating profit by reducing cost of goods sold and operating expenses.
- ✓ All type of organization to continue operation for more profit, if organization fails to earn profit this time operation will be difficult in future. Organization should try to earn more profit through producing new product for the customers and to invests in more profitable area.
- ✓ Return on assets is the formula that show how organization use assets and to earn returns. As a result, Al-Arafah Islami Bank Limited need to pay attention to increase ROA through proper utilization of assets.
- ✓ Return on equity (ROE) decrease that is not good for the Al-Arafah Islami Bank Limited. This bank should focus on ROE. If ROE is good a company at converting its equity financing into profit.

- ✓ Al-Arafah Islami Bank Limited need to open new more ATM booth in necessary area so that they can easily achieve their vision. This initiative will help the more transactions and to gain greater brand value in future.

4.3 Conclusion:

Al-Arafah Islami Bank Limited is a large banking service provider in Bangladesh. This bank to operate operation by maintaining Islamic shariah. Al-Arafah Islami Bank Limited was founded in 1995. In this report mainly focus on general activities and financial performance analysis of Al-Arafah Islami Bank Limited from 2017-2021. In this analysis tried to find out financial position through the liquidity ratio, operating ratio, profitability ratio, common size, and trend analysis of Al-Arafah Islami Bank Limited. Organizational performance, share position and earning per share should know before investment. Financial performance analysis is important because analysis helps to identify the organization strength, weakness, and company opportunity. Company can identify the problems and take solution for the future operation. As a result, the organization can contribute to our GDP. Al-Arafah Islami Bank Limited maintaining government rules and regulations and always try to contribute on national G.D.P. and G.N.P.

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