



General Banking Activities of Al-Arafah Islami Bank Ltd. (AIBL)

A Study on Pantha Path Branch

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Major: Finance, Batch: 38th

Program: M.B.A

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Date of Submission:

Daffodil International University



Dedicated To My

**Parents
&
Teachers**

**“General Banking Activities Of
Al-Arafah Islami Bank Ltd.
- A Study On Pantha Path Branch.”**

Letter of Transmittal

Date: _____

Sayed Farrukh Ahmed

Assistant Professor

Faculty of Business & Economics

Daffodil International University

Subject: Submission of Internship Affiliation Report.

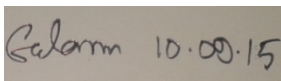
Dear Sir,

With immense pleasure, I am submitting my internship report of **“General Banking Activities of Al-Arafah Islami Bank Ltd. -A Study on Pantha Path Branch”** which was assigned me as a part of my MBA Program. I have tried my level best to complete this report with the necessary information and suggested proposal that you were provide me as your best as well.

I hope that the report will be completed as your expectations.

Thank you

Sincerely,

A rectangular box containing a handwritten signature in dark ink. The signature appears to be 'Md. Golam Mirza' followed by a date '10.00.15'.

Md. Golam Mirza

ID No: 142-14-1488

MBA Program, Batch- 38th

Department, Master of Business Administration

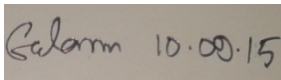
Daffodil International University (DIU).

Declaration

I do hereby solemnly declare that the work presented in this internship report named **“General Banking Activities of Al-Arafah Islami Bank Ltd. -A Study on Pantha Path Branch”** has been carried out by me and has not been previously submitted to any university/ college/ organization for an academic qualification/certificate/ degree.

The work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

I further undertake to indemnify the development against any loss or damage arising from breach of the foregoing obligations.



Md. Md. Golam Mirza

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MBA Program 38th Batch

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Certificate of Approval



I am pleased to certify that the Internship Report on “**The General Banking Activities of Al-Arafah Islami Bank Ltd. -A Study on Pantha Path Branch**” prepared by **Md. Golam Mirza** bearing ID NO: **142-14-1488** of the **Department Masters of Business Administration (Major in Finance)** is approved for Presentation and Defense. **Md. Golam Mirza** worked with “**Arafah Islami Bank Ltd**” as an intern under my supervision. He completed the work during the summer -2015 semester. I am also pleased to certify that the data and the findings presented in the report seen to be authentic.

Md. Golam Mirza bears a good moral character and a very pleasing personality. It has indeed been a great pleasure working with him. I wish his all success in life.

Supervisor,

A handwritten signature in black ink, reading "Sayed Farrukh Ahmed", with the date "10.09.15" written below it.

Sayed Farrukh Ahmed

Assistant Professor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University (DIU)

ACKNOWLEDGEMENT

First and foremost, all credit goes to my Almighty. Then I would like to express my gratitude to all the people those were involved both directly and indirectly in the preparation of this report. I apologize to the people whose names that I have not mentioned, and their contribution is highly appreciated by me. At first, I would like to thank and convey my gratitude to honorable Supervisor, Sayed Farrukh Ahmed, Assistant professor, Department of Business Administration (DIU) for guiding me and for giving me the opportunity to initiate this report. More specifically, I would like to thank him for imparting his time and wisdom.

I want to thank all the officials of Arafah Islami Bank Limited that were involved. I would especially like to thank Mr. Arif Billah Mithu (AVP), Mr. Md. Moin Akter (SPO), Mr. Md. Belal Ahmed (EO), Mira Akter (Officer), Md. Alimuzzamzn Talukder of Pantha Path branch for giving an opportunity of 3 month internship program and when any problem rose, they solved that and all time guided and supervised me friendly. I would like to thank them for giving me the required information to commence this report.

EXECUTIVE SUMMARY

The internship is designed to bridge the gulf between the theoretical knowledge and real life experience. It is designed to have a practical experience while passing through the theoretical understanding. The report is the result of 3-month internship program in Al-Arafah Islami Bank Ltd, Pantha Path Branch. Today, necessity of a bank as a financial institution is undeniable. These institutions play a vital role in the field of financial stability of a country. Banking sector is one of the most stable financial institutions of any economy.

In the 1st chapter I have discussed the Introduction.

In Chapter 2 I have discussed about the profile of Al-Arafah Islami Bank Limited. Overview by which we will know history, important vision and mission and objective of AIBL & also objective of my report. On the next Chapter, I have discussed General Banking Activities. Basically I have discussed my work related activities in AIBL – Pantha Path Branch. On next, I mentioned SOWT analysis and findings associated with the organization and this report. I have also discussed about what I have learnt during the internship at Pantha Path.

Lastly I have given recommendations, conclusion and references.

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Chapter -1

Introduction

1.0 Introduction

Banking sector is expanding its hand in different financial events every day. At the same time the banking process is becoming faster, easier and the banking arena is becoming wider. As the demand for better service increases day by day, they are coming with different innovative ideas & products. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure.

Internship program is a part of our academic structure and it implies practical about something. I have tried my best to be orientated with the practice of banking in real life.

Private sector banks started functioning during the year 1983-84 with the objective of government policy to make sure effective and meaningful participation of the private sector in the overall national economy.

The perception of Islamic banking has been bloomed from the inspiration of building up a society on justice in accordance with basic socio-economic principles of Islam. The difference between Islamic bank and conventional bank is on principles. The functions of this type of bank are completely different.

‘Islamic Bank’ theory is established on Islamic Shariah and all types of transactions are free from interest. Justified profit is the basis of financial transaction of this bank. This bank is committed to establish socio-economic justice. Al-Arafah Islami Bank Limited is one of the progressing Islamic banks in Bangladesh. The bank has opened 103 (till July) branches covering important commercial areas.

Al- Arafah Islami Bank Bangladesh Limited is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah. Consequently the bank operates on Islamic principles of profit and loss sharing, strictly avoiding interest, which is the root of all exploitation and is responsible for large-scale inflation and unemployment.

1.1 Rationale of the Study

Due to the increased competition of the increased number of commercial banks and the growing economy, the expectations of the customers have also increased than ever before. Realizing the present condition, banks, especially the commercial banks are trying to attract more and more people to use bank as their trusted saving way. So banks are coming more reachable to their customers. Presently the most serious difficulty facing the financial sector is the low level of interest rate and high level of inflation rate, due to political anarchy and syndicating of products. So it is the duty of the top management of the commercial banks to deal with the situation.

1.2 Origin of The Report:

The internship program is a mandatory requirement for the students who wish to be a M.B.A graduation. In the internship program, I was attached to host organization name Al –Arafah Islami Bank Ltd. This report prepared on my practical experience on the day to day banking activities ,theoretical experience and under close supervision of my internal support as well as my official supervisor.

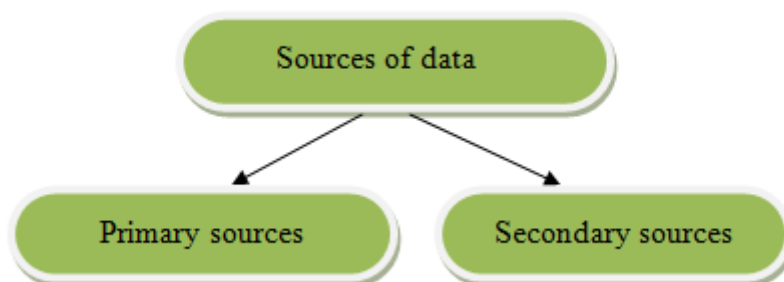
1.3 Objectives of the Report:

The main objective of the report will be to provide an overview of the “General Banking Activities of Al-Arafah Islami Bank Limited - a Study on Pantha Path Branch with fulfilling the requirement of MBA program. However, the objective behind this study is something broader. Objectives of the report are summarized in the following manner-

- To present an overview of Al-Arafah Islami Bank Limited (AIBL).
- To identify the general banking activities of Al-Arafah Islami Bank Limited (AIBL).
- To analyze the general banking activities of Al-Arafah Islami Bank Limited (AIBL).
- To identify problems related to general banking activities of Al-Arafah Islami Bank Limited (AIBL).
- To make some recommendations to solve the problems of Al-Arafah Islami Bank Limited (AIBL).

1.4 Methodology Of The Report:

From my educational background I have learned different methodology in research process. So in this study I had the opportunity to implicate may educational knowledge in practical field. I have collected data from many sources:



- **Primary Sources :**

1. Personal interview- face to face conversation and in depth interview with the respective officers of the branch.
2. Personal observation- observing the procedures of banking activities followed by each department.
3. Practical work exposure on different areas of the branch.
4. Informal conversation with the client or customers.
5. Relevant documents related to the study as provided by the officers.

- **Secondary sources:**

1. Annual report of AIBL.
2. Periodical published by Bangladesh bank.
3. Internet is also used as theoretical sources of information.
4. Website and newsletters are also used as major sources.

1.5 Scope of The Report:

The study gives a lot of knowledge about general banking activities of AIBL. This report gives a broad overview of GB department of Pantha Path branch, Dhaka of AIBL. It consists of my observation and on the job experience during the internship period. This report incorporates the different aspects of general banking tools and techniques and its effects on the performance of the bank.

1.6 Benefits:

- It gives us knowledge about islami shariah based Banking system.
- It helps to know about overall general banking activities of AIBL.
- It provides knowledge about deposit product and services.

1.7 Limitations Of The Report:

To prepare a report on the achieved practical experience in a short duration (only three months) is not an easy task. In preparing this report some problems and limitations have encountered which are as follows:

1. The main constraint of the study are insufficiently of current information, relevant to the study

2. All required information are not available in any specific branch of the bank and there are also limited opportunity to visit more than one branch
3. Due to time limitations many of the aspects could not be discussed in the present report
4. Lack of experience in internship report writing.

Chapter-2

OVERVIEW OF THE Al-Arafah Islami Bank Limited

2.0 Background of Al-Arafah Islami Bank Ltd.

Al-Arafah Islami Bank Limited has been established and functioning with effect from 27th September 1995 as a scheduled commercial Bank of Bangladesh strictly based on Islamic Shariah principles.

Islamic Banking has been operating in more than 70 countries of the world including Bangladesh through 218 institutions. It has in the meantime established its beneficial approach and efficiency on operation. Islamic Banking system has its inborn inner strength as follows:

- It gives a fixed percentage of investment income to the depositors. Therefore, in order to give better rate of profit its investment portfolio is managed properly so that better investment income can be earned and paid to the depositors.
- The Management cost is to be borne out of a fixed portion of investment income and service charge earned by the bank. Therefore, efficient customer services and better portfolio management are required to be ensured by the management.
- The depositors can calculate their interest income to be earned from conventional banks and thereby make expenditure with consequential inflation which the depositors of Islamic Bank cannot do as they cannot foresee profit income.
- Since Islami Bank invests its fund in different Islamic Modes of Finance particularly in Mudaraba and Musharaka and also accepts deposits on Mudaraba principle, entrepreneurship as well as sense of belongingness to the Bank is developed.
- In buying & Selling modes of financing like Murabaha, Bai-Muajjal, Izara, enduses is ensured strictly as per principles of Islamic Shariah. Thus funds cannot be diverted for other purpose.

Islami Bank attaches importance to human resources development. As such the employees are trained discreetly, in this regard on which the conventional Bank does not give much importance.

2.1 Company Profile:

Name of the Company:	Al-Arafah Islami Bank Limited.
Legal Identity:	A public limited company registered in Bangladesh on 18 th June 1995, under the companies Act 1994 and enlisted in Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd
Nature of Business:	Commercial Banking based on Al-Quran & Sunnah
Registered Office:	Head Office Peoples Insurance Building (6 th – 9 th Floor) 36, Dilkusha Commercial Area Dhaka-1100, Bangladesh
SWIFT Code:	ALAR BD IS (means Branch Code)
E-Mail:	aibl@al-arafahbank.com
Webpage:	www.al-arafahbank.com
Auditors:	Hoda Vasi Chowdhury Chartered Accountant BMTC Bhaban, Level-8, 7-9, Kawran bazaar, Dhaka-1100 Siful Shamsul Alam Chartered Accountant Paramount Heights, Level-6 (Box Culvert Road) 65, 2/1 Purana Paltan Dhaka-1100

2.2 Mission & Vision

➤ Mission

- Achieving the satisfaction of Almighty Allah both here & hereafter.
- Proliferation of Shariah Based Banking Practices.
- Quality financial services adopting the latest technology.
- Fast and efficient customer service.
- Maintaining high standard of business ethics.
- Balanced growth.
- Steady & competitive return on shareholders' equity.
- Innovative banking at a competitive price.
- Attract and retain quality human resources.
- Extending competitive compensation packages to the employees.
- Firm commitment to the growth of national economy.
- Involving more in Micro and SME financing.

➤ Vision

- To be a pioneer in Islamic Banking in Bangladesh and contribute significantly to the growth of the national economy.
- “To make our customers prosper, our staff excel and to create value for our stakeholders.”

2.3 Value & Commitments

➤ Value

AIBL values are based upon the fundamental principles that define our culture and are brought life in our attitude and behavior. It is their values that make us unique and seem from five basic principles:

- **Excellence:** The market in which AIBL operate is becoming increasingly competitive and their customers now have abundance of choice.
- **Integrity:** AIBL success depends upon trust. Their customers are society in general expect us to process and steadfastly to high moral principle and profession standard.

- **Customer focus:** AIBL need to understand fully the needs of their customers and to adapt our product and service to meet these.
- **Meritocracy:** AIBL believes in giving opportunities and advantage to its employee son the basic of their ability.
- **Progressiveness:**AIBL believes in the achievement of society through the adoption of enlightened working practice innovative new product and process a sprite of enterprise.

➤ Commitments

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

In Bangladesh, to deliver financial services with the touch of our heart to retail, small and medium scale enterprises, as well as corporate clients through our branches across the country. Our business initiatives are designed to match the changing trade & industrial needs of the clients.

2.4 Objective of Al-Arafah Islami Bank Ltd.

- Islamic banks operate on Islamic principles of profit and loss sharing, strictly avoiding interest, which is the root of all exploitation and is responsible for largescale inflation and unemployment.
- The objectives of Islamic banking are not only to earn profit, but 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.
- An Islamic bank is committed to do away with disparity and establish justice in the economy, trade, commerce and industry; build socio-economic infrastructure and create employment opportunities.

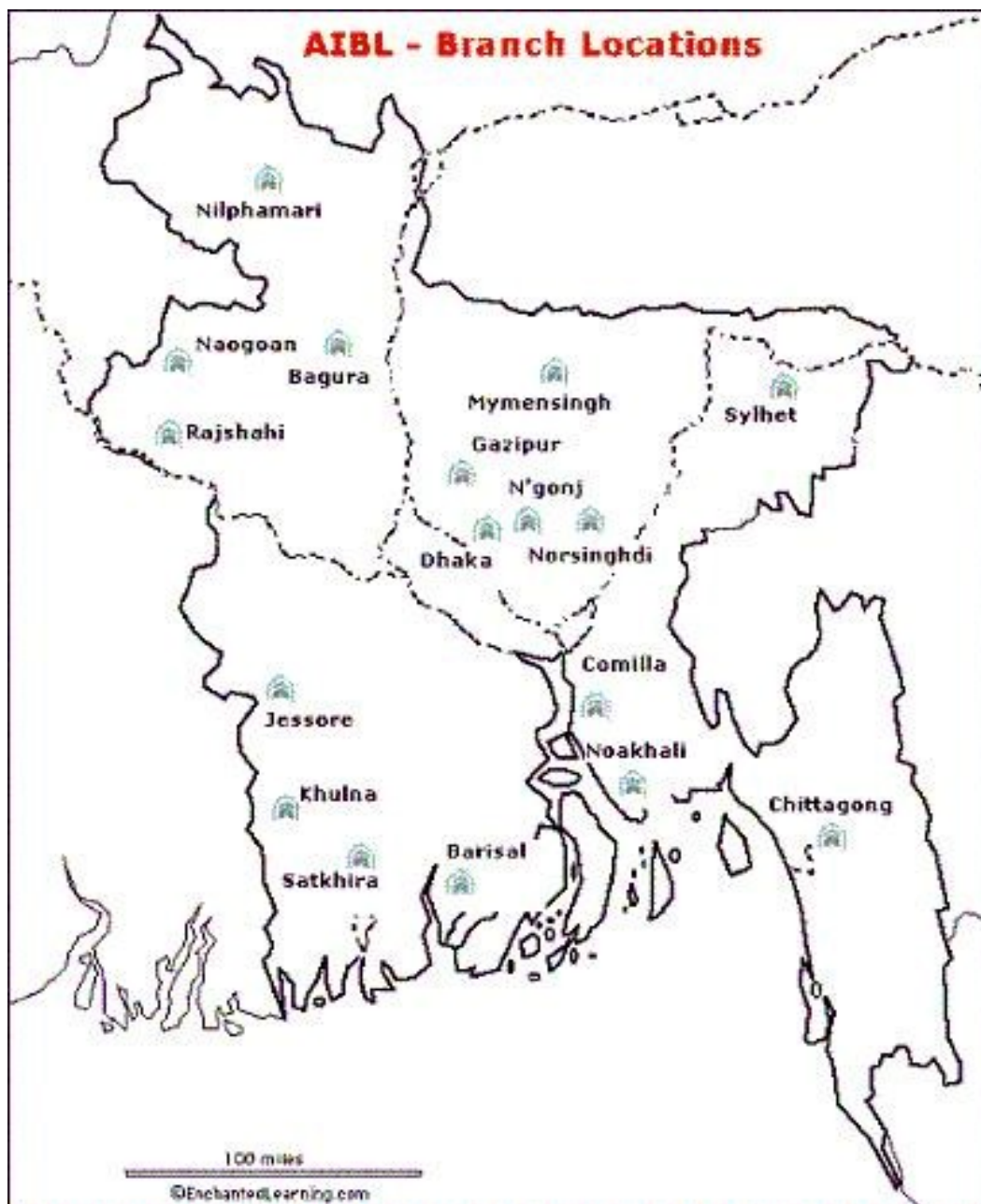
2.5 Special Characteristics

- All activities are conducted on interest-free system according to Islamic Shariah Principles.
- Investment is made through different modes as per Islamic Shariah
- Investment Income of the Bank is shared with the Mudaraba depositor according to an agreed upon ratio ensuring a reasonably fair rate of return on their deposits
- To introduce a welfare-oriented banking system and also to establish equity and justice in the field of all economic operations
- Extend socio-economic and financial services to individuals of all economic backgrounds with strong commitment in rural uplift.
- Plays a vital role in human resources development and employment-generation particularly among the unemployed youths.

Portfolio of investment and investment policy have been specially tailored to achieve balanced growth and equitable development through diversified investment operation particularly in the priority sectors and in the less developed areas of the national economy.

2.6 Branch Location All Over Bangladesh (AIBL)

Graphically shown to below:



Division Name	Dhaka	Chittagong	Rajshahi	Khulna	Barisal	Sylhet	Rangpur
No. of Branch	51	22	5	7	4	7	4

2.7 Board of Directors:

Badiur Rahman	Chairman
Sarker Mohammad Shameem Iqbal	Vice Chairman
Alhajj Md. Harun-ar-Rashid Khan	Director
Alhajj Nazmul Ahsan Khaled	Director
Alhajj Abdul Malek Mollah	Director
Alhajj Hafez Md. Enayetullah	Director
Alhajj Abdul Moktadir	Director
Alhajj Ahamedul Haque	Director
Alhajj Abdus Samad	Director
Alhajj Abu Naser Mohammad Yeahea	Director
Alhajj Abdus Salam	Director
Alhajj Niaz Ahmed	Director
Md. Ashik Hossain	Director
Engr. Kh. Mesbahuddin Ahmed	Director
Mohammed Emadur Rahman	Director
Md. Rafiqul Islam	Director
Anwar Hossain	Director
Dr. Momtaz Uddin Ahmed	Director
Brigadier General M A Malek (Retd)	Director
Ekramul Hoque	Managing Director
Md. Rafiqul Islam	Deputy Managing Director
Khondoker Nayeemul Kabir	Deputy Managing Director
Md Mofazzel Hossain	Deputy Managing Director
Kazi Towhidul Alam	Deputy Managing Director
Md. Golam Rabbani	Deputy Managing Director

2.8 Organizational structure on AIBL:



2.9 Economic Value Edition By Bank:

Economic Value Added (EVA) indicates the true economic profit of the company. EVA is an estimate of the amount by which earnings exceed or fall short of the required minimum return for shareholders at comparable risk. EVA of the Bank stood at BDT 1,544.58 million as on 31 December 2014 as against that of BDT 1,341.30 million in 2013.

Particulars	2014	2013
Shareholders' Equity	14,050.69	11,989.11
Total Income	16,692.58	11,332.59
Total Expense	(11,937.04)	(7,005.81)
Corporate Tax	(1,998.69)	(1,747.87)
Capital Charges	(1,212.27)	(1,237.61)
Economic Value Addition	1,544.58	1,341.30

Source: Annual Report of AIBL For 2014

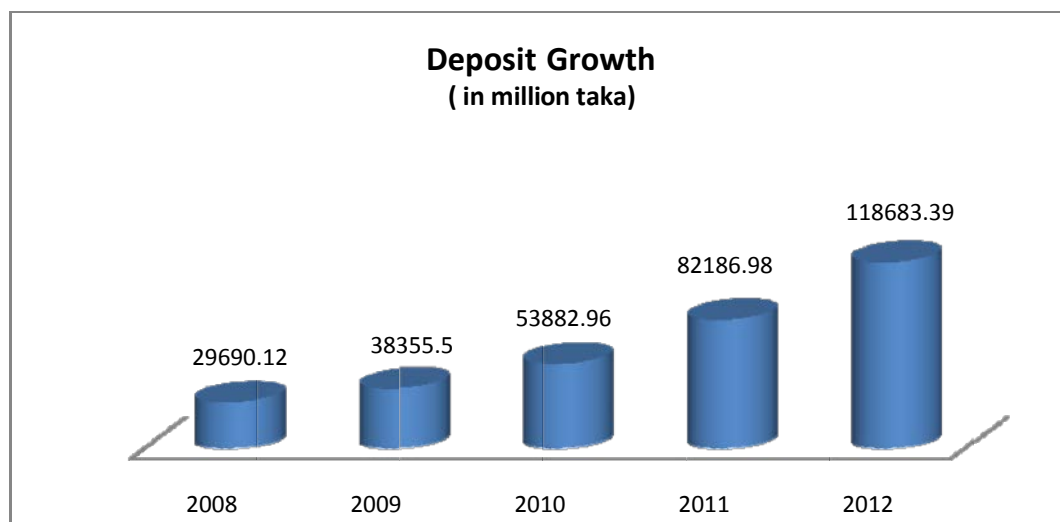
2.9: 5 Year Financial Performance Of The Bank (2008- 2012):

Particulars	2008	2009	2010	2011	2012	Growth (%)
Authorized Capital	2500.00	5000.00	5000.00	10000.00	10000.00	100.00
Paid up Capital	1383.81	1798.95	4677.28	5893.37	7130.98	21.00
Reserve Fund	905.33	1223.18	1779.08	2437.43	4079.63	67.37
Shareholder's Equity	2705.74	3564.73	9790.36	11989.11	14050.69	17.20
Deposits	29690.12	38355.50	53882.96	82186.98	118683.39	44.41
Investment	27742.57	36134.08	53582.96	77714.95	106650.42	37.23
Import	32,685.13	34,074.80	55,934.10	76,112.10	71,931.70	(5.49)
Export	20,176.64	23546.10	32,042.40	52,202.10	58,476.60	12.02
Total Income	2955.61	4387.26	5490.60	5123.00	6522.00	25.15
Total Expenditure	2199.43	2859.17	3928.27	1468.00	2119.00	37.39
Profit before Tax	1258.89	1589.24	2852.47	3946.62	3944.10	(0.06)
Profit after Tax	668.23	858.99	1959.04	2198.75	1945.40	11.52
Tax	235.53	590.66	660.57	1519.00	1726.00	11.84
Total Assets	37177.22	48515.79	74005.01	106768.18	149320.36	39.85
Fixed Assets	396.76	466.30	655.39	968.13	2394.62	147.34
Earnings per Share	3.72	2.00	4.14	2.49	2.69	(14.70)
Dividend Per Share (%)	30.00	30.00	26.00	21.00	17.00	(19.05)

Source: Annual Report on 2008 to 2012 (AIBL)

Deposit:

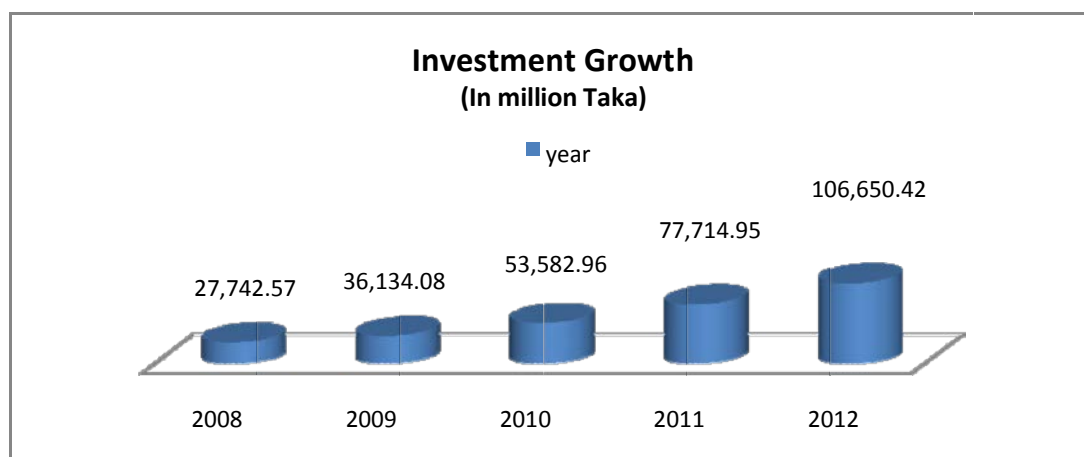
Though there was a liquidity crisis in the banking sector the Bank has mobilized a deposit of Tk. 29690.12 million at the year ended 31 December 2008. It was steadily increased to tk. 38355.5 million in 2009 and tk. 53882.96 million in 2010. On 31st December 2012 the total deposit of the bank was Tk. 118,683.39 million as against Tk. 82,186.98 million at 31st December 2011 recording a growth of 44.41% of which Tk. 2,564.75 million was bank deposit and Tk. 116,118.64 million was general deposit. The present strategy is to increase the deposit base through maintaining competitive profit rates and having low cost of funds to ensure a better spread with an average return on investment.



Investment:

The investment portfolio of the bank is well diversified and covers a broad spectrum of businesses and industries including readymade garments, textile, edible oil, ship scraping, steel & engineering, chemicals, pharmaceuticals, cement, telecommunication, construction, health care, real estate, education, transport and investment under consumer schemes. The investment of the bank has stood at Tk. 106,650.42 million as on 31st December 2012 as against Tk. 77,714.95 (Net off PR) million in 2011 showing an increase by 37.23 %. On 31st December 2011 investment increase by 45.04 % against Tk. 53,582.96 (Net off PR) million in 2010 and Tk. 36,134.08 million on 31st December 2009 in opposition to Tk. 27,742.57 (Net off PR) million in 2008 which also increase by 30.25%. They have geared up efforts to improve the recovery rate of disbursed investment and also taken adequate measures for

converting the classified investment into performing assets. As a result, classified investment of the bank could be kept at a low level far below the national average. It is 1.63% in the bank as on 31 December 2012. The bank gives top-most priority to the creation of quality assets and does appropriate risk grading while approving commercial, trade and project investment to different clients.



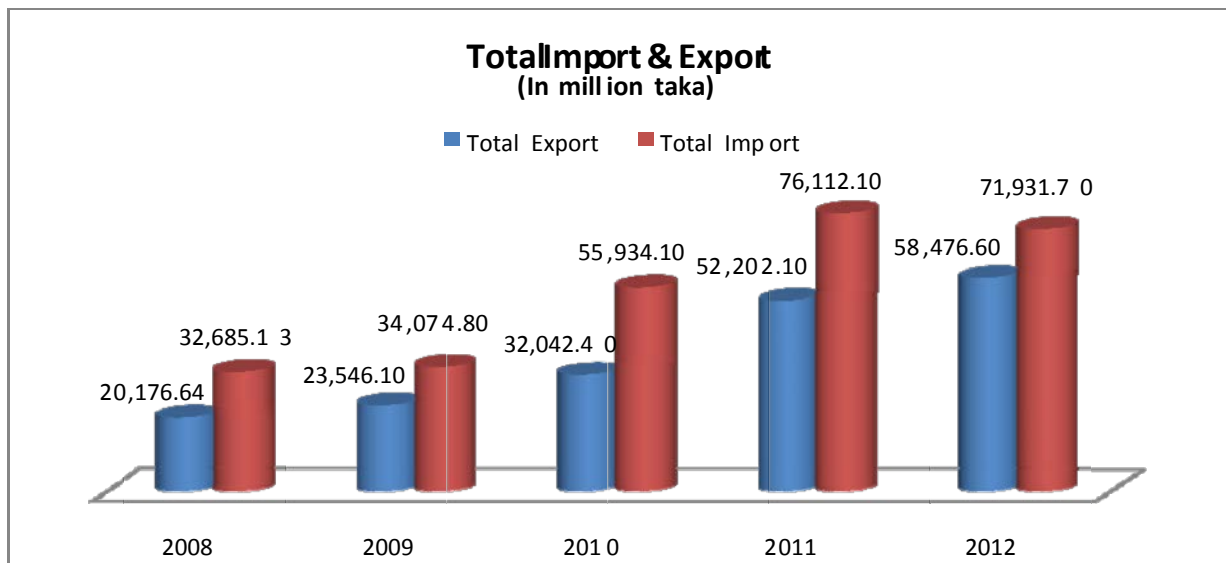
Export And Import:

AL-Arafah Islami Bank Limited is quite active in conducting international trade activities through financing of import export and Foreign Remittances business. It has at present a network of 103 Branches throughout the country out of which 21 Branches are authorized to deal in Foreign Exchange Business. AIBL has 28 Nostro Accounts 281 Relationship Management Application (RMA) with different renowned Foreign Banks/Foreign Correspondents in 49 countries across the world.

At the end of 2012 the total Foreign Exchange Portfolio (Import, Export and Remittances) was Tk. 1,53,528.70 million showing a growth of 13.56% of this bank in compare with the corresponding year. The total export of the bank was Tk. 52,202.10 million in 2011 which was increased by 12.02% to Tk. 58,476.60 million in 2012. Similarly, the amount of import has decreased from Tk. 76,113.10 million in 2011 to Tk. 71,931.70 million in 2012 a negative growth of 5.49%.

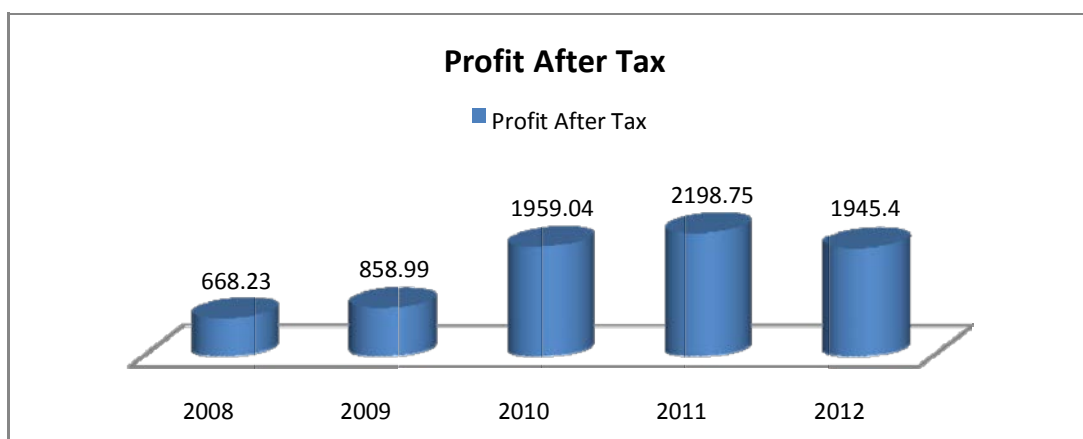
In 2011 total export was increased by 62.92% to tk. 52,202.10 million from tk. 32,042.40 million in 2010. Correspondingly, the amount of import has increased from Tk. 55,934.10 million in 2010 to Tk. 76,112.10 million in 2011 experiencing a growth of 36.07%. Again the total export was 20,176.64 million taka in 2008 and 23,546.10 million taka in 2009. Likewise

the amount of import was 32,685.13 million taka in 2008 and 34,074.80 million taka in 2009.



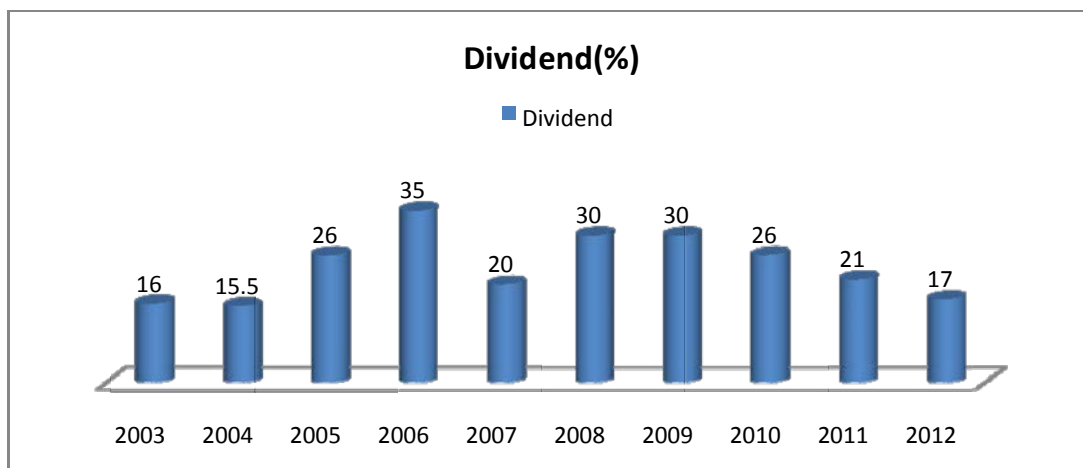
Profit after Tax:

In 2008 the bank earned profit after tax of tk. 668.23 million which is increase in 2009 of tk. 858.99 million. Again in 2010 it was gradually increase to tk. 1959.04 million. The bank earned profit after tax of 1945.40million during the year 2012. The profit of the Bank during the year 2011 was Tk. 2198.75 million and thus the Bank attained negative growth of 11.52%.



Dividend:

The bank has been paying dividend every year since 1998 just after conversion of a public limited company. The Board of Directors of the Bank is pleased to recommend 17% stock dividend in the year 2012. Table of Historical Dividend Payment Percentage are as follows:



Year	% Dividend
2003	16% Bonus
2004	15.50% Bonus
2005	26% Bonus
2006	35% Bonus
2007	20% Bonus
2008	30% Bonus
2009	30% Bonus
2010	26% Bonus
2011	21% Bonus
2012	17% Bonus

Chapter-3

General Banking Activities

3.0 General Banking (Work Related Activities)

The division of general banking plays the most significant role in all banks. It is mainly a liability side. General Banking division of AIBL can be functioned in the following way:

One who want to open an account, he has to fill up an account opening form. This form is a legal contract between the bank and prospective customers. The rules and regulations for opening of an account vary from customer to customer, if he wants to open different types of accounts. First of all various types of customers such as individual, joint, proprietorship, partnership, private limited company, public limited company, associations, clubs, societies, trusts etc. can open their various types of accounts as their requirements which are mentioned below:

3.1 Various Types of Deposit Account

AIBL Bank offers following types of deposit account:

1. Al Wadiah Current Deposit (CD)	7.MudarabaLakhpoti Deposit Scheme (LDS)
2. Mudaraba Savings Deposit (MSD)	8.Mudaraba Millionaire Deposit Scheme (MDS)
3. Mudaraba Term Deposit (MTDR)	9.MudarabaKotipoti 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).

3.1.1 Al-Wadia Current Deposit

No profit is payable 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 must be maintained in the account. The account maintaining fee is Tk.250 and charged twice a year. If the balance falls below Tk.2000, bank will charge minimum balance charge Tk.250 half-yearly.

3.1.2 Mudaraba Saving Deposit (MSD)

In savings deposit account, profit is payable to the customer. The profit for savings account is 4 percent. Profit is calculated on a monthly basis on the lowest balance in the account during the month. Customer can withdraw twice in a week and maximum limit per transaction is BDT.5 Lac and withdrawal beyond this limit requires 7(seven) days prior notice. If the total withdrawal without notice is allowed twice in a week up to 25% of the balance in the account subject to maximum limit of BDT.5,00,000 withdrawal beyond the maximum limit will require 7(seven) days prior notice, failing of which profit will not be allowed for the month in which the withdrawal occurs. Profit rate may be subject to change without notice to customer. Profit will be credited to customers account on half-yearly basis.

The minimum account opening balance is Tk.500. The minimum balance must be maintained in the account. The amount of minimum initial deposit is the minimum balance for maintenance. The account maintaining fee is Tk.500 and charged twice a year. If the balance falls below Tk.500, bank will charge minimum balance charge Tk.250 half-yearly. The bank reserves the right to realize an incidental charge and or/ to close the account without prior notice to the customer(s), if he/she/they fail to maintain the minimum balance.

3.1.3 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. Usually customers are allowed to open this account for a certain 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.**

Month	1	3	6	12	24	36	6Yrs
Profit	12.00	12.50	12.50	12.50	12.00	12.00	Double

3.1.4 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. If 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 80% of his deposited amount.

3.1.5 Short Notice Deposit (SND):

Short Notice Deposit has following attributes:

- 3.5% profit rate against SND.
- No restriction over withdrawal of money
- 5000/- is the minimum balance.

3.1.6 Mudaraba Double Deposit (MDD)

Savings works as the very foundation of development. Savings is the prime source of business investment in a country. So it helps to build up capital. To create more awareness and motivate people to save, AL-ARAFAH-ISLAMI Bank offers Mudaraba Double Deposit. Here people put their money for double return after 6 years.

3.1.7 Mudaraba Lakhpoti/Millionaire/Kotipoti Schemes

Conditions of the Schemes:

- 1) By filling up a form an account is opened.
- 2) A non-transferable deposit receipt will provide to the customer after opening the account.
- 3) If the deposit is withdrawn before a 5-year term, then saving interest rate will be applicable and paid to the depositor. However, no profit paid if the deposit is withdrawn within 1 year of opening the account and Monthly Income paid to the customer will be adjusted from the principal amount.
- 4) This scheme will be credited to the loan account until liquidation of the loan amount inclusive of profit. A depositor can avail loan up to 80% of the deposit amount under this scheme.

3.1.(a)Mudaraba Lakhpoti Scheme

For Mudaraba Lakhpoti Scheme 3,5,8,10,12 year's monthly installments are 2,440/- 1350/- 740/- 540/- 420/-/- respectively and will get 1lak.

3.1.(b)Mudaraba Millionaire Scheme

For Mudaraba milliner Scheme 3,4,5,6,7,10,12,15,20 year's monthly installments are 23,200/- 16,400/- 12,700/- 10,020/- 7,820/- 4,500/- 3,330/- 2,120/- 1,175/- respectively and will get 10million.

3.1.(c)Mudaraba Kotipoti Scheme

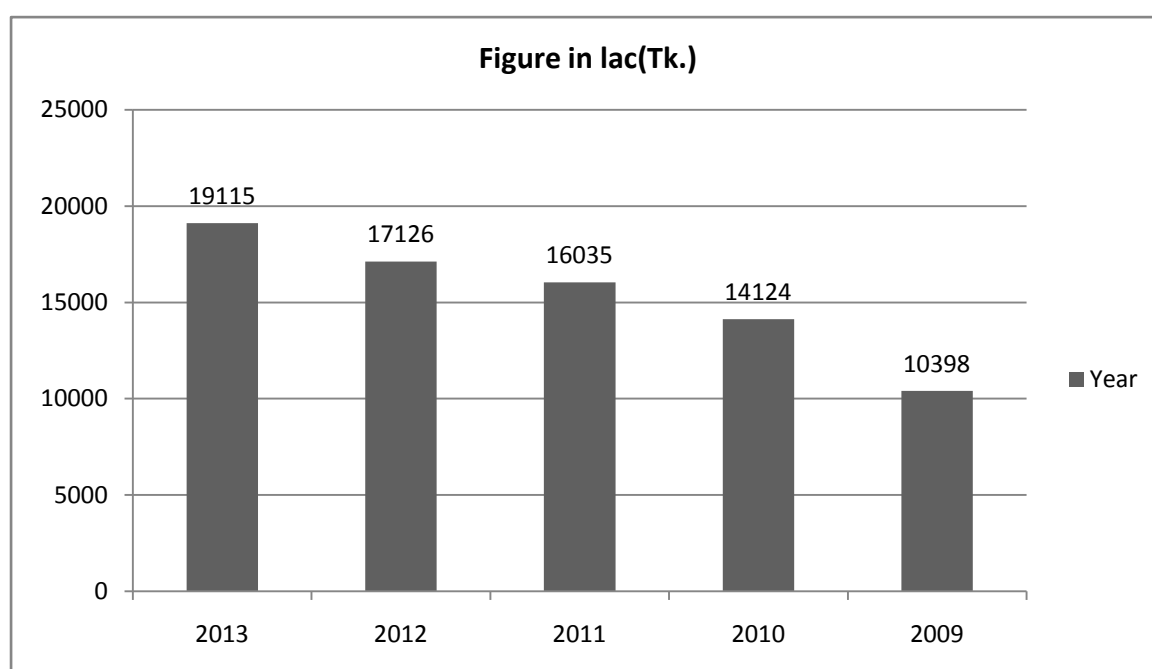
One can open for 3,4,5,6,7,10,12,15,18,20 years and have to pay (Monthly installment) 2,44,000/- 1,75,300/- 1,35,000/- 108,000/- 88,000/- 54,000/- 41,000/- 28,600/- 20,700/- 16,900/- respectively and will get 1crore.

3.2 Profit Rates Of AIBL On Different Deposits:

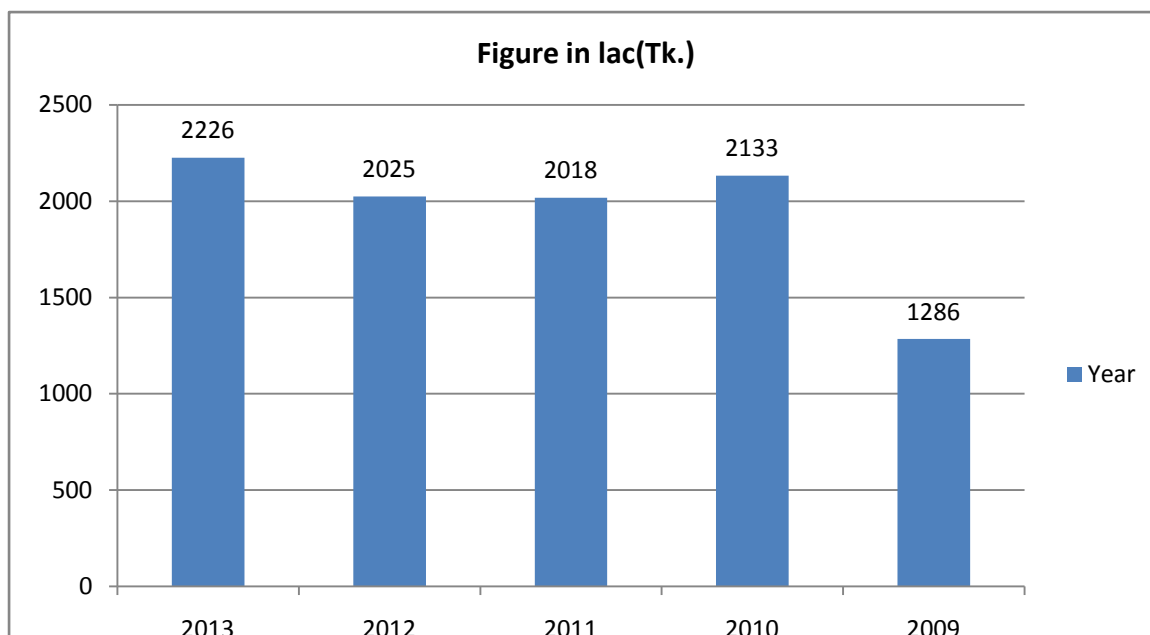
Sl. No.	Account Head/Deposit Scheme	Profit Rate in %
1	Al-Wadiah Current Deposit	Nil
2	Mudaraba Saving Deposit	4.00 %
3	Mudaraba Short Notice Deposit (SND)	4.00 %
4	Mudaraba Investment Term Deposit (ITD)	10 %
5	Mudaraba PTD	10 %
6	Monthly Hajj Deposit	10 %
7	MTDR 36 Months	10 %
8	MTDR 24 Months	10 %
9	MTDR 12 Months	10 %
10	MTDR 6 Months	7.5 %
11	MTDR 3 Months	6.5 %
12	MTDR 1 Month	6 %
13	MudarabaLakhopoti	10 %
14	Mudaraba Millionaire	10 %
15	MudarabaKatipothi	10 %
16	Double Benefit Deposit Scheme	10 %
17	Special Savings (Pension) Scheme	10 %
18	Marriage Saving Investment Scheme (MSIS)	8.25%

3.3 Annual Performance of Deposits on AIBL

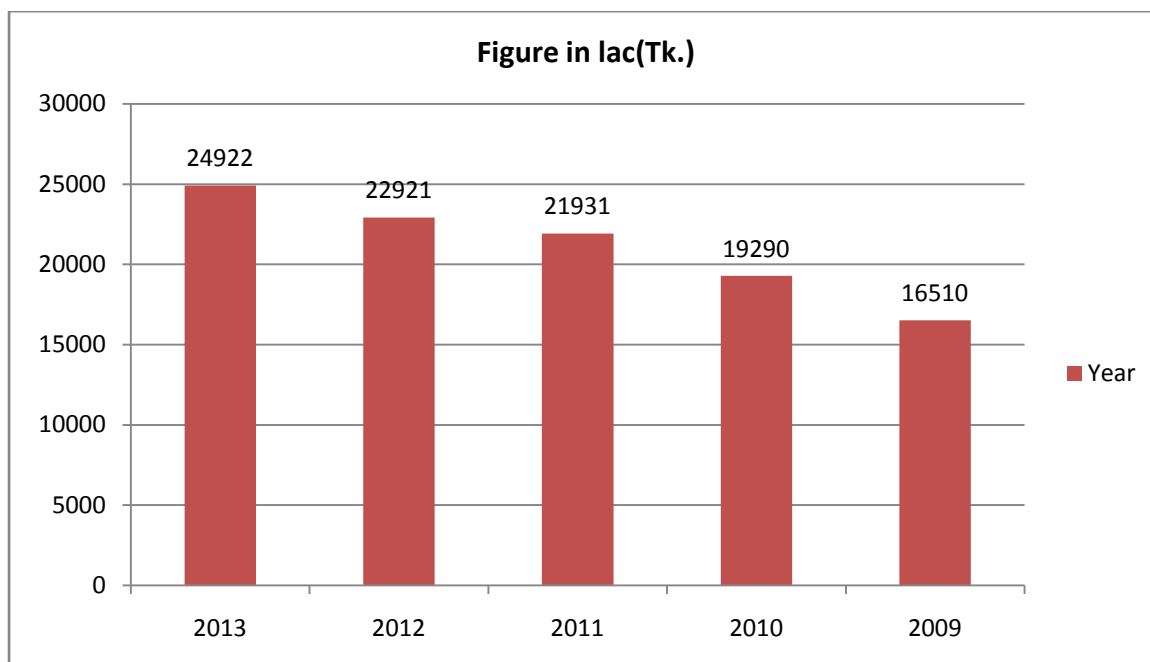
Deposit & Other Accounts	2012	2011	2010
Mudaraba Saving Deposits	9,998,519,808	8,365,529,395	7,227,520,700
Mudaraba Term Deposits	76,618,032,206	50,030,522,304	26,535,425,683
Other Mudaraba Deposits	18,208,830,719	13,428,545,310	11,941,816,975
Al-Wadia Current Account & Others	12,898,844,570	9,609,727,873	6,667,082,751
Bills Payable	959,167,532	752,651,888	812,514,055



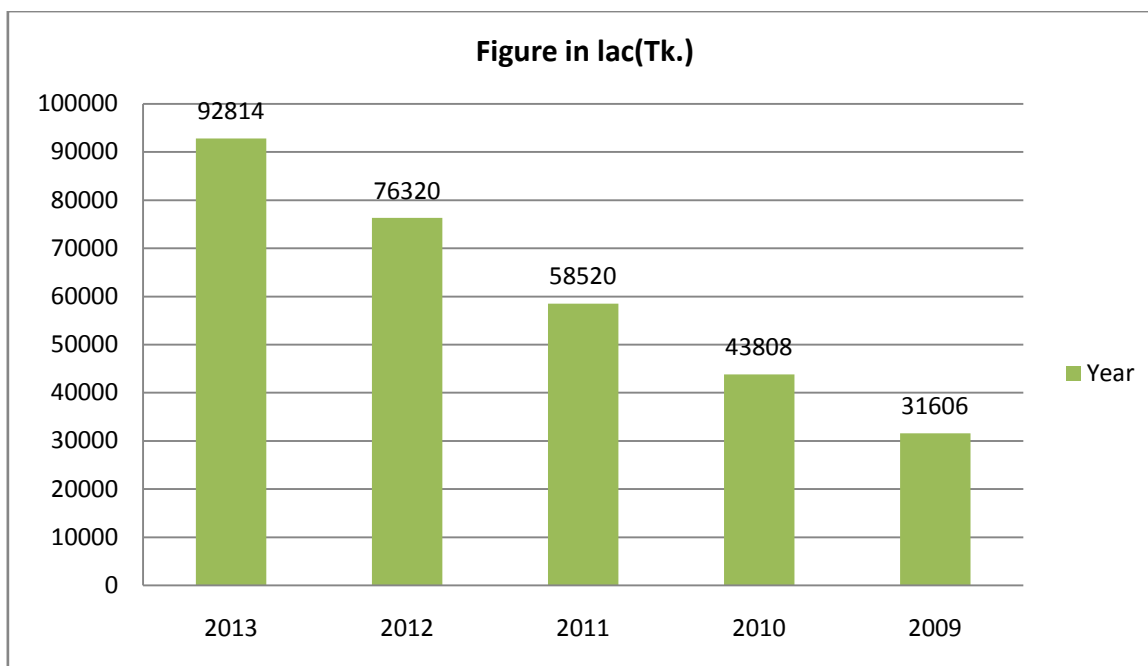
Current Deposits & other account (2009 to 2013)



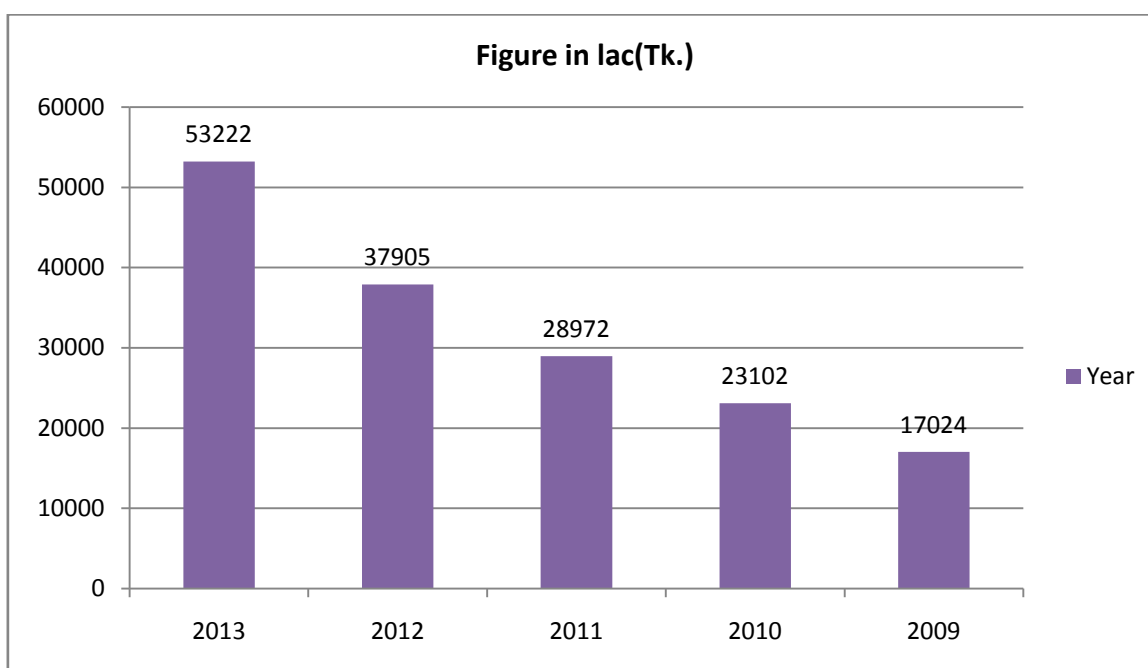
Bills Payable (2009 to 2013)



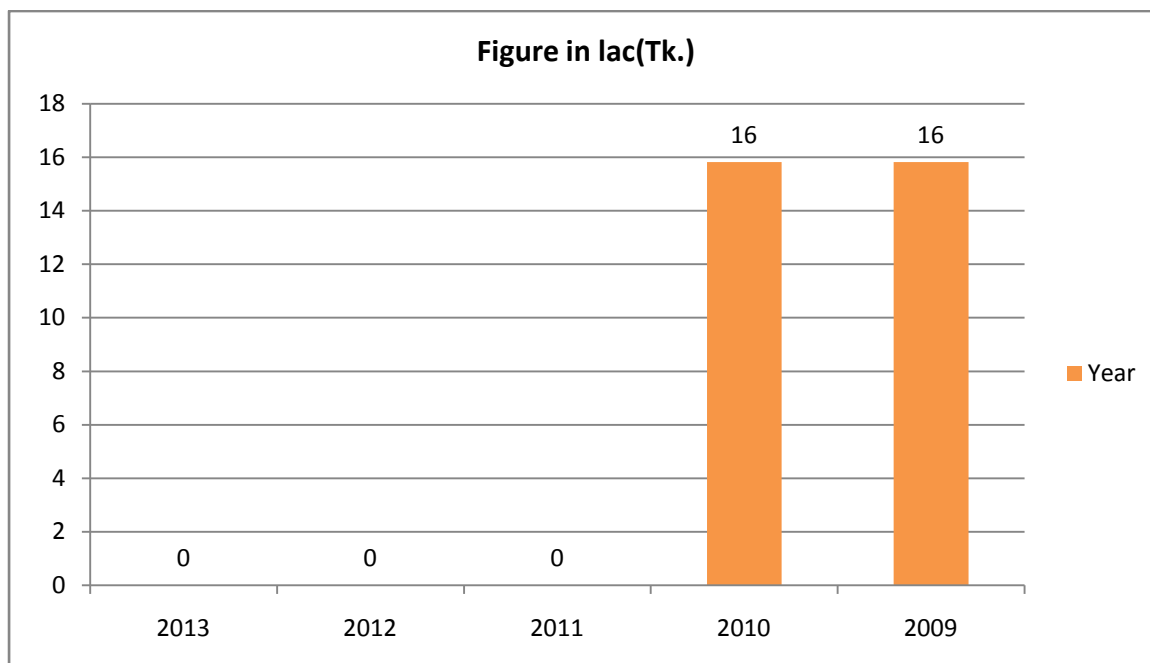
Savings Bank Deposits (2009 to 2013)



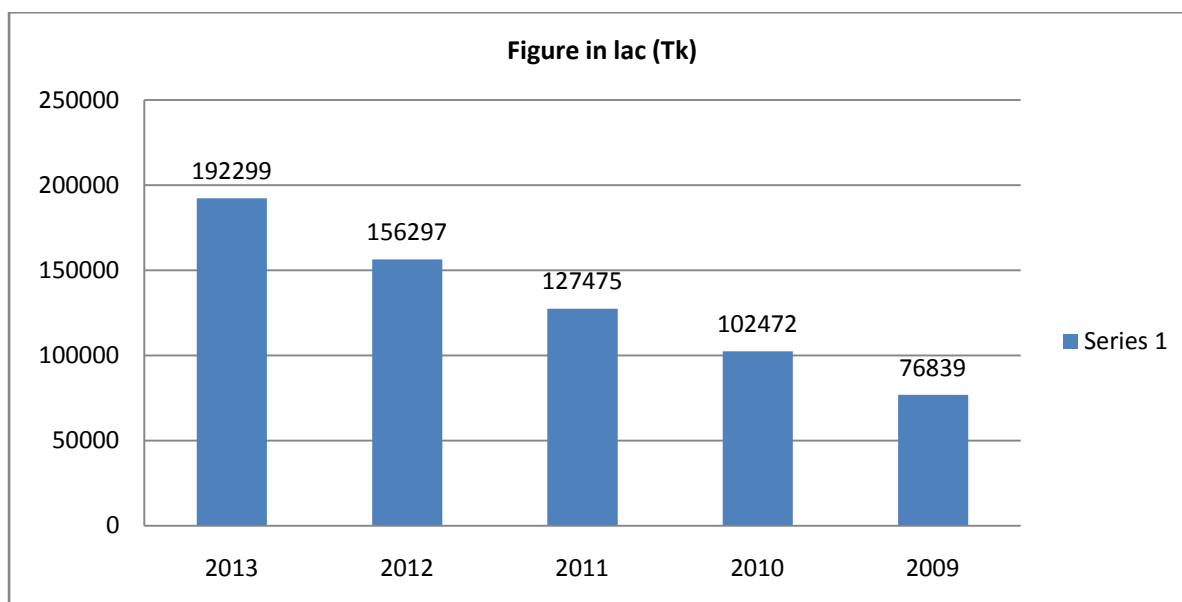
Fixed Deposits (2009 to 2013)



Term Deposits (2009 to 2013)



Bearer certificates of deposits (2009 to 2013)



Total Deposit figures in graph (2009 to 2013)

3.4 General Procedure of Account Opening

Step 1: Bank provides account opening form to the prospective customer or applicant.

Step 2: Applicant fills up the form.

Step 3: Application submits the form dully signed by an introducer and along with 2 pasport size photo signed by the introducer.

Step 4: The authorized officer scrutinizes the application form.

Step 5: If they are satisfied, they will open the account.

Step 6: They issue deposit slip and deposit must be made it.

Step 7: After deposition one checkbook is issued Signature card to verify the signature of the client.

Step 8: Bank preserves the specimen.

Step 9: Account is opened.

3.5 General Procedure of Account Closing

Account closing is also done by account opening section. The customer may close his/her/their account(s) at any time giving notice to the bank. Similarly, the bank on genuine ground may close customer(s) account giving reasonable notice for the action or without any notice if the conduct of the account is not satisfactory to the bank or any reason(s) whatsoever. In either case, bank will realize a closing charge from the customer's account. The usual closing charge is Tk. 300 + 15% VAT. But, the closing charge of account within three months of opening is Tk.500 + 15% VAT.

To close an account:

- Account holder requires applying in a specific form with full signature.
- He/she/they must surrender the unused leaves/cheque book provided by the bank.
- Verification of signature and approval by operation head.
- Close the account.

On closure of the account, the bank will pay the credit balance (if any) of the account and any profit due to the customer(s). The customer(s) shall surrender the unused cheque

books/leaves along with the requisition slip and other materials (if any) supplied by the bank for operation of the account.

3.6 Clearing Section

The main function of clearing section is to operate with safety and security of financial transaction of financial instrument like DD, PO, check etc. on behalf of the customers through Bangladesh Bank Clearing House, Outside Bank Clearing (OBC), Inter Branch Clearing (IBC). This section examines in the following way:

- Whether the paying bank within the Dhaka city.
- Whether the paying bank outside the Dhaka city. Then these checks can be cleared by OBC, OBC stands for Outward bill for collection.
- Whether the paying is their own branch. These checks can be cleared by IBC, IBC stands for Inter Branch Bill for Collection.

1. Outward Clearing

When the financial instruments like P.O., D.D., and Checks collected by specific branch within the Dhaka city and not of their own branch then the Outward clearing will be functioned. The procedures of Outward Clearing are followed:

- The instruments with schedules to the main branch of AL-ARAFAH-ISLAMI Bank Ltd. With issuing an Inter Branch Debit Advice (IBDA).
- Clearing stamps are affixed on the instruments.
- Checked for any apparent discrepancy.
- The authorized signature endorses instruments.
- Particulars of the instruments and vouchers are recorded in the 'Outward Clearing' register
- The clients receive the duly signed instruments and also branch code number affixed on the instruments.

2. Inward Clearing

When the checks of its customer are received for collection from other banks, the following should be checked very carefully;

- The check must be crossed.
- The check should not carry a date older than the receiving date for more than 6 months.
- The collecting bank must check whether endorsement is done properly or not.
- The amount both in words and figures in deposit slip should be same and also it should be in conformity with the amount mentioned in words and figures in the checks.

Essential elements for Clearing

There are three essential elements are required for clearing the Instruments:

1. Clearing Seal,
2. Crossing Seal.
3. Endorsement Seal.

3.7 Banker's Cheque (BC)

BC is used only to make the payment of different kinds of bills like utilities bill of the bank.

Some special features of BC are as follows:

- It should be Crossed Cheque and Account Payee Only.
- There is no commission for issuing a pay slip.
- Bank is the maker of the pay slip.
- A revenue stamp is required in case of payment.
- It has two parts; one part belongs to account payee and the other to the bank.

3.8 Inter Branch Credit Advice (IBCA)

It is an advice written by originating branch to the responding branch to credit the general account of responding branch for the transaction mentioned on it. IBCA is issued to responding branch to pay. The responding branch makes payment.

3.8 Inter Branch Debit Advice (IBDA)

It is an advice written by origination branch to the responding branch to debit the general account of responding branch for the transaction mentioned on it. IBDA issued to collect money from other branch. The originating branch collects money.

3.9 Remittance Section

The word 'Remittance' means sending of money from one place to another place through post and telegraph. Commercial banks expose this facility to its customers by means of receiving money from one branch of the bank and making an easier arrangement for payment to another branch within the country.

3.10 Payment Order (P.O.)

Payment Order is a process of money transfer from payer to payee within a certain clearing area through banking channel. It's an order of local payment on behalf of the bank or its constitution. A customer can purchase different modes of payment Order such as pay order by cash and pay order by check.

AL-ARAFAH-ISLAMI BANK (AIBL) charges different amount of commission on the basis of payment order amount:

Total Amount of PO	Commission (Tk.)	VAT (Tk.)
1-1,00,000	20	3
1,00,000-5,00,000	30	5
5,00,000-10,00,000	50	8
Above10,00,000	100	15

3.11 Demand Draft (D.D.) & Telegraphic Transfer (T.T.)

DD is a one kind of bill of exchange. DD is the most frequently used mode of inland remittance. DD is an unconditional order of the bank from one branch to another branch to pay certain amount of money to a certain person on demand. It is applicable outside the Dhaka City. The DD generally issued for party's safety. If there is a huge amount to bear one place to another, then customer can do the DD and bear it to his destination instead of cash.

Telegraphic Transfer is the most rapid and convenient but expensive method. There are different modes of telegraphic transfer such as Fax, Mobile, Telephone Telex, and Telegram.

If an applicant wants to transfer money quickly to the pay in another city or district he /she may request the banker to send it by TT.

3.12 Cash Section

Cash section is an important part of any branch. Most of the activities are relate to cash section. The functions of cash section are receipt & payment of cash.

3.13 Investment (Organization Wide Activities)

Al-Arafah Islami Bank is a new generation bank. It is committed to provide high quality financial services/products to contribute to the growth of G. D. P of the country through stimulating trade & commerce, accelerating the pace of industrialization. In investment operation of the bank is of paramount importance as the greatest share of total revenue of the band is generated from it, maximum risk is centered in it and even the very existence of band depends on prudent management of its investment portfolio. The failure of a commercial bank is usually associated with the problem in investment portfolio and is less often the result of reduction in the value of other assets. In view of the above this investment policy and control guidelines of the bank has been prepared which is subject to amendment, revision, readjustment and refinement from time to time as may be warranted by the change of circumstances due to passage of time to suite the requirement of the bank.

Allah has permitted Bai (Buying and selling i.e. trading) & prohibited Riba. Islamic Banks in all its transactions follow the verdict of Al-Qur'an and Sunnah and prohibit Riba in all its operations. The Banks conduct investment portfolio under three mechanism i.e. (1) Bai Mechanism; (2) Share Mechanism (3) Ijara.

3.14 Other Relevant Activities

I have done others Bank related activities of document typing, electric bill entry, mail, and call to customers for different reasons. I visited clients' residence with my supervising officer.

Chapter-4

Learning's

4.1 Learning's

Staying the internship period of 3 months in **Al-Arafah Islami Bank – Pantha Path Branch** as an Internee was extensively experiencing. I have gone through a lot of new situations, experienced a very new environment and learned about professional life.

4.2 Learning's From Organization

In the processing of collecting, gathering, synchronizing several information and preparing this report; I have learned many banking procedures, facts such as Account opening, closing, Profit taking, transferring also dealing with different types of customers & situations, Clearing, about the Remittance, Foreign Exchange ,etc.

4.3 Learning's From Internship Program

The learning's for Internship program was a new experience since such event is very new in a student's life. I have learned to study a bank's documents and prepare an affiliation report.

Within the period, I had to deal with different designated employees & stuffs of the branch and several types of clients. I faced several types of situation, some made me happy, some sad, some anger etc. Through these ups and downs, I have come to know what the environment of an office is and how to deal with it. This experience surely made me prepared for my next corporate life.

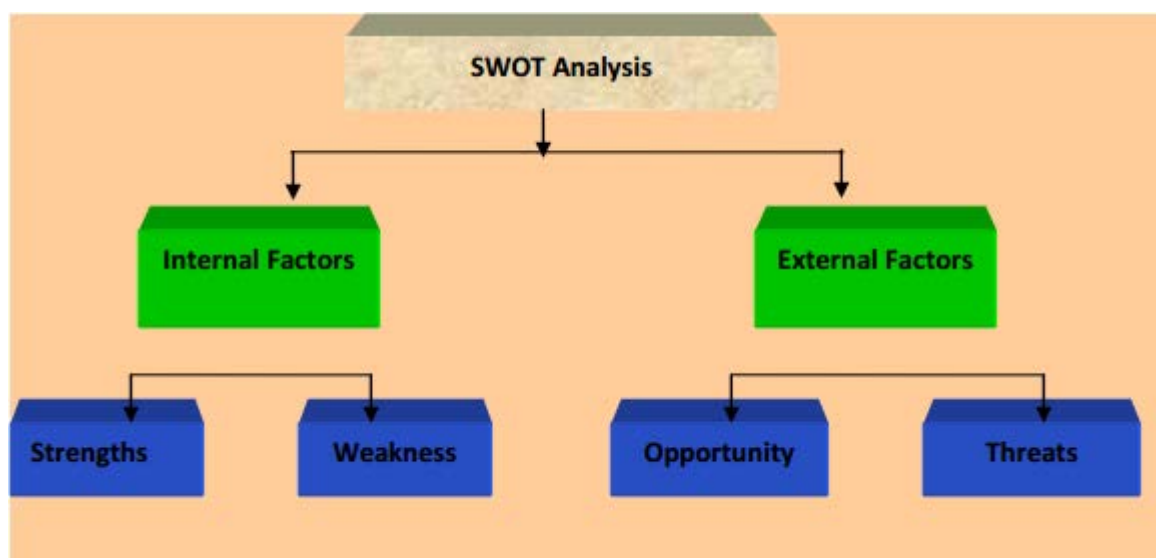
Chapter-5

SWOT Analysis



5.1 SWOT Analysis:

Not surprisingly, in the competitive arena of marketing era SWOT analysis is a must base on Product, Price, Place and Promotion of a financial institute like private bank. From the SWOT analysis we can figure out ongoing scenario of the bank.



In SWOT analysis two factors act as prime movers.

- ♣ Internal factors which are prevailing inside the concern which include strengths and weakness.
- ♣ On the other hand another factor is external factors which act as opportunity and threat.

5.2 STRENGTHS

- ❖ Wide Image.
- ❖ Enthusiastic employee.
- ❖ High deposit.
- ❖ Higher profit rate to client.
- ❖ Excellent Management.
- ❖ High commitment of customer
- ❖ AIBL banks has strong non-interest earning base.
- ❖ Wide Branch network among the 3rd generation banks.
- ❖ Qualified & experienced human resource.
- ❖ Satisfactory Environment.
- ❖ Wide product line.
- ❖ Low infection in loan exposure.

5.3 WEAKNESS

- ❖ It has high cost fund.
- ❖ It has highly exposed to volatile garment business.
- ❖ It has highly exposed dependency on term of deposit.
- ❖ Inadequate IT infrastructure.
- ❖ Inadequate delegation of power.
- ❖ The bank has limited ATM service.
- ❖ Officers have limited experience and not enough trained.
- ❖ Marketing policy is not well setup.

5.4 OPPORTUNITIES

- ❖ Increasing demand of client finance.
- ❖ Investment potential of Bangladesh.
- ❖ Relationship management.
- ❖ Complacency among rival firms.
- ❖ It has credit card business.

- ❖ It has scope of market penetration through diversified products and wide banking network.
- ❖ It has regulatory environment favoring private sector development.
- ❖ Develop relations and correspondence with foreign banks.
- ❖ More concentrated Banking based on Islamic Banking.

5.5 THREATS

- ❖ Lacking of customers awareness regarding Islamic banking
- ❖ Some other banks also follow the Islamic banking policy.
- ❖ Similar types of retail banking products.
- ❖ Certain Bangladesh Bank's rules and regulations.
- ❖ It has increased competition for the market for public deposit.
- ❖ Market share for lowering interest rate.
- ❖ Deteriorated export, import and guarantee business due to indecent competition as well as economic slump.
- ❖ Bangladesh Bank has no well-established Islami Banking rules
- ❖ Entrance of new private commercial banks.
- ❖ Young, energetic, dynamic, talent and smart work force of competitors.
- ❖ Govt. imposes high rate of taxes and vat.

Chapter-6

Findings & Recommendations

7.1 Major Findings in the Study

Al-Arafah Islami Bank Limited (AIBL) is the second largest Islamic Bank in Bangladesh. It is a rapidly growing Bank. It has already made significant progress within a short period of its existence. The bank has already occupied an enviable position among its competitors. The remarkable findings in the study about the bank are highlight below:

- All the activities of the bank are conducted in interest free system according to Islamic Shariah.
- The Bank operates its accounts on profit and loss sharing basis.
- It main functions are deposit building, providing investment and handling foreign exchange business.
- It contributes in achieving the ultimate goal of Islamic Economic system.
- The deposit position of the bank shows volatile tendency.
- Investment made by the bank shows upward tendency.
- Operating result and profit made by the bank is highly attractable.
- Investment policy of the bank is sound enough.
- The liquidity position of the bank is too much strong.
- The overall policy of the bank is sounds enough and that is why it is operated successfully over the years.

7.2 Recommendations

The following steps may be taken for the betterment of the company:

- Branch should intensify its quality of client service. Customer services must be made dynamic and prompt.
- Bank should be more innovative and diversified in its services and create more depository services.
- Human resources, in the branch, are not equipped with adequate banking knowledge. Majority of the human resources is lack of basic knowledge regarding money, banking finance and accounting. Without proper knowledge in these subjects, efficiency cannot be optimized.
- Information system should be developed. AIBL should establish its own networking system between its branches so that they can exchange their information faster and efficiently.
- Bank should introduce modern technology. More ATM, credit card services should be introduced. ATM and credit system brings speed in banking services and can increase productivity.
- AIBL should develop their E-Banking system.
- AIBL should train up their officers about all sort of information regarding SWIFT and its services.
- AIBL should always monitor the performance of its competitors in the field of Foreign Trade and General Banking Services.
- There is no separate training institution in AIBL, which is very essential for employees for betterment of the job.

If Al-Arafah Islami Bank Ltd. wants to do business in this modern banking field they have to overcome those problems.

Chapter-7

Conclusion

7.3 Conclusions

The expansion and unfolding of Islamic banking along with traditional interest-based banking is a recent phenomenon. Islamic banking is an inseparable part of Islamic economy. During the fifties it was only a subject matter of research and was limited to the writings of scholars and philosophers. During the sixties actual experiments were made and in the seventies Islamic banking institutions started gaining strength. The eighties and nineties are the period of consolidation and now Islamic banking is coming up as the only welfare banking system of the modern world,

There has always been a desire to establish financial institutions to operate as per the tenets of Islamic Shariah. A successful Islamic banking venture in Myt Gamr, Egypt was made in 1963.

A large number of commercial banks are already in the market to acquire business. They have nevertheless secured their position in the overall financial arena with diversified opportunities but with extensive competition. This has been possible through constant efforts of very skilled and result-driven workgroups.

Within short time period AIBL is going open its more Islamic banking branches to attract the depositors from conventional to Islamic mentality persons. These branches will be operated according to the Islamic financing system.

Now we may come to the following conclusions:

- AIBL is a company, which has so far shown good performance and holds the strongest position in the banking market.
- It has a management wise enough to think of and implement an array of financial services through diversification program.
- It has good quality mid and bottom level management, which gives more time for top management to think and plan for new things.

References

Report, Journal

- Annual & Other Report of NBL – 2008, 2009, 2010, 2011, 2012, 2013, 2014 published by AIBL.

Website

- <http://www.aiblbd.com>
- Other some website.

Appendix: List of Abbreviation

Particulars	Abbreviation
AIBL	Al-Arafah Islami Bank Limited
DD	Demand Draft
PO	Payment Order
TT	Telegraphic Transfer
IBC	Inter Branch Clearing
OBC	Outside Bank Clearing
IBDA	Inter Branch Debit Advice
IBCA	Inter Branch Credit Advice
BC	Bankers' Cheque