**Analysis of Financial Statements: A Study on Al-Arafah Islami Bank Limited**

*This report is submitted as a partial fulfillment for the Degree of*

*Bachelor of Business Administration*



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School of Business & Economics

United International University

8 August 2021



**INTERNSHIP REPORT**

**ON**   
**An Analysis of Financial Statements: A Study on Al- Arafah Islami Bank Limited**

**Submitted To**

** Prof. Dr. Farid A Sobhani**

**School of Business & Economics**

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**Submitted By**

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**8 August 2021**

Letter of Transmittal

August 05, 2021

Prof. Dr. Farid A Sobhani

School of Business and Economics

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**Subject: Submission of internship report.**

Dear Sir,

I am very pleased to present my Internship Report on the subject “Analysis of Financial Statements: A study on Al-Arafah Islami Bank Limited”. Basically, I prepared this report based on the information I got from the Al-Arafah Islami Bank limited and according to the guideline you have given me.

I experience many things while I was doing my internship report at Al-Arafah Islami Bank limited. Which helped me to prepared this report. I hope that this report is both insightful and detailed.

I would like to share my special gratitude to you for devoting your precious time, advice and encouragement. I gave my level best to complete this report properly as much as possible. It would be my pleasure, if you find this report informative and insightful to have an obvious viewpoint on the issue.

Yours Sincerely



Sanzia Naznin Tanni

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Acknowledgements

It is really a great pleasure for me to be assigned to Al-Arafah Islami Bank limited to do my internship report.

I'd want to express my gratitude to A.K.M. Tawhid, the A.V.P. of Al-Arafah Islami Bank, for aiding me to become an intern there. I would really like to express my heartfelt gratitude to my supervisor, A.B.M. Adnan (SEO) of Al-Arafah Islami Bank limited, for his persistent and constructive support, as well as his focused supervision, helped me to complete this report effectively and swiftly.

Their other employees is also very helpful. They greatly aided me in the preparation of my report by giving me with a wealth of useful information. I appreciate all the person’s support who helped me to make this report appropriately.

I would like to share my heartfelt appreciation and cordial gratitude to Prof. Dr. Farid A Subhani, Lecturer, United International University, Bangladesh, to give a chance to do my internship report. I would like to thank for his support and excellent guidelines which encouraged me that contributed to my internship report being completed successfully.

And this study would probably not have been a detailed one without your help. lastly, all praise and indebtedness to Allah Almighty.

Declaration

I’m Sanzia Naznin Tanni and ID 111 161 136. And I already mentioned that my internship report is on “Ratio Analysis of Al-Arafah Islami bank limited. And this report is particularly made by me after doing three months internship of Al-Arafah Islami bank limited.

This report will not published in any magazine or journal but also prepared for only educational purpose. My professional experience was strengthened by the preparation of the study and helped me to relate the theoretical aspects to the practical ways of doing things. And I have enjoyed doing my intern at Al-Arafah Islami bank limited.

Sanzia Naznin Tanni

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Executive Summary

Al-Arafah Islami Bank began their excursion as a privately owned business on 18 June 1995. And it is based on the Islami shariah. The primary objective of the analysis is to provide an overview of AIBL and to define this bank's strength, weakness and critical risk factor.

A gathering whenever set up devoted and devout characters of Bangladesh are the modeler and overseers of the bank. The elements of the bank cover a wide spectrum of finance and management. Accounting and utilitarian tasks for entities, corporations, corporate organizations and other multinational organizations.

Mainly, I discussed about the ratio analysis of Al-Arafah Islami Bank limited. I have given many information about Al-Arafah Islami Bank limited. Such as their mission, vision, objective, their limitation, scope etc. as I had to gather many information to prepared this report so I am able to learn a large amount of knowledge. And calculate all financial retirements and assess a financial institution's results.

Al-Arafah Islami Bank’s customer is satisfied about their service. And their employees are very friendly and supportive so they always try to give the best services and support. The combination of committed labor, technology, and market potential will lead the business to accomplish the goal.

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# Chapter 1

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# Introduction

# 1. Background of the study

The task of a student or trainee who works in an organization, it can be paid or unpaid, to obtain job experience or fulfill qualification requirements. And the internship program is for three months.

Temporary positions are typically low maintenance whenever offered during a college semester and full-time whenever offered during the get-away periods. This internship gave me the job experience, skill and more knowledge about the working activities and workplace.

I am a student of Bachelor of Business Administration (BBA). And I choose the banking sector for my internship program. Because I think banking sector is the best working place for me rather than the other organization. And I did my internship report on An Analysis of Financial Statements: A study on Al-Arafah Islami Bank Limited”.

## 

## 1.1 Objectives of the Study

The main objective of the study is to analyze the financial statements. It also aims at understanding of practical banking activities based on the theoretical knowledge gained from the academic program. This study is intended to learn more about the systematic review of the company’s results and to analyze the financial ratios. The specific objectives of the study are as follows:

* To analyze the profitability of Al-Arafah Islami Bank Limited;
* To analyze the liquidity of the bank;
* To assess the operating efficiency of the bank;
* To assess the capital structure of the bank;
* To suggest necessary measures for better financial performance of the bank.

## 

## 

## 1.2 Methodology of the Study

This report is prepared based on the information collected from supportive colleagues, seniors and internet etc. There are two types of sources for collecting the data. Such as

* Primary Sources: I collected primary data through the main sources. Like, the conversation with the clients, from the manager and senior officers. And my observation helped me most to collect the primary data.
* Secondary Sources: There are two ways of collecting secondary sources. One is Paper-based sources and the other one is Electronic sources.
* Paper based sources: Books, Journals, Annual reports, Abstract, Newspaper and organizational internal record etc.
* Electronic sources: Internet.

## 1.3 Scope and Limitations

In my report I have discussed many things about Al-Arafah Islami bank limited. To understand its roles and activities, an overview of AIBL has been given. The scope of the study therefore includes the detailed information of AIBL's organization. I have attempted to examine and assess general banking results on the basis of clear guidance found in banking officers' records and speeches. Though I have faced many problems when I made this report but I have got many advantages too. As most of the employees of the bank is so friendly so I got most of the necessary information from them. And lastly who helped the most to prepare this report is my supervisor. Who gave me the entire report guideline for a perfect and informative report.

I have faced some problem when I prepared this report. Which is known as the limitation. And that are given bellow:

* I had to prepare this report in a very short time period. I had to gather all the necessary information about Al-Arafah Islami bank limited, Dhanmondi branch. Which was really tough.
* Every employees was busy with their work that’s why they didn’t able to give me much time.
* The policy of the Bank of not revealing such details and data for obvious explanation, which could be quite useful.
* Lacking of experience is the most common limitation.
* As time was short so there are many important things I wasn’t be able to include that in this report.
* Some of the workers were not so co-operators and there seems to have little interest.
* SWOT of the emerging market sector is a wide-spread analysis content for investigation. Nevertheless, the study was limited to explicit elements by time imperatives.

# Chapter 2

# 

# Corporate Profile

## 

## 

# 2.1 Overview and History

Al-Arafah Islami Bank Ltd was founded as a public limited bank on 18 June, 1995. And Head office of this bank is Al-Arafah Tower, 63, Purana Paltan, Dhaka 1000.The founder and chairman of the bank, MR. A. Z. M Shamsul Alam who is a noted Islamic Scholar, journalist and Economist.

The architects and directors of the Bank are a community of proven, devoted and pious Bangladeshi personalities. The sponsors of the bank are also some very renowned Islamic celebrities and pious businessmen of the country. As Al-Arafah Islami bank limited is a shariah based bank so it conducts its business on the principles of Mudaraba, Bai-muazzal and Bangladesh Bank-approved hire purchasing transactions. Its strategies and operations vary greatly from those of other traditional commercial banks.

The authorized capital of the bank is Tk.2500.00 million and the paid up capital Tk.1500 million. The equity of the bank stood at Tk.3415 million as 31 December 2011, the manpower are 1805 and number of shareholders are 12561.

History of the Bank:

|  |  |
| --- | --- |
| Date of Adaption | 18th June 1995 |
| Date of inaugural Ceremony | 27th September 1995 |
| Equity of the bank | Tk 2348.32 crore as on 31 December 2018 |
| Authorized Capital | Tk 15000.00 Million as on 31 December 2018 |
| Paid-up capital | Tk 10440.22 Million as on 31 December 2018 |
| Number of Branches | 182 |
| Number of employees | 3682 as on 31 December 2018 |

## 2.2 Service mix

1. Mobile financial services:

Islamic Wallet: It is a mobile financial services of Al-Arafah Islami bank limited. The services offered by the Islamic wallet are following:

* Cash in, Cash out, person to person(P2P)
* Fund transfer from card and bank account
* P2B which is person-to-Business payments. Like utility bill payment, Loan installment, Merchant payment and insurance premium etc.
* G2P which is Government-to-person payment such as freedom fighter allowances, social welfare payment and endowments etc.
* Ticketing services
* Tuition fees payments
* Person-to-Government payment(P2G) Government payments, taxes and fees etc.

1. Shariah Compliant services:

* In compliance with the Bank Shariah Guideline, everyday tasks must be carried out.
* It is strictly prohibited to accumulate and charge interest.
* This applies to religious or social ideals.
* Ethical standards.



1. Agent banking services:

* Handling the local remittance.
* Receipt of cheques for clearing
* The bank and agent would jointly execute daily cash remittance.
* Facilitating the transfer of funds.
* Inward international disbursement of remittances.
* Low-value cash deposit collection and withdrawal of cash.
* Insurance premium collection and micro-insurance, etc.

1. Safe Deposit Locker services.

* The safest possible environment for your possessions, as well as individual attention from a committed officer.
* For a minimum of one year, it was rented out. Rent must be paid in advance.
* With a standing order debiting your Savings Account, you may pay without hassle.
* Lockers come in a variety of sizes. Small, Medium, and Large are the three sizes available.
* This service is available in Dhanmondi Branch, Uttara model town Branch, Narayangonj Branch etc.
  + Locker sizes - Security/Unit (Taka) - Rent/Unit (Taka)
  + Large -10,000.00 - 2,500.00
  + Medium - 10,000.00 - 2,000.00
  + Small - 10,000.00 - 1,500.00
* Locker Sizes- Security/Unit (Taka)-Rent/Unit (Taka)
* Large-10000.00 – 2500.00
* Medium – 10000.00 – 2000.00
  + Small – 10000.00 – 1500.00

## 

## 2.3 Customer mix

Customer mix refers to the percentage of a company's total sales that are generated by a specific type of customer segment. There are different kinds of customer in Al-Arafah Islami bank limited. Such as, high income group of peoples are their customer. On the other hand the low income group of people are also their customer.

## 2.4 Board of Director

There are twenty one members on the board of directors for this bank. Who have a good reputation and are well-known in their respective fields of business and career. 

|  |  |  |
| --- | --- | --- |
| Serial No | Name of executives | Designation |
| 01 | Alhaj Abdus Samad | Chairman, Board of directors |
| 02 | Alhaj Mohammad Abdus Salam | Vice Chairman, Board of Directors |
| 03 | Alhaj Nazmul Ahsan Khaled | Director |
| 04 | Alhaj Abdul Malek mollah | Director |
| 05 | Alhaj Md. Enayat Ullah | Vice Chairman, Executive Committee |
| 06 | Jb. Bodiur Rahman | Chairman, Risk management committee |
| 07 | Alhaj Ahamedul Haque | Director |
| 08 | Alhaj Abu Naser Md. Yeahea | Director |
| 09 | Alhaj Niaz Ahmed | Director |
| 10 | Alhajj mohammad Emadur rahman | Director |
| 11 | Alhajj Kandaker Mesbah Uddin | Director |
| 12 | Alhajj Mohammed Harun | Director |
| 13 | Alhajj Liakat Ali Chowdhury | Director |
| 14 | Alhajj Salim Rahman | Chairman, Executive committee |
| 15 | Alhajj Md. Anowar Hossain | Director |
| 16 | Alhajj Md. Harun-Ar-Rashid | Nominee Director |
| 17 | Jb. Md. Rafiqul Islam | Director |
| 18 | Alhajj Md. Amir Uddin | Independent Director |
| 19 | Jb. M Kamal Uddin Chowdhury | Independent Director |
| 20 | Jb. MahbubulAlam | Independent Director& Chairman, Board Audit committee |
| 21 | Farman R Chowdhury | Managing director |

## 2.5 Management of AIBL

|  |  |  |
| --- | --- | --- |
| Serial No. | Name of executives | Designation |
| 1. | Farman R Chowdhury | Managing Director |
| 2. | Md. Fazlul Karim | Deputy Managing Director |
| 3. | S M Jaffar | Deputy Managing Director |
| 4. | Sabbir Ahmed | Deputy Managing Director |
| 5. | Md. Shafiqur Rahman | Deputy Managing Director |
| 6 | Syed Masodul Bari | Deputy Managing Director |

## 2.6 Organizational Structure

The following hierarchy depicts the organizational structure of Al-Arafah Islami Bank Limited.

Figure 1: Organizational Structure

## 

## 2.7 People of the Department

### PEOPLE OF THE BRANCH

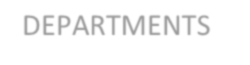
The people of the Al-Arafah Islami Bank Limited (Dhanmondi Branch) are demonstrated in figure02. Md. Nizamul Hoque and A.K.M. Tawhid are the vice president and assistant vice president of Dhanmondi branch respectively. Mr. Benjamin Forhad is currently contributing to the branch as the first assistant vice president. On the other hand, under the supervision of Md. Ashraf, senior principal officer, all the officials are working together with the objective of achieving the mission and vision of the Al-Arafah Islami Bank Limited.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| EXECUTIVES OF THE BRANCH |  | OFFICIALS OF THE BRANCH |  | SUB STAFFS OF THE BRANCH |
| Vice President (Md. Nizamul Hoque)  Assistant Vice President (A.K.M. Tawhid)  First Assistant Vice President  (Md. Bejamin Forhad) | Senior Principal Officer (Md. Ashraf)  Principal Officer  Senior Executive Officer  MTO  Executive Officer  Officer | Messenger  Tea Boy  Chef  Cleaner  Security Guard  Godown Supervisor |
|  | | | | |

Figure 2: People of The Al-Arafah Islami Bank, Dhanmondi Branch.

## 2.8 Department of the Branch

Al-Arafah Islami Bank Limited, Dhanmondi branch incorporated with four prime divisions which are demonstrated in figure03. The foreign exchange and general banking division are further divided into two sub-division. Where general banking division focuses accounts and customer service oriented activities, foreign exchange division deals with the export & import section to facilitate the export and import process on behalf of the clients. On the other hand, preparing the proposal, issuing the sanction letter, disbursing the payment, preparing and posting voucher are the main activities of investment division. Moreover, cash division deals with deposit and disbursement of cash, check verifying, cash maintenance and so on.



DEPARTMENTS

INVESTMENT

FOREIGN EXCHANGE

GENERAL BANKING

CASH

EXPORT

IMPORT

ACCOUNTS

CUSTOMER SERVICE



**Figure03: Department of Al-Arafah Islami Bank Limited, Dhanmondi Branch**



## 2.9 Assignment and contribution to AIBL

My internship program at the foreign exchange division of AIBL commenced with a diverse working experience and some fruitful learning. During my internship program, I was assigned in the import section of foreign exchange division. There are two major sections in the foreign exchange division of AIBL which are depicted in in the following. As an import management



FOREIGN EXCHANGE

DIVISION

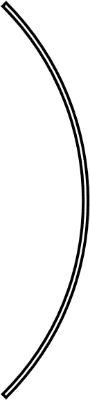
IMPORT

EXPORT

Intern the responsibilities at the foreign exchange division of AIBL comprised of rotation within the diversified functions of import section. At the orientation, during the first week of internship program, my supervisor A.B.M Adnan talked in depth about the roles and duties of the import section which need to be performed. I was provided an overview regarding the overall import process, and how the bank is facilitating the import process on behalf of the importers. During the internship tenure my major responsibilities and contributions to AIBL included the following:

### Preparing LCAF set

In response to the demand of the clients, the LCAF sets are prepared. A partial LCAF set comprised of six copies of letter of credit authorization forms known as original, duplicate, triplicate, quadruplicate, quintuplicate, and office copy respectively; each of the copies has a distinctive purpose and usage. The purpose and usage of those copies are demonstrated in figure04. To make a complete LCAF set DP note, IMP form and T/M form need to be attached back to the office copy. During my tenure I prepared approximately 250 sets of complete LCA form among which 150 were commercial LCAF and rest of the 100 were industrial set of letter of credit authorization form.



***ORIGINAL:*** FOR OPENING LC & EXCHANGE MONITORING PURPOSE

***DUPLICATE:*** FOR REALISING GOODS & CUSTOM PURPOSE ***TRIPLICATE:*** FOR CONTROLLING AGENCY (CCE&I) ***QUARDRUPLICATE:*** SAME USE AS TRIPLICATE

***QUINTUPLICATE:*** FOR THE PURPOSE OF BANGLADESH BANK USE

***OFFICE COPY:*** IS STORED BY THE BRANCH TO KEEP A PROOF

**Figure04: purpose of the six copies of a letter of credit authorization form**

### Attaching authorized seals to make the LCAF set validate

Before handing over the LCAF set to the clients, seal of the branch and senior principle officer had to attach to make the LCAF validate. Seal of the branch is attached in original, duplicate, triplicate, quadruplicate, quintuplicate, and office copy of the LCAF set. On the other hand, original copy of the LCAF set must contain the seal of the senior principle officer along with his signature. I attached the seal of both branch and officer in charge to the appropriate field to make the LCAF form ready for the importers to initiate their import process.

### Transmitting mail, making call to the importers for amendment

Sometimes importers provide some ambiguous and wrong documents and information regarding I.R.C no, goods description, margin amount and so on. In such cases, I had to write and transmit a mail to the clients for the amendments of those ambiguous documents and information. I used to prepare the mail under the supervision of my supervisor. Additionally, following the list of importers, calls were made to them to remind about the amendments.

### Conducting communication with clients

During my internship program, I had to communicate frequently with the clients. They used to ask various question regarding the amendment, freight charge, bill of entry and payment. I used to try answering all of their inquiry with the help of my supervisor. Sometimes, they quested commercial and industrial sets of letter of credit authorization form. I had to provide them the LCAF set attaching the seal of senior principle officer of foreign exchange division. In addition, I had to keep a note of that LCAF serial no in a despatch along with the issuing date.

### Filling up the T/M form, IMP form, promissory note & LCAF’s copies

The importers normally fill up the original copy of the LCAF set. I had to fill up the duplicate, triplicate, quadruplicate, quintuplicate and the office copy followed by the original one. Furthermore, I had to fill up the IMP form which contains information regarding good’s description, beneficiary bank, applicant name, vat registration number, I.R.C number, bill of lading and so on . In addition, I had to fill up the T/M form and promissory note to facilitate the import process. when this task is done, the file become ready for being attached with revenue stamps.

### Attaching adhesive revenue stamp on demand promissory note

As a part of full filling Bangladesh Bank’s criteria, adhesive stamps were attached in the demand promissory note. Though this task was little bit risky, my supervisor assigned me that task. If I left any DP note without attaching the revenue stamps, my supervisor would have suffered. I attached a lot of revenue stamps on behalf of my supervisor. Moreover, I had to put a sticky note writing stamp ok on top of the IMP file.

### Printing, scanning, converting hard copy into soft copy & sending mail

After attaching revenue stamps on a DP note of import file, I had to create an excel file to record those file as stamps ok. Printing out that excel file, scanning the hard copy & converting it into soft copy, I had to send it to my supervisor. It helped us both to keep track the files more convenient way.

### Performing data entry task through Bangladesh Bank’s dashboard

During the 9th & 10th week of my internship program, I was allowed to deal with data entry task through visiting Bangladesh Bank’s dashboard concerning LC authorization, LC contract information, payment & bill of entry. I mainly dealt with LC authorization and LC.

### ix. Assisting my supervisor in releasing payment & bill of entry

The final two steps of an import process are bill of entry and releasing payment. Since, it’s too sensitive work, I was not allowed to perform this particular task. Instead of dealing with these two steps, I used to assist my supervisor performing these task. I used to tell him various data and numbers regarding bill of entry and releasing payment to make the task more convenient and faster.



## 

## 2.10 SWOT Analysis

SWOT analysis is a framework for assessing a company's competitive situation and formulating strategic plans. It’s a tool for taking a realistic, fact-based, data-driven look at an organization's, initiative's or industry's strengths and weaknesses.

**Strengths:**

* Connection with international organization.
* Communicating closely with other branches.
* Identity of company.
* Widespread company in our country.
* Image of branch.

**Weaknesses:**

* Lack of proper protection of documents.
* Lack of events involving publicity.
* Method of decision-making.
* Integration of multiple branches.

**Opportunities:**

* The global network may be growing.
* GDP Growth, the demand for served products may increase.
* May the new branch Expand.

**Threats:**

* Due to employee turnover, the branch image drops.
* Competition in the market May rise.
* Diminish the competitive edge.

# Chapter 3

# 

# Findings and Analysis

## 3.1 Financial Performance analysis on Al-Arafah Islami Bank

### 3.1.1 Credit Risk Analysis

#### 3.1.1.1 Total Assets: The term "total assets" is most typically used in the context of a corporation and refers to the assets possessed by the entity that have an economic worth and can be used to derive future advantages.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| Total Assets | 314,596,972,623 | 333,261,964,673 | 376,001,263,043 |



Figure 3: Total Assets

**Comment:** we can see from the above table that the total asset of Al-Arafah Islami Bank is increasing year to year. The total asset of 2019 is greater than the total asset of 2017 and 2018. which is really a good side for the bank. That’s why it’s beneficial for the bank.

#### 3.1.1.2 Total Equity: The word "total assets" is most commonly used in the context of a corporation, and refers to the entity's assets that have a monetary value and can be used to reap future benefits.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| Total Equity | 20,676,632,231 | 21,588,901,101 | 22,397,473,581 |

Figure 4: Total Equity

**Comment:** Total equity of AIBL is increasing day by day. In 2017 total equity is 20676632231, in 2018 total equity is 21588901101 and in 2019 total equity is 22397473581. And it is a positive side for the investors. It could suggest that the bank’s profits are increasing.

3.1.1.3 **Pretax Profit** : The pretax profit margin is a financial accounting metric that is used to assess a company's operational performance. It's a figure that shows how much of a company's sales have turned into profits.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| Pretax profit | 5,432,462,871 | 4,057,314,909 | 4,959,725,211 |

Figure 5: Pretax Profit

**Comment:** We can see that pretax profit margin is 5432462871 which is greater than the other two years. So the pretax profit margin is decreasing year to year. It indicates that they are making less profit. Which is not a good sign for Bank.

#### 3.1.1.4 Post Tax Profit : The earnings of a business after all income taxes have been deducted are referred to as post tax profit or profit after-tax. This is the amount of profit created by an organization that is left over after all expenses have been paid.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| Post Tax Profit | 3,076,677,937 | 2,406,521,023 | 2,413,569,900 |

****

Figure 6: Post Tax Profit

**Comment:** We can see above from the table that the post tax profit is decreasing day by day. A negative after-tax profit margin doesn’t indicate that the company/bank doesn’t control it’s cost after tax. This is not always an adverse indication.3.1.1.5 Pretax Profit by total Assets Average:It's a metric that displays how much of a company's revenue has been converted into profit. And the average amount of assets recorded on a company's balance sheet at the end of the current year and the previous year is known as average total assets.  **Total Assets Average =** 290,965,812,248

**(2017)   
  
 Pretax Profit by total Assets Average =** 5,432,462,871 / 290,965,812,248 **(2017) =** 0.018670451

**Total Assets Average =** 323,929,468,648

**(2018)   
Pretax profit by total Assets Average =** 4,057,314,909 / 323,929,468,648

**=** 0.012525304

**Total Assets Average =** 354,631,613,858

**Pretax profit by total Assets Average=** 4,959,725,211 / 354,631,613,858

= 0.013986



Figure 7: Pretax profit by Total Assets Average

**Comments:** Total asset average of Al-Arafah Islami bank is approximately .018, .o12 and .013 at the year 2017, 2018 and 2019. So we can say that there profit is decreasing because they made less profit in 2018 compare to 2017. But in 2019 they made greater profit than the previous year. So they couldn’t use their asset effectively that’s why their profit is less than their asset.

3.1.1.6 ROE : The Return On Equity (ROE) ratio effectively assesses the rate of return on a company's common stock held by its shareholders. The company's ability to generate returns on the investment it received from its shareholders is measured by its return on equity.   
 **Average Shareholder’s equity=** 20,131,446,567

**(2017)  
  
 ROE (2017) =** 5,432,462,871 / 20,131,446,567 **=** 0.269849603

**Average Shareholder’s equity =** 21132766666

** (2018)  
  
 ROE (2018) =** 4,057,314,909 / 21,132,766,666

= 0.191991658

**Average Shareholder’s equity =** 21,993,187,341 **(2019)   
  
 ROE(2019) =**4,959,725,211 / 21,993,187,

**=** 0.225511888

Figure 8: ROE

**Comments:** In 2017 ROE is 0.269. In 2018 ROE is 0.1919 which is decreased. And we can see in 2019 ROE is increasing at 0.22. Which indicates that a their management team is more effective when it comes to using investment capital to expand the company.

3.1.1.7 Capital and funding Ratio: The Capital Ratio quantifies the amount of equity and loan money used to acquire a specific level of Net Property Plant Equipment by a corporation. And The funding ratio of a pension or annuity is the ratio of assets to obligations. This ratio is greater than one suggests that the pension or annuity can satisfy all of its obligations.

******   
2017= 20,676,632,231 / 30,904,054,548

= 0.669059

2018 = 21,588,901,101 / 20,393,335,650

= 1.058625

2019 = 22,397,473,581 / 26,024,573,850

= 0.860628

Figure 9: Capital and Funding Ratio

**Comments:** The Capital Ratio quantifies the amount of equity and loan money used to acquire a specific level of Net Property Plant Equipment by a corporation. And the funding ratio of a pension or annuity is the ratio of assets to obligations. This ratio is greater than one suggests that the pension or annuity can satisfy all of its obligations. In 2017 capital and funding ratio is 0.66 and in 2018 it’s 1.05 which is greater than the funding of 2017 and It denotes that a bank has sufficient resources to cope with unforeseen losses. On the other hand capital and funding ratio of 2019 is 0.86 which is decreasing and it means this bank is faces the greater risk of failure. And regulatory authorities may require it to increase its capital.

#### 3.1.1.8 Net Loans / Total Deposit: Net loans or total deposit means the positive amount (if any) by which the aggregate amount of loans made by a long-term insurer to its asset -holding intermediary.

****

**2017=** 30,904,054,548 / 245,642,230,752

= 0.125809

**2018=** 20,393,335,650 / 266,346,613,938

= 0.076567

**2019=** 26,024,573,850 / 297,525,772,155

=0.08747

 Figure 10: Net Loans / Total Deposit

**Comments:** AIBL’s net loans 0.12 in 2017. In 2018 and 2019 their net loans are lower than the 2017 which is 0.07 and 0.08. It means the bank would have less money to lend if it does not increase its deposits or if its deposits diminish.

3.2 Performance Analysis   
 3.2.1 Profitability Analysis

3.2.1.1 **ROA:** Return on asset (ROA) is a metric that shows how much profit a company made in relation to its total assets. The return on investment (ROI) varies by industry and company. In general, the bigger a company's value, the better it is.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| ROA | 3,076,677,937 | 2,406,521,023 | 2,413,569,900 |
| 314,596,972,623  = 0.009779744×100  =0.978% | 333,261,964,673  = 0.007221109×100  =0.722% | 376,001,263,043  = 0.006419047×100  =0.642% |

Figure 11: ROA

**Comments:** We can see in the pie chart that in 2017 AIBL has 0.978% return on asset but it decreased in 2018 and 2019 by 0.722% % and 0.642%. A declining ROA indicates that the company has over-invested in assets that have failed to generate sales growth, indicating that the company is in trouble.3.2.1.2 Net profit to total Revenue: The source of pay for a company's shareholders is net profit. And Total revenue is the sum of all revenue generated by a company's operational departments.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| Net profit to total Revenue | 3,076,677,937 | 2,406,521,023 | 2,413,569,900 |
| 11,804,195,960  = 0.260642736×100  =26.06% | 12,195,357,548  = 0.197330912×100  =19.73% | 14,044,405,280  = 0.171852766×100  =17.19% |

Figure 12: Net Profit to total Revenue

  
  
**Comments:** Net profit to total revenue is also same as ROE because net profit is also decreasing year to year. And a low net profit margin indicates that a company's cost structure and/or pricing policies are inefficient.  
  
  
3.2.1.3 Return on equity to common Equity : Return on equity (ROE) is a metric that compares a company's profitability to its stockholders' equity. Equity in the Commons The total amount invested in a corporation by all common shareholders.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| Return on Equity to common Equity | 3,076,677,937 | 2,406,521,023 | 2,413,569,900 |
| 20,676,632,231  =0.148799761×100  = 14.88% | 21,588,901,101  =0.111470288×100  =11.15% | 22,397,473,581  =0.10776081×100  =10.78% |

 Figure 13: Return on Equity to common Equity

**Comments:** We can see that the return on equity to common equity is 14.88% in 2017 which is really good for the bank. An ROE of 14 percent, which is close to the long-term average of the 500, is considered acceptable by investors. On the other hand in 2018 and in 2019 the return on equity to common equity is less than the 14% which is 11.15 and 10.78%. But both are the good sign for a bank. Because less than 10% return on equity to common equity is considered as poor.

3.2.2 Liquidity Analysis

3.2.2.1 Cash Ratio : The cash ratio is a liquidity indicator that demonstrates a company's capacity to meet short-term obligations only using cash and cash equivalents. The cash ratio is a liquidity indicator that demonstrates a company's capacity to meet short-term obligations only using cash and cash equivalents.

|  |  |  |  |
| --- | --- | --- | --- |
| Particular | 2017 | 2018 | 2019 |
| Cash Ratio | 51,100,864,732 | 36,018,964,820 | 42,351,711,980 |
| 30,904,054,548  **=** 1.653532699 | 20,393,335,650  **=** 1.766212523 | 26,024,573,850  **=** 1.62737389 |

****

Figure 14: Cash Ratio

**Comments:** The cash ratio of Al-Arafah Islami Bank is 1.65, 1.76 and 1.62 at the year of 2017, 2018 and 2019. So, we can see that their cash ratio is greater than 1 in every year. which indicates there are more cash and cash equivalents than current liabilities in the company. In this case, the bank has enough cash to pay down all short-term debt while still having cash on hand.

3.2.3 Operating Efficiency Analysis

3.2.3.1 Operating income To total Assets : Operating income is an accounting term that refers to the profit generated by a company's activities. And Total assets are mainly cash, Inventory, Goodwill, Intangible assets and other assets etc.

|  |  |  |
| --- | --- | --- |
| 2017 | 2018 | 2019 |
| 11,804,195,960 | 12,195,357,548 | 14,044,405,280 |
| 314,596,972,623  = 0.037521645×100  = 3.75% | 333,261,964,673  = 0.036593908×100  = 3.66% | 376,001,263,043  = 0.037352016×100  = 3.74% |

Figure 15: Operating Income to Total Assets

**  
  
Comments**: In 2017 operating income to total asset is 3.75%. So, high operating income indicates that lots of variables are successfully managed by the company or bank. Such as maintaining low enough expenses to make a consistent profit. At the same time we can see that in 2018 the operating income to total asset is 3.66% which is lower than the operating income of 2017. And it indicates they make less money. On the contrary their operating income to total asset is increasing by 3.74% in 2019.

3.2.3.2 Total Operating Income to total Fixed Assets: Operating income is calculated by subtracting all operating expenses from a company's gross income, which is equal to total revenue minus COGS. And fixed assets have a longer useful life than a year. Property, plant, and equipment are examples of fixed assets (PP&E).

|  |  |  |
| --- | --- | --- |
| 2017 | 2018 | 2019 |
| 11,804,195,960 | 12,195,357,548 | 14,044,405,280 |
| 235,653,181,337  = 0.050091392×100  = 5.01% | 261,397,955,716  = 0.046654372×100  = 4.67% | 287,590,507,911  = 0.048834732×100  = 4.88% |

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 Figure 16: Total Operating income to Total fixed Assets

**Comments:** We can see from the table that their operating income to total fixed asset is 5.01% in 2017. But it decreased in 2018 by 4,67% and in 2019 it increased at 4.88%. Their operating income in increasing over the year which means they are getting more revenue while controlling expense, overhead cost, production cost and other expanses. And it’s good for the bank. On the other hand their total fixed asset is decreasing because they sold the fixed asset.

3.2.4 Capital Structure Assessment   
3.2.4.1 Debt Ratio: One of the most basic and widely used liquidity indicators is the debt ratio. The debt ratio is a liquidity financial statistic that compares a company's total obligations to its total assets.

|  |  |  |
| --- | --- | --- |
| 2017 | 2018 | 2019 |
| 293,920,340,391 | 311,673,063,572 | 353,603,789,462 |
| 314,596,972,623  = 0.934275807×100  = 93.43% | 333,261,964,673  = 0.935219427×100  =93.52% | 376,001,263,043  = 0.940432451×100  = 94.04% |

****

Figure 17: Debt Ratio

**Comments:** According to the analysis debt ratio of Al-Arafah Islami bank is 93.43%, 93.52% and 94.04% in the year of 2017, 2018 and 2019.Though a debt ratio of less than 100 percent, implies that a corporation has more assets than debt. We can see the debt ratio of 2018 and 2019 is greater than the 2019. So, the higher a company's debt ratio, the more indebted it is, and the larger the financial risk. On the other hand while a low debt ratio indicates more creditworthiness, a corporation bearing too little debt also poses a risk.

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# Chapter 4

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# Recommendations & Conclusion

## 4.1 Summary of the findings

Al-Arafah Islami Bank Limited is a Shariah based bank. I found an opportunity to pursue my internship program at Dhanmondi branch of the bank. While pursuing my internship program there, I gathered huge real-life experiences. However, in view of objectives of the study, the summary of the findings are stated below:

* Al-Arafah Islami Bank’s pretax profit margin has been decreased from the year of 2018 to 2019 as the bank has earned less income in 2019.
* Average total asset value has been decreased as the bank has made less profit in 2018 which is .012 as compared to 2017 which is .018.
* The capital and funding ratio of the bank has been decreased i.e. 0.86. It signifies that the bank is falling at a high risk.
* The net loan and total deposit of the bank have been decreased in 2018 and 2019 respectively. It indicates that the bank may face challenge to lend bigger amount in future.
* The return on asset (RoA) has been decreased in 2018 and 2019 by 0.722% % and 0.642% respectively. A declining trend of RoA indicates that the company has overinvested in assets
* Net profit to total revenue has also been decreased that indicates an inefficiency of cost structure and pricing policies of the bank.
* Operating income to total asset has been decreased in 2018 and 2019.
* Total fixed asset has been decreased in the year of 2018 to 2019. It may be because of the sale of fixed assets by the bank.

## 

## 4.2 Recommendations

In view of the findings of the study, a few recommendations are suggested for the betterment of the financial performance of the bank, which are as follows:

* The Al-Arafah Islami Bank should take necessary measures to increase its pretax profit margin in the upcoming years. The bank should reduce its fixed expenses.
* AABL should pay loans and vendors on time to boost up its liquidity that will also increase the working capital in the long run.
* The bank should proper attempt to increase RoA. It should increase net revenue, decrease total asset, and improve its overall efficiency.
* The bank may attempt to increase RoA by increasing the number of clients, increasing the average transaction size, and increasing the number of transactions.
* AIBL should reduce its operating expenses. The fewer expenses an organization has the more money it reports as income.
* It should keep the high security for their important documents.
* The bank should keep proper records of each asset in order to maintain its security. It is also beneficial for providing more control over the assets of the bank.
* The bank should improve its decision-making process.

## 

## 4.3 Conclusions

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Working as an intern at AIBL was an absolutely overwhelming experience. Within a very short period of time I have got the glimpse of how the real world works. One cannot deny the fact that there are many hardships that an intern has to face, but those are the moments that help one to recognize their true potential as a working professional. The courses taught at UIU were partially relevant, but the courses need to blend more with the context in Bangladesh. The Accounting &Finance, management, and marketing methodologies were not similar to the ones we have studied about. While learning about foreign concepts, we should also try learning how businesses operate in Bangladesh. The activities of import section were quite new for me and since I did not have any prior knowledge about that. United International University needs to introduce courses that emphasize on import-export procedures and legal protocols required for business management in Bangladesh. Besides the official procedures my interpersonal and communication skills have also sharpened to a great extent. It is really commendable that United International University offers an internship course for the students and made it possible for them step into their work life with such ease.

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