

## INTERNSHIP REPORT

ON

### ISLAMIC BANKING PRACTICE IN BANGLADESH: A CASE STUDY ON AL-ARAFAH ISLAMIC BANK



This report is submitted to the school of Business and Economics, United International University as a partial requirement for the degree fulfillment of Bachelor of Business Administration.

**ISLAMIC BANKING PRACTICE IN BANGLADESH: A CASE STUDY ON  
AL-ARAFAH ISLAMI BANK**

**Submitted to**

Dr. Mohammad Tariq Hasan  
Assistant professor (Accounting)  
School of Business & Economies  
United International University

**Submitted by**

Nazmun Nahar sathi  
111-161-168  
Major: Accounting  
Trimester: Summer2020



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## LETTER OF TRANSMITTAL

Date: 25.09.21

Dr. Mohammad Tariq Hasan

Assistant professor

School of business & Economics

United International University

**Subject:** Submission of Internship report on “Islamic Banking practice in Bangladesh: A case study on Al-Arafah Islami Bank”

Dear Sir,

With due respect, it is my great pleasure to submit the internship report title, “Islamic Banking practice in Bangladesh: A case study on Al-Arafah Islami Bank”. I have tried my utmost level best in producing an informative report based on my experience during my internship period of AIBL, which is a prerequisite for the completion of BBA program of United International University. I believe that you will discover this report helpful & fitting according to the requirements. I have tried to make this report informative & error free as much as possible. I believe that the knowledge and experience gathered during my internship period will be helpful for me in my professional career.

I therefore pray & hope that you will be kind enough to accept my report and oblige thereby. Please do let me know if any further clarification on the topic in this report is required.



---

Yours Sincerely,

Nazmun Nahar Sathi

ID: 111161168

School of business & Economics

United International University

## DECLARATION

This is to declare that the internship report on “**Islamic banking practice –A Study on AL-Arafah Islami Bank Limited**” submitted as a part of completion of the degree of bachelor of business administration (BBA), has been prepared under supervision of my supervisor.

Dr. Mohammad Tariq Hasan, Assistant Professor, School of Business & Economics has supervised this report. For my academic purpose, I have completed this report. I have tried my level best to prepare make this report informative & error free. The experience & information, I have during my internship at AIBL, helps me to complete this report.



---

Nazmun Nahar Sathi

ID: 111161168

School of business & Economics

United International University

## ACKNOWLEDGEMENT

First of all, I want to thank the almighty Allah for keeping me and my family healthy in this worldwide corona virus pandemic situation and providing the opportunity to work as an intern at Al-Arafah Islami bank and complete this report. Completion of this report has made me grateful to a number of people.

Firstly, I would like to thank my academic supervisor Dr. Mohammad Tariq Hasan, Assistant professor (Accounting) of United International University. I would like to acknowledge my course instructor not only for giving the opportunity to prepare the report but also for providing the opportunity to improve the report by providing the valuable guidelines. He was also available when I need his help, suggestion.

Secondly, I am obliged and would like to show sincere gratefulness to Mrs. Farjana Akter, Md. Tarique Mahmuda, Mrs. Nishat (Principal Officer, Senior Principal Officer, Officer of Dhanmondi branch) who have helped me to provide important information regarding my queries. They support me with knowledge and resources. I also grateful to the general banking team of AL-Arafah Islami Bank Limited as they have always been there for me when I needed them. They are flexible to participate in all my questions, queries during my internship it helps me to do my report successful.

## EXECUTIVE SUMMARY

This report has been prepared based on the experience gathered during the internship at AIBL, Dhanmondi branch. Internship is a process to have real life hands-on experience of the corporate world, this course is mandatory for every graduating student of BBA program of United International University. Through internship experience, a student can test out all their academic learning and self-evaluate their performance while working as an intern. A reflection-based paper remembers my gaining from an everyday movement on general banking. This report is developed based on 3 months working as an intern at AL-Arafah Islami Bank Limited. The report described the experience during the internship period along with the working procedure of AIBL, where it explained how AIBL follow the Islamic law, rules and regulation in their every activity. The report is the outcome of the observation, learning, accomplishment, issues identify during my internship period. This report mostly emphasize on Islamic banking practice of Al-Arafah Islami bank limited. In Dhanmondi branch of AIBL has three sections: General banking, Investment, Foreign exchange section. Accordingly, this report describe the AIBL Overview, mission, vision, product, general banking process, This report also represent the difference between Islamic & commercial bank.

**Keyword:** Islamic banking, commercial banking, general banking, product & service, SWOT

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## LIST OF ABBREVIATION

AIBL	AL-Arafah Islami Bank Limited
TIN	Tax Information Number
KYC	Know your customer
IBDA	Inter Branch debit advice
OBC	Outward Bills For Collection
IBDA	Inter Branch Debit Advice
LBC	Local Bills Collection
DD	Demand Draft
TT	Telegraphic Transfer
AGMs	Annual general meeting
CSR	Corporate Social Responsibilities
NPBS	National Payment Switch Bangladesh

## CHAPTER ONE: INTRODUCTION

### 1.0 Introduction

Islamic banking mainly focuses on the principle, which relates with Al-Quran and Sunnah. Islam bank concern about mortal life and immortal life with the motivation of Islam Al Arafah Islami Bank limited was established on 18 June 1995. They 1<sup>st</sup> open their bank on 27 September 1995 with 2500.00 million-able capital, 1500 million capitals are paid up Mr. A.Z. M, Shamsul Alam is the owner of this bank. Al –Arafah Islami Bank Limited was buildup with some religious personalities. They took initiative to launch the modern banking system, which is based on Holy Quran and path shown by Rasul (SM). Al-Arafah Islami Limited bank is an interest free bank in Bangladesh. Al Arafah bank generate by the principal of Mubarak, Bai -Murabaha, Bai - Muazzal .Bangladesh bank gives the approval for hire purchase transaction. It process and methods are different from other commercial bank. On our national economy AIBL bank contribute are remarkable benefit with 184 Branches of which 23 is AD which throughout the country.

### 1.1 Background of the Report

Finance is the main things for trading, industries and commerce. In recent, banking sector plays a vital role for our modern business like as backbone (Nabi, Islam, Bakar, & Akter, 2015). Any country's development depends on their banking sector (Sarker, 1999). In Bangladesh banking sector is a crucial part for our economy, if banking sector functioning effectively then economic development is possible. Through bank, funds can be allocating properly & mobilizing country's resources. Because of banking sector is a progressive& fast grow up sector in Bangladesh, this is the reasons behind for choosing this sector for Internship. Internship is an opportunity to apply the knowledge or ideas from bookish knowledge to the present world experience. Internship minimizes the gap between theoretical and practical knowledge. In Bangladesh Al-Arafah Islami bank are the most modern & lending bank. This bank is shariah-based bank they follow the Islamic law in all their banking activities. Islamic bank leading their business by Musharaka, Hire purchase transaction, Bai- Muazzal, Bai-Murabaha all are endorsing by Bangladesh Bank.

In this report discuss about the activity of AIBL bank, briefly explain the general banking process, their operating system, the product they use for dealing their client. This report shows that the difference between Islamic bank & commercial bank. Islamic bank follow shariah based rules & regulation on the other side commercial bank follow commercial based rules & regulations. It is an interesting Topic for me. Internship is an important part for completing graduation. After graduation student try on various working sector, so though Internship get the chance to gather practical knowledge about practical job life. Working in AIBL bank give the chance to learn those practical things like general banking process, operating system, how can deal with their client.

## 1.2 Objectives of the Report

The main objective of this report is to analyze the general banking activity, operating process of Al-Arafah Islami bank Limited and fulfilling BBA program with practical requirement.

- Fulfill the requirement of BBA program by gaining practical knowledge about general banking of AIBL.
- Learn how to cope up with the working environment.
- To exposure, the function of general banking activities based on Islamic shariah.
- Learn how to open a bank account.
- Analyze the procedure of AIBL.
- Observe the product AIBL offer to their client.
- Find out the problem they face for general banking purpose.
- Gather knowledge about the different type of scheme, procedure, and policy of general banking.
- Identify the difference between Islamic bank & Commercial bank.

### 1.3 Methodology of the study

During Internship period helps to gather much information the information based on general banking of AIBL. The report was complete by focusing on primary & secondary data. Both the sources of primary & secondary data are present. By using both data helps to make this report meaningful & presentable.

#### 1.3.1 Sources of Primary Data:

1. Perception during the internship period.
2. Gather Information by formal & Informal conversation with associate manager, supervisor, others employee.
3. Through helping & talking with client.
4. By practically work in my working hour.

#### 1.3.2 Sources of Secondary Data:

1. Though Annual report of AIBL.
2. AIBL's Official Website.
3. AIBL's printed forms
4. Multiple journals & articles.

### 1.4 Scope and limitations of the Report

After got the chance to work in Al-Arafah Islamic bank, it creates an opportunity to learn different part of banking system. During internship work as an intern on a specific area of the bank, in general banking sector can get a clear idea about general banking like: how to open a bank account, TT/DD, Clearing, cash.

#### 1.4.1 Scope of the report:

- To prepare this report had a great opportunity to obtain a real life work experience in Al-Arafah Islami bank.
- Learn how AIBL bank do their general banking system

- In this way I can increase my knowledge about banking sector which help me for building up my career
- Get a good knowledge about the difference between Islamic bank and commercial bank.

#### **1.4.2 Limitation of the report:**

- 3 month is not enough to understand & collect information about whole general banking system.
- Lacking of reaction when required because of excess work pressure.
- For security purpose , they can't disclose their financial data
- Lacking of experience I face some hassle when collecting information.
- The authorities are so busy that is why they cannot give sufficient time.
- In some of cases up to date information are not available.

## CHAPTER TWO: COMPANY PREVIEW

### 2.0 Company Preview:

Al- Arafah Islami Bank Limited is a Bangladesh bank approved private commercial bank that following the Shariah banking system. At present, 10 banks are operating following the Shariah based banking system. As this kind of bank is Islamic law compliant bank, AIBL follows the profit and loss sharing method as permitted by Islam to distribute returns to customers of the bank. Whatever profit is made by AIBL after reinvesting customer capital, they distribute 70% of the profit to customer while retaining 30% of the returns as service charge, thus obeying the shariah compliant method of Islamic consisting of deep Islamic personalities. AIBL also has a Shariah Supervisory Committee (SSC) appointed by the board of director to overlook and ensure that the bank is always maintaining the Shariah banking law. The Shariah supervisory committee consists of 7 distinguished Islamic scholars having vast experience and expertise in Islamic commercial law, banking system and economy of money. The member are present generate the bank they provide their insight of how the bank is performing and ensuring Islamic rules.

### 2.1 Organization overview:

Table 1.1: Organization Overview

Name of organization	Al-Arafah Islami Bank Limited
Founding date	27 <sup>th</sup> September,1995
Industry	Banking & Financial Service
Type of Business Organization	Public Limited Company
Head Office	Al-Arafah Tower,63,Purana paltan, Dhaka
Number of Branches	184
Chairman of the board of director	Alhajj Abdus Samad
DSE &CSE Trading code	ALARABANK
Total Number of Outstanding Shares	1,064,902,185
Paid up capital (as of Dec 31,2020)	BDT 10,649 Million
Market Capitalization(as of May 20,2021)	BDT 24,599 Million
NAV per share (Year ended Dec 31,2020)	BDT 22.35 per share
Earnings per share (year ended Dec 31,2020)	BDT 2.41 per share
Latest dividend status	15% cash dividend
Market category	A



**2.2 Objective of AIBL Bank:** According to Sarker, Sultana & Prodhan, (2017) this study identified the following objectives of AIBL bank:

- AIBL bank mainly focus on the objective of the welfare of people not only earning profit
- AIBL try to invest on the section, which is base on Islamic Shariah.
- AIBL take the deposits on profit loss based on sharing basis.
- AIBL bank wants to create a banking system, which always concern about the welfare of people.
- AIBL bank also concern about the people who are poor, low-income people.
- AIBL bank tries to work in both the improvement of human & growth of emplacement.
- AIBL bank's main motive is to follow the economic system, which is base on Islam.
- AIBL bank wants to deliver baking system, which is interest free.

**2.3 Vision of AIBL Bank:**

- Try to follow Islamic shariah for ensuring justice & equity in the economy.
- Improve banker and customer relationship through improving customer service.
- Developing product and service by using new and innovative technology & policy.
- Wants to contribute the growth of the national economy.

**2.4 Mission of AIBL Bank:**

- By maintaining the shariah in banking system to earn satisfaction both mortal & immortal life.

- By maintaining strong ethics for creating standard business.
- Try to give best quality service by using new technology.
- Try to Maintain balance growth for getting their position.
- Discover innovation-banking system can provide competitive price.
- Develop the human resource for getting retains quality.
- Increase competitive package of compensation for the employee.
- Adopt growth and fast & efficient customer service.
- Try to involve more micro & SME financing.

## 2.5 Commitment of AIBL

- AIBL work for the customer with using modern Islamic banking system and maintain balance growth in their deposit area and build a standard investment for keeping holding their position.
- AIBL has a motive to provide best quality financial service to retail, corporate clients and the enterprises.
- AIBL always try to cope up with the changing trade and understand the industrial need for their client.

## 2.6 Core Values

- **Customer:** AIBL became the most caring about their customer by deliver efficient and modest service, which is based on their needs.
- **Employee:** Work for the employee's well-being, so AIBL give the opportunities and advantage based on their ability.
- **Shareholder:** AIBL is ensuring that investment return must be fair by generating profit.

- **Community:** AIBL participate social work by understanding the role of society.
- **Probity:** AIBL try to build a trust among their client, because all success depends on trust, by maintaining standard profession and moral principal.

## 2.7 Features of AIBL:

Al-Arafah Islami bank is base on Islamic law. AIBL bank has a unique dimension by providing halal service. AIBL is exceptional for their unique service; product, strict rules & regulation. Some of features of AIBL are in below:

- ❖ AIBL do all their activities, which based on Islamic shariah law, because they follow interest -free system.
- ❖ AIBL bank follow profit & loss sharing system, as per this bank have to maintain Islamic shariah.
- ❖ AIBL believe by providing better service to their client.
- ❖ AIBL's investment conducted by various modes based which on Islamic law, by using Mudaraba deposit the investment income is sharing to their client.
- ❖ In 2008 AIBL launch the advance online banking service.
- ❖ AIBL organize AGMs on frequent basis also arrange extra meeting if needed.
- ❖ AIBL provide its dividend to their shareholders.
- ❖ AIBL establish welfare-oriented banking system.
- ❖ AIBL maintain Islamic laws for building a strong & justify economic system.
- ❖ AIBL concern about human resources improvement.

## 2.8 Corporate Structure of Al-Arafah Islami Bank Limited

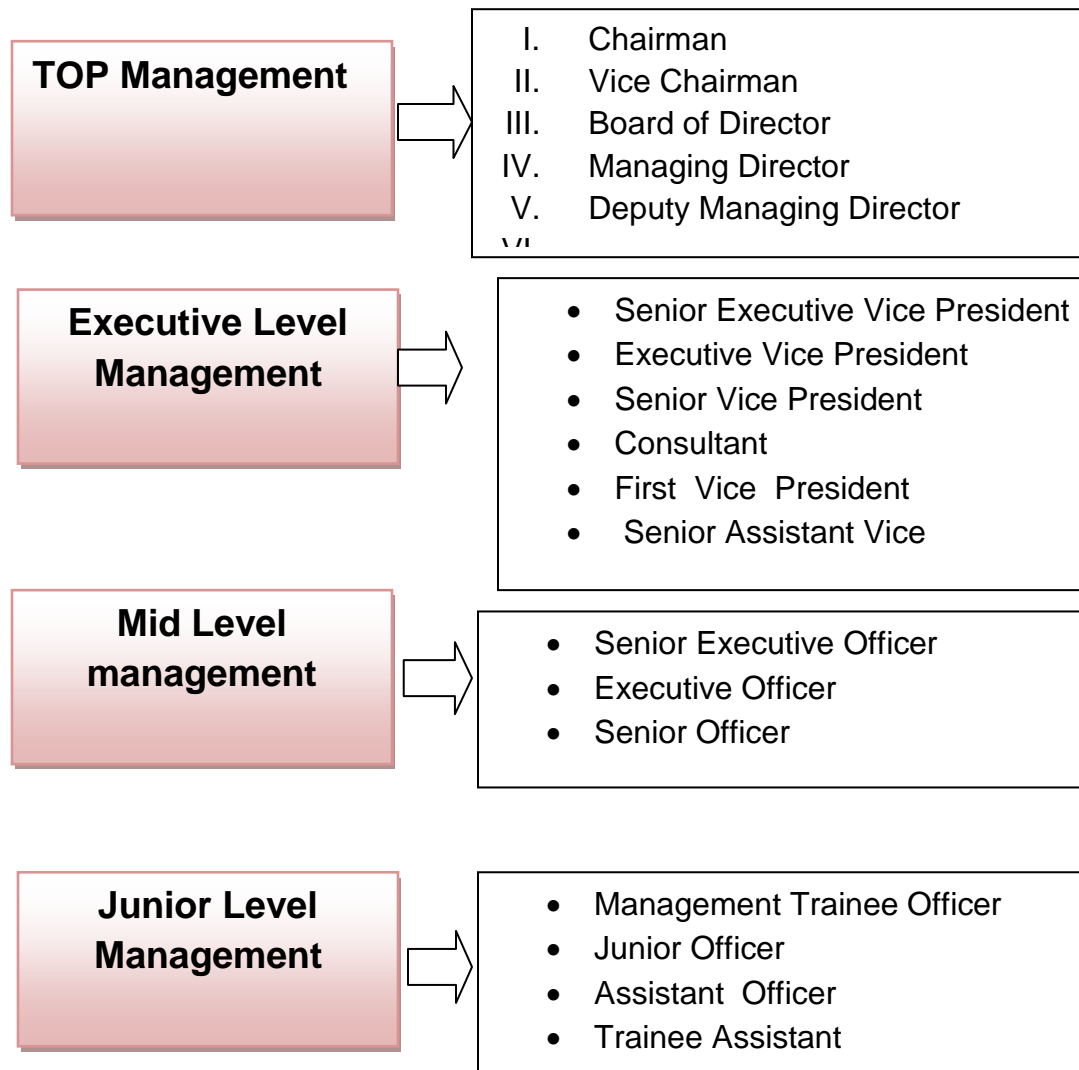


Figure 1: Corporate Structure of AIBL

## 2.9 CSR Activities of AIBL:

CSR (Corporate Social Responsibility) is a big part of Islamic banking. Even though, CSR is optional but from a Sharia compliant banking perspective, CSR is mention in the Shariah law (Masud & Kabir, 2016; Umar & Musa, 2020).Moreover, for any non-halal unavoidable income generated by AIBL, they do not include the income in the profit disbursement but instead the channel can delivers the whole amount to its CSR initiatives. As this kind of bank

is Shariah compliant bank, AIBL has initiated many CSR activities for the welfare of the society as a whole. AIBL has formed the Al-Arafah Islami bank foundation, which consists of two major wings of CSR activities alongside many other CSR initiatives:

1. **Al-Arafah Islamic International School & College:**

Establish with the vision to produce new generation of lenders. It was found in 1998, this school is following the English medium curriculum up to O-level. The school is currently house in Hazaribagh with its own campus.

2. **Al-Arafah Islami Bank Library:**

Establish year in 2000 with vision to contribute to the society for providing the knowledge for the next generation of lenders. It has more than 23000 books of references for people of all professions starting from doctors, researchers, students, bankers, politicians, kids etc.

2.10 Product & Service of AIBL Bank:

AIBL bank always tries to deliver much kind of product & service for satisfying their customer. For that reason AIBL achieve a remarkable progress in their operation sector like Deposit mobilization, credit card management, Remittance, foreign exchange and trade.

Table 2:Product & Services of AIBL Bank

<b>Deposit product</b>	<b>Investment product</b>	<b>Service</b>
Murdarba term deposit savings (MTDR)	Investment in Agriculture	ATM card service
AL-wadiah current account (AWCD)	Investment in Industrial sector	SMS Push-pull
Monthly installment-based term deposit (ITD)	Investment in business sector	Locker service
Savings investment deposit	Investment in Foreign trade	Agent banking
Savings bond deposit	Investment in construction	SWIFT
Monthly profit-based term deposit scheme	Investment in Transportation	Remittance service
Monthly hajj deposit (MHD)	Hire purchase shirkatul melk(HPSM)	
Termed hajj deposit (THD)	Investment in Masque and Madrasa (MMIS)	

Monthly installment-based marriage investment (MIS)	Village and small investment schemes (SEIS)	
Mudarba pension deposit scheme (MSPDS)	Small Enterprise investment scheme (CIS)	
Mudarba kotipoti deposit scheme (MKDS)		
Mudarba lakhpoti deposit scheme (LDS)		

### **2.10.1 Murdarba Term Deposit savings (MTDR)**

- For opening, an account must have to deposit minimum 500 taka for opening a deposit.
- No charge is given up to 500-taka account.
- In this scheme, AIBL is given 4% profit.

### **2.10.2 AL-Wadiah current account (CD)**

- Basically, businessperson or any organization is interest to open this type of account.
- This kind of account does not give any profit on total balance.
- Only provide the facility, which they can, withdrawal of money for unlimited times.
- No profit is provided on this current account.
- For opening this deposit, one has to deposit minimum 2000 taka for open purpose.
- For operating this current account must be use cheque.
- Provide the statement of current a/c on monthly basis to the account holder; it is very free of cost.

### **2.10.3 Monthly Installment based term deposit (ITD)**

- This account is open who is interest to save his/her money on monthly basis for a certain amount and receive attractive return with profit after a fixed time period.

- The installment amount 200Tk,300Tk,500Tk,1000Tk,2000Tk,5000Tk,10000Tk, for the duration period like: 2,3,5,8,10,12 years.
- Daily basis the profit is calculated
- The person who are interest to open this account he/she must be 18 years above.

#### **2.10.4 Savings bond deposit**

- Savings bond starts from 10000 Tk, 25000Tk, 100000Tk.
- It opens for 3, 5, 8 years.
- On this deposited with profit amount tax will be considered.

#### **2.10.5 Monthly profit based term deposit scheme**

- This account provides profit on monthly basis.
- This account is preferable for resident and non-resident client.
- 5 year is a minimum period of this account and one lack must be deposit for this account.
- Tax is considered on the deposit.

#### **2.10.6 Monthly Hajj Deposit (MHD)**

- One person opens this account for one time with his/her name.
- Period of this account start from 1 year to 20 year.
- Based on duration period the installment amount will be decided.

#### **2.10.7 Termed Hajj Deposit (THD)**

- This account open for one's purpose or he/she can open this account for close relative.
- Validity period is to 5 years to 20 years.

- Specific form has to be filling up for opening this account.
- Tax will be pay with the profit amount.

#### **2.10.8 Monthly Installment based marriage investment scheme (MIS)**

- Installment amount has to be 250Tk, 500Tk, 1000Tk based on the preference.
- Tax must be paid along the profit amount.
- Daily basis the profit amount is given.

#### **2.10.9 Mudaraba lakh Poti Deposit Scheme**

- This account's validity period for 3,5,8,10,12 years.
- Daily basis the profit will be given.
- Tax also include with the profit amount.
- Installment amount will be deposited in working day.

#### **2.10.10 Mudarba pension Deposit Scheme (MSPDS)**

- Validity period of this account 5, 10, 15years.
- Daily basis the profit will be given.
- Tax is including on the deposit and profit amount.
- Anyone can deposit on the monthly basis from 500 Tk, 1000Tk.

#### **2.10.11 Mudarba Kotipoti Deposit Scheme**

- Over 18 years can open this account
- Tax is including on the deposited and profit amount.
- 80% of advantage can avail on his /her deposit amount.



### 2.11 Services Of AIBL:

- **ATM Card/ Visa Card:** Instead of cash, people now comfortable to use debit card when anyone need. It is easy to use rather than carry cash taka. By using Card customer can withdraw 50000TK from their nearest VISA & NPSB ATM booths into the country. Client can also buy their product by using this card. There are some feature of ATM card in below:
  - a. One year free of charge, client does not give any issuance fee.
  - b. Cash can be withdrawn in 24 hours.
  - c. Client can use this card for hotel booking, hospital, train& airlines ticket booking.
- **I- Banking:** I-banking basically client can enjoy service by using internet. It Click & brick service.
  - a) Client can do banking anytime from anywhere.
  - b) Client can do i-transfer with the lowest fees.
  - c) Client cans Inquiry his/her balance.
- **Locker service:** AIBL provide locker service in 23-branch .This call “Safe deposit locker service’. There are three size locker services, which are available Like large, Medium, small size. This service includes a fixed charge.
- **Agent Service:** AIBL provide agent service, agent service provide financial & narrow scale banking service.

### 2.12 SWOT Analysis of AIBL

SWOT analysis explain four important parts of any company, it estimates the financial organization’s four elements such as Strengths, weakness, opportunities and threats. It also evaluates others area for example; marketing budget, new business implantation, advertising campaign .Here explain strengths, weakness, opportunities, threats of AIBL.

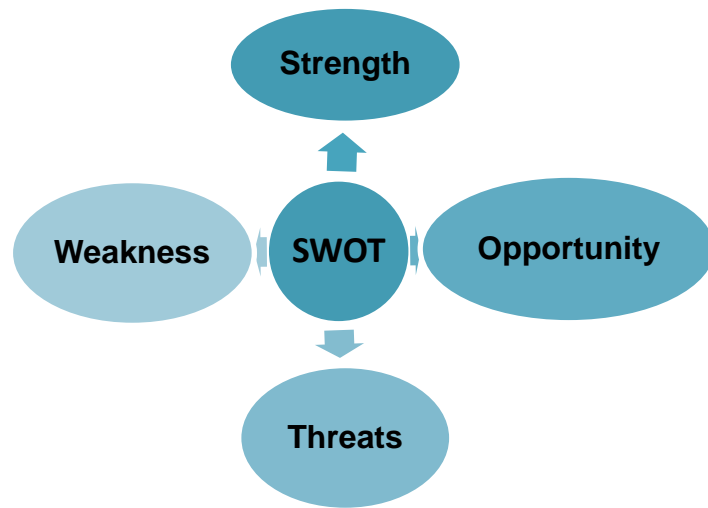


Figure 2: SWOT Analysis

### 2.12.1 Strength:

- AIBL try to maintain a average CAR ratio 14.4% through a year, the other hand Bangladesh bank maintain CAR ratio 10.62%, so it is a strength of AIBL.
- AIBL use unique software which name is ABABIL, it achieves ninth position in the global ranking.
- AIBL try to maintain good relationship with their customer
- AIBL is a member of SWIFT.
- AIBL follow online banking system.
- AIBL is an Islamic shariah basis banking system.
- AIBL has enthusiastic and energetic workforce.
- AIBL maintain strong & balanced financial position.
- AIBL has powerful management team.
- Working environment in AIBL is satisfying.

### **2.12.2 Weakness:**

- Lacking of update promotional & advertising activities.
- In some sector well train human resource are not available and workers are not sufficient for the rush time.
- In Consumer credit is lacking
- AIBL has limited number of branches, that network not create proper network.
- ATM Service of this bank is limited.
- Number of deposit scheme and loan are not sufficient.
- In some area employee are not feel motivate.
- Major decision are always making by the top management without consulting lower management.

### **2.12.3 Opportunity:**

- AIBL can improve their customer service by introducing innovative & modern way.
- Number of ATM booth must be increase because of their customer demand
- E-banking system can be publishing for emergency purpose, it will create more scope.
- Introducing new deposit scheme.
- AIBL must be hiring more efficient and well-trained employee.
- AIBL can open more branches in some local area so customer can avail their banking service.
- Marketing activities must be increase.

#### **2.12.4 Threats:**

- Competitors are offer more attractive deposit scheme rather than AIBL offer.
- Bangladesh bank yet not establishes well rules & regulations for Islamic bank.
- Government can be imposing high tax & vat on the banking activities of Bangladesh.
- Introduce more and more private commercial bank.
- Political risk and economical reversion is a threat.

## CHAPTER THREE: COMPARISONS BETWEEN ISLAMIC & COMMERCIAL BANKING

### 3.0 Comparisons between Islamic banking & Commercial banking

#### 3.1 General banking Activities

In every bank, general banking section is a kind of heart of banking. General banking is face to face banking service Center (Hasan, Ullah, & Huq, 2011-12; Proma, 2018). It is the most vital department for every bank because it has provides day-to-day service to the customer. It Perform with two ways: at first they receive deposit from different areas by using variety form, then lending that amount to the investors by using different forms. Therefore, the department of general banking taking deposit and provide the service, which the customer needed. This Department provides service who come often on the other side some customer who come only one time for taking the service. Bank tries to do business with some of customer frequently. General banking department play a vital role by providing service where no relation between customer and banker (Hasan, Rekabder, Akter, & Sayem, 2009; Mahmud, Hasan, & Ashif, 2014). In this sector money collection process happened, on the other hand others service also provide by these sections like; account opening, account closing, cheque encashment, remittance etc. Here the customer gives their deposit for fulfill their demand for taking cash through of cheque. The various parts are in below (Akhter, 2018):

- Cash Section
- Account opening
- Cheque clearing
- Remittance

#### 3.1.1 CASH SECTION

This department mainly deals with money related transaction, so it is a vital section of any bank. Day starts of this department with cash in vault, opening cash is transferred to the cash officers for adjusting the cash balance by receipt & payment; this is known as closing balance. After that

closing balance, adjust with the vault. This is vital duty occur by the branch for refunding the main amount exceeds more than one crore.

**Functions of cash department are in below:**

**Cash payment:**

- In exchange for cheque into cash, payment is made for this purpose.
- Payment occurs only for valid printed cheque.
- This system is known as payment on demand.

**Cash Receipt:**

- Deposit is received against of cash by this way.
- Through receipt forms it can collect money.

**In this section some books are maintain:**

- **Cash Receipt register:** Whole day's cash receipt is entering in this register.
- **Cash payment register:** whole day's payment of is recorded in this register.
- **Vault register:** In this register keeps the cash balance of account in vault in a bank.
- **Rough vault register:** In this register the final balance of cash calculation in vault is recorded here, it is not received any error or correction.
- **Cash balance book:** By this book bank can compare the balance with the vault, if there is no distinction is find out that means no problem in this balance.

**3.1.2 ACCOUNT OPENING:**

Account opening is a most essential part for any bank, because of the main source of bank is their customer. So, customer selection process is an important part. If the bank does not select their customer properly it can be creating a problem with their account, fraud will be occurred for wrong customer selection, so bank must be careful about their customer because of their

success, failure and goodwill mostly depends on their customer. So, AIBL bank uses a keep key information system using a format, which is made by Bangladesh bank. By using this format bank can receive important information for various type of account.

### **Account opening process:**

#### **Step-1**

- I. In First, collect fill up application form for opening a specific account which is formulated by bank.
- II. Secondly, the applicant filled up the form.
- III. Two passport size photographs copies must be taken from individual applicant.
- IV. By using key information system officer can take information from customer.

#### **Step- 2**

- I. After (step-1) applicant must submit their documents which is required.
- II. Applicant must be sign the mandatory signature form.
- III. Then officer must verify the account number and applicant's signature.

#### **Step-3**

- I. After (step-2) applicant signing and filling the kyc form.
- II. Also applicant must sign and filling the own information form.

#### **Step-4**

- I. After (step-3) the application accepted by authorized officer.

#### **Step-5**

- I. After (step-4) the applicant must deposit minimum amount of cash.

#### **Step-6**

- I. After (step-5) open an account, bank give the applicant a cherub book, pay-in slip book.

**Information collect for opening a account:** Al-Arafah Islami bank collect different type of information for different type of account.

**1. For individual account:**

1. Name of applicant.
2. Permanent & present address.
3. Birth date
4. Nationality
5. TIN certificate
6. Other certificate or passport certificate.
7. Applicant's photograph.
8. Nominee's one photograph.
9. Declaration form of nominee.

**2. For partnership account:**

1. Certificate of trade license.
2. Passport size photograph.
3. Partnership factum.

**3. For limited company:**

1. Certificate of trade license.
2. Pass port size photograph of directors.
3. Incorporation certificate.
4. Directors list & signature.
5. Memo copy.

### **3.1.3 Clearing Department**

In AIBL the section of cheque clearing receives cheque, pay-order, and demand drafts of their client. In Cheque clearing department normally use three type of payment system. Those are in below:

- 1) **If the paying of their own branch:** Cheque clearing areas of AIBL in Dhanmondi branch dispatch outward bills for collection(OBC) to get inter branch credit advice from



the concern paying branch, whether the paying branch dispraise the instrument and return to the AIBL bank, then AIBL must recite the reason why the instrument is reject.

- 2) **If the paying bank within Dhaka city:** AIBL bank in dhanmondi send cheque for cheque clearing to their heard office for inter branch debit advice(IBDA) taking day of the instrument, whether the instrument are rejected, head-office return IBDA to the dhanmondi branch of AIBL.

#### **Type of cheque receiving by clearing department:**

- **Local bills collection cheque (LBC):** This kind of cheque is use in the same city's between two different branch of the same bank.
- **Outward bills collection cheque (OBC):** This kind of cheque is used in the same branches of the bank or another bank, which is located in the out station.
- **Transfer cheque:** This kind of cheque is only used in the same branch of AIBL.

**Clearing house:** Through clearing house bank can arrange a program with the agree bank for meet by their deputy, within appointed place &time for delivering instruments controlling bank can fixed the amount of receivable & payable.

#### **Type of clearing:**

1. **Outward clearing:** In outward clearing a individual branch take instruments which drawn by other bank through the local clearing zone. For clearing arrangement that is call ad outward clearing.
2. **Inward clearing:** In inward clearing sections a individual branch take the instruments, which drawn by them for sending other member bank for collecting that's call inward clearing.

#### **3.1.4 Remittance**

Remittance means the charging cost of money transfer to one place to another place. Through remittance customer can take money or pay money to one place to another place it occurs within inside Dhaka or outside the country by this remittance every bank can earn more profit. In Dhanmondi branch of AIBL deal with both foreign& local remittance for delivering the service

of AIBL's customer. Country's payment system depends on this service mostly, by this service client can transfer very quickly. Type of remittance in below:

- **Foreign Remittance:** In foreign remittance section basically transfer the money from one person to another of outside the country. In Dhanmondi branch of AIBL can be deal with foreign customer through receive & pay their income converted into local currency. With the help of some international agent bank can receive the foreign remittance.
- **Local Remittance:** By local remittance, any client can send their money from one place to another place, which is occurring inside the country. It is a earning source of every bank. In Dhanmondi branch of AIBL only work on local remittance for serving their customer. Some techniques are use:
  - a. Demand draft
  - b. Telegraphic transfer
  - c. Pay order

## 3.2 Comparison between Commercial & Islamic banking

### 3.2.1 Commercial banking:

Commercial bank delivers the financial service to the public. Commercial banking activities are accept various type of deposits Like fixed deposit, saving account deposit, recurring account deposit from their clients. Commercial bank give loan such as: demand & term loan with proper security they also provide some extra advance service for their customer: cash facilities, over draft, discounting bill. This type of bank basically earning profit by accepting deposit & lending the money. Commercial bank also provides some financial product: certificate of deposit (CDs). These banks can provide the banking service to the individual and small & mid size businesses by receiving deposit & giving loan. Commercial bank is earning money by charging fees & interest profit from loan. By providing business, auto, personal loan and mortgage the bank can make money. Those banks cannot provide long-term credit facilities; liquidity of assets must be maintained. Commercial bank plays a vital role in our economy by creating capital, credit, liquidity (Hasan *et al.*, 2009; Hasan *et al.*, 2011-12).

### 3.2.2 Islamic banking:

Islamic bank is a financial institution; its rules, regulation, process and status all are based on Islamic shariah (law). In Bangladesh we saw that invent a new trend on banking sector within country & foreign. Islamic Bank now they work in Egypt (Sarker, A. A. (2000)).Islamic bank follow to the beginning of the receipt & payment of interest, all the banking operations follow Islamic shariah. Therefore, Islamic bank's is an interest free system, this kind of bank based on profit& loss sharing principal. That principal help's to make sure for justice & equity in the economy. That is calling PLS bank. The shareholder, depositors and borrowers of Islamic bank accept the profit& loss sharing principal. The challenge that Islamic bank must be follow Islamic law for fulfilling the financial demand of people.

Here are some Islamic bank & Commercial bank list:

Islamic Bank	Commercial Bank
<ul style="list-style-type: none"><li>• Islami bank bangladesh</li><li>• Exim Bank</li><li>• First Security Islami bank limited</li><li>• Al-Arafah Islami Bank Limited</li><li>• Shahjalal Islami Bank</li></ul>	<ul style="list-style-type: none"><li>• Brac Bnak</li><li>• Dhaka Bank</li><li>• Southeast Bank Limited</li><li>• IFIC Bank limited</li><li>• Prime Bank</li></ul>

Figure 3:Bank List of Islamic & Commercial Bank

### 3.2.1 Major difference between commercial bank& Islamic bank: Difference based on four criteria:

- 1) Uses of law

- 2) Concept of money
- 3) Profit & loss sharing
- 4) Relationship with the financial institution

Table 3: Difference between Commercial & Islamic Bank

<b>Islamic Bank</b>	<b>Commercial Bank</b>
1. Islamic bank based on Islamic shariah (law), this kind of bank follows ethical banking system.	1. Commercial bank follow man made Law, it is based on un-ethical system.
2. Money is a medium of exchange & store value for Islamic bank not use as product. This bank's product is real asset.	2. Commercial bank use money as like product not for medium of exchange.
3. Islamic bank is a interest free bank.	3. Commercial bank is a interest based bank.
4. Islamic bank's client accepts loss if the organization face loss situation, because Islamic bank based on profit& loss sharing system.	4. Commercial bank provides interest even though the organization faces losses, because this bank does not follow profit& loss sharing process.
5. When Islamic bank exchange goods & service they must made a execution agreements, when distrusting fund like: mudarba, salam.	5. Commercial bank do not use exchange agreement when disbursing their funds, then it's creates inflation.
6. For current account Islamic bank follow Qard contract that means the money will be back on demand.	6. On the other hand commercial bank don't follow underlying mode for current account.
7. Islamic bank is a well-restricted institution they follow Islamic law. Which indicate that paying& charging interest is not allow? Islamic bank try to avoid all type of illegal transaction like: gambling, sale of debts receivable, speculation, short selling.	7. In commercial bank have not much restriction, they do short-selling, speculative transaction also sell debts.
8. Islamic bank work as a investors house not only money lending organization.	8. Commercial bank work for leading & borrowing.
9. In Islamic bank are not allow all kind of industries for financing money that type of industries causes harm to the society like: alcohol, tobacco.	9. Commercial bank is allowing all kind of industries for financing.
10. Islamic bank follows a strong framework, this framework made by shariah board.	10. Commercial bank has no specific framework yet.
11. In Islamic bank the relationship between the bank & client are buyer & partner.	11. In commercial bank their relationship between client& the bank is known as

	creditor & debtor.
12. Islamic bank's main purpose is not profit maximization, money is just a medium of exchange, their financing create real assets& inventories for customer demand. Islamic bank purchase inventories.	12. Commercial bank's main goal is to maximize the profit; they deal monetary paper& money with their client.
13. Islamic bank their production depends on two factors capital & enterprise.	13. In commercial bank's they believe that enterprise & capital are two factor of production.
14. In Islamic bank their service & product they deliver after authorized by legal department this department supervised by shariah board, because all the rules & regulation based on shariah.	14. In commercial bank their guideline provide by legal department for providing their service & product.
15. In Islamic bank they are not provide credit facility for running finance.	15. In commercial bank allow provide credit facility such as client can withdraw excess money than their credit balance.

## CHAPTER FOUR: FINDINGS & ANALYSIS

### 4.0 Findings & Analysis

#### 4.1 Duties and Responsibilities

After getting the confirmation, call from the AIBL, joining at Dhanmondi branch as an intern. AIBL appointed to learn & work at the general banking section of those bank. The general banking section was highly customer oriented involving account opening & closing ,query about account status, fund transfer etc, locker service. It was the busiest section of the bank. In the general banking section, mostly the tasks was given to fill up the incomplete information customer's account forms by looking at the documents paper was provided of the customer and also input updating existing customer information , checking for discrepancies in existing account, calling up customer to arrive and update account information etc. As it is a customer – oriented section, so spent a lot of time to communicate with the customers about the offerings of that bank and answering their queries.

This program learn the responsibility how can handle the customers and fully processing their Mudarba term deposit Receipt(MTDR), Installment based term deposit (ITD), AL-Wadiah Current account(AWCD), Mudarba Short Notice Deposit (SND) accounts during rush hours. As each account is different so the customer's questions are different as an employee we must careful when we communicating. AIBL given the task to create and send “Thanks letter” to customers for verifying present address of new customer and provide the service customers who came to take the locker service at AIBL.

## 4.2 Difficulties Encountered

There are some difficulties may we face during internship. Those are mention in the followings:

Work Life Balance: It was extremely difficult at the beginning to maintain a proper work life balance, as undergraduate student are not used to with this working lifestyle.

Punctuality: Working in the bank requirement ,everyone have to be very punctual.

No working experience: As an undergraduate student we don't have any working experience so that some difficulties faced when working at AIBL.

Lacking of seat: AIBL has no spceific seat for the internship student.

Figure 4: List of Difficulties

#### 4.3 Skills & Attributes gather at AIBL:

This is the key attributes & skills in below:

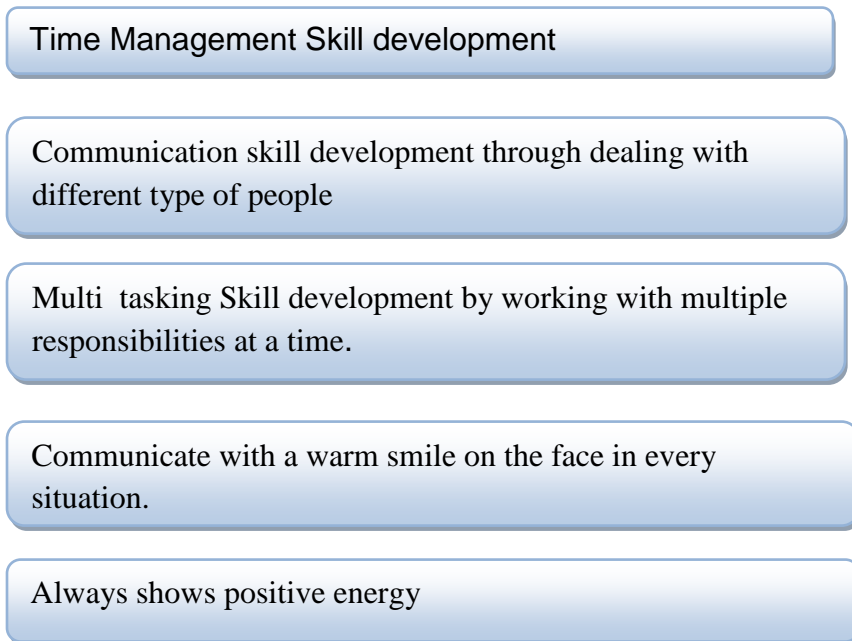


Figure 5: Key Attributes & Skills

This study represent lot of learning element, which got from internship period thing, first of all my time management skill is grow up by maintaining the office time. In general banking section, this section is totally customer –oriented department of AIBL. The most important skill improve from AIBL though conversation about the account schemes of AIBL to answering the general queries how to processing full account opening & closing, handle customer of different personalities which led me to interact with the customer in a different way. Some customers were really easy to handle as they searched about AIBL offering and came prepared with all necessary documents but there were customer who had to handle differently.. For this pandemic situation Bangladesh Bank issue new strict regulation on banks for the safety of the customer , opening an account and making transaction are heavily monitor by the regulation I was also maintain those things.

This internship program create an opportunity to communicate with different kinds of clients, it is a skill which any student didn't have achieve before joining at AIBL as an intern. Working at AIBL,I have also had the experience of working under pressure adjust before the Eid holidays, the bank was full of customer and as result there was heavy pressure on all AIBL officials to ensure a smooth customer banking experience.



## 4.5 Evolution of AIBL Performance

### 4.5.1 Financial Performance Growth

Financial Performance of AIBL Shown below:

Table 4: Financial Performance of AIBL

Year	2015	2016	2017	2018	2019
Shareholder Equity (Million taka)	19,236.07	21,337.48	22,520.68	23,483.22	24,148.21
Deposit (Million taka)	169,887.08	199,703.92	244,806.26	266,205.48	297,241.81
Investment (Million taka)	162,503.14	196,519.38	235,905.48	261,874.13	288,486.62
Profit before Tax & provision (In Million taka)	6360.15	7511.03	6955.77	6308.89	7860.62

Graphical presentation is shown in below:

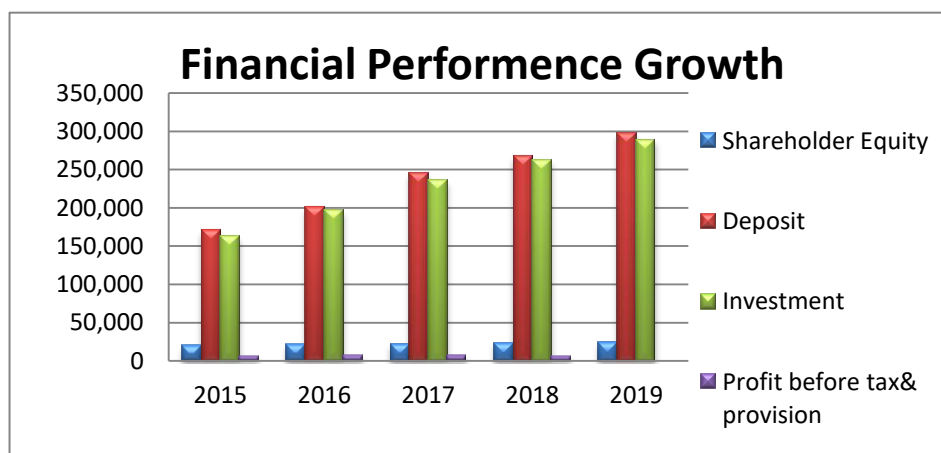


Figure 6: Financial Performance Growth

Interpretation: Here we can see that in (table-5) the shareholder equity, deposit, investment, and profit before tax & provision of AIBL. AIBL try to maintain positive growth rate by increasing the growth rate. Latest growth amount of shareholder equity is 24,148.21 million in 2019 by 23,483.22 million from 2018. Also Deposit is increased by 297,241.81 million in 2019 from 2018. The Investment amount is increased by 288,486.62 million in 2019 from 2018 amount. The Profit before tax & provision amount is increased by 7860.62 million in 2019 from 2018.

**4.5.2 Capital Adequacy Ratio as%**

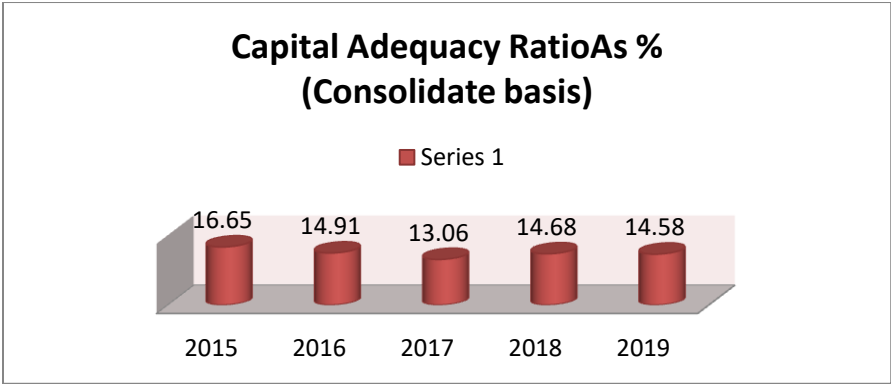


Figure 7: Capital Accuracy Ratio

Interpretation: we can see that in (figure-7) the capital adequacy ratio of AIBL is now 14.58% in 2019 which is less than 2018’s ratio. The Capital adequacy ratio has to be increase.

**4.5.3 Deposit growth:**

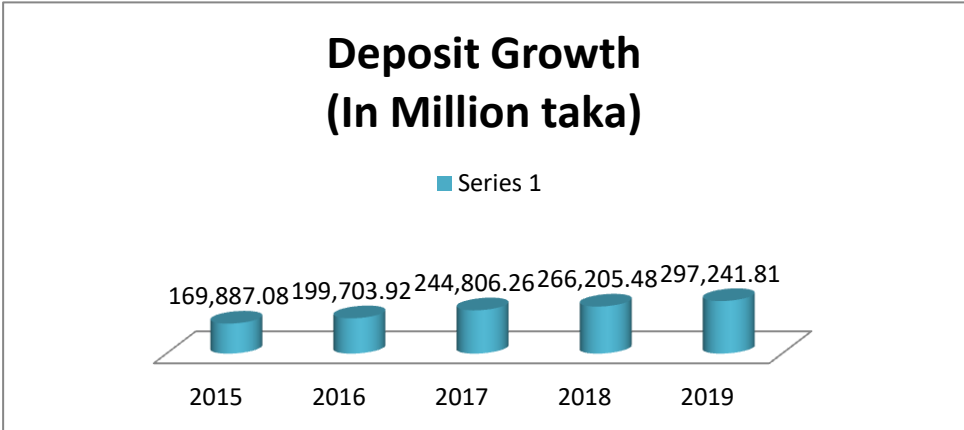


Figure 8: Deposit Growth

**Interpretation:** Here we can see that in (figure-8) the deposit growth of AIBL is increased by 297,241.81 million in 2019 from 2018's amount, Which means AIBL deposit amount increase day by day.

#### 4.5.4 Deposit Mix:

Table 5: Deposit Mix

Products	Taka In Million	% of Total
1) Cost Free Deposit	31,448.18	10.58%
2) Low Cost Deposit	81,919.84	27.56%
3) High Cost Deposit	183,873.78	61.86%
Total	297,241.81	100.00%

#### Deposit Mix As %

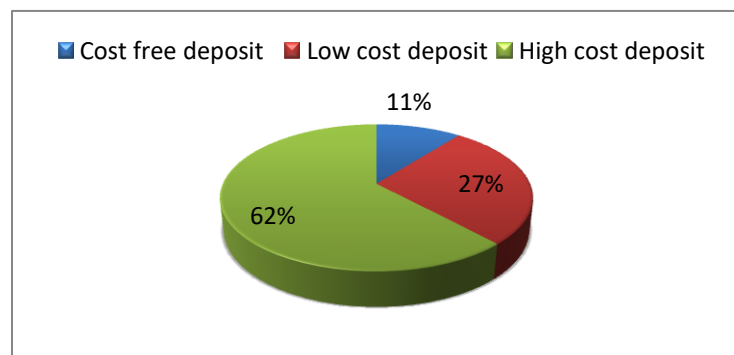


Figure 9: Deposit Mix

Interpretation: This bar (Figure-9) represents that the high cost deposit amount is more than other deposit. The high cost deposit is 183,873.78 million (61.86%).

#### 4.5.5 Investment Growth:

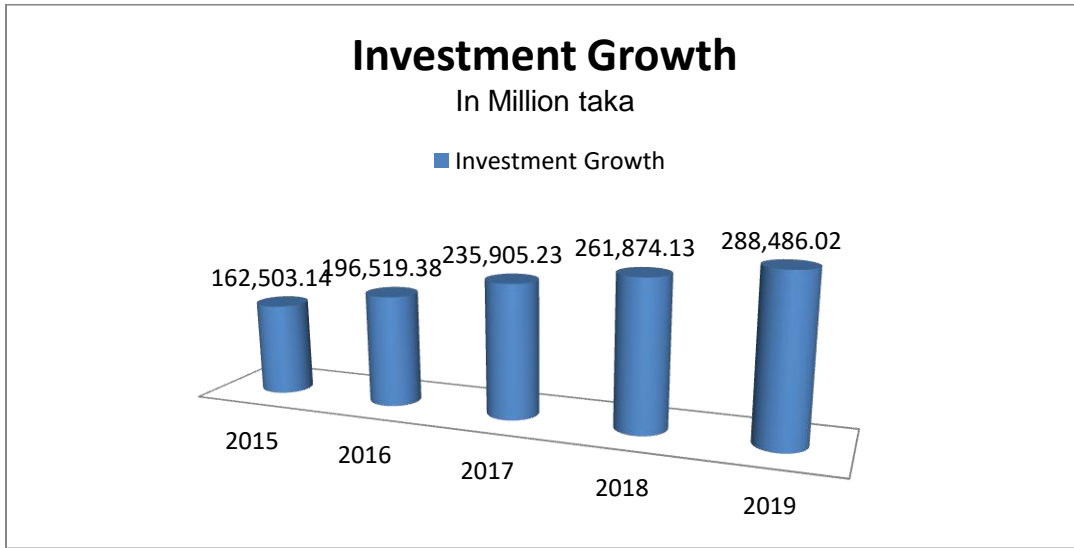


Figure 10: Investment Growth

Interpretation: Here we can see that in (Figure-10) the Investment growth of AIBL is increased by 288,486.02 million in 2019 from 2018 amount 261,874.13million, Which means the investment increased by 10.16% from previous rate.

#### 4.5.6 Total Income & Expenditure of AIBL:

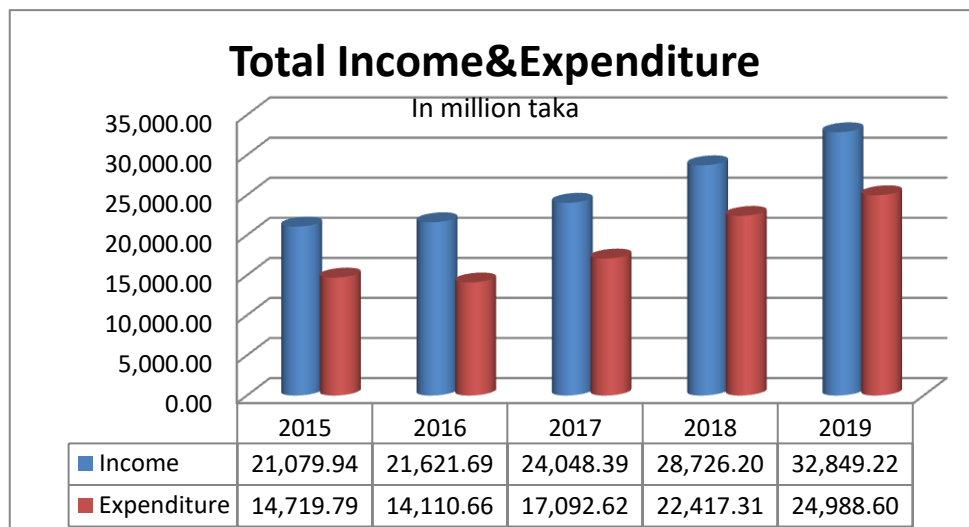


Figure 11: Total Income & Expenditure

Interpretation: Here we can see that in (figure-11) this graph shows the amount of Income& Expenditure of AIBL. The Income amount of AIBL in 2019 is 32,849.22 million is increase from 2018's amount. Beside the expenditure amount also increased by 24,988.60 in 2019 from previous year which is not good or AIBL, expenditure should be decrease.

#### 4.5.7 Performance Measure of Islamic bank& Commercial bank:

We can measure the financial performance of Both Islamic bank & Commercial bank by CAMEL combined with: Capital Adequacy, Asset quality, Management quality, earning ability & Liquidity (Islam, M. T. U., & Ashrafuzzaman, M. 2015). Measuring the performance of Commercial & Islamic bank by using this CAMEL method in below:

Table 6:Performance measure of Commercial & Islamic Bank

Short form	Full form	Equation ratio
C	Capital adequacy	Total Equity/Total asset
A	Asset Quality	(Pretax income loan loss)/ net charge -offs
M	Management Efficiency	Total operating Expenses/Total operating income
E	Earnings	Net profit/Total asset Net profit/ Total Equity
L	Liquidity	Net loan/ total asset

#### 4.5.7.1 Capital Adequacy:

Table 7: Capital Adequacy

Bank	2015	2016	2017	2018	2019
Islamic bank	0.0967	0.0946	0.3516	0.3812	0.4131
Commercial bank	0.1126	0.0987	0.0971	0.0964	0.0915

Graphical presentation for capital adequacy in below:

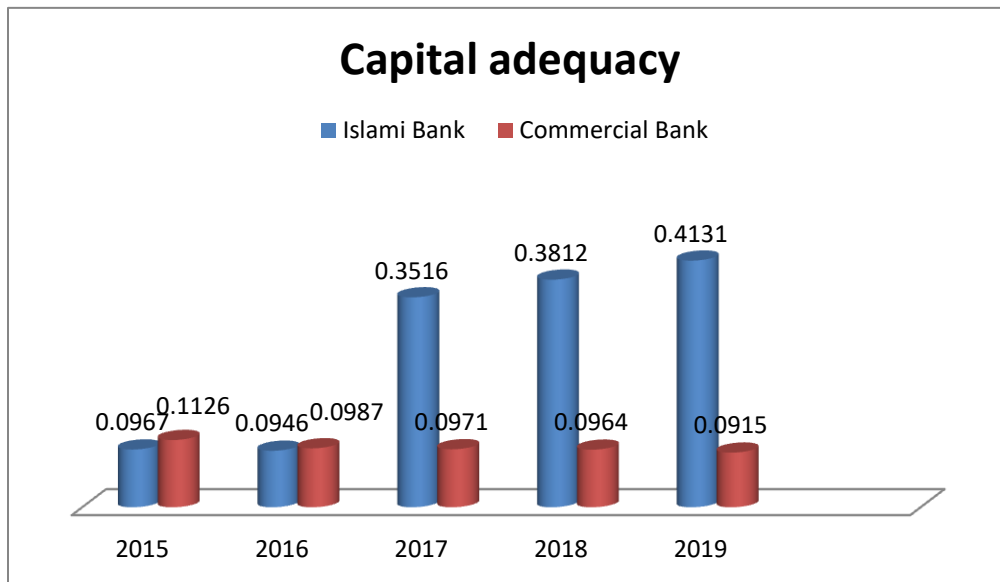


Figure 12: Capital Adequacy

**Interpretation:** Here we can see that in (figure-12) the capital adequacy of both Islamic & commercial bank is increasing day by day. Both patterns are almost same as certain period.

#### 4.5.7.2 Asset Quality:

Table 8:

Bank	2015	2016	2017	2018	2019
Islamic bank	0.0065	0.0070	0.0081	0.0062	0.0112
Commercial bank	0.0051	0.0039	0.0041	0.0061	0.0082

Graphical presentation for Asset Quality in below:

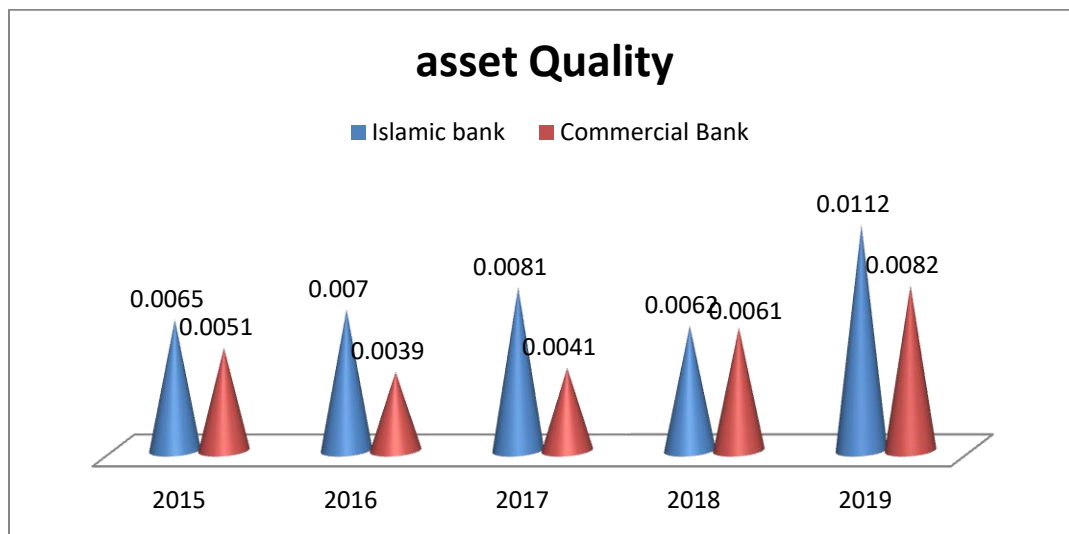


Figure 13: Asset Quality

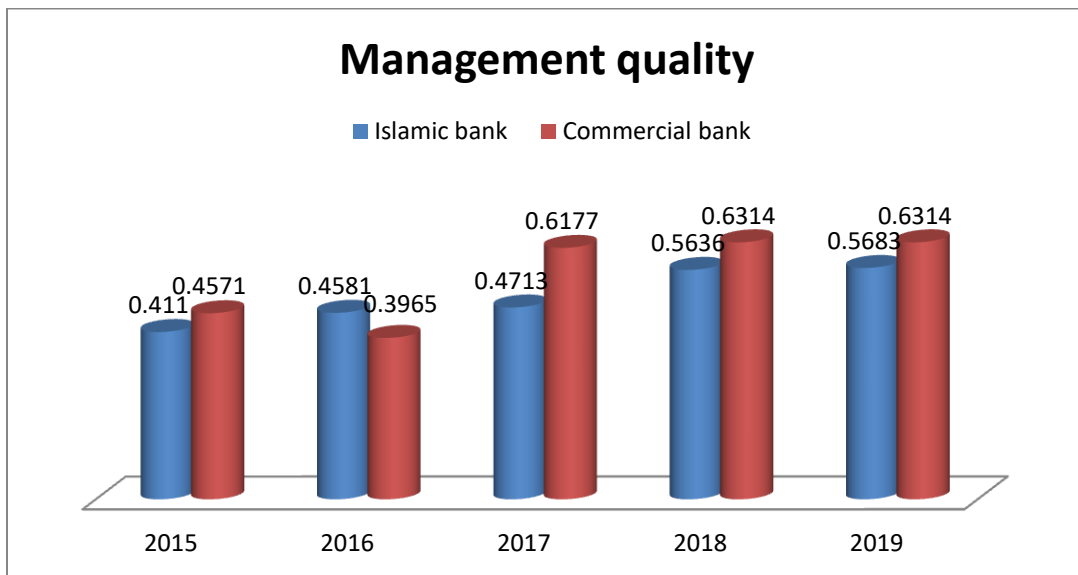
**Interpretation:** Here we can see that in (figure-13) the asset Quality of Both commercial & Islamic bank represent that the commercial asset quality performance is better than Islamic bank.

### 4.5.7.3 Management Quality:

Table 9: Management Quality

Bank	2015	2016	2017	2018	2019
Islamic bank	0.4110	0.4581	0.4713	0.5636	0.5683
Commercial bank	0.4571	0.3965	0.6177	0.6314	0.6314

Graphical presentation for management quality in below:



Interpretation: Here we can see that in (table-10) the management quality performance present that commercial bank's position is better than Islamic bank.



#### 4.5.7.4 Earnings net profit to total asset:

Table 10: Earning Net Profit

Bank	2015	2016	2017	2018	2019
Islamic bank	0.0284	0.0237	0.0234	0.0089	0.0089
Commercial bank	0.0352	0.0282	0.0224	0.0092	0.0091

Graphical presentation for earnings net profit to total asset is shown in below

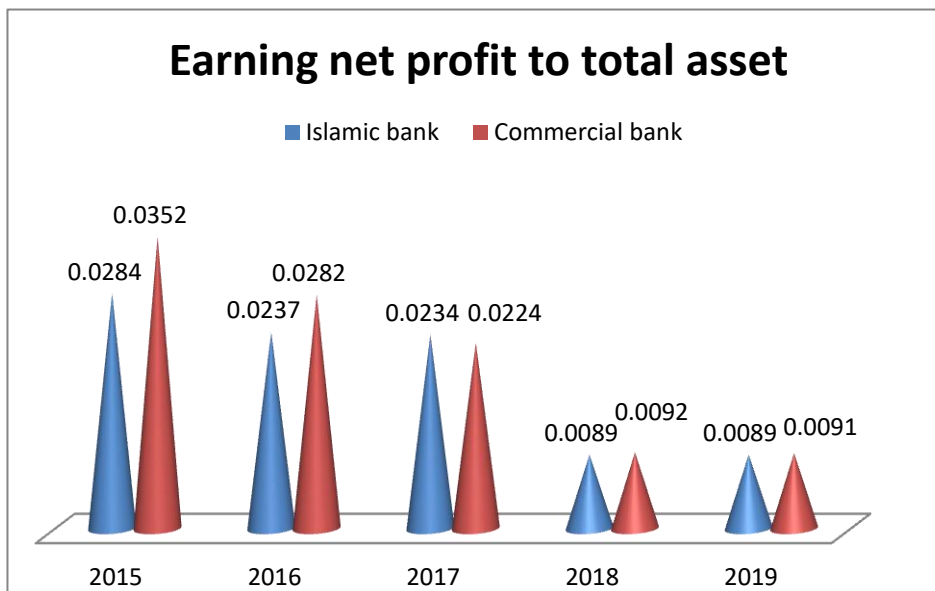


Figure 14: Earning Net Profit (Asset)

Interpretation: Here we can see that in (table-11) the earning net profit to total asset performance is different in 2015 & 2016 year. But In 2017, 2018, 2019 performance are same of both bank.

#### 4.5.7.5 Earning net profit to total equity:

Table 11: Earning net profit (Equity)

Bank	2015	2016	2017	2018	2019
Islamic bank	0.2891	0.2614	0.2318	0.2126	0.1961
Commercial bank	0.3634	0.2896	0.2351	0.2315	0.2109

Graphical presentation for earning net profit to total equity is shown in below:

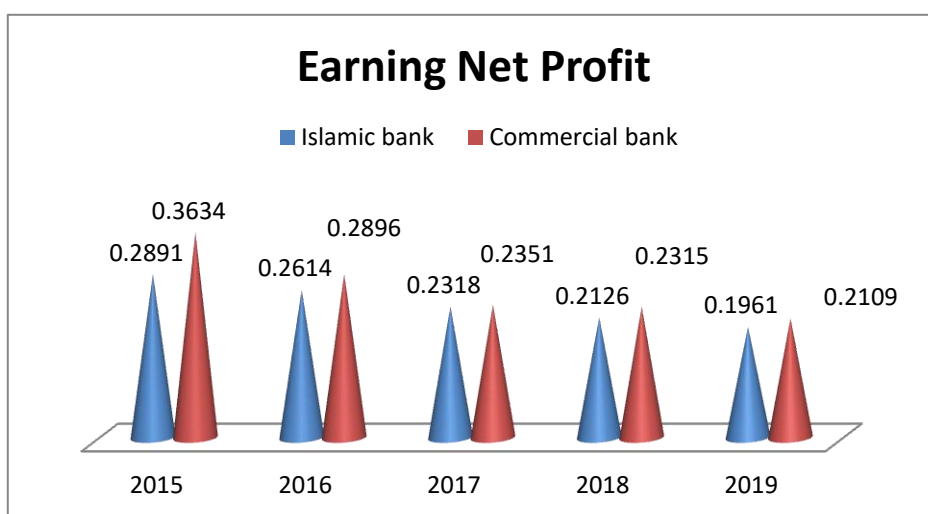


Figure 15: Earning Net Profit (Equity)

Interpretation: here we can see that in (figure-15) earning net profit to total equity of both bank in 2015 & 2016 is different, but after that the performance are same of both commercial & Islamic bank.

#### 4.5.7.6 Liquidity:

Table 12: Liquidity

Bank	2015	2016	2017	2018	2019
Islamic bank	0.7852	0.7827	0.6525	0.7686	0.7786
Commercial bank	0.7728	0.7468	0.6896	0.7318	0.7384

Graphical presentation for liquidity is shown in below:

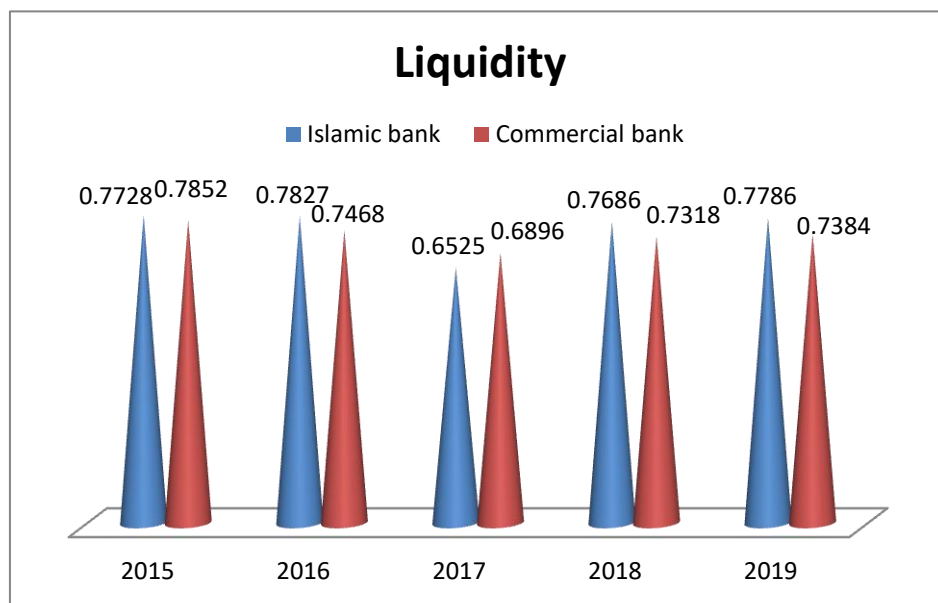


Figure 16: Liquidity

Interpretation: Here we can see that in (Figure-16) the performance of liquidity of both commercial & Islamic bank is same. In liquidity part both bank perform similar like: In 2019, the performance of Islamic bank is 0.7786 and commercial bank is 0.7384 not much difference between the values.

4.5.7.7 Total CAMEL

Table 13: CAMEL

Capital Adequacy	0.2675	0.0993
Asset Quality	0.0078	0.0055
Management Efficiency	0.4945	0.5580
Earnings	0.0186	0.0208
Earnings (ROE)	0.2382	0.2661
Liquidity	0.75352	0.7358

Graphical presentation of CAMEL is shows in below:

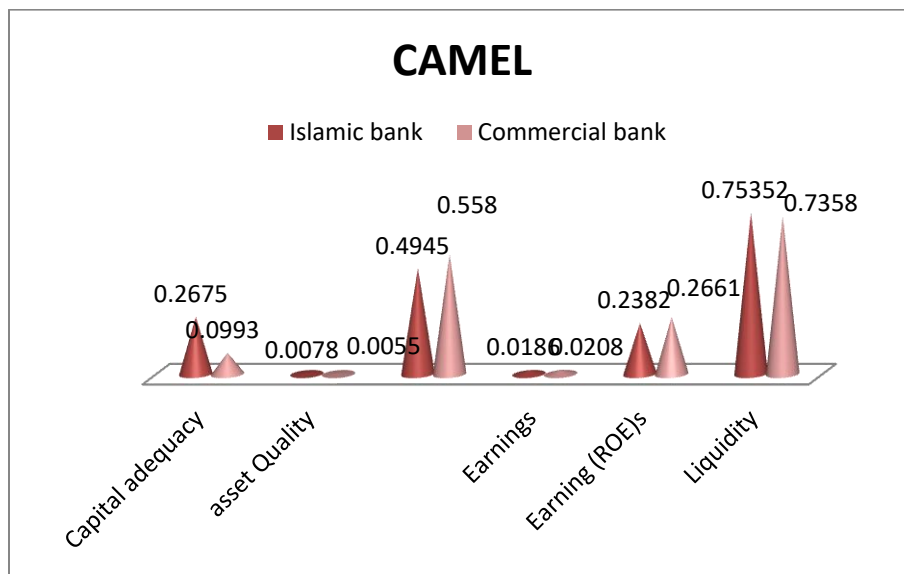


Figure 17: CAMEL

Interpretation: Here we can see that in (table-14) the performance of CAMEL means: Capital Adequate, Asset quality , management efficiency, Earning, Earning(ROE),liquidity are almost same result both commercial & Islamic bank.

## CHAPTER FIVE: RECOMMENDATION & CONCLUSION

### 5.1 Recommendation:

- ❖ As we know that all the Islamic bank should follow the Islamic sharia with their all bank activities. But now the Islamic laws are not maintaining properly, some customers are think that their transaction is done without fulfilling the rules& obligation. In that case the rule& regulation must be following strictly.
- ❖ Islamic bank must be avoiding all kind of unlawful activities, those hamper the Islamic sharia.
- ❖ Customer's of Islamic bank is increased now a days, So maintain all customer in rush hour Islamic bank should forecast customer pressure beforehand and prepare cash adequately to ensure smooth customer experience.
- ❖ Islamic bank should more concern about customer satisfaction because the Islamic bank space is not sufficient for huge customer. They should open new branch for fulfilling the demand of customer.
- ❖ In Islamic banking their decision making process is lengthy, that should be made more flexible & efficient.
- ❖ In AIBL their number of staff person are not sufficient for providing the service properly. They should hire more Employee & staff with giving proper training.
- ❖ Islamic bank are not much concern about the advertisement campaign, they should focus on the advertisement campaign.
- ❖ During my internship I was observe that more customers have complain about their ATM service. The locker number is not sufficient to fulfill the customer demand. So, bank should increase the locker space; solve the ATM card service problem.

- ❖ Islamic bank follow Islamic sharia, as follow the law this kind of bank cannot provide interest, they can provide only profit. Sometimes the profit amount is less than other commercial bank .Customer has complained about that why the amount is less than commercial bank. Therefore, Islamic bank should provide them proper knowledge about the difference between Interest & Profit.

## 5.2 Conclusion

Short period of internship journey with AIBL was a memorable one & preparing this report gives an opportunity to enlarge my knowledge. AIBL is well-established & well-reputed organization in Bangladesh. Day by day, their customer's are increasing; it brings positive growth on their whole position. Aside some errors that they have but they try to provide smooth banking experience that AIBL offers to its customers which is commendable. As Bangladesh is Muslim majority country people give more priority to invest their money in Islamic bank, So Islamic bank should increase their branch, introduce more attractive deposit & also more focus marketing promotion. Islamic bank working on searching alternative to interest because they don't give interest it is now the biggest challenge of Islamic bank in Bangladesh. Islamic should give more importance on their employee development, performance auditing if they survive long run in this commercial banking sector. Islamic bank should increase their liquidity performance. In AIBL follow shariah law strictly to ensure that there is no violating occurs with their investment method because it is a sensitive issue. AIBL is now one of the top-raking banks with number of clients, number of agent bank and market capitalization. AIBL gradually shine by maintaining some position, they are more concern about their client trust, resulting in a wider & greater range of smooth service from AIBL. . AIBL should follow more update technology into their general banking procedure. After measuring the performance of both commercial & Islami bank, I found that management equity, asset equity term position is better than Islamic bank. Beside the performance of capital adequacy, liquidity position is better than Commercial bank. So, Islamic bank provide more concern: management Equity & asset Equity position, should take step how the position will be increase.

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7.0 Appendix-A:



**Dhanmondi Branch**  
A. Tower, House#54/1, Road#4/A, Satmasjid Road,  
Dhanmondi, Dhaka-1209  
Phone: 02-58610913, 58652930  
e-mail: mgr.dhanmondi@aibl.com.bd

+88 02-44850005  
info@al-arafahbank.com  
www.al-arafahbank.com  
ALARB00H  
FATCA: GIIN: S2WRLR.99999 SL050

Ref: AIBL/DMB/2021/376

Date: 30.05. 2021

To Whom It May Concern

*This is to certify that Jb. Nazmun Nahar Sathi, D/O: Jb. Nazim Uddin & Jb. Momotaj Begum Rekha studied Accounting at United International University has completed the internship program in our Al-Arafah Islami Bank Limited, Dhanmondi Branch during the period from 23.02.2021 to 23.05.2021 successfully.*

*We wish her every success in life & career.*

(Authorized Officer)

Md. Aiyub Ali-AS-664  
First Assistant Vice President  
Al-Arafah Islami Bank Ltd.  
Dhanmondi Branch, Dhaka