

Report On
**Investment decisions and profitability analysis of Al-Arafah
Islami Bank Limited**

By

Nusrat Jahan Chowdhury
Student ID: 17304123

An internship report submitted to the Bachelor of Business Administration in partial fulfilment of the requirements for the degree of a double major in Accounting and minor in Computer Information Management

Bachelor of Business Administration

BRAC University

October 2022

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing the degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Nusrat Jahan Chowdhury

Nusrat Jahan Chowdhury

Student ID: 17304123

Supervisor's Full Name & Signature:

Dr. Md. Kausar Alam

Assistant Professor

BRAC Business School

BRAC university

Letter of Transmittal

Md. Kausar Alam

Assistant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report on “Investment decisions and profitability analysis of Al-Arafah Islami Bank Limited.”

Dear Sir,

With due respect, I, Nusrat Jahan Chowdhury, student ID no: 17304123 would like to inform you that it has been a pleasure to conduct this research paper titled “Investment decisions and profitability analysis of Al-Arafah Islami Bank Limited” under your kind supervision. The information and data I have given in the study are primarily collected from the interview I conducted and my observation during the internship period at Dakshin Khan Branch, Dhaka. The secondary data were collected from the bank’s annual report 2021, books, business magazines and other sources. Making this report has enabled me to understand the business procedures of Islamic banking and the lack and competition in this industry.

I sincerely appreciate your guidance and effort over my report completion time. It was my pleasure to work under your supervision. I tried my level best to cover all things you advised me to do. And I am willing to revise and change anything if necessary.

Sincerely yours,

Nusrat Jahan Chowdhury

Student ID: 17304123

BRAC Business School

BRAC University

Date: October 16, 2022

Non-Disclosure Agreement

With reference to my offer letter dated 3rd August 2022 I got the opportunity to join Al-Arafah Islami Bank Limited, Dakshin Khan Branch, Dhaka as an intern for accomplishing the goal of the report titled “Investment decisions and profitability analysis of Al-Arafah Islami Bank Limited.”

Nature of Appointment: Contracted service for twelve weeks. After the time period, the contract will automatically be void

Allowance: You will not get any financial benefits from the bank for your internship contract

Joining date: August 3, 2022

General Undertaking: You will conform to the rules and regulations of the organization and are revised from time to time by the management.

Confidential information: You will keep all confidential data secret and not be allowed to unethically practice.

Acknowledgement

First, I want to elicit thanks to the Almighty Allah for giving me the caliber and patience to complete my report effectively. I am obliged to my supervisor Dr Md Kausar Alam, Assistant Professor and co-supervisor, Dr Faruk Bhuiyan, Assistant Professor not only for giving me the scope to make ready the report but also for helping me to select the topic and guiding me to complete my report.

My cordial gratitude goes to Md.Abdul Khaleque, Senior Principal Officer, Investment Department of Al-Arafah Islami Bank, Dakshin Khan, Dhaka branch who was my supervisor for instructing, guiding and helping me at my work.

I would like to thank Md. Rafique Ullah (Asst. Vice President & Manager of Dakshin Khan Branch) for allowing me to complete my internship program at this branch. I would also like to thank my fellow workers of the branch for helping me during the days. My gratitude to all my course conductors, friends and classmates for helping me in my undergraduate journey.

Executive Summary

Islamic Banking sector is one of the fastest-growing sectors in Bangladesh. According to the report of Bangladesh Bank, Islamic Banks hold 28.21% of the market share of the banking market. Currently, 10 full-fledged Islamic Banking is operating in the country. Al-Arafah Islami Bank Limited is the market challenger of the Islamic Banking industry. It was incorporated on 27th September 1995 as a private Islamic Bank in Bangladesh. Currently, AIBL has 201 branches across the country. It provides bank loans, security services, deposit schemes etc. It is also involved in import-export businesses, industrial businesses, transportation, and agriculture and it has other business investments. The popular deposit schemes of the bank are the Mudaraba saving deposit, Pension deposit scheme, Bai Salam etc. To analyze the profitability and investment of the bank, I have used both primary and secondary data. Primary data are collected from the interview of the Bank's supervisor and other primary data are of my personal observation. Secondary data are collected from Annual reports, business magazines, newspapers etc. In my study, I have found several issues at AIBL such as non-performing loans, lack of effective human resources, network and service issues, centralized management of the bank etc. The profitability and income from investment and non-investment sectors are diminishing gradually in 2020 and 2021. There is a lack of quality human resources at Dakshin Khan Branch, Dhaka. AIBL does not allow investing under Mudaraba and Musharaka modes in all branches. Bai-Muajjal is the largest mode of investment for AIBL in the year 2020-21. Due to COVID, there is a reduction in the total investment of the bank. The recovery rate of disbursement has fluctuated every year in business performance. To recover the situation, I have added effective recommendations for AIBL. I recommend AIBL invest more in other modes of investment such as Mudaraba and Musharaka modes to recover investment losses and engage effective manpower in every branch. The bank should recover disbursement on a quarterly basis. They should also solve network issues, change infrastructure and management policy and update their KYC form to improve the bank's performance.

Keywords: Bangladesh Bank, AIBL, Deposit, Investment and non-investment revenue, Business growth, Market share.

Table of Contents

Declaration.....	i
Letter of Transmittal	ii
Non-Disclosure Agreement	iii
Acknowledgement	iv
Executive Summary	v
List of figures.....	ix
List of tables	x
List of Acronyms	xi
Chapter 1: Overview of internship.....	1
1.1: Student information.....	1
1.2: Internship information	1
1.2.1: Information regarding period & Department	1
1.2.2: Bank’s Supervisor’s Information	1
1.3: My Contribution to the Company	1
1.4: Benefits of the internship.....	2
1.5: Difficulties Faced During Internship.....	2
Chapter 2: Company profile	3
2.1: Company Background.....	3
2.2: Board of directors.....	4
2.3: Vision of AIBL	5
2.4: Mission of AIBL	5
2.5: Corporate commitment:.....	5
2.6: Investment products	5
2.7: Deposits products	6
2.8: Services of AIBL.....	6
2.9: SWOT analysis.....	6
2.10: Porter’s five field analyzes.....	7
Chapter 3: Project Part	9
3.1: Introduction.....	9
3.2: Problem Statement	9

3.3: Objectives of the Study.....	10
3.4: Literature review	10
3.5: Scope of the study	11
3.6: Methodology	12
3.7: Limitations of the Study	14
3.8: Primary Analysis	15
3.8.1: Observation Analysis	15
3.8.2: Interview analysis:	16
3.9: Secondary Analysis:	18
3.9.1: Investment income analysis	18
3.9.2: Mode-wise investment analysis.....	19
3.9.4: Profit paid on deposit Analysis	21
3.9.5: Non-Investment income analysis	21
3.9.6: Deposit Growth Analysis	22
3.9.7: Investment Analysis of AIBL	23
3.9.8: Analysis of investment in shares and securities	23
3.9.9: Import-Export business income analysis	24
3.9.10: Profit before and after-tax analysis.....	25
3.9.11: Profitability analysis of the different mode of investment.....	26
3.9.12: Sector-wise profit analysis	28
3.9.13: Equity and capital ratio analysis	29
3.9.14: Earning per share analysis.....	31
3.9.15: Share price analysis	31
3.9.16: The cost-income ratio in operating business	33
3.9.17: Analysis of Return on Equity	33
3.9.18: Analysis of Return on Assets	34
3.9.19: Cash dividend analysis of AIBL.....	34
3.9.20: Price earnings ratio of AIBL	35
3.9.21: Price equity ratio analysis	35
3.9.22: Net Profit Margin analysis of AIBL	36
3.10: Key Findings	37
3.11: Conclusion	38
Chapter 4: Conclusion and Recommendations	39

References 41
Appendix A..... 42

List of figures:

Figure 1: Company profile at a glance	3
Figure 2: Report-making process.....	12
Figure 3: ,Data collection process.....	14
Figure 4: Investment income analysis	18
Figure 5: Mode-wise investment in 2021	19
Figure 6: Sector-wise investment analysis	20
Figure 7: Profit paid on deposit	21
Figure 8: Non-Investment income analysis	21
Figure 9: Deposit growth.....	22
Figure 10: Investment growth.....	23
Figure 11: Analysis of investment in shares and securities.....	23
Figure 12: Import business income analysis	24
Figure 13: Business Income Analysis	25
Figure 14: Profit before tax	25
Figure 15: Profit after Tax.....	26
Figure 16: Mode-wise profit analysis	27
Figure 17: Sector-wise profit analysis in 2021	28
Figure 18: Equity capital ratio (Tier I).....	29
Figure 19: Equity capital ratio (Tier II).....	29
Figure 20: Total capital Ratio	30
Figure 21: Growth in earnings per share	31
Figure 22: Book value of AIBL's shares.....	31
Figure 23: Market value of AIBL's shares.....	32
Figure 24: The cost-income ratio of AIBL in operating business	33
Figure 25: Return on Equity analysis.....	33
Figure 26: Return on Asset analysis	34
Figure 27: Cash dividend analysis	34
Figure 28: Price earnings ratio.....	35
Figure 29: Price equity ratio	35
Figure 30: Net Profit Margin growth.....	36

List of tables:

Table 1: Investment income analysis	18
Table 2: Mode-wise investment analysis	19
Table 3: Sector-wise investment analysis	20
Table 4: Profit paid on deposit Analysis	21
Table 5: Non-Investment income analysis	21
Table 6: Deposit Growth Analysis	22
Table 7: Investment growth.....	23
Table 8: Analysis of investment in shares and securities	23
Table 9: Import business income analysis.....	24
Table 10: Business Income Analysis	25
Table 11: Profit growth before tax.....	25
Table 12: Profit growth after tax.....	26
Table 13: Profitability analysis of the different mode of investment	27
Table 14: Sector-wise profit analysis	28
Table 15: Growth in Equity capital ratio (Tier I).....	29
Table 16: Growth in Equity capital ratio (Tier II)	29
Table 17: Total capital Ratio Growth.....	30
Table 18: Growth in earnings per share	31
Table 19: Book value of AIBL's shares.....	31
Table 20: Growth in Market value of AIBL's shares	32
Table 21: The cost-income ratio of AIBL in operating business.....	33
Table 22: Return on Equity analysis	33
Table 23: : Return on Asset growth analysis	34
Table 24: Cash dividend analysis	34
Table 25: Price earnings ratio	35
Table 26: Price equity ratio Growth.....	35
Table 27: Net Profit Margin growth	36

List of Acronyms:

BB: Bangladesh Bank

AIBL: Al-Arafah Islami Bank Limited

EPS: Earning Per Share

CIR: Cost-Income Ratio

IM-EX: Import & Export

ROE: Return on Equity

ROA: Return on Assets

P/E: Price-Equity Ratio

IB: Islamic Banks

PLS: Profit Loss Sharing

L.C: Letter of credit

CAR: Capital adequacy ratio

ATM: Automated teller machine

Chapter 1: Overview of internship

1.1: Student information

Name: Nusrat Jahan Chowdhury

Student ID: 17304123

Program: Bachelor of Business Administration (BBA)

1.2: Internship information:

1.2.1: Information regarding period & Department:

Period: 12 weeks, 3rd August – 25th October 2022

Bank name: Al-Arafah Islami Bank Limited

Branch: Dakshin Khan Branch

Department: Investment

Address: 90, L.K. Plaza (1st Floor), Dakshin Khan Branch Bazar, Dhaka-1230

1.2.2: Bank's Supervisor's Information:

Name: Md. Abdul Khaleque

Designation: Senior Principal Officer

Department: Investment

1.3: My Contribution to the Company

In my tenure I have-

- Prepared papers for new investors.
- I have filled in forms for new account openers.
- I have processed the disbursement file
- I have helped my supervisor to prepare sanction letters.
- I had to check investors' files whether they have all the papers like memo, agreement paper, company pad and purchase representative paper in order to get money or not
- I had to serve clients by writing their cheques, and deposit slips.
- I did calculations for different account transactions.

1.4: Benefits of the internship

I have benefited in so many ways by doing my internship at Al-Arafah Islami Bank Limited. In the beginning, I have learnt how to work in a corporate environment. Moreover, I have had so many opportunities to improve my communication. Furthermore, interacting with clients was a part of my job so I learnt how to manage clients. Importantly, I learnt about the investment products and procedures closely.

1.5: Difficulties Faced During Internship

The working environment here is not so friendly. Employees did not cooperate by giving information in order to prepare my report. They have a lack of professionalism. The atmosphere of the office is not women employee-friendly as they don't provide minimum basic facilities to women.

Chapter 2: Company profile

2.1: Company Background:

Al-Arafah Islami Bank Ltd (AIBL) is one of the high-performing Islamic banks in Bangladesh. AIBL started its business operation in Bangladesh on 27th September 1995 as a private limited company. The first branch was opened in Motijheel, Dhaka. 20 dedicated Islamic personalities in Bangladesh were the architects of the bank. Mr A.Z.M Shamsul Alam is the founding chairman of AIBL.

AIBL offers commercial and consumer banking, trade finance, and other related custody and clearing services in Bangladesh. The authorized capital of AIBL is 15,000 Million BDT and the bank's paid-up capital is 10,649.02 Million BDT (Akhter et al., 2020; Hossain & Islam, 2017). The equity capital of the company is 25,900.33 Million BDT. Currently, there are 201 branches of the bank operating in the country. The current deposit of the company is 353,287.97 Million BDT and the investment is 336,890.72 Million BDT (AIBL, 2022). 4247 employees are currently working with AIBL and the bank had 19,146 shareholders in 2021. 100% of paid-up capital is owned by the shareholders of the company.

Date of Registration	18 June, 1995
1st Branch	Motijheel Branch, Dhaka
Opening Ceremony	27 September, 1995
Authorized Capital	15,000.00 Million
Paid-up Capital	10,649.02 Million
Local Partnership of Capital	100%
Equity	25,900.33 Million
Number of Branches	201
Deposit	353,287.97 Million
Investment	336,890.72 Million
Number of Employees	4,247
Number of Shareholders	19,146

Figure 1: Company profile at a glance

Source: (AIBL, 2022)

AIBL commits to contributing to the national economy and performs CSR to help the impoverished section of the country. It helps to ensure the socio-economic development of the country with 201 branches (AIBL, 2022).

2.2: Board of directors:

BOARD OF DIRECTORS

Executive Committee (EC)

Chairman

Alhajj Abdus Samad

Vice Chairman

Alhajj Mohammad Abdus Salam

Member

Hafez Alhajj Md. Enayet Ullah
Alhajj Ahamedul Hoque
Alhajj Engr. Kh. Mesbah Uddin Ahmed
Alhajj Liakat Ali Chowdhury
Alhajj Md. Anowar Hossain

Board Audit Committee (BAC)

Chairman

Alhajj Mahbubul Alam

Member

Alhajj Nazmul Ahsan Khaled
Alhajj Mohammed Emadur Rahman
Alhajj Md. Harun-Ar-Rashid Khan
Alhajj M. Kamaluddin Chowdhury

Risk Management Committee (RMC)

Chairman

Jb. Badiur Rahman

Member

Alhajj Abdul Malek Mollah
Alhajj Mohammed Haroon
Alhajj Md. Rafiqul Islam
Alhajj Md. Amir Uddin PPM

Shariah Supervisory Committee

Chairman

Mufti Sayeed Ahmad Muzaddedi

Member

Mufti Muinul Islam
Mufti Shahed Rahmani
Mohammad Abul Hossain Al-Azhari
Mawlana Mohammad Abdul Hai Nadvi
Al-Hajj A.Z.M. Shamsul Alam
Alhajj Salim Rahman

Secretary

Md. Abdur Rahim Khan



Chairman, Directors and Managing Director & CEO of AIBL are seen as they participated in the 26th Annual General Meeting

2.3: Vision of AIBL:

As a pioneer in Islamic Banking in Bangladesh, AIBL contributes significantly to the growth of the national economy.

2.4: Mission of AIBL:

- To achieve the satisfaction of Almighty Allah both here and hereafter
- To provide Shariah-Based Banking services in Bangladesh
- To render excellent financial services by leveraging the modern technology
- To provide quality and faster banking services to the customers
- To maintain high business ethics
- To ensure balanced regional growth
- To provide a competitive return on shareholders' equity
- To provide innovative banking at a competitive price
- To attract and retain efficient human resources
- To extend a competitive compensation package to retain the employees
- To ensure the economic growth of the country
- To ensure the national interest
- To contribute to Micro and SME sectors

2.5: Corporate commitment:

AIBL is a customer-focused modern Islamic Banking which provides financial services to ensure sound and steady growth in both deposit mobilization and making quality investments to grab the market leader position in the banking industry. It tries to deliver quality financial services in the retail, small and medium sectors. It also ensures effective financial services to corporate clients through branches across the country (Akhter et al., 2020; Jahan et al., 2020). To align AIBL's business initiatives with the ever-changing industrial needs. AIBL tries to provide quality products and services that can create customer value. To conduct the business within the well-defined risk tolerance level (AIBL, 2022).

2.6: Investment products:

- Investment in Agriculture Sector
- Investment in Industrial Sector
- Investment in Business Sector
- Investment in Foreign Trade
- Investment in Construction and Housing

- Investment in Transportation Sector
- Hire Purchase Shirkatul Melk (HPSM)
- Investment schemes in Masque and Madrasa (MMIS)
- Village and Small Investment Schemes (GSIS)
- Small Enterprise Investment Schemes (SEIS)
- Consumer Investment Schemes (CIS)

2.7: Deposits products:

- Mudaraba short notice deposit (SND)
- Mudaraba saving deposit (MSD)
- Mudaraba term deposit (MTDR)
- Monthly profit-based term deposit (PTDR)
- Monthly instalment-based term deposit (ITD)
- Al-Arafah monthly hajji deposit (MHD)
- Al-Arafah termed hajji deposit (THD)
- Monthly instalment-based marriage saving investment scheme (MIS)
- Al-Arafah saving bonds (ASB)
- Foreign currency deposit (FCD)
- Pension deposit scheme (PSD)
- Cash waqf deposit scheme (CWD)
- Mudaraba lakhopoti deposit scheme (LDS)
- Mudaraba special pension deposit scheme (MSPDS)
- Mudaraba kotipoti deposit scheme (MKDS)
- Mudaraba double benefit deposit scheme (MDBDS)
- Mudaraba triple benefit deposit scheme (MTBDS)

2.8: Services of AIBL:

- ATM Card Service
- Mcash
- Locker Service
- Agent banking

2.9: SWOT analysis:

By analyzing the company profile, customers review, and external and internal environment of the business, the SWOT analysis of the company is given below.

Strengths: The capital adequacy ratio is the biggest strength of AIBL. It maintains an average of 14.4% CAR in the whole year (AIBL, 2022). AIBL uses advanced software for performing

internal banking activities. In 2021, the bank reached the 9th position in global rank amongst Islamic banks. The geographical position of the bank has helped them to reach more customers (Hossain & Islam, 2017). Currently, it has 201 branches across the country.

Weaknesses: The major weakness of AIB is its centralized management. The lack of efficient manpower in several branches has created difficulty for AIBL to provide fast and quality services. The non-performing bank loan is another major weakness of AIBL (Bhuia et al., 2012; Halim* (Corresponding Author) et al., 2020). This bank has a lack of ATM machines across the county, a lack of promotion about the schemes can also be considered as a major weakness of AIBL.

Opportunities: AIBL has several opportunities to grab the market and become the number one Islamic bank in the country. By improving its services, it can get more customers. The introduction of new schemes according to Islamic Sariah can also be an opportunity to get more funds as deposits (Abduh et al., 2013; Hossain & Islam, 2017). By increasing the number of ATM booths, AIBL can improve its services and get more customers. AIBL can also penetrate the new market to provide diversified products in the market (Fatema et al., 2018; Halim* (Corresponding Author) et al., 2020).

Threats: Several threats have been found by analyzing the external environment of AIBL such as government rules and regulations, high tax rate, increment in competition, lack of awareness, political instability in the country, the emergence of new technology etc.(Alam & Miah, 2021)

2.10: Porter's five field analyzes:

By analyzing Porter's five fields, the financial opportunity and threats for the bank are given below.

Threats of new entrants: The chances of entering a new bank are very low in Bangladesh. According to the country's law, if someone wants to start a bank, he/she has to deposit 400 crore BDT. The threat of new entry is very low as the initial capital is too high (Chowdhury & Arifuzzaman, 2013). Political support, cost advantage, brand loyalty, conventional banking etc. are crucial factors to start a new banking business

Bargaining power of the buyers: In the banking industry, we mainly find two types of buyers i.e., corporate buyers, and individual buyers. The buying power of individual customers is comparatively lower than that of corporate buyers. Corporate buyers are business organizations along with the government which claim loans with a lower interest rate in case of mega projects. Corporate buyers also bargain for the amount of investment. Sometimes banks do not allow customers to take a large number of loans if they do not have a background, large bank transactions and a large number of deposits (Akhter et al., 2020; Rezina et al., 2020). Customers in this industry mainly bargain for the amount of interest, time to repay the loan, and amount of money. But if we compare banking with other businesses, the bargaining power is low in the banking industry.

Bargaining power of the suppliers: Investors or depositors are the suppliers in the banking industry. Two major types of suppliers can be found in this sector such as individual and corporate suppliers. The bargaining power of the individual supplier is low because of the rules and regulations of the central bank. The bargaining power of the corporate supplier is also low because of the monetary policy and the regulations of the central bank and the control over branches by the parent bank. Low-interest rate and a longer period of time to mature any deposit is the subject of conflict with the bank for the corporate suppliers (Rasul & Abedin, 2021).

Threats of substitutes: Substitute products and other financing services are the major threats to AIBL. High-interest rates, conventional banking services, attractive schemes, lower maturity periods and other financing services can cause business losses for AIBL. Lanka-Bangla finance Limited, IDLC, Uttara Finance and Investment Limited, MIDAS, and Investment Corporation of Bangladesh are the prior substitute products (Md. Mukitul Hoque, Md. Parvez Hossain, 2019; Rahman et al., 2016; Rasul & Abedin, 2021). Other Islamic Banks products can also be the substitutes of AIBL's schemes.

Rivalry among competitors: Competition among the existing banks is high in the banking industry. There are some renowned private and government banks in Bangladesh which provide an attractive interest rate for deposits, lower interest rates for loan repayment, and higher time periods to repay loans (Hoque & Hossain, 2019). There are almost 60 conventional banks and 9 other Islamic banks already existing in the country. Islamic banks only hold 14% of the total market share whereas conventional banks hold 86% market shares in the banking industry. And this gives us an idea about the rivalry in the market between Islamic Banking and Conventional Banking.

Chapter 3: Project Part

3.1: Introduction

The banking sector is the backbone of Bangladesh's economy. This sector is considered the most profitable and it contributes to the national economy, GDP and overall development activities of the country. Now, there are 61 scheduled banks in the country which operate their businesses under the supervision of BB. According to the report of BB, a total of 10 full-fledged IB are operating in the country. There are 2154 branches of 10 IB are operating under the governance of BB and Islamic Shariah (BB, 2022). All banking activities in Bangladesh are regulated under the Bangladesh Bank Order, 1972 and the Bank Company Act 1991. In 1983, the Islamic Banking sector was established in the country. Since then, it has gained the massive trust of people and it avoids interest. Rather than giving interest to the account holders, it shares profits earned from several investment and non-investment sectors (Hossain & Islam, 2017). IB covers 20% of the total market share of Banking in Bangladesh. It offers various types of deposit schemes for the customers and it shares profits against the deposit. Such schemes are Bai Murdaraba, Bai Muajjal, Bai Murabaha, Bai Istisna, Bai Salam etc. (AIBL, 2022). It also offers current accounts, saving accounts etc. Mainly IB allocates funding from the deposits and invests in the Mudaraba investment mechanism. According to the report of BB, Islamic Banks' deposits have reached 302,009.81 Million and it represents a 15.12% growth in 2021. In comparison to the conventional Banking system in Bangladesh, the performance of IB is not up to the mark. In Bangladesh people still are not aware if Islamic investments and PLS products are not popular amongst the majority. However, the growth of the national economy in recent years will aid Islamic Banking systems to recover from the situation. If IB gets the support of Bangladesh Bank, it can provide more efficient services and new banking products in the country. To ensure the growth of our GDP and the economic development of the country, the Islamic Banking sectors should be taken care of by BB with appropriate banking rules, and regulations.

3.2: Problem Statement

A bank is a financial institution which engages in lending and borrowing money. The main source of funding for a commercial bank is taking deposits from the customers. Banks collect money from investors and customers through deposits and invest the allocated money in the capital market. Islamic Banking is another major section of the Banking business in Bangladesh which covers 20% shares of the market. An "Islamic bank" is a type of financial institution that attempts to combine Islamic economic and financial ideas into the banking business. Islamic banks structure their activities in ways that are permissible in Islam, such as profit-loss sharing. Islamic banking differs significantly from traditional banking not just in how they do business, but also and perhaps most importantly in the ideas that govern its whole operation and attitude. Islamic Banking in Bangladesh faces several problems such as valuation of assets, credit

creation, monetary policy, financial security and stability of the Bank, lack of financial instruments and capital market, lack of legal protection, rules and regulations, lack of effective control over funds, mark-up financing, excessive resort to the Murabaha mode, social concerns regarding financing, lack of government concerns and subsidy. Considering all these problems in the Islamic Banking sector, the performance of AIBL is analyzed. By analyzing several modes and methods of investment and the earnings and revenues profits from these sectors, the future growth and the problems are determined.

3.3: Objectives of the Study

The ultimate objective of preparing this report is to analyze the investment opportunity of AIBL and check the performance of the Bank in the last four years. Another major objective of this report is to analyze various sectors and modes of investments of AIBL to understand the growth in profitability. These analyzes will give me a better understanding of the activities of Islamic Banking and the growth in this sector. However, this report has some other specific objectives. These are:

- This report is prepared to fulfill the requirement of my BBA program
- To analyze the end-to-end investment procedure of Islamic Banking i.e., AIBL
- To understand and analyze different investment schemes of AIBL
- To analyze different modes and sectors of Islamic investments
- To understand the PLS system of IB
- To understand the effectiveness of investment policy in Bangladesh regarding IB

3.4: Literature review:

Islamic banking is one of the major sections of banking that regulates under the supervision of BB and Islamic shariah. This is a banking system that refers to banking activities that are free of interest and follow the norms of the Islamic economy. In the Islamic economy, it is prohibited to collect money as interest. Unlike the conventional banking system, Islamic banks collect funds from the deposits, allocate all deposits, and invest money in different sectors. It shares profits and losses with the depositors. This is a banking system that focuses only on PLS. On the other hand, the conventional banking system follows interest to meet the problems of inflation. The main source of funding for conventional banks is borrowing money from the public at a lower interest rate giving loans to the businesses, personal loans, and public loans at a higher interest rate (Hoque & Hossain, 2019).

The basic difference between an Islamic bank and a conventional bank is that the Islamic banking system follows sharia which is known as Fiqh al-Muamalat. The principles of Shariah

rules have come from the holy Quran. Currently, there are a total of 10 full-fledged IB operating in the country having 2154 branches across the country, the Islamic banking industry significantly contributes to the development of Bangladesh's economy (BB, 2022).

In recent times a lot of studies are made on Islamic Banking and its contribution to the GDP. There are several reports and research that are descriptive, empirical and statistical in nature. There is a trend to measure the performance of Islamic banking with statistical tools and some new techniques and technologies have come to measure the financial performance of a bank. However, there are five efficiency test criteria to measure the performance of a bank and this model was developed in the late 90s.

Md. Abdul Awwal Sarker (1999) used this model to test the performance of Islamic Banks in Bangladesh. He collected primary data from the concerned department of the Bank. In the study, he found that Islami banks in Bangladesh maintained positive growth in deposits. Every year the number of depositors increased and the amount invested in different sectors grew largely. Islamic Banks mainly follow Murabaha and BaiMuazzal schemes to invest. The study also suggested that Islamic banks could have contributed more if they had proper guidelines and regulations of BB.

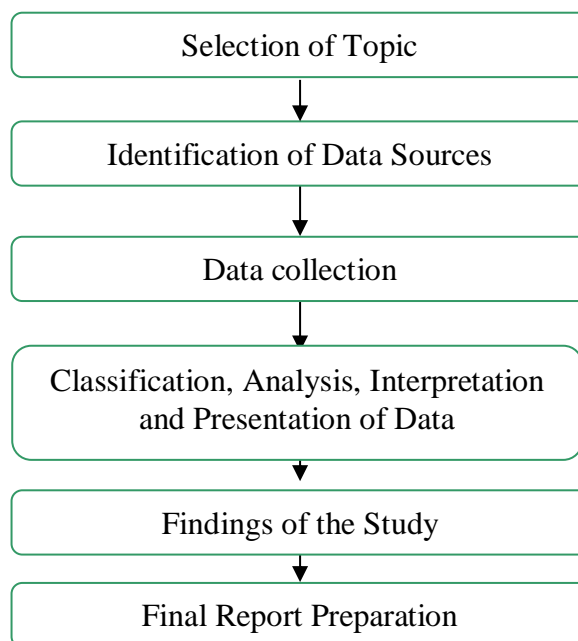
In 2014, Nusrat Dooty & Mohammed Syedul Islam conducted a study on the investment Islamic bank. Their study examined and evaluated the performance of the Islamic Banks during 2005-2009. They compared the performance of Islamic banks with selected conventional banks. To compare the performance of Islamic Banks, they chose Islami Bank Bangladesh Limited and Mutual Trust Bank Limited. They analyzed secondary data and prepared the report under empirical method analysis. By analyzing the deployment ratio, risk ratio, profitability ratio, and liquidity ratio, the concluded study. They found that the growth of Islamic investment is over the conventional Bank and people were highly recommending Islamic investment in Bangladesh. The study also showed that the investment performance of the Islamic bank was different at times and it was mixed in comparison.

3.5: Scope of the study

The following report is concerned with the investment opportunity and Profitability analysis to understand the performance of AIBL in the last four years. The study on AIBL will help understand the growth of AIBL in the Islamic Banking sector and the prospect of Islamic Banking in Bangladesh. The report focuses on several modes and sectors of investment which give the idea of the most developed and safest sector of Islamic investment. The following report would also highlight the investment management of AIBL and determine problems in the management and give effective solutions to meet business problems. Another scope of the study is understanding the organization structure, rules and regulations, methods of work, and organizational culture.

3.6: Methodology

The following report is descriptive in nature. The report focuses on several investment sectors and modes of AIBL. The report also analyzes the income, revenue, profit and cost of several investment products. The analysis helps to understand the performance of AIBL in the last four years. The growth of several sectors and net profit margin are also analyzed to understand the prospect of AIBL in the future. Although I did not get enough time to prepare this report, I tried to cover all things to measure the investment and financial performance of AIBL. By following the below steps, the report is prepared.



Data collection method:

Two types of data are collected to analyze and prepare the report namely, primary data and secondary data.

Primary data: Primary data are collected and analyzed from two sources. These are:

1. Observation
2. Interview

I have taken the interview of my internship supervisor to understand more about the company's work, know reasons for the business failures, impact of COVID, performing and non-performing investment sectors, and future actions of improving the business performance. The interview table is attached below.

Que no	Interview Questions	Answer
1	Why is the amount of investment reduced in 2021?	Due to the COVID situation, and global business conditions, to maintain the cash balance at the bank.
2	What are the prima causes of not making not target profits in non-investment sectors?	COVID, inflation rate, reduction of foreign L.C. and reduction of local L.C.
3	Why the growth is in net profit margin is downsizing per year?	Economic recession, disbursement, default loans
4	What are the main reasons for reducing ROE and ROA every year?	By increasing profit margins, using more leverage, improving asset turnover, and distributing cash effectively.
5	What are your non-performing instruments in the investment sector?	Loan advances
6	Which sector do you think AIBL should minimize investment in?	Purchase car
7	Do the COVID impact still influence business performance?	Yes, it does
8	How can you improve EPS in 2022?	By reducing cost and increasing investment
9	What initiatives have you taken so far to recover non-performing loans?	We have sent warning letters to the debtors. We will sue them if the loan amount is not paid.
10	How can you ensure the financial growth of the branch and improve the overall performance of the bank?	By collecting more deposits and increasing low cost accounts.

Secondary data: Several secondary data are collected to analyze and prepare the report. Most parts of the analysis are covered by secondary data analysis. It helps to determine the profitability, growth and investment opportunity of AIBL. It helps to determine the problems of the bank and prepare recommendations. Major sources of secondary data in this analysis are:

- Annual report of AIBL, 2021
- Annual report of Bangladesh Bank 2020-2021
- AIBL website
- Newspaper
- Books
- Article
- Business magazines

Data collection process:

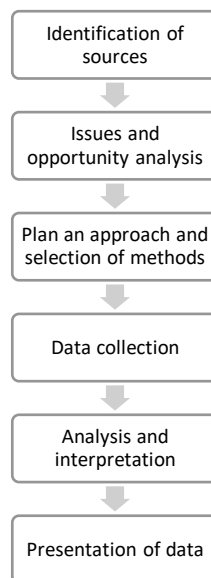


Figure 3: ,Data collection process

3.7: Limitations of the Study

The study does not have any restrictions. However, having the opportunity to work as an intern gave me a tremendous chance to learn about Bangladesh's banking sector, particularly Al-Arafah Islami Bank Limited (AIBL). The following restrictions are appended:

- The absence of sufficient access to information has been the most significant impediment to the study's ability to undertake the essential analysis.
- Data sources are primarily limited to the Dakshin Khan Branch, Dhaka.
- Some questions in the interview section were not answered by the official.
- Personal inability to read and understand financial data.
- All the necessary information is not given by the official as these are confidential.
- Poor skills and lack of cooperation of the employees of the Dakshin Khan Branch created hindrances during data collection. Some data in the investment analysis was missing. I clarified and made categories for data which consumed more time.
- Most of the data in investment analysis were raw data and I had to cut off vague data from there. It consumed more time in analysis and for that, I got less time to prepare the report more effectively.
- My inability to collect and analyze data was also a limitation of the study.
- Internet connection, website and internal data access were some major limitations to prepare the report.
- Due to time limits, some of the topics could not be addressed in this report. Some calculations could have been added to clarify more issues and make effective solutions for AIBL.
- Every organization has its own set of secrets that it keeps hidden from the public. Because the bank officials were extremely busy, they could only give me a limited amount of time throughout the data-collecting procedure, which included questioning the staff; they did not reveal much information for the sake of business secrets.
- I was really perplexed by data verification. Because many bankers were unable to provide exact information about their work, it was necessary for several circumstances to interview more than one person to clarify each issue. But lack of cooperation among the employees did not make this happen.

3.8: Primary Analysis

3.8.1: Observation Analysis:

The section of the analysis is based on my personal observation of the work performed at the Dakshin Khan Branch, Dhaka. During my three months internship program at AIBL, I observed several problems, a lack of human resources and an unstable internet connection. The major problems I have observed at the branch are listed below:

- The performance of the employees at the Dakshin Khan Branch is not at a satisfactory level.
- I found a lack of human resources at the branch. There might have been enough employees to perform regular tasks. I found it lacking in the remittance department.

- The account opening form and the KYC are very complex in nature. And clients were facing trouble opening an account in AIBL.
- AIBL's networking system is weak. Inter-bank and inter-branch networking systems face troubles for that.
- I also found a lack of intent of the employees to support customers to fill in forms and do the legal procedures.
- As the government has declared a new policy to perform banking activities and provide a tough schedule for the banks (9:00 AM to 3:00 PM), customers of the Dakshin Khan Branch also face problems with that. Most of the job holders cannot be present at the bank on time as they have a lot to do at their office. It creates problems and increases the crowd in the first hour of banking.
- The mobile application of the bank should be improved
- The ATM network of the branch is also not at a satisfactory level
- Excellent customer service cannot be provided at the branch due to the poor internet connection
- Lack of internet connections at the branch also created problems to give faster services to all customers.
- Lack of knowledge about using digital devices and utilization of internet services also create hassles and lead to poor performance at the branch. This is one of the major reasons for customer dissatisfaction which should be improved.
- I observed a lack of collaboration among teams. Even I suffered to understand the mechanism of work during my internship.

3.8.2: Interview analysis:

I have done an interview with my internship supervisor from AIBL Dakshin Khan Branch Dhaka and found the following data. Due to COVID, the number of deposits in the bank is reduced. People withdrew money quite often during the pandemic. During the pandemic, many people became jobless and they needed cash money and they withdrew money from the bank. Many of the long-term deposits were broken during the pandemic. During the pandemic, the business situation of AIBL was not up to the mark. Many investments during the pandemic faced losses. Government rules and regulations also created problems for foreign investment. The import and export businesses of AIBL faced huge losses and some effective business investments became non-performing. There are several reasons for which the bank did not make profits in the non-investment sectors in 2021 such as the COVID situation, regulations, health and safety, measures protection, low working hours, and low gathering at the office. Another reason which impacted the business and not allowed the business to make profits in 2021 is the reduction of foreign and local L.C. In the last four years, the profit margin of AIBL went down and the main reasons for that are economic recession, business market reduction, inflation, excess tax and government rules and regulations, the bankruptcy of some borrowers, non-performing investments etc. These impacted the business as a whole and the net profit

margin was downsizing per year for that. The ROE and ROA of the bank have reduced miserably in the last few years. The non-performing assets of the company like land, constructions etc, and the low net profit margin impacted the market share of the bank. Investors always want high productivity and want to invest in the most profitable sectors. The net profit margin was going down and investors did not want to invest in AIBL's shares. The EPS of the bank also went down. These things impacted the bank's performance. AIBL should minimize its investment in cars because it just increases luxury in life. The performance of the bank in 2020 and 2021 was mostly impacted by the COVID. However, in 2022 when the world is recovering its situation, AIBL will take some actions to regain the market share and improve its profitability. Such actions are: reducing business costs, determining non-performing investments, and increasing investments in the most profitable sectors. The increment in the net profit margin would generate more earnings and EPS for the shareholders. To recover the non-performing loans, the bank takes precautionary steps. It provides a letter to the borrowers, gives warning and finally sues in the name of the borrower. To provide loans, the bank takes collaterals and other cautionary actions. It collects the full information of a borrower such as name, address, bank statements, previous performance of taking loans etc. It takes guarantee to provide a large amount of loans. To ensure financial growth and improve the overall performance of the bank, it has taken some actions such as collecting more deposits. To collect more deposits, it provides a large percentage of profit sharing with the depositors. The bank also considers bulk investment to improve revenue, profits, and EPS. It will also aid the bank to improve its image in the financial market and lead to productivity. BY recovering the non-performing loans, investments and assets, the bank can also ensure its financial growth and improve the performance. By providing a low cost account maintenance opportunity, AIBL can increase the number of deposits.

3.9: Secondary Analysis:

The following analysis is done considering the income statement and balance sheet of the Bank. The amount shown in the calculation is figured in Million.

Investment Analysis:

3.9.1: Investment income analysis:

Year	Investment Income	Growth in %
2021	23,446.01	-10.95757593
2020	26,331.28	-8.608913408
2019	28,811.65	15.44604459
2018	24,956.81	21.79382881

Table 1: Investment income analysis

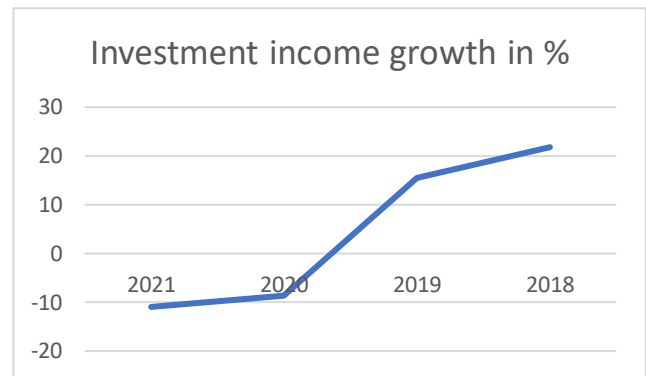


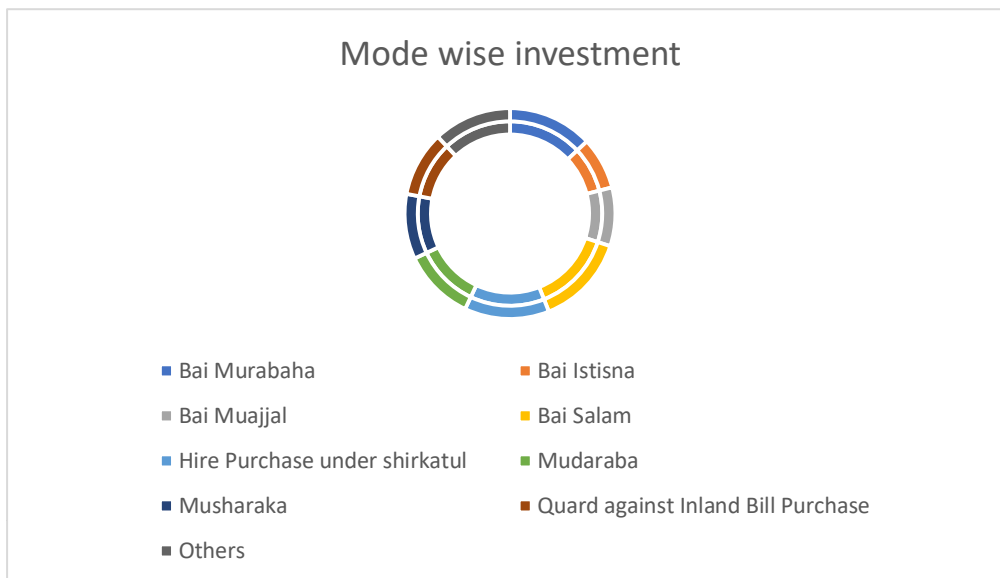
Figure 4: Investment income analysis

The above calculation shows that the income from the investment has been reduced by 10 and 8 per cent in 2021 and 2020 respectively. While the overall investment income in 2018 was 24,956.81 Million TK it was up to 28,811.65 Million TK in 2019 and got 15% growth in 2019. Due to the pandemic in 2020, the income from investment was reduced by 8% and down to 26,331.28 Million TK. According to the Annual Report-2021, AIBL faced a massive loss from investment in 2021 which was reduced by 10% of the total investment income in 2020. The above graph will help you to understand the credibility of the investment of the Bank in 2021.

3.9.2: Mode-wise investment analysis:

Mode of Investment	2021 (Amount in Million BDT)	
	Amount of investment	% of total investment
Bai Murabaha	43795.7936	0.13
Bai Istisna	26951.2576	0.08
Bai Muajjal	30320.1648	0.09
Bai Salam	47164.7008	0.14
Hire Purchase under shirkatul	43795.7936	0.13
Mudaraba	37057.9792	0.11
Musharaka	33689.072	0.1
Quard against Inland Bill Purchase	33689.072	0.1
Others	40426.8864	0.12
Total	336890.72	1

Table 2: Mode-wise investment analysis



By analyzing the above table, it has been found that the Bai Murabaha and the Bai Salam are two investment modes where the bank invested the most. In the last year, AIBL invested 13% and 14% of the total investment in Bai Murabaha and Bai Salam respectively. Mudaraba was another large investment sector which got 11% of the total investment in 2021. A large investment was made in 2021 of 47164.7008 Million BDT on Bai Salam.

3.9.3: Sector-wise investment analysis

Sector of Investment	2021 (Amount in Million BDT)	
	Amount of investment	% of total investment
Agriculture	70747.0512	0.21
Industry	33689.072	0.1
Construction/ Real Estate	47164.7008	0.14
Transportation	53902.5152	0.16
Storage	40426.8864	0.12
Commercial/ SME	43795.7936	0.13
Miscellaneous	47164.7008	0.14
Total	336890.72	1

Table 3: Sector-wise investment analysis

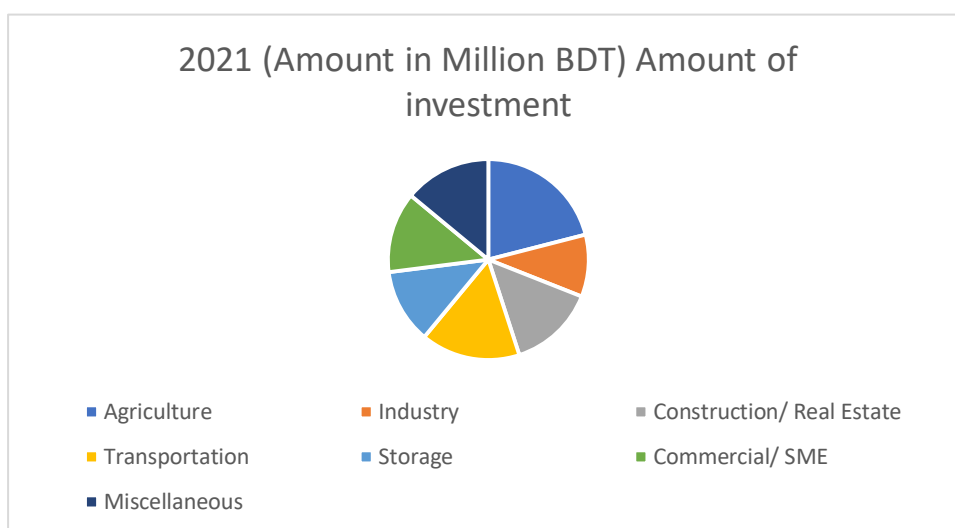


Figure 6: Sector-wise investment analysis

By analyzing the above data, it has been found that AIBL had the largest investment on agriculture, transportation and construction sectors in 2021. The bank had an investment of 21%, 14% and 16% of the total investment in 2021. The investment in the agricultural sector in the last year was 70747.0512 Million BDT. And the lowest investment (33689.072 Million BDT) was in the industrial sector.

3.9.4: Profit paid on deposit Analysis

Year	Profit paid on deposit	Growth in %
2021	13,072.79	-21.042011
2020	16,556.64	-11.006954
2019	18,604.42	14.4421869
2018	16,256.61	37.9525975

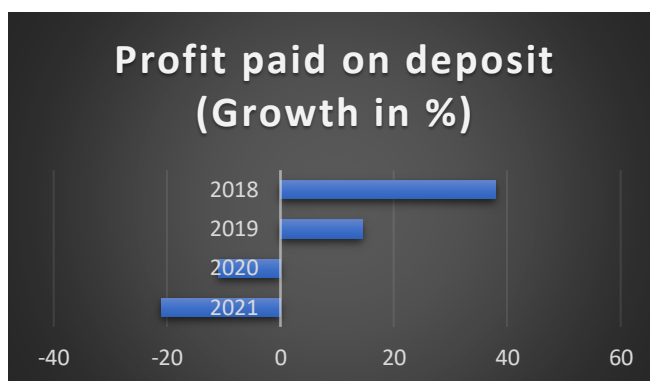


Table 4: Profit paid on deposit Analysis

Figure 7: Profit paid on deposit

From the above calculation, it has been found that the Bank has reduced profit sharing by 21% in 2021. In 2021, AIBL shared 13,072.79 Million BDT profit with the customers/ Depositors and shareholders in the year 2021 whereas the Bank shared 16,556.64 Million BDT in 2020. It was reduced by 11% to the year 2019. During COVID, many of the investors claimed their money and withdrew their money from the Bank. During COVID the business did not get much profit to share with the customers and shareholders. Before the COVID outbreak, the Bank shared 18,604.42 Million TK profit with its investors which were down to 13,072.79 Million TK in 2021. There were some other reasons too such as inflation, the reserve of the central bank and people investing money in their businesses. The investment was also less than the year 2019 in 2021. In the last five years, the Bank shared the maximum profit with the customers in 2019 when the profit of the bank from different sectors was at its peak.

3.9.5: Non-Investment income analysis

Year	Non-Investment income	Growth in %
2021	4,250.17	16.26908788
2020	3,655.46	-9.46386069
2019	4,037.57	7.114679033
2018	3,769.39	5.960318888

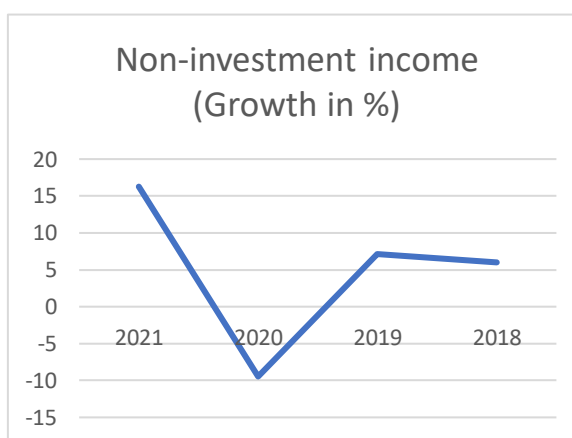


Table 5: Non-Investment income analysis

Figure 8: Non-Investment income analysis

The non-investment income analysis of the Bank shows that it has got a growth of 16.27% in 2021 over 2020. The Bank earned 4250.17 Million TK in 2021 from non-investment sectors.

In 2020, the income from this sector reduced by 9% to 2019 but in 2021 it got more income than it earned in 2019. From the above graph, you can easily understand how the sector has contributed to sharing profits with the depositors. In the analysis of the last four years, I have found that in 2021, the income from the non-investment sector was at its peak. The growth in the non-investment sector is 6, 7, -9, and 16% in 2018, 2019, 2020, and 2021 respectively.

3.9.6: Deposit Growth Analysis:

Year	Deposit in TK (Million)	Growth in %
2021	353287.97	8.362761435
2020	326,023.41	9.682890842
2019	297,241.81	11.65878704
2018	266,205.48	8.741287907

Table 6: Deposit Growth Analysis

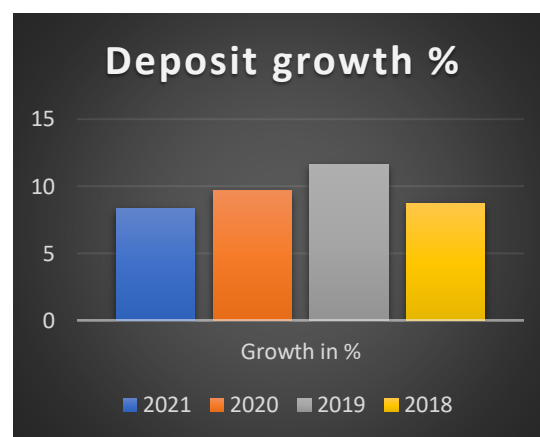


Figure 9: Deposit growth

Deposit is the main source of collecting funds for AIBL. It collects investment from the public, allocates deposits to invest in different sectors and shares profits with the depositors. From the above chart, we have found the growth of the deposits from the public from the year 2018 to 2019. In the chart, we can see that every year the growth in the deposit is because the Bank has done well in the past and gained the trust of the investors. In 2021, the total amount of deposit was 353287.97 Million BDT which was 326,023.41 Million BDT in 2020. It has 8% growth in the year 2021. In 2020, the net deposit also grew by 9.68% and in 2019 the deposit grew by 11% over 2018. In contrast to 2017, the Bank gained 8.74% more deposits 2017. Hence, the chart shows the public acceptance as a reliable sector of investment., The above chart and graph show the investment growth in the last four years where every year AIBL got a massive growth over last year. At the end of 2018, the net deposit of the year was 266205.48 Million BBT which was 353287.97 Million BDT. It has got a 32% growth in investment in the last four years.

3.9.7: Investment Analysis of AIBL

Year	Investment in TK Million)	Growth in %
2021	336890.72	9.160132053
2020	308,620.66	6.979416195
2019	288,486.02	10.16209199
2018	261,874.13	11.00819172

Table 7: Investment growth

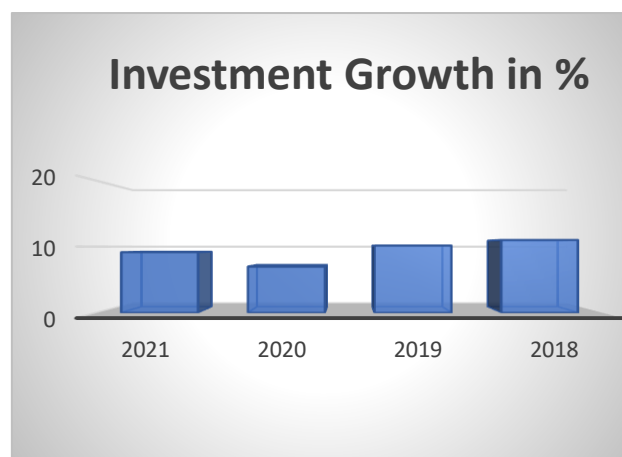


Figure 10: Investment growth

The above chart shows that the net investment of the Bank was 336890.72 Million BDT which was 308,620.66 Million BDT in 2020. In 2021, the Bank got a 9.16% growth over 2020. The above chart shows that the investment of the bank in different sectors rose year by year. It invested 308,620.66 Million BDT in 2020 whereas the net investment in 2019 was 288,486.02 Million BDT which shows a growth of 10% over 2018. At the end of 2018, the net investment was 261,874.13 Million BDT and it achieved a growth of 11% over the year 2017. The chart shows that bank investment was the maximum in the year 2019. But they did not get much profit to distribute to the shareholders and investors. The above graph assists you to understand the growth of the investment sector year by year. The major sectors of investment for the bank are the industrial sector, agricultural sector, business sector, foreign sector, import and export business etc.

3.9.8: Analysis of investment in shares and securities

Year	Investment in shares and securities	Growth in %
2021	30,156.14	39.8469741
2020	21,563.67	33.35174132
2019	16,170.52	32.38605709
2018	12,214.67	20.3950721

Table 8: Analysis of investment in shares and securities

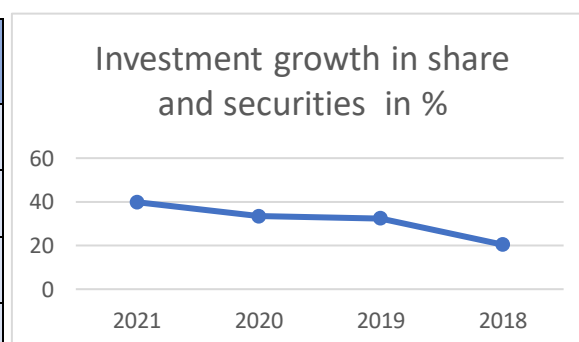


Figure 11: Analysis of investment in shares and securities

The above chart shows that AIBL has invested 30,156.14 Million BDT in 2021 in shares and securities whereas, in 2020, the net investment in shares and securities was 21,563.67 Million BDT which shows a growth of almost 40% over the year 2020. The data shows that every year the investment in shares and securities grows. In 2020 the net investment in shares and

securities was 21,563.67 Million BDT which was 16,170.52 Million BDT in 2019 and it was 33.35% over 2019. In the year 2019, the company invested in shares and securities 32.38% more than in 2018. In 2018, the Bank invested more in shares and securities than in 2018. The above graph will let you understand the growth of investment in this sector. It also shows the profitability of the sector. As the Bank gets much profit from this sector, they intend to invest more than the previous year. This is one of the major investment sectors of the bank.

3.9.9: Import-Export business income analysis:

Year	Import business Income	Growth in %
2021	261,566.10	54.42661394
2020	169,378.90	-
2019	171,611.70	1.802118716
2018	168,573.80	7.577409062

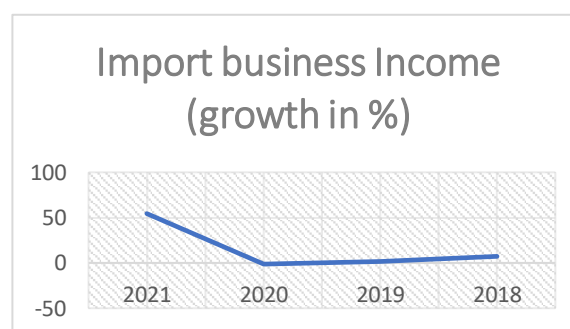


Table 9: Import business income analysis

Figure 12: Import business income analysis

From the above chart, we can find that the income from the import sector has grown every year. This sector is one of the growing sectors of income for the bank. In 2021, the net income from the import businesses was 261,566.10 Million BDT whereas in 2020 the net income from this sector was 169,378.90 Million BDT. It has almost 55% growth in 2021. Due to COVID in 2020, the sector did not get growth in 2020 but in 2021, the demand for imported goods was at its peak in Bangladesh. In 2021, the bank imported so many goods for health and safety and other consumable goods from different parts of the world and had a massive growth in that year. In 2019 the net income from this sector was 171,611.70 whereas, in 2018, the net income was 168,573.80 which shows the bank got a 1.8% growth in 2019 in this sector. In 2018, this sector also grew by 7.57% over 2017.

Year	Export business Income	Growth in %
2021	135,786.90	29.39553685
2020	104,939.40	-3.696253273
2019	108,967.10	-4.817180707
2018	114,481.90	9.510139659

Table 10: Business Income Analysis

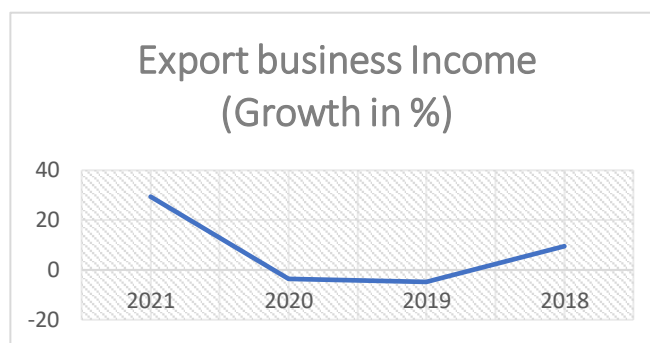


Figure 13: Business Income Analysis

The above graph and chart show the export income of the bank which is another leading investment sector of the bank. In 2021, the bank earned 135,786.90 Million BDT which was 104,939.40 Million BDT in 2020. Hence, the bank got a 29% growth in 2021. Due to the COVID outbreak in Bangladesh in 2020, the bank did not grow its income by 2020 and got a negative margin of 3 per cent from the last year. In 2019, the net income from the export sector, AIBL earned 108,967.10 Million BDT which was 3.70% more than the year 2020.

Profitability Analysis:

3.9.10: Profit before and after-tax analysis:

Year	Profit before tax	Growth in %
2021	4838.56	0.8060635
2020	4,799.87	-3.86724508
2019	4,992.96	20.8682833
2018	4,130.91	-26.24534

Table 11: Profit growth before tax

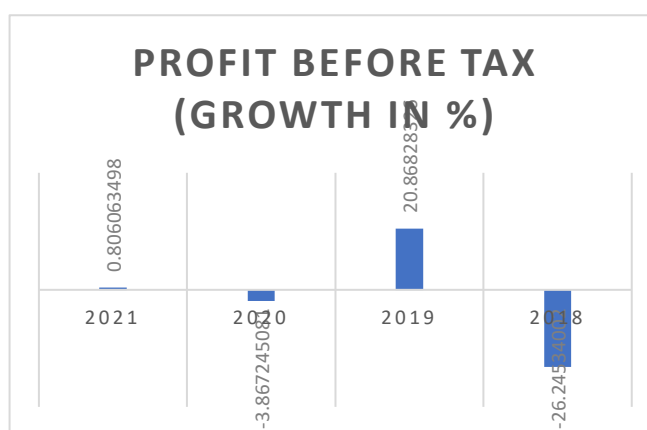


Figure 14: Profit before tax

The above chart shows that AIBL got a 0.80 per cent growth in its profit from 2020 to 2021. The net profit for the company in 2021 was 4838.56 Million BDT whereas in 2020 the company got 4799.87 Million BDT profit. In 2019 the net Profit for the company was 4992.96 Million BDT which was 4% more than the profit gained in 2020. Due to COVID, the IM-EX business

and other investment sectors of the bank did not get much profit. As a result, the company performed worse in 2020 and 2021. After the COVID outbreak, the net earnings of the company were reduced by 11%. In 2019, the bank got a 20% growth in profit over 2018. The attached graph will aid you to understand the growth of profitability including both investment and non-investment sectors.

Year	Profit after tax	Growth in %
2021	2126.44	-17.317376
2020	2,571.81	5.93912581
2019	2,427.63	-1.18731683
2018	2,456.80	-22.4861965

Figure 15: Profit after Tax

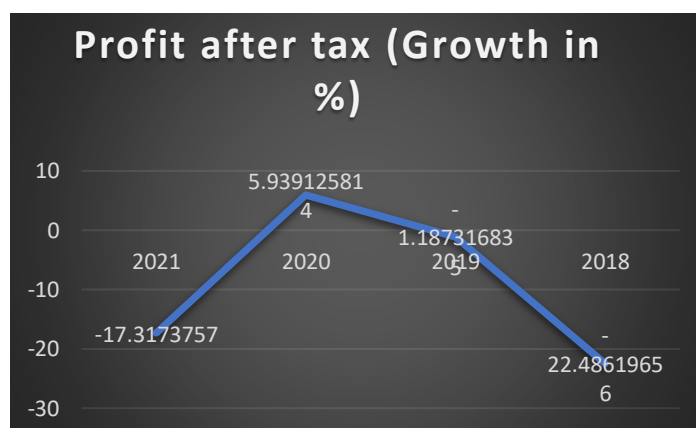


Table 12: Profit growth after tax

The above chart shows that net profit after tax got reduced by 17% in 2021. In 2020, the net profit for the company after tax was 2571.81 Million BDT whereas the company got a profit of 2126.44 Million BDT profit in 2021. In 2020, the net profit growth for the bank was 5.93%. The above graph will assist you to understand the downfall in net profit. In 2020, the profit of the bank was the maximum which was down to 2126.44 Million BDT in 2021. The company faced a tough time due to the COVID and not gaining much profit from the investment sectors. The net profit distribution to the depositors was reduced by 21% in 2021.

3.9.11: Profitability analysis of the different mode of investment

Mode of Investment	2021 (Amount in Million BDT)	
	Amount of profit	% of total profit
Bai Murabaha	212.644	0.1
Bai Istisna	191.3796	0.09
Bai Muajjal	191.3796	0.09
Bai Salam	233.9084	0.11
Hire Purchase under shirkatul	276.4372	0.13
Mudaraba	318.966	0.15
Musharaka	255.1728	0.12

Quard against Inland Bill Purchase	191.3796	0.09
Others	255.1728	0.12
Total	2126.44	1

Table 13: Profitability analysis of the different mode of investment

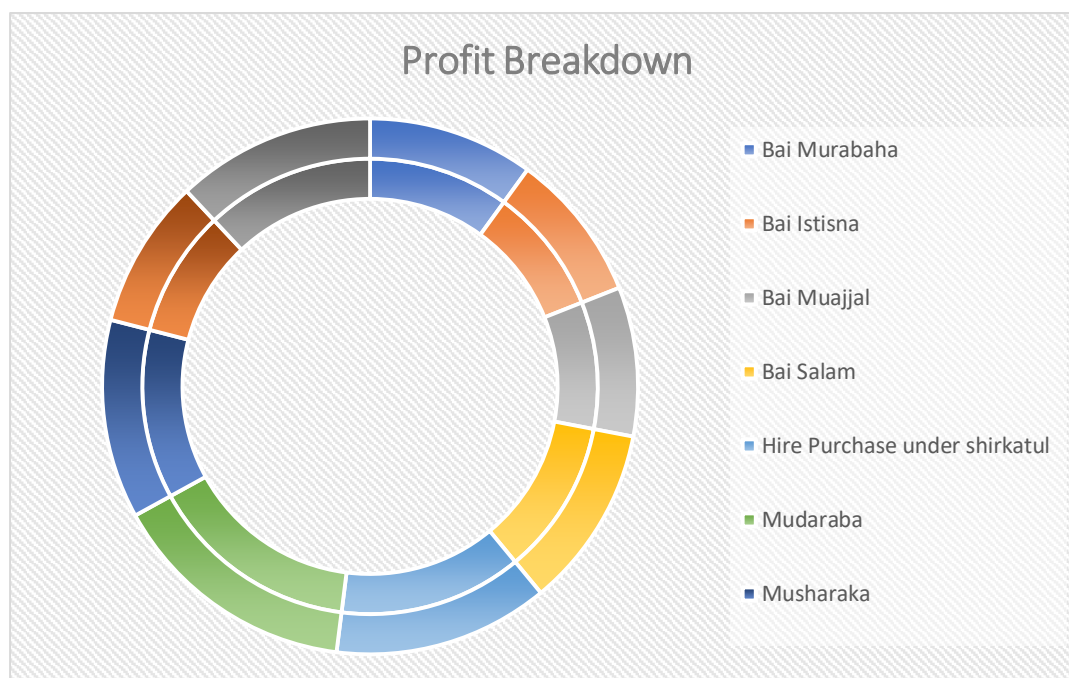


Figure 16: Mode-wise profit analysis

By analyzing the above chart, it has been found that Mudaraba was the most profitable investment in 2021. Another profitable mode of investment in the last year was Hire Purchase under shirkatul melk which got 10% of the net profit. Musharaka, Bai Istisna and Bai Muajjal were also the profitable sectors in 2021. The Mudaraba investment mode earned a profit of 318.966 Million BDT last year. A pie chart is also attached which would aid you to understand the breakdown of profits according to the mode of investment last year.

3.9.12: Sector-wise profit analysis:

Sector of Investment	2021 (Amount in Million BDT)	
	Amount of profit	% on total profit
Agriculture	361.4948	0.17
Industry	255.1728	0.12
Construction/ Real Estate	276.4372	0.13
Transportation	318.966	0.15
Storage	233.9084	0.11
Commercial/ SME	361.4948	0.17
Miscellaneous	318.966	0.15
Total	2126.44	1

Table 14: Sector-wise profit analysis

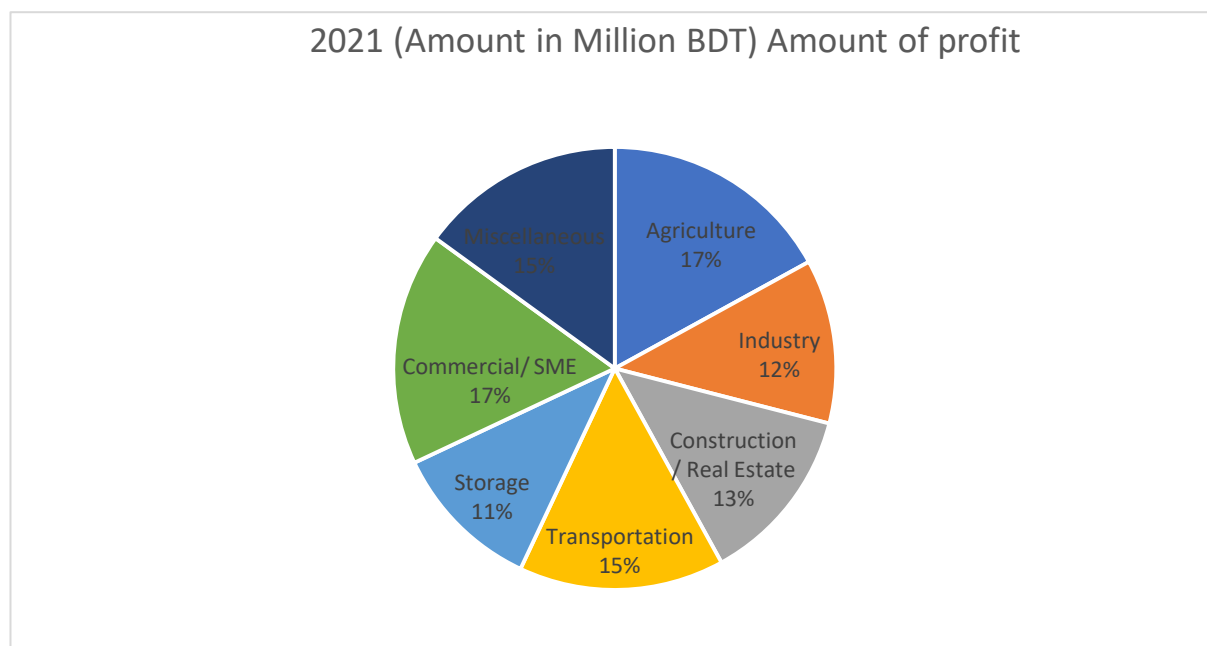


Figure 17: Sector-wise profit analysis in 2021

The above analysis shows that the agricultural, commercial, and transportation were two most profitable sectors of the last year. The sectors contributed 17%, 17% and 15% profits of the net profit in the last year. Both agricultural and commercial sites contributed 361.4948 Million

BDT in 2021. The lowest profit was generated from the storage last year which contributed 11% of the net profit.

3.9.13: Equity and capital ratio analysis:

Equity capital ratio (Tier I)

Year	Equity Capital Ratio (Tier I)	Growth in %
2021	10.37	8.13347237
2020	9.59	-6.1643836
2019	10.22	0.98814229
2018	10.12	-2.6923077

Table 15: Growth in Equity capital ratio (Tier I)

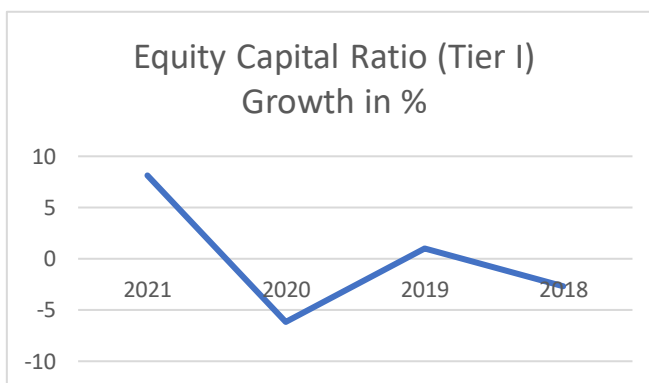


Figure 18: Equity capital ratio (Tier I)

The above equity ratio denotes the Bank's total assets (current and noncurrent assets) and equity to indicate how leveraged the company is. From the above chart, we have found that the equity capital ratio was 10.37% which was 9.59% in 2020. It shows the liquidity of the company which grew in 2021. In 2021, the equity in total capital was 10.37% which denotes that it has grown by 8.13%. In 2021, the growth of the bank in equity capital moved to 9.59 which was 10.22 per cent in 2019. The ratio was reduced by 6% in the year 2020 due to the COVID and other sectors' losses and not gaining expected profits. At the end of 2018, the equity capital was 10.12% which was 9% less than the equity capital ratio in 2021. The upward sloping curve will aid you to understand the growth of equity capital in the total capital of the Bank.

Equity capital ratio (Tier II)

Year	Equity Capital Ratio (Tier II)	Growth in %
2021	5.08	-17.263844
2020	6.14	40.8256881
2019	4.36	-4.3859649
2018	4.56	71.4285714

Table 16: Growth in Equity capital ratio (Tier II)

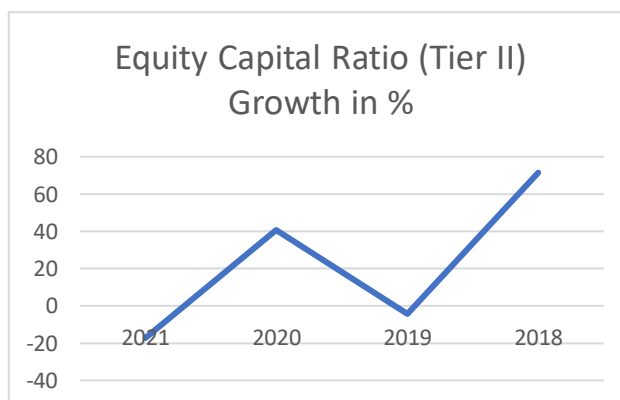


Figure 19: Equity capital ratio (Tier II)

In Tier II, the equity capital ratio in 2021 was 5.08 whereas in 2020 it was 6.14. The above chart shows that the bank's equity capital ratio was reduced by 17% in 2021. The graph also shows the downfall of the equity capital ratio in Tier II. From the above chart, it has been seen that the Bank got 41% growth in its equity capital ratio over 2020 which was 4.36 in 2019. In 2021, the company faced a tough time due to import-export businesses and government rules and regulations for tax and foreign business. The government regulations in Bangladesh and other countries impacted AIBL's net profitability which created a negative impact on its equity/shares. In comparison to 2018, the bank got a 4% reduction in equity capital in 2019 in Tier II. In 2018, the Bank got a massive growth of 71% in equity capital ratio. The above graph will help you understand the growth of equity in tier II.

Total capital Ratio analysis:

Year	Total Capital Ratio	Growth in %
2021	15.46	-1.7789072
2020	15.74	7.95610425
2019	14.58	-0.6811989
2018	14.68	12.4042879

Table 17: Total capital Ratio Growth

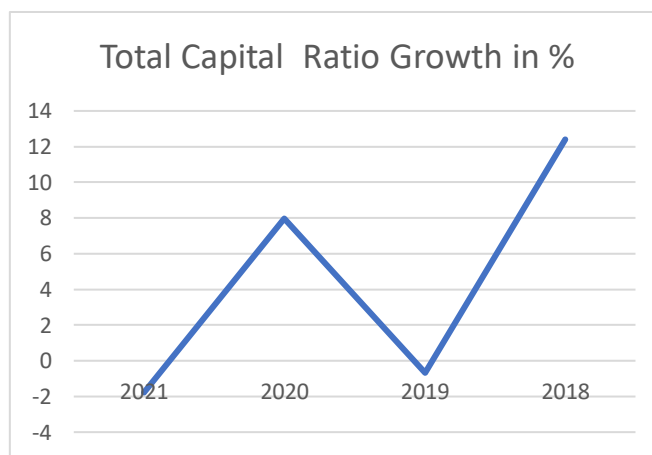


Figure 20: Total capital Ratio

In 2021, the total capital ratio of the Bank was 15.46 which was 15.74 in the year 2020. The above chart shows that the Bank got a reduction of 1.77% in its total capital ratio in contrast to the year 2020. In 2020, the total capital ratio of the company was 15.74 whereas the company had a total capital ratio of 14.58% in 2019 and the company got an 8% growth in its capital in 2020 over 2019. The attached graph shows the downfall of capital growth.

3.9.14: Earning per share analysis

Year	Earnings per share	Growth in %
2021	1.96	-18.67219917
2020	2.41	5.701754386
2019	2.28	-2.978723404
2018	2.35	-25.3968254

Table 18: Growth in earnings per share

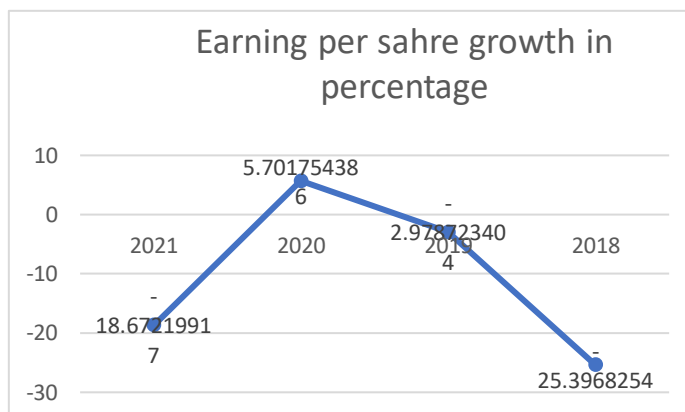


Figure 21: Growth in earnings per share

The EPS stands for earnings per share which states the financial position of a company's share in the market. It denotes the shareholders' income per share they hold. The chart shows that the net EPS in 2021 was 1.96 BDT which was 2.41 in 2020. In 2021, the net earnings per share were reduced by 18% over the earnings of 2020. The net earnings per share aid investors to understand the creditworthiness of the company and the credibility of investing money. It directly impacts the company profile, and image in the market and ensures funding opportunities. As the bank got a reduction in its investment and non-investment income which impacted the profit also, it reduced the profit sharing to the shareholders. As a result, the company's depositors decreased and the company gave less to the shareholders. The EPS of the company in 2019 was 2.28 per share which moved to 1.96 in 2021. It states that the EPS of shareholders got reduced by 23% in these two years. The investors who invested for a long time faced losses due to the non-performing assets and losses in shares and securities of the company. The attached chart will help you to understand the growth and downfall of the company's EPS for the shareholders in the financial market.

3.9.15: Share price analysis:

Year	Book value per share (in TK)	Growth in %
2021	22.73	1.700223714
2020	22.35	5.773781354
2019	21.13	1.586538462
2018	20.8	-0.383141762

Table 19: Book value of AIBL's shares

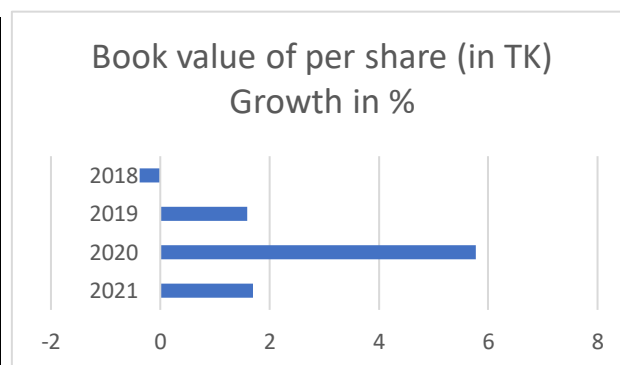


Figure 22: Book value of AIBL's shares

The book value of shares of the company was 22.73 BDT in 2021 which was 22.35 BDT in 2020. It got growth by 1.7% in 2021 over the year 2020. In 2019 the book value of the share of AIBL was 21.13 BDT whereas the book value was 20.8 BDT in 2018. The chart shows the price increase of the shares when the company sold new shares to the market. The company got a 1.7% growth in 2021, 5.77% growth in 2020, 1.58% growth in 2019 and 0.38% growth in 2018. By analyzing the chart, we can say that every year the company's share price increased as it gave profits to the shareholders. In 2021, the book value of the company was at its peak and in 2020 the company got the maximum growth in book value per share. The attached graph expresses the growth in the Book value of shares in the last four years which will help you to understand the Bank's performance in the market.

Year	Market value per share (in TK)	Growth in %
2021	26.6	19.81981982
2020	22.2	29.06976744
2019	17.2	-13.5678392
2018	19.9	-17.42738589

Table 20: Growth in Market value of AIBL's shares

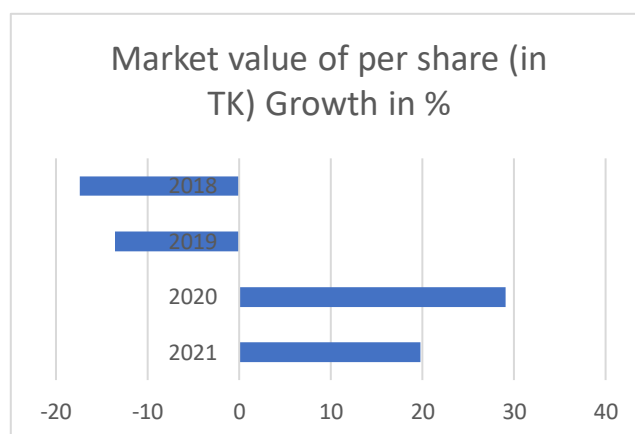


Figure 23: Market value of AIBL's shares

The market value of the AIBL share was 26.6 BDT in 2021 whereas the share price in the Market in 2020 was 22.2 BDT. It shows the performance of the company and the creditworthiness of the Bank. As the market value of the share increased every year, the company gained massive market acceptance and it got more deposits. As deposits are the main source of funding for the Bank, AIBL got the opportunity to invest in different sectors to get profits. In 2018 the market value of shares was 19.9 TK and in 2019 the market value of shares moved to 17.2 TK where we can see the downfall in the share price. But in 2020, the market price of the company's share was the maximum and it got a 29% growth in the share price. The market price of the company's share states the performance of the bank and attracts more depositors. In the last two years, the market price of the company's shares increased by 22.2% and 26.6% which aided the Bank to get more funding. The attached graph expresses the growth in market share price in the last four years which will help you to understand the Bank's performance in the share market.

3.9.16: The cost-income ratio in operating business:

Year	Cost /Income ratio in operating the business (in %)	Growth in %
2021	48.75	-2.88844622
2020	50.2	12.00356983
2019	44.82	-9.28961749
2018	49.41	14.16358595

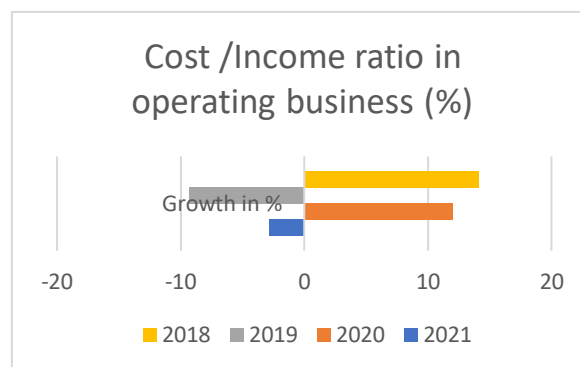


Table 21: The cost-income ratio of AIBL in operating business Figure 24: The cost-income ratio of AIBL in operating business

The above chart shows that the cost-income ratio in 2021 was 48.75 which was 50.2 in 2020. It states the relation between cost and income of the Bank. The above calculation shows that the CIR of the Bank reduced by 2% in 2021. It shows the improvement in Bank's performance in the year 2021. In 2020, due to COVID, lower business income and other difficulties, the CIR was the maximum. But in 2021, the cost was reduced by 2% and downed to 48.75%. At the end of 2018, the CIR was 43.41% which was 44.82% in the year 2019. Hence, in 2019, the Bank's CIR was the lowest. By analyzing the CIR of the bank, it can be said that 2019 was the best performing year for the bank where operating cost and income on cost were the maximum. A graph is also attached with the calculation chart to make you better understand the bank's performance in the last four years.

3.9.17: Analysis of Return on Equity:

Year	Return on Equity (in %)	Growth in %
2021	8.21	-18.7128713
2020	10.1	0.497512438
2019	10.05	-3.91969407
2018	10.46	-25.6574271

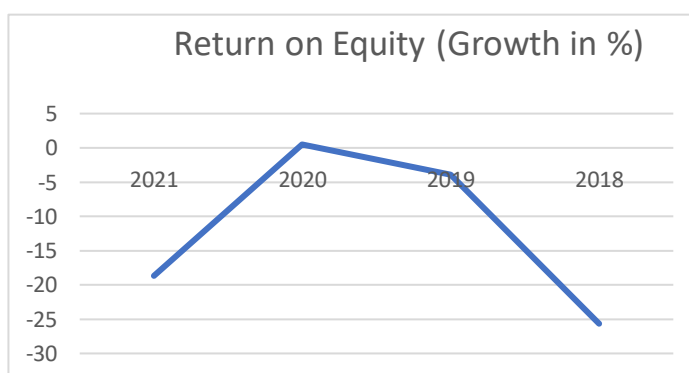


Table 22: Return on Equity analysis

Figure 25: Return on Equity analysis

The above calculation shows that the ROE of the bank was 8.21% in 2021 whereas the ROE was 10.1% in 2020. The return on equity decreased by 19% in 2021. This calculation shows the financial performance of the bank in the last four years. The ROE of the Bank was 10.1%

in 2021 whereas the ROE was 10.05% in 2019. At the end of 2018, the ROE of the bank was 10.46. The net income was divided by shareholder's equity to find the return of equity. From the above calculation, we have found that the return on equity was continuously decreasing per year. The attached graph will help you to understand the growth and downfall of the ROE of AIBL in the last four years.

3.9.18: Analysis of Return on Assets:

Year	Return on Assets (in %)	Growth in %
2021	0.46	24.5901639
2020	0.61	-4.6875
2019	0.64	12.3287671
2018	0.73	26.2626263

Table 23: : Return on Asset growth analysis

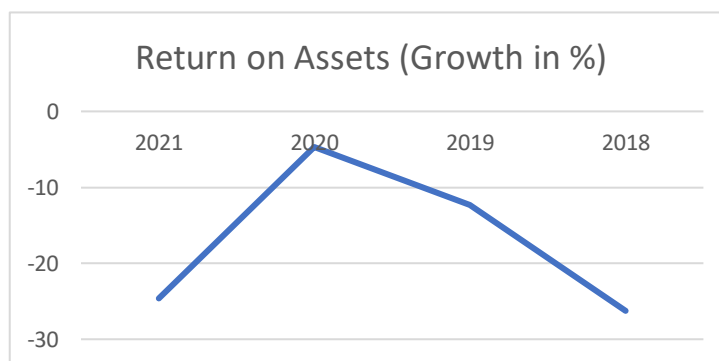


Figure 26: Return on Asset analysis

The above chart shows that the ROA of the bank was 0.46 in 2021, whereas the ROA of AIBL was 0.61 in 2020. The above calculation shows the net return on assets invested in the business. The above calculation shows the growth ratio of RAO every year. From the chart, we have analyzed that every year the return on invested assets decreased by a huge margin. In 2021, the ROA decreased by 24% whereas in 2020 it decreased by 4%. In 2019, the ROA of the bank was 0.64 and at the end of 2018, the ROA was 0.73. In comparison to 2018, in 2021 the ROA decreased by 60%. 2018 was the year when the ROA of the bank was at its peak. The enclosed graph will help you to understand the growth and downfall of the return on assets.

3.9.19: Cash dividend analysis of AIBL

Year	Cash dividend analysis in %	Growth in %
2021	15	0
2020	15	0
2019	15	0
2018	15	0

Table 24: Cash dividend analysis

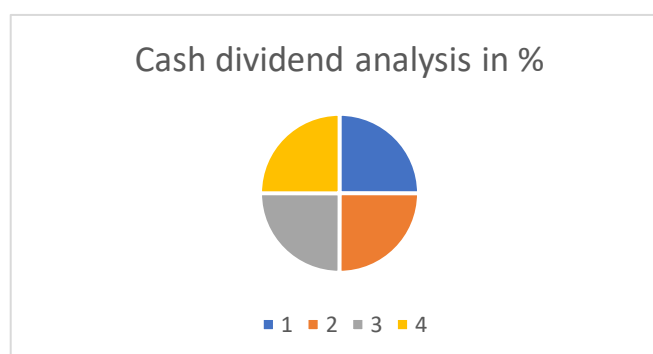


Figure 27: Cash dividend analysis

The above chart shows that every year the cash dividend given to the shareholders was 15%. There was no such growth in the cash dividend payout ratio. A graph is also attached to make you better understand the cash dividend payout.

3.9.20: Price earnings ratio of AIBL

Year	Price Earnings Ratio (Times)	Growth in %
2021	13.57	47.1800434
2020	9.22	21.957672
2019	7.56	-10.849057
2018	8.48	10.9947644

Table 25: Price earnings ratio

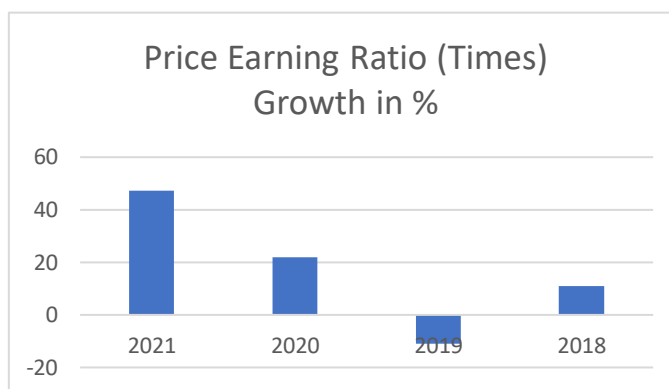


Figure 28: Price earnings ratio

The above chart shows that the price-earnings ratio of the bank was 13.57 times in 2021 whereas the price-earnings ratio of the bank was 9.22 in 2020. In 2021, the price-earnings ratio is at its peak in comparison to the last four years' earnings. From the above chart, we can see that the price-earnings ratio grew by 47% in 2021. In comparison to 2019, the price-earnings ratio grew by 22% in 2020. In contrast to 2018, in the year 2019, it was down to 11%. The price-earnings ratio of each year was 13.57, 9.22, 7.56, and 8.48 in 2021, 2021, 2019, and 2018 respectively. From the above calculation, we have found that the price-earnings ratio was at its peak in 2021 and was its lowest in 2019. This shows the share price to earnings per share and expresses the overvaluation of the bank's shares in the last four years. The above calculation is shown in times and a graph is attached to aid you to better understand the growth and downfall in the price-earnings ratio of the bank.

3.9.21: Price equity ratio analysis

Year	Price Equity Ratio (Times)	Growth in %
2021	1.17	18.1818182
2020	0.99	22.2222222
2019	0.81	-15.625
2018	0.96	-16.521739

Table 26: Price equity ratio Growth

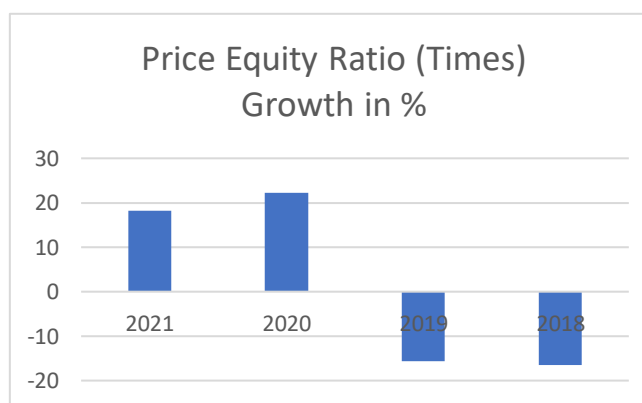


Figure 29: Price equity ratio

The above calculation shows that the price equity ratio was 1.17 times in 2021 which was 0.99 in 2020. It shows an 18% growth in the price-equity ratio. This growth in the price equity ratio impacted negatively the bank's image in the market. It was also a reason for decreasing share price in the market in 2021. Generally, the P/E ratio varies from 20-25 in the market. The above statement shows that 2021 was the year when the price equity share was the maximum. The high price equity ratio is considered as bad and termed as the non-performing activities of the bank. Which also indicates the poor financial performance of the bank in the share market. From the above chart, we have found that 2019 was the year when AIBL's share was performing well in the market. A graph is attached to the chart so that you can figure out the changes in the price equity ratio and easily understand the financial performance of the bank.

3.9.22: Net Profit Margin analysis of AIBL

Year	Net Profit Margin in %	Growth in %
2021	3.26	-5.50724638
2020	3.45	-7.50670241
2019	3.73	9.064327485
2018	3.42	-11.627907

Table 27: Net Profit Margin growth

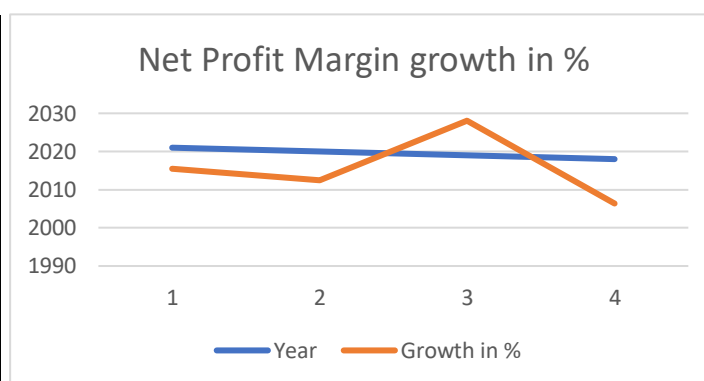


Figure 30: Net Profit Margin growth

The above analysis shows that the net profit margin of the company was 3.26% in 2021 which was 3.45 in 2020. In comparison to the net profit margin in 2021, 2021 the bank's net profit margin was reduced by 5.51%. The net profit margin of the company was 3.26%, 3.45%, 3.73%, and 3.42% in 2021, 2020, 2019, and 2018 respectively. From the above calculation, it has been found that every year the net profit margin of the company was reduced by 5-10%. The above chart shows the net income from the revenue received by the bank. It allows investors to understand the bank's profitability and support them to deposit money in several schemes of AIBL. In 2019, the net profit margin was at its peak and in the year 2021, the bank performed the lowest in the last four years. The attached graph shows the growth in the net profit margin of the bank and it will aid you to understand the growth and downfall better.

3.10: Key Findings

AIBL is the most popular bank among Islamic Banks in Bangladesh. It focuses on the modern Islamic banking system and it ensures the leading position in the industry by mobilizing its deposits and through effective investment. By analyzing primary and secondary data, the key findings from the study are listed below.

- I found a lack of quality human resources at Dakshin Khan Branch, Dhaka. As a result, the disbursement from the investment department took more time.
- AIBL has a lack of mode-wise investment across branches. Most of the branches of AIBL are not allowed to invest under Mudaraba and Musharaka modes.
- AIBL invested heavily in the Bai-Muajjal mode of investment.
- The investment of AIBL has decreased over the years. After the COVID every year there is a reduction in the total investment of the bank.
- The deposits of AIBL have decreased over the years. After the COVID every year they have got a reduction in the total deposits of the bank.
- The recovery rate of disbursement has fluctuated every year.
- In 2020-2021, AIBL had a lack of investment in Quard, Mudaraba, and Musharaka modes of investment.
- The power structure, internet and data access are the worst at the Dakshin Khan Branch.
- The distribution of investment, and sharing profit & loss strategies were weak.
- AIBL mainly focused on industrial investment in the last four years.
- AIBL had a small contribution to the development activities of the country. THE CSR of the company did not perform well in the last few years.
- AIBL had a lack of investment in all 10 divisions of Bangladesh. They mainly preferred Dhaka to make huge investments.
- The investment income in the last two years has decreased by a huge number.
- The net profit margin also decreased.
- AIBL does not encourage women's investment.
- The investment policy of AIBL is not effective for all sectors.
- AIBL could not implement the investment policy of the bank well in sector wise investment.

3.11: Conclusion

From the above analysis, it has been found that the overall performance of the bank in the last four years has decreased simultaneously. In the study, I have found that every year the investment income of the Bank has reduced. The deposits of the Bank were reduced by a huge margin as well as the profitability. To analyze the performance of AIBL, several investment policies, modes of investment and sectors of investment were analyzed. Several published resources were considered to take secondary data such as books, articles, annual reports of the bank etc., and I conducted an interview to get primary data. I also used my personal observation to measure the performance of the Dakshin Khan Branch and I have recommended effective solutions to meet the problems AIBL is facing continuously in its business operations. Islamic banking is one of the growing sectors in Bangladesh which has a huge contribution in the economic development of the country. As it is an interest-free business, Muslims most often prefer depositing money in an Islamic Bank like AIBL. Islamic banks in Bangladesh need proper guidelines to perform better and provide more profits to the customers. AIBL needs to decentralize the power in the bank to ensure faster services. The network should be improved to ensure quality services at the bank. AIBL should engage quality human resources and they should ensure that they have the right number and kind of people in their business operations. Overall, AIBL should diversify its investment to mitigate risks and ensure more profits from investments.

Chapter 4: Conclusion and Recommendations

Conclusion:

AIBL is one of the high-performing Islamic banks in Bangladesh. In the above report, I have analyzed several investment ratios, and profitability ratios to understand the worthiest sector to invest in the bank and the credibility of depositing money in the bank. To analyze the bank's performance, I have taken data from two major sources such as primary and secondary data sources. In the primary analysis, the data I collected from the interview and my personal observation were analyzed. Several books, business magazines and the bank's annual report were analyzed to check the profitability of the bank. By analyzing these data, I have found that in the last two years the performance of AIBL was diminishing for several reasons such as non-performing loans, decreasing non-investment income, COVID impact and others. An enhanced recommendation is provided in this section to recover the losses and improve the EPS of the company. By following the recommendations, the organizational structure, power culture, business procedures, network and other issues would be solved.

Recommendations:

AIBL is one of the best-performing Islamic banks in Bangladesh. Although the performance of the bank has diminished in the last two years due to COVID-19, business losses, government restrictions, and tax laws of the country. In my three months of internship, I observed several issues at Dakshin Khan Branch, Dhaka and I found some growth issues in my analysis. I have made some recommendations by which AIBL can improve its profitability and invest in the most profitable sectors. The recommendations are listed below.

- They should identify and invest in the most profitable sectors such as agriculture, commercial and transportation sectors.
- AIBL should not invest a large amount of money in non-performing sectors. They should take corrective actions to recover non-performing loans.
- I found there was a lack of quality human resources. To get the maximum return, they should engage effective people at work.
- They must introduce Mudaraba and Musharaka modes of investment in all branches. Diversification will help them collect most deposits.
- AIBL should understand and follow the current trend of doing business in the banking industry.
- They should focus on recovering disbursement on a quarterly basis.
- AIBL should change its investment policies and strategies
- They should change the organizational structure and power culture
- The employees of AIBL should be more cooperative. It will help them provide excellent services to customers. If they can raise customer satisfaction, they will get more deposits.

- The KYC form and other account opening forms should be easy to understand
- Infrastructure quality of AIBL should be improved
- I found network issues at Dakshin Khan Branch, Dhaka. Their inter-banking system should be more enhanced
- They should introduce new schemes to attract new customers

References

- AIBL. (2022, October). Retrieved from al arafah islami bank: <https://www.aibl.com.bd/>
- BB. (2022). Retrieved from Bangladesh Bank: <https://www.bb.org.bd/en/index.php>
- Haque, M. M., & Hossain, M. P. (n.d.). *Financial Performance Analysis of Selected Banks in Bangladesh: A Study on Islamic and Conventional Banks*.
- Hossain, M. P., & Haque, M. M. (2019). Financial Performance Analysis of Selected Banks in Bangladesh. *Financial Performance Analysis of Selected Banks in Bangladesh: A Study on Islamic and Conventional Banks*.
- Rasul, I., Mutiatur, R., Shahida, S. (2021) Sustainable Banking: Analyzing Pattern of Green Banking in Bangladesh., *European Journal of Business and Management*
- Rahman, A. (2021). Banking Access for the Poor: Adoption and Strategies in Rural Areas of Bangladesh. *Asian Journal of Law and Economics*.
- Akhter, A.(2021). Exploring customer intentions to adopt mobile banking services: Evidence from a developing country. *Banks and Bank Systems*, (2021), 15(2)
- Rezina, N., Chowdhury, Shaimon, R. (2018). Non-Performing Loan in Bangladesh: A Comparative Study on the Islamic Banks and Conventional Banks. *Journal of Finance and Banking*, 44(6).
- Azam, M. S., Morsalin, M., Rakib, M. R. H. K., & Pramanik, S. A. K. (2021). Adoption of electronic commerce by individuals in Bangladesh. *Information Development*.
- Kronborg D., Mahbub T., et al. (2020) The efficiency patterns of Islamic banks during the global financial crisis: The case of Bangladesh, *Quarterly Review of Economics and Finance*., V-74
- Choudhury, R. N. Nawaz, A. (2021). Investment Related Risk Management Practice by Islamic Banks in Bangladesh: implications for South Asia. *Journal of Economic Studies*, 48(1).
- Alam M.,Siddiquii M.,et al.(2020), The influences of board of directors and management in Shariah governance guidelines of the Islamic banks in Bangladesh, *Journal of Islamic Accounting and Business Research*. Volume 11
- Catapano, R., Shennib, F., & Levav, J. (2022). Preference Reversals Between Digital and Physical Goods. *Journal of Marketing Research*, 59(2).

Chowdhury, Hossain, M. N., Arifuzzaman, S. M. (2020) Examining Awareness Regarding Islamic Banking among Business Graduates in Bangladesh

Bhuia, Romel, M., Azizul, B. (2021). Evaluation of online bank efficiency in Bangladesh: A data envelopment analysis (DEA) approachA review. In *Journal of Cleaner Production* (Vol. 280).

Appendix A

Interview questionnaire:

1. Why is the amount of investment reduced in 2021?
2. What are the prima causes of not making not target profits in non-investment sectors?
3. Why the growth is in net profit margin is downsizing per year?
4. What are the main reasons for reducing ROE and ROA every year?
5. What are your non-performing instruments in the investment sector?
6. Which sector do you think AIBL should minimize investment in?
7. Do the COVID impacts still influence business performance?
8. How can you improve EPS in 2022?
9. What initiatives have you taken so far to recover non-performing loans?
10. How can you ensure the financial growth of the branch and improve the overall performance of the bank?