

Internship Report

On

General Banking Activities of Al-Arafah Islami Bank Limited.



AL-ARAFAH ISLAMI BANK LIMITED

GULSHAN BRANCH

SUBMITTED BY:

Mashfer Ahmed Roushan
ID: 09104126
BRAC Business School
BRAC University, Dhaka

SUBMITTED TO:

Ms. Mahtab Faruqui
Lecturer
BRAC Business School
BRAC University, Dhaka.

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INTERNSHIP REPORT
ON
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Prepared By

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BRAC UNIVERSITY

Letter of Transmittal

September 16, 2013

MS. MAHTAB FARUQUI
Lecturer
BRAC University
Mohakhali, Dhaka.

Subject: Submission of Internship Report on “General Banking Activities of Al-Arafah Islami Bank Ltd.”

Dear Madam,

With due respect, I would like to submit an exclusive **Internship Report** on **General Banking Activities of Al-Arafah Islami Bank Ltd.** as a part of my BBA program. The report deals with whole activities of General Banking in this Bank. I tried my level best to make the report meaningful and informative.

As the time was limited, the report could not be done more comprehensively and analytical. However, I expect that you would enjoy the report.

Sincerely Yours,

.....

Mashfer Ahmed Roushan
ID: 09104126
Subject: Finance (Major)
BRAC Business School
BRAC University, Dhaka.

Acknowledgement

Education involves not only reading books and doing exercise but also acquiring knowledge through doing something practically. This report has been designed only for considering that objective. In this period of time, I enjoyed warm co-operation from every person in the bank location.

At first, I must show my gratitude to almighty Allah for giving me energy and capability to preparing this report. Then I would like to express my gratitude to the Placement Committee for arranging for me such a program of educational value. I hope, it will help me to move one step further to face the challenges. I must convey my sincere gratitude to my respected supervisor for providing me valuable guidance and suggestion in preparing this report. He gave me the courage and liberty for choosing the topic, which gave me momentum to work spontaneously.

I wish to heartily thank all other employees of AIBL those were frankly, dynamic and helped me seriously and given me their valuable time. They were always very polite to answer my questions and help me understand even in time of work rush. At last, my sincere apology goes to the reader's for my conceptual and printing mistake, if there is any.

Mashfer Ahmed Roushan
ID: 09104126
Major: Finance
BRAC Business School.

Executive Summary

Bank provides means and mechanisms of transferring commend over resources those who have an excess of income over expenditure to those who can make use of the same for adding to the volume of productive capital. The bank provides them with the safety, liquidity and profitability of savings.

Al-Arafah Islami Bank Limited is scheduled commercial bank registered by the Bangladesh Bank. The functions of the bank cover a wide range of banking and functional activities to individuals, firms, corporate bodies and other multinational agencies.

The main objective of the study is to give an overview of AIBL and identify the strength, weakness and critical risk factor of this bank.

Data collected for the study in two different modes namely primary and secondary. Face to face conversation with the respective officer of the branch was the main mode to collect primary data and for secondary data various publications and related body are observed.

The main limitation of the study was short time limit and authenticated data insufficiency.

Officer of the bank are capable. Even though many of them simply know the working procedure of what they are doing but don't know the philosophy behind doing those.

The synergy of dedicated manpower, technology, and market opportunity can lead the organization to achieve the goal; a bank must establish and hold fast to adequate policies, practices and procedures for evaluating the quality of asset and the adequacy of loan provision.

Acronyms

AIBL	:	Al- Arafah Islami Bank Limited
MD	:	Managing Director
DMD	:	Deputy Managing Director
EVP	:	Executive Vice President
SVP	:	Senior Vice President
VP	:	Vice President
AVP	:	Assistant Vice President
FAVP	:	First Assistant Vice President
BB	:	Bangladesh Bank
BCD	:	Bearer Certificate of Deposit
OB	:	On line Banking
BBLC	:	Back to Back Letter of Credit
BL	:	Bill of Lading
AWCD	:	Al Wadiah Current Deposit A/C
MTDR	:	Mudaraba Term Deposit
ITD	:	Installment Term Deposit
SND	:	Short Notice Deposit
MSD	:	Mudaraba Savings Deposit
STD	:	Short Term Deposit
PTD	:	Profit Term Deposit
IBC	:	In ward Bills for Collection
OBC	:	Out ward Bills for Collection
LC	:	Letter of Credit
CC	:	Cash Credit
DD	:	Demand Draft
OD	:	Over Draft
TT	:	Telegraphic Transfer
PO	:	Pay Order
PAD	:	Payment Against Document
LTR	:	Loan against Trust Receipt
LIM	:	Loan against Imported Merchandise
SOD	:	Secured Over Draft

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Chapter-One

Introduction



1.1 Origin of the Report

Practical Orientation and evaluation of banks performance is a part of the BBA program provided by BRAC University. This report is the requirement of that Practical Orientation. Bank is service-oriented organization. So the practical orientation has been made as an integral part of the BBA degree requirement.

AIBL pursues decentralized management policies and gives adequate work freedom to the employees. This results in less pressure for the workers and acts as a motivational tool for them.

1.2 Rationale of the Study

With the rapid growing competition among nationalized, foreign and private commercial banks as to how the banks operates its banking operation and how customer service can be made more attractive, the expectation of the customer has immensely increased. Reciprocating the sentiment, commercial/ private banks are trying to elevate their traditional banking service to a better standard, to meet the challenging needs, demands.

Side by side these banks have now concentrated their attention towards diversification of their products for better performances and existence. For the above circumstances, it has become necessary for Al-Arafah Islami Bank Limited, one of the leading commercial banks, to focus its attention towards the improvement of the customer service. That's why it is quite justified to make an in depth study about its operation and evaluate the service provided by this bank and scope for its improvement.

The study may help formulating policy regarding the ideas relating to the feelings of the customers and bankers. Future more, Al-Arafah Islami Bank Limited executives who are actually executing policies undertaken by the top management will have a chance to communicate their feeling and will have the feedback about their dealing from the customer.

1.3 Objectives of the Study

The main objective of the study is to develop an understanding about the practical banking activities and to relate them with the theoretical knowledge acquired from the banks.

Besides these the specific objectives are the followings:

1. To Know the general banking activities of AIBL
2. To identify the strength, weakness of general banking of AIBL.
3. To make suggestions for policy recommendation.

1.4 Methodology of the Study

1.2.1 Data Collection

The collection method of primary and secondary data differ since primary data are to be originally collected, while in case of secondary data the nature of data collection work is merely that of compilation.

There are several methods of collecting primary data, they are as follows:

- ♣ Face to face conversation with the respective officer of the branch.
- ♣ Exposure on different desk of the bank.
- ♣ Relevant file study as provided by the officers concerned.

Secondary data may either be published data or unpublished data. Usually published data are available in

- ♣ Various publications of the central, state and local governments.
- ♣ Various publications of foreign governments or of international bodies and their subsidiary organization.
- ♣ Technical and trade journals
- ♣ Report and publications of various associations connected with business and industry, banks, stock exchange

1.4.2 Data Processing

Collected information is processed by the use of computer system. Detailed analysis, working variables and working definitions are embodied in the report

1.5 Scope of the Study

In my report I have highlighted the various steps of general banking of the AIBL. I have also discussed about the background of the sector, market structure, risk management factor etc. with the bank personnel. Before that, a brief overview of the AIBL has been given to understand its operations and activities. So the scope of the report covers the comprehensive knowledge on the organization of AIBL. I have tried to analyze and evaluate of general banking performance based on adequate information contained in documents and interviews of banking officers.

1.6 Limitations

On the way of my study, I have faced the problems that are given below which could be termed as the limitation / shortcoming of the study-

♣ **Short Time Period**

♣ **Data Insufficiency**

♣ **Lack of Records**

♣ **Incomplete and obscure data**

♣ **Unwillingness of key person**

Chapter-Two

Profile of Al-Arafah Islami
Bank Ltd.



2.1 Historical Background of Al-Arafah Islami Bank Limited (AIBL)

Islamic ideology encourages us to succeed in life here & hereafter. To achieve this success we must follow the way dictated by the Holy Quran and the path shown by Rasul (SM). With this goal in view Al-Arafah Islami Bank Ltd was established (registered) as a public limited company on 18 June, 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the bank is Tk.2500.00 million and the paid up capital Tk.1500 million. Some very renowned Islamic personalities and pious businessmen of the country are the sponsors of the bank. The total paid up capital was invested locally.

The bank is committed to contribute significantly in the national economy. It has made a positive contribution towards the socio economic development of the country by opening 94 branches on which 31 authorized dealer (AD) throughout the country.

The equity of the bank stood at Tk.3415 million as 31 December 2011, the manpower are 1805 and number of shareholders are 12561.

The bank conducts its business on the principles of Mudaraba, Bai-muazzal, and hire purchase transactions approved by Bangladesh Bank. Naturally, its modes and operations are substantially different from those of other conventional commercial bank. There is a Shariah council in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted on the precepts of Islam. The Shariah council consists of prominent Ulema, reputed bankers, renowned lawyers and eminent economist.

2.2 Islamic Banking Movement in Bangladesh

In August 1974, Bangladesh signed the Charter of Islamic Development Bank and committed itself to reorganize its economic and financial system as per Islamic Shariah.

In January 1981, the then President of People's Republic of Bangladesh while addressing the 3rd Islamic summit conference held at Makka and Taif suggested, "the Islamic countries

should develop a separate banking system of their own in order to facilitate their trade and commerce”

This statement of the president indicated favorable attitude of the Government of the Peoples Republic of Bangladesh towards establishing Islamic banks and financial institutions in the country.

Earlier in November 1980, Bangladesh Bank, the country's Central Bank, sent a representative to study the working of several Islamic banks in abroad.

In November 1982, a delegation of IDB visited Bangladesh and showed keen interest to participate to establishing a joint venture Islamic bank in the private sector. They found a lot of work had already been and Islamic bank was in already form for immediate introduction. Two professional bodies-Islamic Economics Research Bureau (IERB) and Bangladesh Islamic Bankers Association (BIBA) made significant contribution towards introduction of Islamic banking in the country.

They came forward to provide training on Islamic banking to top bankers and economist to fill- up the vacuum of leadership for the future Islamic banks in Bangladesh. They also held seminars, symposia and workshops on Islamic economics and banking throughout the country to mobilize public opinion in favor of Islamic banking.

Their professional activities were reinforced by a number of Muslim entrepreneurs working under the aegis of the then Muslim Business Society (now reorganized as Industrialist and Businessmen Association). The body concentrated mainly in mobilizing equity capital for the emerging Islamic bank.

At last, the long drawn struggle to establish an Islamic bank in Bangladesh became a reality and Islami Bank Bangladesh Limited was established in March 1983 in which 19 Bangladeshi national, 4 Bangladeshi institutions and 11 banks, financial institutions and government bodies of the Middle East and Europe including IDB and two eminent personalities of the Kingdom of Saudi Arabia joined hands to make the dream a reality.

Later, other five Islamic banks, Islamic Insurance companies and financial institutions were established in the country. Some traditional banks opened Islamic Banking branches in some major cities.

2.3 Vision, Mission, Commitments

Vision:

- ♣ To be a pioneer in Islamic Banking in Bangladesh and contribute significantly to the growth of the national economy.

Mission:

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

Commitments:

- ♣ Ours is a customer focused modern Islamic Banking making sound and steady growth in both mobilizing deposit and making quality Investment to keep our position as a leading Islami Bank in Bangladesh.
- ♣ To deliver financial services with the touch of our heart to retail, small and medium scale enterprises, as well as corporate clients through our branches across the country.

- ♣ Our business initiatives are designed to match the changing trade & industrial needs of the clients.

2.4 Schemes of AIBL

1. Current Account
2. Mudaraba Saving Account
3. Mudaraba Term Deposit Receipt Account.
4. Short Term Deposit
5. Installment Term Deposit.
 - ♣ Mudaraba Kotipoti Scheme
 - ♣ Mudaraba Millionaire Scheme
 - ♣ Mudaraba Lckhpoti Scheme
6. Double Deposit Scheme.
7. Hajj Deposit Scheme
8. Small Investment Scheme.

“Allah has permitted trade and forbidden interest” (verse 275 of sura Al-baraka). And as such Al-Arafah Islami Bank Limited operates with the objectives and commitment to implement the economic and financial principles of Islam in banking arena blending Islamic values and modern technologies with a view to achieve complete success in this world and hereafter.

- ♣ To Provide quality service to our customers.
- ♣ To set high standard of Integrity.
- ♣ To extend our customers innovation services acquiring state-of-the-art technology blended with Islamic principles, and bring total satisfaction to our clients and employees.
- ♣ To expand Islamic banking through welfare oriented banking system.
- ♣ Ensure equity and justice in economic activities.
- ♣ Extend financial assistance to poorer section of the people, and
- ♣ Achieve balanced growth & equitable development.

The primary objective of Al-Arafah Islami Bank Ltd is to promote, foster and develop the application of Islamic principles, law and tradition to the transaction of financial, banking and related business affairs and to promote investment companies, enterprise and concerns which shall themselves be engaged in business as are acceptable and consistent with Islamic

Principles, law and tradition. But the objectives of Al-Arafah Islami Bank Limited in the context of its role in the economy are as follows:

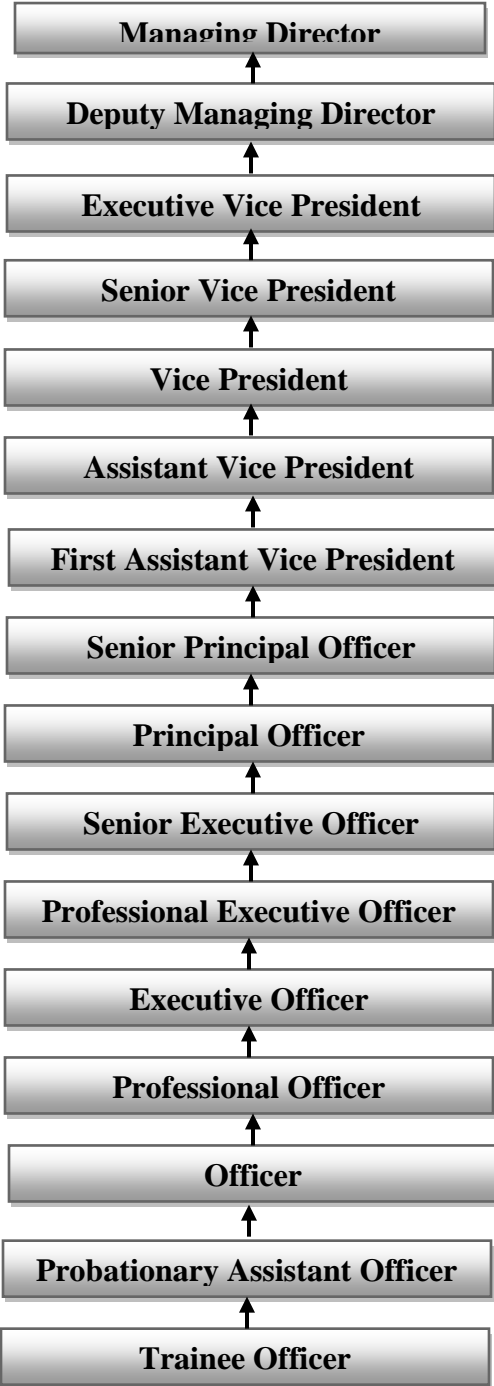
1. To offer contemporary financial services in conformity with Islamic Shariah.
2. To contribute towards economic development and prosperity within the principles of Islamic justice.
3. To facilitate efficient allocation of resources.
4. To help achieving stability in the economy.

2.5 Management

The company is managed by its Board of Directors consisting of 15 members. The Board appoints an executive committee consisting of Sponsor Director (Chairman, Vice Chairman), Its member, Shareholder Director, Ex officer Director, Company Sectary. The committee is authorized to observe and review major day to day operational functions including investment plans, budgets and other investment activities.

The Board is also responsible for establishing the company's policies and reviewing the operational performance of the company including approval of large investment transactions and major fund procurement. The Board appoints, the Managing Director responsible for managing the companies overall operations within the framework of policies of the company. The Board also appoints the Policy Committee of eight directors who formulate the personnel policy.

2.6. Organization Structure of AIBL



2.7 Sections and Their Functions

There are mainly two sections in AIBL, viz, General Banking Division Investment Division and Foreign Exchange Division. These Divisions have small department or units under them. The details of the important sections and subsections are described below.

2.7.1 General Banking Division

There are certain three sections working together to fulfill the target of the company.

- (a) Customer Service
- (b) Cash Department
- (c) Accounts Department

2.7.1(a) Customer Service

Different functions of customer service are:

- ♣ Accounts opening
- ♣ Issuance of Cheque Book
- ♣ Issuance of Payment Order
- ♣ Issuance of T.T
- ♣ Issuance of D.D
- ♣ Issuance of Online Transfer
- ♣ Handling transfer transaction
- ♣ Operation of clearing house
- ♣ Executing customer standing instructions

2.7.1(b) Cash Department

Different functions of cash department are:

- ♣ Receiving cash from the depositors.
- ♣ Payment of cash to the client as demanded.
- ♣ Checking all areas of deposit slip whether it is clearly written or not (name, account no, amount)

- ♣ Verifying the payment cheque when to pay the money to the clients whether the information is available or not like date, amount, account no etc.
- ♣ All the received and payment money must be written down in the receipt & payment register along with account no.
- ♣ Cash register must be maintained by the Cash Officer.
- ♣ Maintenance of daily cash balance.
- ♣ Preparation of monthly cash balance.

2.7.1 (c) Accounts Department

Accounting of AIBL can be broadly classified in the following two groups:

- i) General Accounting
- ii) Investment Accounting

i) General Accounting

General Accounting includes accounting for-general and administrative expense, funding operation and fixed assets.

Activities of accounting subsection includes

- ♣ Registration of voucher.
- ♣ Posting of voucher in the ledger.
- ♣ Preparation of unadjusted trial balance
- ♣ Preparation of adjustments (accrual of expenses and income)
- ♣ Preparation of adjusted trial balance
- ♣ Maintenance of accounts with Bangladesh bank & other banks

ii) Investment Accounting

The company maintains its books of account based on the operating method of accounting according to Generally Accepted Accounting Standards in conformity with one the provision of relevant regulations of Bangladesh Bank.

- ♣ Collection of receipts i.e. rental, profit
- ♣ Control of collection i.e. maintain cheque register.
- ♣ Reporting of information regarding rental collection i.e. cash collection statement.
- ♣ Acknowledgement to the Account holder i.e. –statement of accounts.
- ♣ Preparation of overdue statement i.e.-overdue statement for BOD.
- ♣ Activities regarding delinquent charge i.e.-billing.
- ♣ Treatment of irregular investment Account.

2.8 Investment Division

Functions of investment divisions are:

- ♣ Preparing the proposal
- ♣ Issuance of sanction letter
- ♣ Disbursing the payment
- ♣ Prepare & posting voucher

2.9 Human Resource Division

One of the major responsibilities of the human resource division is to enforce the Personnel policy of AIBL. The section evaluates the performance of each employee twice a year and maintains detailed file on each employee.

2.10 Marketing

The job of marketing section can be divided into two broad categories:

Marketing to existing clients: Monthly update is kept on the exposure of the good existing client. If the exposure gets low for a valuable client then visits are made by the bank executives to make inquiry on their requirement for finance. Also, continuous effort is made to increase exposure on any client who has good prospect as a result of a BMRE or some other reason.

Marketing to non-existing clients: From the market information non-existing prospects are also identified and sought after. Visits are made to meet the CEO or whoever is the concerned person regarding financing matters and the advantages of taking finance from AIBL is highlighted. AIBL also distribute desk calendar, telephone index, and slip pad to prospective clients. Advertisements are given in various journals of professional bodies.

Each morning the senior executives and the manager (branch incumbent) are seat together in a meeting to discuss about their marketing plan for the day. They target clients, based on market information. In that meeting it also found out whether any one has any connection in the targeted companies. Specific executives are assigned with specific target companies.

2.11 Monitoring

Monitoring activities can be summarized follows:

Pre-execution activities

- ♣ Review of documents and information provided by the clients before financing or opening of L/C or disbursement of cheque;
- ♣ Review of security of unexpected projects.

Post-execution activities

- ♣ Weekly visit to clients' office or factory to check the end use of fund
- ♣ Renewal of insurance coverage.
- ♣ Balance confirmation.

Chapter- Three

Conceptual Framework



3.1 Bank:

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses.

Due to their critical status within the financial system and the economy generally, banks are highly regulated in most countries. Most banks operate under a system known as fractional reserve banking where they hold only a small reserve of the funds deposited and lend out the rest for profit. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords.

3.2 General banking

General banking department is the heart of all banking activities. This is the busiest and important department of a branch, because funds are mobilized, cash transactions are made; clearing, remittance and accounting activities are done here.

Financial institution/ intermediary that mediates or stands between ultimate borrowers and ultimate lenders is known as banking financial institution. Banks perform this function in two ways- taking deposits from various areas in different forms and lending that accumulated amount of money to the potential investors in other different forms. General banking department aids in taking deposits and simultaneously provides some ancillary services.

General banking is the front-side banking service department. It provides those customers who come frequently and those customers who come one time in banking for enjoying ancillary services. In some general banking activities, there is no relation between banker

and customers who will take only one service form bank. On the other hand, there are some customers with who bank are doing its business frequently. It is an important department for all banks because it provides day-to-day service to the customers. Front Desk is the important for general banking. Customers give their deposits and meet their demand for cash by honoring cheques. Besides this a customer opens new accounts, remit funds, issues bank drafts and pay orders etc.

3.3 GB Sections:

There are various sections in this department, which are as follows: -

- Cash Section
- Accounts Opening Section
- Cheque Clearing Section
- Remittance Section

3.4 TT

Telegraphic Transfer or Telex Transfer, often abbreviated to TT, is an electronic means of transferring funds overseas. A transfer charge is collected while sending money. .

A banking term commonly called "T/T," meaning a cable message from one bank to another in order to affect the transfer of money.

3.5 DD

A demand draft, also known as a remotely created check, a tele-check, or check by phone, check by fax or e check, is a check created by a merchant with a buyer's checking account number on it, but without the buyer's original signature.

Check drafting is creating a valid legal copy of the customer's cheque, on the customer's behalf. Because it is created by the merchant, no signature is required. Instead, a signature disclaimer or facsimile is entered in the signature blank a Demand Draft is a cheque that

contains an order of one branch of a bank (Drawer branch) directing another branch of the same bank (Drawee branch) to pay on demand a certain sum of money to a specified beneficiary (Payee) . It is an Account payee instrument, meaning it can only be credited to the account of the payee and cannot be encashed over the counter by the payee.

A Demand Draft is a much safer and certain method of payment than cheques, since in the case of cheques, an individual is the drawer and hence the cheque can be dishonoured by the drawee bank due to insufficiency of funds in the drawer's account. But since in the case of a DD, the drawer is a bank, payment is certain and it cannot be dishonored.

Since it is a cheque issued by a bank (that is, drawer is a bank) it does not carry the signatures of the customer, unlike the case of ordinary cheques which carry the signature of the customer (who is the drawer). Instead, a DD carries signatures of one or two bank officials, depending on the DD amount. The name of the Drawee branch is mentioned on the bottom left hand corner while the name of the Issuing (Drawer) branch is mentioned on the top left corner.

3.6 Electronic funds transfer

Electronic funds transfer (EFT) is the electronic exchange or transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.

The term covers a number of different concepts:

- Cardholder-initiated transactions, where a cardholder makes use of a payment card
- Direct deposit payroll payments for a business to its employees, possibly via a payroll service bureau
- Direct debit payments, sometimes called electronic checks, for which a business debits the consumer's bank accounts for payment for goods or services
- Electronic bill payment in online banking, which may be delivered by EFT or paper check

- Transactions involving stored value of electronic money, possibly in a private currency
- Wire transfer via an international banking network (carries a higher fee in North America)
- Electronic Benefit Transfer

3.7 Automated Clearing House

Automated Clearing House (ACH) is an electronic network for financial transactions in the United States. ACH processes large volumes of credit and debit transactions in batches. ACH credit transfers include direct deposit payroll and vendor payments. ACH direct debit transfers include consumer payments on insurance premiums, mortgage loans, and other kinds of bills. Debit transfers also include new applications such as the point-of-purchase (POP) check conversion pilot program sponsored by NACHA-The Electronic Payments Association. Both the government and the commercial sectors use ACH payments. Businesses increasingly use ACH online to have customers pay, rather than via credit or debit cards.

3.8 Cheques

Cheques are a type of bill of exchange and were developed as a way to make payments without the need to carry large amounts of money. While paper money evolved from promissory notes, another form of negotiable instrument, similar to cheques in that they were originally a written order to pay the given amount to whoever had it in their possession (the "bearer").

Technically, a cheque is a negotiable instrument instructing a financial institution to pay a specific amount of a specific currency from a specified transactional account held in the drawer's name with that institution. Both the drawer and payee may be natural persons or legal entities. Specifically, cheques are order instruments, and are not in general payable simply to the bearer (as bearer instruments are) but must be paid to the payee. In some countries, such as the US, the payee may endorse the cheque, allowing them to specify a third party to whom it should be paid.

3.9 Fixed deposits

Fixed deposits are a high-interest-yielding Term deposit offered by banks. The most popular form of Term deposits are Fixed Deposits, while other forms of term Deposits are Recurring Deposit and Flexi Fixed Deposits (the latter is actually a combination of Demand deposit and Fixed deposit).

To compensate for the low liquidity, FDs offer higher rates of interest than saving accounts. The longest permissible term for FDs is 10 years. Generally, the longer the term of deposit, higher is the rate of interest but a bank may offer lower rate of interest for a longer period if it expects interest rates will dip in the future.

Chapter- Four

Job Part

4.1 Actual Task Part:

In the period of my three months internship program, I got a position and some duties in Al Arafah Islami Bank Limited, Gulshan Branch. My observation and responsibilities were in General Banking Department like opening & different types of DPS or FDR opening (Deposit Schemes). From May 26, 2013 to August 26, 2013, I worked with Mr. Shamim Ahmed, Executive Officer of Al Arafah Islami Bank Limited, Gulshan Branch who manages the front desk. On that time I mainly worked in Customer Service Department & observed the rules and regulations of Deposit Schemes and the procedure which they followed in the Deposit Section.

4.2 Job responsibilities:

There were several responsibilities carried out by me in general banking division of Al Arafah Islami Bank Limited (Gulshan branch). Every day I used to start my job at 10:00am and it ended at 05:00pm. Within this time different types of job were done by me and those are given below.

Accounts Opening:

Account opening is the most important issue in general banking. It is the first phase of customers who are going to get services from the bank. Before opening of any account it is very important to know the target customers of the bank. The targeted customers may be individual, partner, joint stock companies, trustee/clubs/associates and different types of institutions. It is also important to know why the customer wants to open account at this branch. To reveal customer's purpose of opening account is pretty tricky. If account opening officer is experienced and intelligent s/he can easily expose the purpose for opening account from customer himself.

Al Arafah Islami Bank Limited offers different types of account for their target groups. These are as follows:

- Current Account
- Savings Account
- Fixed Term Deposit account (FDR)
- Short Term Deposit (STD/DPS)

Opening an account is the first step to be a customer of Al Arafah Islami Bank Limited and enjoying different services of it. For depositing and withdrawing money from The Al Arafah Islami Bank and having other services, an account is mandatory for every individual and institutional customer. So my responsibility was to give premium quality services and attempt to sustain our customer for a long time with Standard.

Closing Accounts:

Customer accounts are closed for many reasons. So I closed accounts with maximum attention to the customer so that next time when they will think about opening a bank account, Al Arafah Islami Bank Limited will come to their mind as a preferred choice.

Receive Cheque Requisition:

A cheque requisition is received from the customer for giving a new cheque book containing a specific number of pages mentioned by customer. I received the cheque requisitions throughout the day and sent the list to the head office at the end of the day.

Pay Order Issue:

Pay order has been issued to serve the customer who wants send money not in cash rather in cheque. It reduces the cash carrying risk. I filled up the pay order slip to help out the customers.

Chapter- Five
Analysis & Findings



5.1 Divisions of General Banking

General banking department is the heart of all banking activities. This is the busiest and important department of a branch, because funds are mobilized, cash transactions are made; clearing, remittance and accounting activities are done here.

Since bank is confined to provide the services everyday, general banking is also known as 'retail banking'. In AIBL Principal Branch, the following departments are under general banking section:

- ♣ Account Opening Section
- ♣ Deposit Section
- ♣ Cash Section
- ♣ Remittance Section
- ♣ Clearing Section
- ♣ Accounts Section

5.1. a. Account Opening Section

Account opening is the gateway for clients to enter into business with bank. It is the foundation of banker customer relationship This is one of the most important sections of a branch, because by opening accounts bank mobilizes funds for investment. Various rules and regulations are maintained and various documents are taken while opening an account. A customer can open different types of accounts through this department. Such as:

1. Al-Wadeeah Current Deposit
2. Mudaraba Savings Account

3. Short Term Deposit

Al-Wadeeah Current Deposit

Current account is purely a demand deposit account. There is no restriction on withdrawing money from the account. It is basically justified when funds are to be collected and money is to be paid at frequent interval. Some Important Points are as follows-

- Minimum opening deposit of TK. 2000/- is required;
- There is no withdrawal limit.
- No interest is given upon the deposited money;
- Minimum Tk.. 2000 balances must always maintain all the time.

Mudaraba Savings Account

This deposit is primarily for small-scale savers. Hence, there is a restriction on_ withdrawals in a month. Heavy withdrawals are permitted only against prior notice; Some Important Points are as follows-

- o Minimum opening deposit of Tk.500 is required;
- o Minimum Tk. 500 balance must always maintain all the time;
- o Withdrawal amount should not be more than 1/4th of the total balance at a time and limit twice in a month
- o If withdrawal amount exceed 1/4th of the total balance at a time no interest is given upon the deposited money for that month

Short Notice Deposit

Normally various big companies, organizations, Government Departments keep money in STD-account. Frequent withdrawal is discouraged. The deposit should be kept for at least

seven days to get interest. The interest offered for STD is less than that of savings deposit Interest is calculated based on daily minimum product and paid two times in a year.

5.2 Account Opening Procedure

Step 1	An existing Current holder of the bank.. Officials of the bank not below the rank of an Assistant officer .A respectable person of the locality well known to the Manager/Sub-Manager of the Branch concerned
Step 2	Receiving filled up application in bank's prescribed form mentioning what type of account is desired to be opened
Step 3	<ul style="list-style-type: none"> o The form is filled up by the applicant himself/ herself. o Two copies of passport size and one copy stamp size photographs from individual are taken and one copy photographs of nominee is taken; in case of firms photographs of all partners are taken. o Application must submit required documents.
Step 4	Authorized officer accepts the application.
Step 5	Minimum balance is deposited - only cash is accepted.
Step 6	Account is opened and a cheques book and pay —in- slip book is given.

Table: Account Opening Procedure

5.2. (a) Documents Required for Opening Account Individual/ Joint Account

- ♣ Introduction of the account.
- ♣ Two photographs of the signatories duly attested by the introducer.
- ♣ Identity (copy of passport).
- ♣ Joint Declaration Form (For joint a/c only)

- ♣ Employee's history\

Proprietorship Account

- ♣ Introduction of the account.
- ♣ Two photographs of the signatories duly attested by the introducer.
- ♣ Valid copy of Trade License.
- ♣ Rubber stamp.
- ♣ TIN number certificate.
- ♣ Identity (Copy of passport).
- ♣ Permission letter from DC/ Magistrate (in case of newspaper)

Limited Company

- ♣ Introduction of the account.
- ♣ Two photographs of the signatories duly attested by the Introducer.
- ♣ Valid copy of Trade License.
- ♣ Board resolution of opening A/C duly certified by the Chairman/Managing Director.
- ♣ Certificate of incorporation.
- ♣ Certificate of Commencement (In case of Public limited company).
- ♣ Certified (joint stock) true copy of the Memorandum and Article of Association of the
Company duly attested by Chairman or Managing Director.
- ♣ List of directors along with designation & specimen signature.
- ♣ Latest certified copy of Form - xii (to be certified by register of joint stock companies) (In case of Directorship change).

- ♣ Rubber Stamp (Seal with designation of each person)
- ♣ Certificate of registration (In case of Insurance Company - Obtained from department of Insurance from the Peoples Republic of BD).

Club/ Societies Account

- ♣ Introduction of the account.
- ♣ Two photographs of the Signatories duly attested by the introducer
- ♣ Board Resolution for Opening A/C duly certified by President/ Secretary. List of Existing Managing Committee.
- ♣ Registration (if any).
- ♣ Rubber Stamp.
- ♣ Permission letter from Bureau of N.G.O. (In case of N.G.O. A/C).

Closing of an Account

The closing of an account may happen,

- ♣ If the customer is desirous to close the account,
- ♣ If the Al- Arafah Islami Bank finds that the account is inoperative for a long duration.
- ♣ If the court of Arafah Islami Bank issues garnishee order.

A customer may close his/her account any time by submitting an application to the branch. The customer should be asked to draw the final check for the amount standing to the credit of his/her account less the amount of closing an other incidental charge and surrender the unused check leaves. The account should be debited for the account closing charge etc. and the authorized officer of the bank should destroy unused check. In case of joint account the application for closing the account should be signed by the joint account holder. The fee for closing of an account is Tk.100.

5.3 Different Scheme

5.3.(a). Monthly Installment Deposit

The savings amount is to be deposited within the 10th of every month. In case of holidays the deposit amount is to be made on the following day. The deposits may also be made in advance. The depositor can have a separate account in the bank from which a standing instruction can be given to transfer the monthly deposit in the scheme's account. In case the depositor fails to make the monthly installment in time, then 5% overdue installment amount will be charged. The charge will be added with the following month(s) installment and the lowest charge will be Tk. 10.

5.3 (b). Withdrawal

Generally, withdrawal is not advised before a 5 year term, but if it is withdrawn before the above term, then interest will be paid at savings rate. However, no interest will be paid if the deposit is withdrawn within 1 year of opening the account. In case the depositor wishes to withdraw between the 5, 8, 10 or 12 year period then full interest will be paid for a completed term and savings rate will be applicable for the fractional period.

5.3(c) Loan Advantage

After three years of savings in this scheme the depositor (if an adult) is eligible for a loan up to 80% of his deposited amount. In that case, interest rates on the loan will be applicable as per prevailing rate at that time. Reasons for disqualification from this scheme:

- If the depositor fails to pay 3 installments in a row, then he will be disqualified from this scheme and interest will be applicable as mentioned in withdrawal clause.
- If a depositor fails to pay 5 installments in a row after completion of 5 year term, then the Bank reserves the right to close the account and interest will be paid as, mentioned in withdrawal clause.
- In case of death of the depositor the scheme will cease to function. The amount will be handed over to the nominee of the deceased depositor.

- In case of absence of the nominee the bank will handover the accumulated amount to the successor of the deceased.

Rules

A form has to be filled at the time of opening the account. No introduction is needed but attested photographs are advised. The depositor can select any of the installment amounts which cannot be subsequently changed. In case of minors the guardians may open and supervise the account in his favour. A single person can open more than one account for saving under several installment rates. The government tax will be deducted from the interest accumulated in this scheme. If necessary, at the request of the depositor, the scheme can be transferred to a different branch of the same Bank. The Bank reserves the right to change the rules and regulations of the scheme as and when deemed necessary.

OBJECTIVES OF THE SCHEME

An account is to be opened by filling up a form. The bank will provide to the customer a deposit receipt after opening the account. This receipt is non transferable. If the deposit is with drawn before a 5 (five) years term, then savings rate of profit will be applicable and paid to the depositor. However, no profit will be paid if the deposit is with drawn within 1 (one) year of opening the account and monthly income paid to the customer will be adjusted from the principle amount.

A depositor can avail loan / quard up to 80% of the deposit amount under this scheme. In this case profit, will be charged against the loan/ quard as per banks prevailing rate. During the tenure of the loan, the monthly income will be credited to the loan account until liquidation of the loan amount inclusive of profit. The government taxes will be paid to the debit of monthly income.

5.4 Mudaraba Saving Deposit

Saving Accounts are designed especially for the group who have tendency to save. They have been paid a fixed interest on their savings. There are two types of savings account in this bank.

- ♣ Individual Savings Account

- ♣ Joint Savings Account

The depositor is obligated to maintain a balance of at least Tk. 2,000 for the sake of earning interest. One limitation considering the savings deposit account is depositors can draw only twice a week if they want to get interest on the deposited money. If a depositor draws more than twice a week s/he will not receive any interest for that month. The interest rate for this account is 5.5%.

5.5 Al-Wadiah Current Account

The characteristics of the savings accounts and current accounts are more or less same without few exceptions. In case of savings account, around 7% interest is given to the depositors whereas in case of current account no interest is given. Some sorts of freedom are offered to the current account maintaining depositors that are mentioned here in after.

- ♣ Depositors can withdraw their deposits any time in the working days; that is there is no time restriction.

- ♣ No restriction in maintaining deposits.

Types of current account that are provided by the AIBL is as follows:

Current Account for Individual.

Joint Current Account.

Proprietorship Current Account.

In case of opening a proprietorship current account, a copy of the valid trade license must be submitted.

Partnership current Account.

In case of opening a partnership current account, a copy of the trade license and partnership deed must be submitted.

Limited Company current Account.

To open a limited company current account, the requirements are the followings:

- ♣ A certified copy of memorandum and articles of association.
- ♣ Certificate of incorporation.
- ♣ Certificate of commencement of business (mandatory if public limited),
- ♣ List of directors.
- ♣ Board resolution.
- ♣ List of names and specimen signature of those persons authorized to open the account duly certified by the chairman /managing directors.

5.6 Fixed Deposit

Fixed deposit is the amount deposited by the customer for a fixed period of time; the time limit is given in fixed deposit receipt. Depositors have to withdraw the profit after maturity date, if the depositors intend to withdraw the profit earning before expiration of the maturity date the bank is not bound to pay the profit.

5.7 Cash Department

All sorts of transaction considering cash are taken in to care in the cash department. Cash is deposited in the name of concern in the Bank and disbursed to the client by the department.

The functions of a cash department are described below;

Cash Payment	<ol style="list-style-type: none">1. Cash payment is made only against cheque.2. This is the unique function of the banking system which is known as “payment on demand”3. It makes payment only against its printed valid cheque.
Cash Receipt	<ol style="list-style-type: none">1. It receives deposits from the depositors in form of cash.2. So it is the “Mobilization Unit” of the banking system.3. It collects money only its receipts forms.

Table: Functions of cash department

5.8. Local Remittance

Local Remittance is another significant part of the general Banking. The bank receives and transfers various types of bills through the remittance within the country. The bank charges commission on the basis of bill amount.

5.9. Types of Remittance

- ♣ Between banks and non banks customer
- ♣ Between banks in the same country
- ♣ Between banks in the different centers.
- ♣ Between banks and central bank in the same country
- ♣ Between central bank of different customers.

The main instruments used by AIBL of remittance of funds are

- 1. PO (pay Order)**
- 2. DD (Demand Draft)**
- 3. TT (Telegraphic Transfer)**

.P.O (pay Order)

Pay orders are the safest way of making payments, as they are drawn on the bank issuing them. So there is no scope of forgery. A pay order is issued only within the members of the Bangladesh bank clearing house (Dhaka Metro). It can be issued in favor of a customer holding an account, by debiting his account and crediting bills payable liability A/C. The account payees submit the pay order in their specific banks. The banks then send the pay order to the clearing house where these are received by the respecting issuing banks. The issuing banks verify the pay order, which are then send back to the respecting banks and payment made by debiting the payable account.

AIBL charges different amount of commission on the basis of Payment Order amount. The bank charges for pay order are given in the following chart:

Total amount of PO	Commission	Vat
UptoTk. 10,000.00	Tk. 15.00	Tk3.00
Tk. 1 0,001. 00-Tk. 1,00,000.00	Tk.25.00	Tk. 4.00
Tk. 1,00,001. 00-Tk. 5,00,000.00	Tk. 50.00	Tk. 8.00
Tk. 5, 00, 001 . 00 and Above	Tk. 100.00	Tk. 15.00

Table: Charges for Pay. Order

DD (Demand Draft)

A Demand Draft (DD) is an instrument containing an order by the issuing branch upon another branch known as drawee branch, to pay a certain sum of money to the payee. Commission for Demand Draft (DD) is 0.1% of the principal amount and Vat .15% of the commission amount and telex charge is Tk. 50.00.

TT (Telegraphic Transfer)

Issuing branches request another branch to pay specified money to the specific payee on demand by Telegraphic/ Telephone.

The basic three types of local remittances are discussed below:

Points	Pay Order	Demand Draft	TT
Explanation	Pay order gives the payee the right to claim payment from the issuing bank.	Demand draft is an order of issuing bank on another branch of the same bank to pay specified sum of money to payee on demand.	Issuing branch requests another branch to pay specified money to the specified payee on demand by telegraph/ telephone.
Payment From	Payment from issuing branch only.	Payment from ordered branch.	Payment from ordered branch.
Generally Used to Remit Fund	Within the clearing house area of issuing branch.	Outside clearing area of issuing branch. Payee can also be the purchase.	Anywhere in the country.
Payment Process of the Paying Bank	Payment is made through clearing.	1. Confirm that the DD is not forged one. 2. Confirm with sent advice. 3. Check the "Test Code" 4. Make payment.	1. Confirm issuing branch. 2. Confirm payee A/C 3. Confirm amount 4. Make payment 5. Receive advice
Charge	Only commission	Commission +Telex charge	Commission +Telephone.

Table: Basic Three Types of Local Remittance

5.10 Clearing Department

The amount of Cheques, Pay Order (P O), and Demand Draft (DD) Collection from other banks on behalf of its customer is a basic function of a Clearing Department.

Clearing:

Clearing is a system by which a bank can collect customers fund from one bank to another through clearing house.

Clearing House:

Clearing House is a place where the representatives of different banks get together to receive and deliver Cheques with another banks. Normally, Bangladesh Bank performs the Clearing House in Dhaka, Chittagong, Rajshahi, Khulna & Bogra. Where there is no branch of Bangladesh Bank, Sonali bank arranges this function.

5.11 Types of Clearing

Outward Clearing: When the branches of a bank receive cheques from its customers drawn on the other banks within the local clearing zone for collection through clearing house, it is Outward Clearing.

Inward Clearing: When the banks receive cheque drawn on them from other banks in the clearing house, it is Inward Clearing.

Types of clearing house: There are two types of clearing house. Those are:

1. Normal Clearing House
2. Same Day Clearing House.

1. Normal Clearing House:

Normal means the cheque value is less than 5lac. In case of inward the time is 10 am to 3.30 pm and for outward the time is 10 am to 12.30 pm.

2. Same Day Clearing House

Same day clearing is for the high value cheques which amount is 5lac and more. The time of same day clearing for inward is 10 am to 1 pm and for outward the time is 10 am to 11.30 am.

♣ Who will deposit cheque for Clearing: Only the regular customers i.e. who have Savings, Current, STD & Loan Account in the bank can deposit cheque for collection of fund through clearing house.

♣Precaution at the time of cheque receiving for Clearing, Collection of LBC,OBC & Transfer.

♣ Name of the account holder same in the cheque & deposit slip.

♣ Amount in The cheque must be same in words & in figure

♣Date of the cheque may be on or before (but not more than six months back)clearing house date.

♣ Bank & Branch name of the cheque, number & date on the slip.

♣ Cheque must be signed.

♣Signature for confirmation of date, amount in words / in figure Cutting

♣Multilatilation of cheque.

♣Cheque should be crossed (not for bearer cheque).

♣Account number is in the deposit sleep must be clear.

♣Depositor's signature in the deposit sleep.

Return house: Return House means 2nd house where the representatives of the Bank meet after 3 p.m. to receive and deliver dishonored chouse which placed in the 1" Clearing House.

5.12 Online Transaction

Clients of any branch of AIBL can draw money from any branch of AIBL. This is a superior service for the clients of AIBL than others. The online charge is Tk.50 from Tk.50001 to 200,000 and less than that is free. Customers have to pay VAT @15% on online commission/charge. From 200,000 to above the fee is 100. In case of deposit, less than Tk. 100,000 is free. Above Tk.100,001 charge applicable.

5.13 Followed Marketing Strategies by AIBL

- ♣ The main strategy of the bank is using Islami Banking System to attract its market.
- ♣ Providing efficient customer service.
- ♣ Maintaining corporate and business ethics
- ♣ Being trusted repository of customers and their financial advices.
- ♣ Making its products superior and rewarding to the customers.
- ♣ Display team spirit and professionalism.
- ♣ Sound capital base.
- ♣ Enhancement of shareholders wealth.
- ♣ Fulfilling its social commitments by expanding its charitable and humanitarian activities.
- ♣ Providing high quality financial services in export and import trade.
- ♣ Building tight personal relationships with customers and clients.
- ♣ Taking less promotional activities and emphasizing on relationship marketing.

5.14 Findings of the study:

Findings from the above discussions are given below.

► When a joint stock company comes to open an account if the company happens to be an existing one, the banker should demand copies of the balance sheet and profit & loss account, which will reflect the financial growth of the company and its soundness. But in practice companies and the bankers as well don't even bother.

► Officer of the bank are competent. Even though many of them simply know the working procedure of what they are doing but don't know the philosophy behind doing those. It requires infusion of both the fields marketing and banking. But the bank has hardly any person with this kind of ability.

► Like most of the private banks, AIBL also imposes a target deposit for collection upon its employees. Every employee has to go out for the purpose of deposit collection, which they call "development purpose". It is an effective

method no question about it, since many banks of our country rely on this method. But sometime affect negatively and cause job dissatisfaction. Officers of the desk, where workload is very high, hardly get the chance to go out for development purpose and always feel that their duties for the organization would not be evaluated unless they can show a good amount of deposit collection against their name.

- ▶ AIBL provide training but the facility isn't sufficient especially for the lower level officers.

- ▶ The cash counters are congested which hamper day to day teller activities and action become delayed.

5.15 SWOT ANALYSIS

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

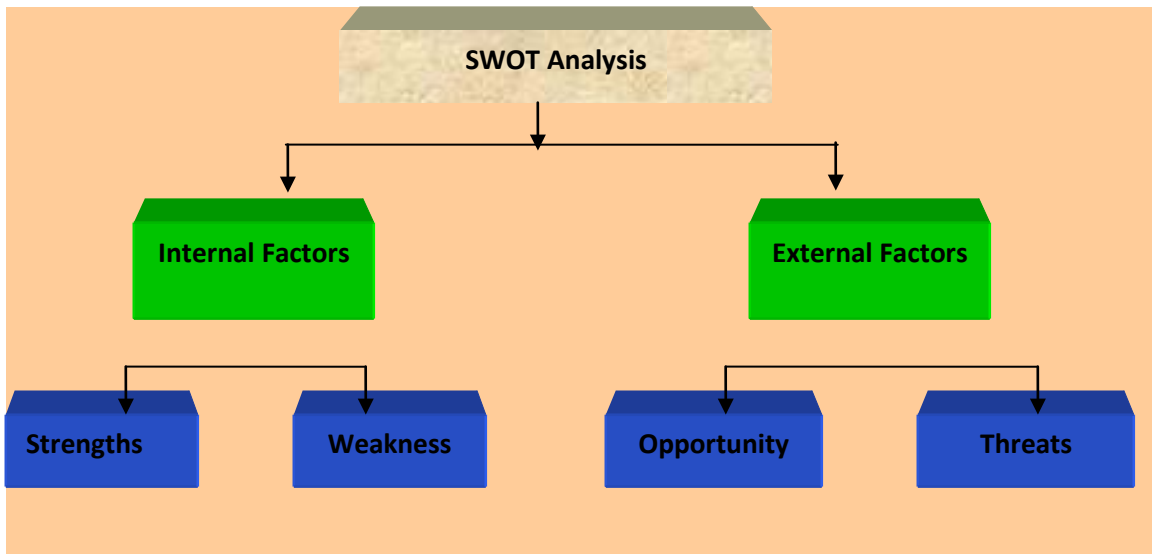


Figure: SWOT Analysis

In SWOT analysis two factors act as prime movers.

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

5.16 STRENGTHS

- ◆ Wide Image.
- ◆ Enthusiastic employee.
- ◆ High deposit.
- ◆ Higher profit rate to client.
- ◆ Excellent Management.
- ◆ High commitment of customer.

- ◆ AIBL banks has strong non-interest earning base.
- ◆ Wide Branch network among the 3^r generation banks.
- ◆ Qualified & experienced human resource.
- ◆ Satisfactory Environment.
- ◆ Wide product line.
- ◆ Low infection in loan exposure.

5.17 WEAKNESS

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

5.18 OPPORTUNITIES

- ◆ Increasing demand of client finance.
- ◆ Investment potential of Bangladesh.
- ◆ Good prospect of more export import business at Uttara turning to commercial area.
- ◆ Relationship management.
- ◆ Complacency among rival firms.

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

5.19 THREATS

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

Chapter- Six

Recommendations & Conclusions



6.1 RECOMMENDATIONS

In order to get competitive advantage and to deliver quality service, top management should try to modify the service.

- According to open a new account AIBL must require more and valuable documents from new customers. It would be very helpful both Bank and the customers.
- It seems to me that day-by-day customer's cooperation is increasing. Individual employee has to handle different types of job. But that is pock a back for an employee. As a result it might be happen any big mistake by the employee and service is also timed consuming and customer has to suffer for this situation. May be it would be the reason for employee's demotivation as well as the customer's dissatisfaction.
- They should also focus on the marketing aspects to let customers know about their products and offerings and more promotion should be given to attract new customer.
- Bank should offer more facilities to the customer's such as credit visa card, ATM machine etc.
- AIBL must develop electronic banking system to moderate the service. Technology advantage of a bank ensuring its competitive edge in the market place can only be achieved by efficient manpower. It is market share to reduce its operating cost and to generate new revenue. Electronic banking system also allows increased access to the financial sys tem by its customer's.
- As soon as possible the bank should sort more branches in Dhaka city as well as the other cities of the country.
- Now a day's world is going very fast. Now most of the banks open online customer service system. So in order to compete in the world market they should adopt online banking system.

- One of the business strategies is promotion. Successful business depends how they can promote their products or service to the customer. AIBL should focus on their promotional activities. In this connection to improve the business status bank should introduce more promotional program.
- In general banking department it is necessary to implement modern banking process instead of traditional system. Be more computerized.
- In addition with the present service they should include more services. It is badly needed to provide more service to the customer in order to complete in the market.
- Database networking is the most modern technology to transfer data from branch to branch head opposes and vice versa. So they must use this technology in IT department of the bank.
- As the clients are not in favor of introducing system, if possible the rule of introducing to open an account should be changed. Because many people face in problem to arrange an introducer in the time of opening account.
- The bank can offer to its customer better service if all of its department are computerized and incorporated under local area network.
- At the entry passion the bank should enroll more expertise people to augment quality service.
- They need to provide more training facilities, more computerized system and strong network connection.
- They need systematic process in cash counter to give customer well and fast facilities.

Some other Important Factor that should be focused on the Development Process:

- ✓ Time consumed at service level should be minimized at optimum level.
- ✓ Evaluate customer's needs from their perspective and explain logically the shortcomings.
- ✓ Customer's expectation and employee's perception.

6.2 CONCLUSIONS

Though the concept of Islamic Banking is no longer new thing in the world. Observing its operational success more than 300 Islamic banking and financial institutions in about 50 countries have been established globally. At present there are six Islamic Banks operating in our country and they are making notable contribution through performing their activities with better efforts. However, Al-Arafah Banks are not free from limitations. Hence, there may be a scope to make some recommendations.

- ✚ There is no legal framework to regulate the Al-Arafah banks on Islamic Principles. The traditional regulatory frameworks are neither suitable nor sufficient to ensure the growth and prosper of the Al-Arafah banks. So, up to date Islamic banking laws are very essential.
- ✚ Some financing instruments approved by Islamic Shariah should be introduced so that investors may comfortably put their funds into those financial instruments other than the interest based debentures etc.
- ✚ Islamic financial organizations should be set up country-wide. If it is made possible it will help growth of Islamic banks in Bangladesh by possible exchange of Co-operation in various ways.
- ✚ If Al-Arafah Banks adopt professionalism within the framework of Shariah, they will be able to earn handsome "halal" profit and pay higher return to the depositors and share holders. Ultimately, public will get more confidence on this type of banking.
- ✚ Islamic economic system is necessary for the growth of Islamic banking institutions.

Eventually we say the gradual and successful globalization of Islamic banking coupled with growing awareness of the people about its financial and social benefits makes it clear that the next century is going to be the century of Al-Arafah banking.

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- ✦ Several newsletter’s from Al-Arafah Islami Bank Ltd.
- ✦ WEB: www.aibl.com