

“INTERNSHIP REPORT

AT

***AL-ARAFAH ISLAMI BANK LIMITED –MOUCHAK
BRANCH”***

Topic

General Banking of AIBL

Internship Report
On
General Banking of Al-Arafah Islami Bank limited

SUBMITTED TO

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Date of Submission: 31 December 2015

Letter of Transmittal

31 December 2015

To

S. M. Arifuzzaman

Assistant Professor

BRAC Business School

66 Mohakhali, Dhaka-1212

Subject: Letter of Transmittal

Dear Sir

I hope you will be pleased to know that I have completed my Internship in Al-Arafah Islami Bank in General Banking Department. It gives me immense pleasure to complete my Internship successfully and submit this report on the analysis. I have conducted during my internship period. At every segment of making this report, I tried to enhance my knowledge about the system or work flow of Al-Arafah Islami Bank Ltd. This report will try to give the picture of my efforts and ability.

It would be very kind of you for examine my report work and give me further suggestions and enhanced my clarification due to future prospects.

Sincerely yours

.....

Md. Jakaria

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Acknowledgement

At first, I would like to show my gratitude to my almighty Allah for giving me energy and capability to preparing this report. Then, I am grateful to many individuals for the completion of the report successfully. BRAC University and Al-Arafah Islami Bank Ltd both provided enormous support and guidance for my Internship program worth full. First of all, I would gladly like to thank the School of Business of BRAC University and Al-Arafah Islami Bank Ltd for giving the opportunity of having an Internship program and allow me to submit my report based on the General Banking of Al-Arafah Islami Bank Ltd. I have gathered an enormous deal of experience while going through the intern period and preparation of this report. I would like to thank to my Internship Supervisor of BRAC University, Mr. S. M. Arifuzzaman for his excellent guidance and support during the preparation of the report. A special thanks goes to my Internship Organization Supervisor in Al-Arafah Islami Bank Ltd, Mr. Md. Shamim Mostafa for providing me support and courage throughout my Internship program and helping me to accumulate necessary information. I also like to extend my gratitude to Mr. Maruf Ahmed, Mr. Muraad Pasha, Asif Rasool from General banking Department for helping me by giving the valuable information and on behalf of their company and give me time to understand banking concept. And special thanks go to Mr. Mirza Aminur Rahman Head General Banking of AIBL, for his support this internship program became achievable for me. Lastly, my heartiest thanks go to others who were involved and helped directly and indirectly in completion of internship and preparing this report. Without them all these wouldn't be made possible.

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

Executive Summary

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. In this report I'm going to discuss about the General banking of AIBL, as I was working in that department. General Banking is a very important unit of Al-Arafah Islami bank Ltd. under the wholesale banking division with the objective of fulfilling the need of banking products of customers. As part of Al-Arafah Islami bank Ltd. Local transaction solutions to Corporate and Institutions, they provide Cash Management, Securities Services and Trade Services through their strong market networks countrywide. Al-Arafah Islami Bank Ltd. is a major player in General banking, combining deep local knowledge capability to offer the full scope of innovative and customized solutions for customers.

They are committed to providing the customer with integrated local services.

- ✚ Efficient transaction processing
- ✚ Reliable financial information
- ✚ Innovative products
- ✚ World-class clearing services

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Chapter 1: Introduction

1.0 Introduction

In Bangladesh the number of banks in all now stands at 56, among them Al-Arafah Islami Bank Ltd (AIBL) is the leading commercial bank. AIBL enjoys the prestigious position in Cash Management, and Trade activities, and is primarily corporate driven. With the objective of achieving success here & hereafter by pursuing the way directed by Allah and the path shown by His Rasul (SM), Al Arafah Islami Bank Ltd was established (registered) as a private limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the Bank is Tk.15000.00 million and the paid up capital is Tk. 8343.24 million as on 31.12.2013. Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by indigenous shareholders. The goal of AIBL is to be the “To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy “The Bank is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 127 branches of which 23 is AD throughout the country.

1.1 Objective of Study

- To make everyone understand, what the General Banking is and its activities.
- How GB product can help us.
- Make recommendations to improve some service areas where the organization is lacking on customer perception and to meet customer satisfaction.

1.2 Origin of the Report

The MBA internship program is a mandatory requirement for the students who are post graduating from the MBA program under the School of Business of BRAC University, Bangladesh.

In the internship program, I was attached to a host organization named 'them Al-Arafah Islami Bank Ltd (AIBL)' at General Banking for 12 weeks. During this period I learned how the General Banking department works with the help of the internal supervisor. As a result I have decided to write a report on "General Banking of Standard Al-Arafah Islami Bank Ltd."

During the three months of work experience with Al-Arafah Islami Bank on this internship program, I was mainly placed in the General Banking department of the bank. This department is a very important unit of Al-Arafah Islami bank under the wholesale banking division with the objective of fulfilling the need of banking products of customers. As part of AIBL General banking, they provide Cash Management, Securities Services and Trade Services through their strong market networks countrywide.

1.3 Methodology

Primary Data

Primary data was collected from the Corporate Deal Analyzer i.e. product Managers and respective unit heads in particular were interviewed as well. Formal questionnaire were used in order to collect data from the Managers. Interviews were conducted on the managers of the bank for insights and clarification. Information was also collected through informal discussions with associate director, managers & supervisor of respective Unit of AIBL.

Secondary Data

In the case of secondary data I used relevant journals and various publications of Al-Arafah Islami Bank Limited. I have also collected data from the AIBL- employees, web site, annual reports-2014, Internet and some of the published article by the Bangladesh Bank. For the organization part information has been collected through annual report, websites of Al-Arafah Islami Bank Ltd.

1.4 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.

1.5 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-

- **Lack of comprehension** of the respondents was the major problem that created many confusions regarding verification of conceptual question.
- **Limitation of time** was one of the most important factors that shortened the present study. Due to time limitation many aspects could not discussed in the present study. Due to time constraints, the sample size had to be restricted to 200 only.
- **Confidentiality of data** was another important barrier that was faced during the conduct of this study. Every organization has their own secrecy that in not revealed to others. While collecting data on Al-Arafah Islami Bank, personnel did not disclose enough information for the sake of confidentiality of the organization.
- **Rush hours and business** was another reason that acts as an obstacle while gathering data.

The findings of the survey are based on customers' response in AIBL General Banking services located in Dhaka City only. The results may not reflect the same for other branches of AIBL outside Dhaka.

Chapter 2: About the Organization

2.0 History of 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.15000.00 million and the paid up capital is Tk. 8343.24 million as on 31.12.2013. Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by indigenous shareholders. The equity of the bank stood at Tk. 14478.06 million as on 31 December 2013, the manpower was 2387 and the number of shareholders was 58466. It has achieved a continuous profit and declared a good dividend over the years. High quality customer service through the integration of modern technology and new products is the tool of the bank to achieve success. The bank has a diverse array of carefully tailored products and services to satisfy customer needs. The Bank is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 127 branches of which 23 is AD throughout the country. The authorized capital of the Bank is Tk.15000.00 million and the paid up capital is Tk. 8343.24 million as on 31.12.2013. Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by indigenous shareholders.

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 banks 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.

2.1 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 People's 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.

2.2 Vision

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

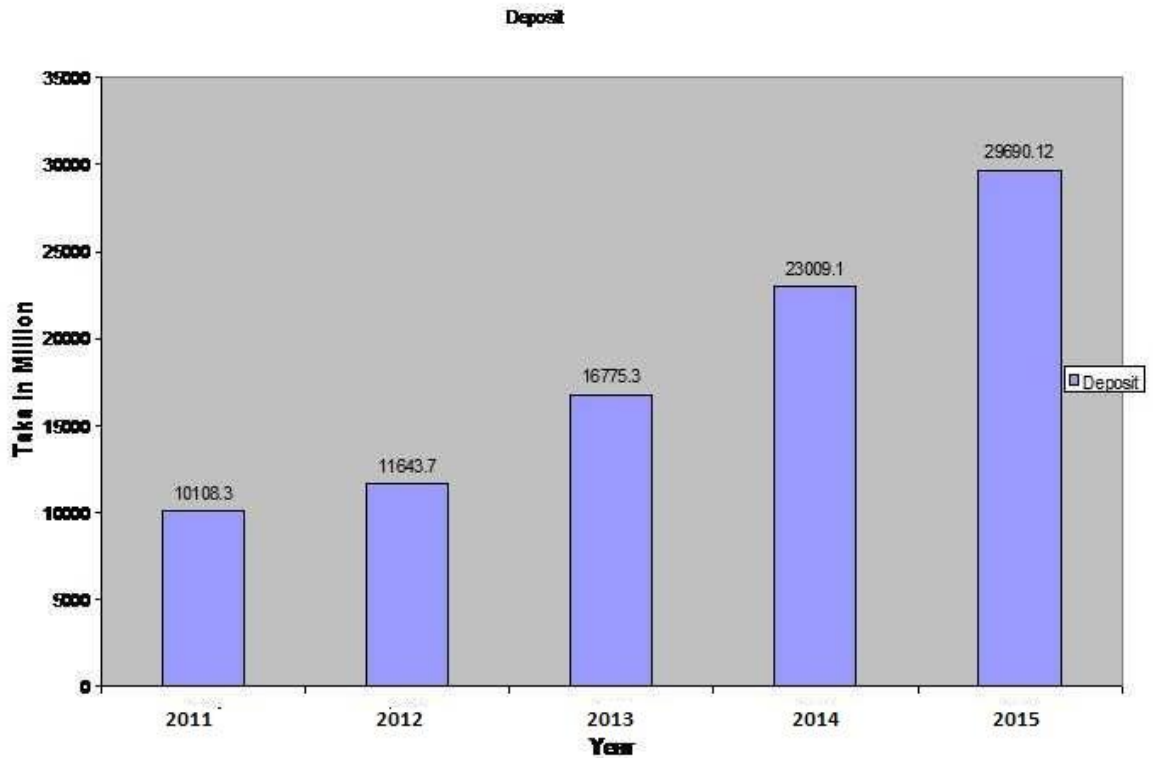
2.3 Mission

- 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.

2.4 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.

2.5 Products offered by AIBL



1. Al Wadish Current Deposit (CD)
2. Mudaraba short notice deposit(SND)
3. Mudaraba saving deposit(MSD)
4. Mudaraba term deposit(MTDR)
5. Monthly profit based term depotit(PTD)
6. Al-Aarah monthly Hajj deposit(MHD)
7. Al-Arafah termed hajj deposit(THD)
8. Foreign currency deposit(FCD)
9. Pension deposit scheme(PDS)
10. Mudaraba Millionaire deposit scheme(MDS)
11. Mudaraba Lakhpoti deposit scheme(LDS)
12. Mudaraba kotipoti deposit scheme(MKDS)

Source: AIBL, Annual report, 2015

Foreign Trade

Investment

1. Investment in Agricultural sector
2. Investment in Industrial sector
3. Investment in Business sector
4. Investment in Foreign Trade
5. Investment in Construction and Housing
6. Hire purchase
7. Village and small investment schemes
8. Consumer investment schemes



SMALL ENTERPRISE INVESTMENT SCHEME (SEIS)

In order to speed up MSME investment flow and to include in people who are beyond the range of banking facilities, this scheme is running in the Bank. Skilled and experienced staffs are recruited in different branches to ensure proper expansion of this scheme. We are highly appreciated for several times by the Bangladesh Bank for our kind of financing activities.

Features

- **Collateral:** Free
- **Other Security:** Personal Guarantee, Third Party Guarantee, Lien of SSP & MTDR, Hypothecation of Stock, Postdated Cheques etc.
- **Investment Parameter:** Manufacturing, Service, Trade
- **Mode of Investment:** Bai-muajjal (SEIS) & HPSM (SEIS)
- **Minimum Investment:** Tk. 50,000.00
- **Maximum Investment:** Tk. 500,000.00 (Up to 700,000.00 on continuing basis)
- **Number of Branches working for this scheme:** All Branches
- **Maximum Duration of Repayment:** 3 Years
- **Rate of Return:** As stipulated by the Bank

- **Repayment System:** Equal Monthly Installment Basis
- **Other terms & Conditions:** Specified by the Bank

SMALL ENTERPRISE FINANCING FESTIVAL (SEF-FESTIVAL)

This scheme is launched for the extra support of the existing micro and small clients at festival time, if required. Naturally, a client takes the investment to use it in his/her business to fulfill the present working capital requirements and to earn more money. But when religion or other country based festival period comes, he/she needs more working capital than present time. We are ready for his/her with 'Small Enterprise Financing Festival (SEF-Festival) Scheme. The duration of this scheme is only 4 months.

Features

- **Collateral:** As per Bank's decision
- **Other Security:** Personal Guarantee, Third Party Guarantee, Lien of SSP & MTDR, Hypothecation of Stock, Postdated cheques etc.
- **Investment Parameter:** Manufacturing, Service, Trade [Festival items]
- **Mode of Investment:** Bai-muajjal (SEF-Festival)
- **Minimum Investment:** Tk. 50,000.00
- **Maximum Investment:** Tk. 500,000.00
- **Number of Branches working for this scheme:** All Branches
- **Maximum Duration of Repayment:** 4 Months
- **Rate of Return:** As stipulated by the Bank
- **Repayment System:** 4 Month's Installment (Profit + Profit + Profit + Last Principal & Profit)
- **Other terms & Conditions:** Specified by the Bank

SOLAR ENERGY INVESTMENT SCHEME (SOLAR)

A Pioneer investment scheme named 'Al-Arafah Solar Energy Investment Scheme' is launched in order to face the present electricity crisis and to spread the benefits of renewable energy among the rural people. This program treats as an innovative step

on the history of Private Banking Sector in Bangladesh. It also has unveiled the wide field of Green Banking concept, the burning issue. 'Solar Energy Investment Scheme' is running under the control of SME & Promotional Programs Division. Skilled Electric Engineers & Solar Technicians are recruited in order to ensure the perfect technical support. We are running this program with own funding as well as skilled personnel.

Feature

- **Product Specification:** Only for installing the Solar Home System
- **Capacity Specification:**

Watt	Uses	Daily Using*
20	2 Light	4 Hours
40	3 Light, 1 Black & White TV	4 Hours
50	4 Light, 1 Black & White TV	4 Hours
65	5 Light, 1 Black & White TV	4 Hours
75	6 Light, 1 Black & White TV	4 Hours
85	8 Light, 1 Black & White TV	4 Hours
130	11 Light, 1 Black & White TV	4 Hours
More	Any Specification	As Required
*Daily using time depends on sunlight situation.		

- **Collateral:** Free

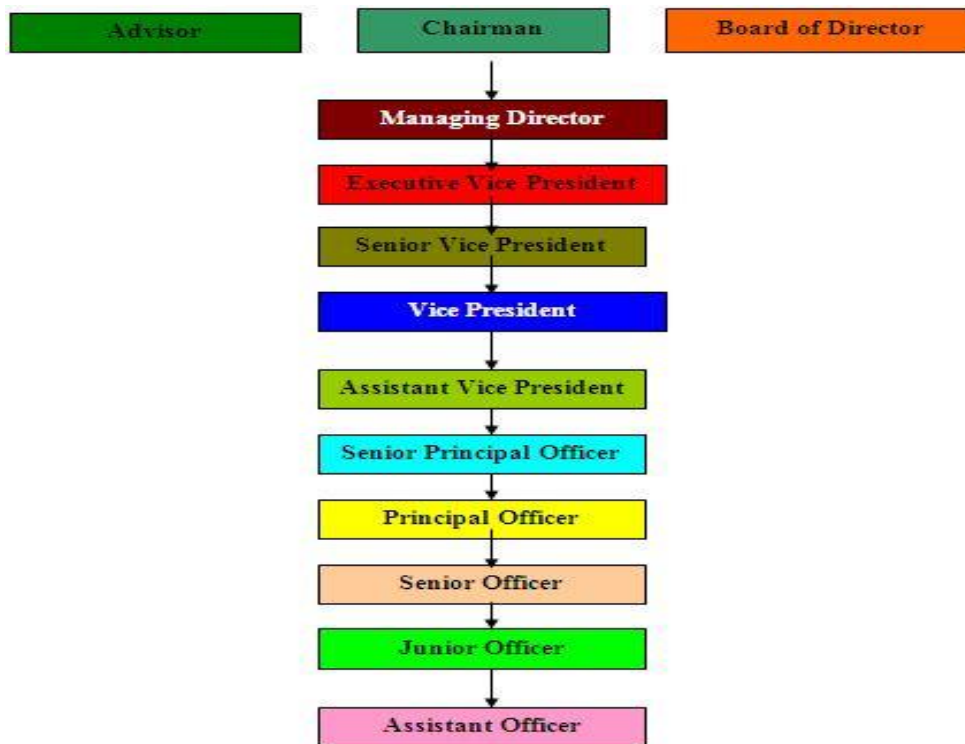
- **Other Security:** Personal Guarantee and Hypothecation
- **Mode of Investment:** Bai-muajjal (Solar)
- **Minimum Investment:** Tk. 11,000.00 [For 20 Watt Peak of Home System]
- **Maximum Investment:** As per client's uses requirement
- **Number of Branches working for this scheme:** Selected Branches
- **Duration of Repayment:** One Time Payment, 2 Years and 3 Years
- **Rate of Return:** As stipulated by the Bank
- **Repayment System:** Down payment and Monthly Installment Basis.
- **Other terms & Conditions:** Specified by the Bank

Services

- ✚ Internet Banking
- ✚ M-Banking (Hello, cash)
- ✚ SMS Banking
- ✚ Locker
- ✚ Agent Banking
- ✚ ATM Card
- ✚ VISA Credit Card
- ✚ Utility Bill/Tuition Fee Collection
- ✚ Letter of Credit
- ✚ Western Union and other money transfers like Placid, Rupali etc (Note: they do not provide Money Gram Services)



2.6 Operational Network Organogram of AIBL



2.7 General Banking Division

There are certain three sections working together to fulfill the target of the company. (i) Customer Service

(ii) Cash Department

(iii) Accounts Department

2.7.1 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

2.7.2 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.



2.7.3 Accounts Department

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

- A) General Accounting
- B) Investment Accounting

A) General Accounting

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

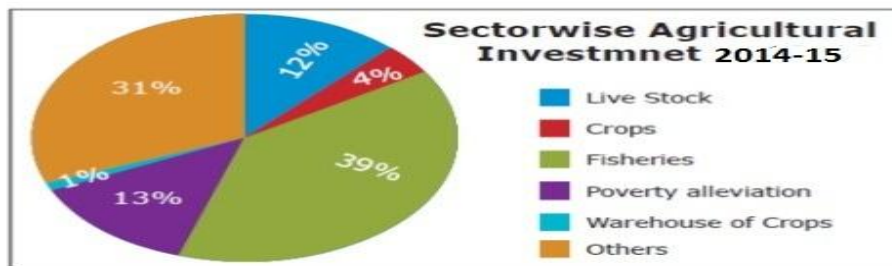
Activities of accounting subsection includes

- + 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

B) 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.



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Figure 5F: Sector wise Agricultural Investment 2014-15 (%)

Figure 5F shows that 39% of the agricultural investment was on fisheries. It was the highest amount of agricultural investment during 2014-15. Lowest amount was invested on warehouse of crops (1%).

5.7 Investment for Growing Spices at a Lowest Profit Rate (4%)

As per instruction of Bangladesh Bank, and to increase the production of different types of spices like Pulse, Oil-seed, Spice and Maize, AIBL started investment at a lowest rate of profit (only 4%) to the marginal farmers.

As on 21 October 2015 the report is shown below:

Name of Crops	Investment Amount
Pulse, Oil-seed, Spice and Maize	Tk. 1.80 million

Source: AIBL Annual Report 2015, page 39

INVESTMENT MANAGEMENT

Source: Annual report 2015, AIBL

- ✚ Preparation of overdue statement i.e.-overdue statement for BOD.
- ✚ Activities regarding delinquent charge i.e.-billing.
- ✚ Treatment of irregular investment Account.

2.7.4 Investment Division

Functions of investment divisions

are:

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

2.7.5 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.

2.7.6 Marketing Division

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.

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.

2.8 General Banking of AIBL

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 from bank. On the other hand, there are some customers with whom 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.

GB Section

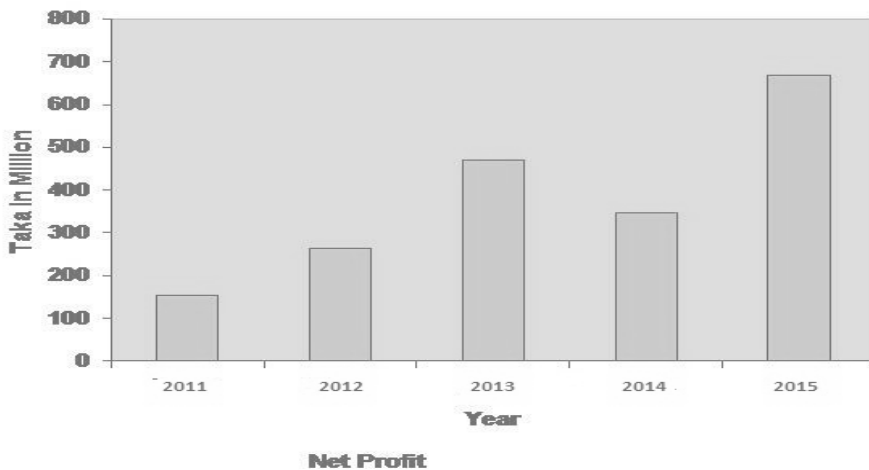
There are various sections in this department, which are as follows

- ✚ Cash Section
- ✚ Account Opening Section
- ✚ Cheque Clearing Section
- ✚ Remittance Section

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.



Source: Annual report 2015, AIBL

DD

A demand draft, also known as a remotely created check, a tale-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 (Drawer 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 uncashed 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.

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

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.

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.

Fixed deposit

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.

Mobile Banking



Chapter 3: My work area

3.0 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, Mouchaq Branch. My observation and responsibilities were in General Banking Department like **opening** & different types of DPS or FDR opening (Deposit Schemes). From 05 November 2015 to 25 January 2016. I worked with Mr. Shamim Mostafa, Executive Officer of Al Arafah Islami Bank Limited, Mouchaq 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.

3.1 Job responsibilities

There were several responsibilities carried out by me in general banking division of Al Arafah Islami Bank Limited (Mouchaq 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.

3.2 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.

3.3Closing Account

- + 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.



3.4Receive 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.

3.5Pay 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 4: Finding and Analysis



4.0 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 every day, 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

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

1. 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.

2. 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-

- Minimum opening deposit of Tk.500 is required;
- Minimum Tk. 500 balance must always maintain all the time
- If withdrawal amount exceed 1/4th of the total balance at a time no interest is given upon the deposited money for that month

3. Short Term 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.

4.1 Account Opening Procedure

Step 1	An existing Current holder of the bank.. Officials of the bank not below the rank of an
Step 2	Receiving filled up application in bank's prescribed form mentioning what type of
Step 3	<p>o The form is filled up by the applicant himself/ herself.</p> <p>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.</p>
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

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 People's 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).

4.2 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 another 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.

4.3 Deposit Mix 2015

Amounts of different deposit products for the year 2015 are given below:

Products	Taka in Million
a) Al Wadia Current Account	13,566.06
b) Mudaraba Savings Deposit	12,267.38
c) Other Mudaraba Deposit	90,041.40
d) Mudaraba Term Deposit	24,152.50
e) Bills Payable	953.22
Total	140,980.55

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Source: AIBL Annual Report 2015, page 35

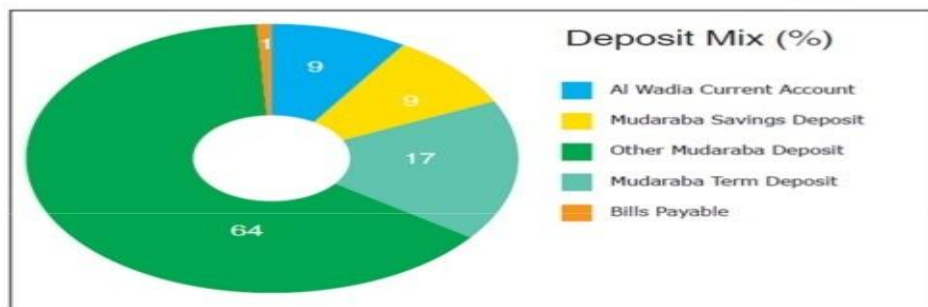


Figure 4B: Deposit Mix 2015 (%)

Figure 4B shows the percentage of different types of deposited amount for the year 2015. We can see that the highest deposited amount came from Other Mudaraba Deposit.

DEPOSIT MANAGEMENT

Findings of different scheme

Source: Annual report 2015, AIBL

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.

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.

Lone 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.

4.3Mudaraba 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. 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%.

4.3.1Fixed 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.

4.3.2 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	<p>1. Cash payment is made only against cheque.</p> <p>2. This is the unique function of the banking system which is known as “payment on demand”</p> <p>3. It makes payment only against its printed valid cheque.</p>
Cash Receipt	<p>1. It receives deposits from the depositors in form of cash.</p> <p>2. So it is the “Mobilization Unit” of the banking system.</p>

4.3.3 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.

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 is...

1. PO (pay Order)

2. DD (Demand Draft)

(Telegraphic Transfer)

4.3.4 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

4.3.5DD 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.

4.3.6 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 on demand by	Issuing branch Requests another branch to pay specified money to the specified payee
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	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	1. Confirm issuing Branch. 2. Confirm payee A/C 3. Confirm amount 4. Make payment
Charge	Only commission	Commission Telex	Commission Telephone

Table: Basic Three Types of Local Remittance

4.3.7 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.

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 al 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 I" Clearing House.

4.3.10 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.

4.4Followed Marketing Strategies by AIBL

- The main strategy of the bank is using Islami Banking System to attract its market.

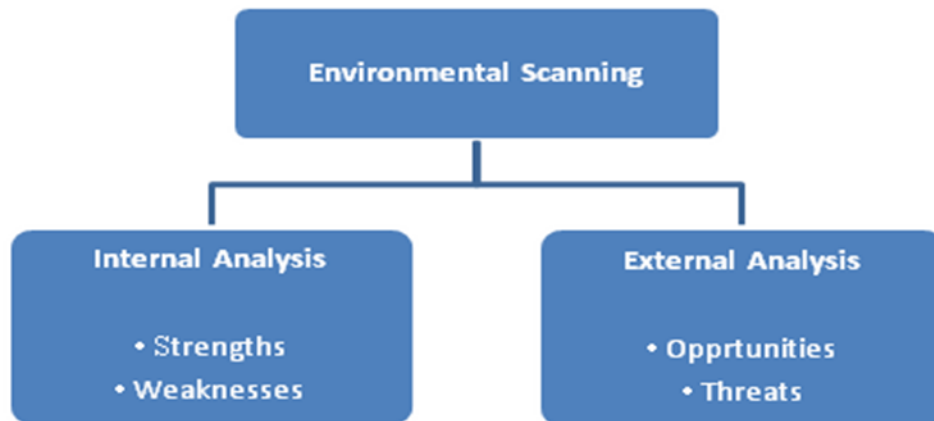
- Providing efficient customer service.
 - Maintaining corporate and business ethics
 - Being trusted repository of customers and their financial advices.
 - Making its products superior and rewarding to the customers.
-
- Display team spirit and professionalism.
 - Sound capital base.
 - Enhancement 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.

4.5SWOT 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.

In SWOT analysis, two major factors are act as 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.

4.5.1 Internal Analysis

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.



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.



4.5.2 External Analysis

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.



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.



4.6 SWIFT CODES

Swift code of AIBL is: **ALAR BD D**

4.7 Corporate Social Responsibilities (CSR)

Al-Arafah Foundation

The Bank has a Foundation launching philanthropic activities. Al-Arafah Islamic International School & College and Al-Arafah Islami Bank Library are major two wings for launching philanthropic activities.

Al-Arafah Islamic International School & College

Al-Arafah Islamic International School & College has been established by the Al-Arafah Bank Foundation with a view to building next generation according to the ideals of peace and equality of Islam and to establishing banking and other aspects of life in the way of Islam. The prime aim of this Islamic International School & College is to contribute towards building human resource and in the broader sense to ensure human welfare. With the view Al-Arafah Islami Bank Foundation has established Al-

Arafah Islamic International School & College at Dhanmondi in 1998. Such institution up to O level of its kind is for the first time in Bangladesh.

Al-Arafah Islami Bank Library

Library is the carrier & reservoir of knowledge. Al-Arafah Islami Bank has shown that other than generating profit, it can also contribute significantly in the field of providing good source of knowledge by establishing a public library at 32, Topkhana Road, Chittagong Bhaban (1st floor), Dhaka, thus strengthening social development. It is situated in a sound, healthy surroundings. It harbors 23,000 books of reference for the researchers, students, professionals, bankers, physicians, engineers, politicians, writers or journalists, even for the kids. It is open to all from the year 2000 and well located & accessible to everybody. It procured some exceptional collection of books on religion, economics, banking, computer science, business administration, sociology, English & Arabic language and juvenile literature in Bangla, English, Urdu & Arabic, which are very rare.

4.8 Credit Rating of AIBL




আল-আরাফাহ্
 ইসলামী ব্যাংক লিমিটেড
 العرفة إسلامى بنك لميتيد
Al-Arafah Islami Bank Limited

Credit Rating

	Rating-2012	Rating-2011
Long Term	AA₃ (Very Strong Capacity & Very High Quality)	AA₃
Short Term	ST-2 (Strong Capacity)	ST-2
Date of Rating	30 June 2013	
Validity	30 June 2014	

Credit Rating Agency of Bangladesh (CRAB) Limited has retained the long term rating of **Al-Arafah Islami Bank Limited** to **AA₃** (Pronounced Double A Three) and the short term rating at **ST-2** based on audited financial statements of 31st December 2012 and other relevant qualitative & quantitative information.

Commercial Banks rated **AA₃** in the long term belong to "**Very Strong Capacity & Very High Quality**" cohort. Banks rated "**AA₃**" have very strong capacity to meet their financial commitments. **AA₃** rated banks are judged to be of very high quality and are subject to low credit risk.

The short term "**ST-2**" category are considered to have **strong capacity** for timely repayment of obligations. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of funds.

www.al-arafahbank.com

Chapter 5: Recommendation and Conclusion

5.0 Recommendations

It is really difficult to draw recommendation based on three months' work experience and it would be audacious of me to give suggestions to the people who have better understanding and expertise than me. However, there are few areas in which I think the organization can improve:

- ✚ 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.
- ✚ 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 system 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.
- ✚ Nowadays 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.
- ✚ 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 offices 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 phase 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

5.1 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 sare 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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