

Research Report On

The Impact of Research and Innovation Investment on Al-Arafah Islami Bank's Financial Performance

Submitted by

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**An internship report submitted to the BRAC Business School
in partial fulfillment of the requirement for the degree of
Master of Business Administration.**

BRAC Business School
Brac University
April 10 2023

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Declaration

It is hereby declared that

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

Student's Full Name & Signature:

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Assistant Professor & Director (BBA Program),

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Letter of Transmittal

Saif Hossain
Assistant Professor & Director (BBA Program),
BRAC Business School
BRAC University
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Subject: Submission of Research Report

Dear Sir,

In accordance with the MBA program's requirements, I am submitting my research paper titled "The Impact of Research and Innovation Investment on Al-Arafah Islami Bank's Financial Performance with gratitude and great pleasure.

Your insightful suggestions, counsel, and assistance have made it easier for me to produce the report. I've completed the research completely, and I've done my best to make this report as thorough and educational as I can. Nonetheless, a variety of restrictions may have resulted in certain errors, for which I accept your apologies.

We appreciate your thoughtful considerations. Working with you has always been a joy for me. I have faith that the report will fulfill expectations.

Sincerely yours,

Rokhsana Nasrin Shuborna
ID: 19264051
BRAC Business School
BRAC University
Date: April 10, 2023

Non-Disclosure Agreement

This page is for Non-Disclosure Agreement between **Al-Arafah Islami Bank Limited** and **Rokhsana Nasrin Shuborna**.

This agreement is made and entered into by and between and **Al-Arafah Islami Bank Limited** the undersigned student at BRAC University

.....**Rokhsana Nasrin Shuborna**.....

Acknowledgement

First and foremost, I would want to thank Allah for enabling me to finish my report successfully and for giving me the endurance and fortitude to work for Al-Arafah Islami Bank Limited for the previous three months and finish my report by the deadline. Also, I want to thank Saif Hossain, a lecturer at the BRAC Management School, who oversaw my internship because without his continuous support and guidance, I would not have been able to complete my project. I want to thank Tareq Pathan, my boss at Al-Arafah Islami Bank Ltd, for all of his help and advice during the internship. They supported me and taught me many strategies, ideas, practices, and values during my internship program. They provided me with a plethora of knowledge, which helped me to comprehend general investing methods. I also appreciate BRAC University for starting the internship program since it gives me a great chance to obtain practical job experience that is related to my academic interests.

Executive Summary

Research and development activities launch and support new production, expand our understanding of the world, and present fresh perspectives on how to create and apply technology. The findings of the present study show how the performance of banks and R&D investment companies is influenced by a variety of variables. Al-Arafah Islami Bank Bangladesh was examined utilizing a descriptive research methodology and a panel regression analysis model with secondary data. The five-year period from 2017 to 2021 was covered by the study's data. We looked at the performance of seven financial variables that affect banks. The research uses return on asset and return on equity as metrics for assessing the performance of banks, and Dividend yield ratio, dividend cover ratio, price earning ratio, capital gearing ratio, research & development intensity ratio, business size ratio, and leverage ratio are some indications of research & innovation investment. The results of the panel data regression analysis showed that the banks' financial performance was negatively and statistically significantly impacted by their ratios of dividend yield, dividend cover, capital gearing, and leverage. Meanwhile, the financial performance of banks was statistically significantly benefited by the price-earnings ratio, the research-and-development intensity ratio, and the business size ratio. Nevertheless, neither the leverage ratio nor the dividend cover ratio had a statistically significant impact on the financial performance of the banks over the time period under investigation. As a result, the bank's financial performance is being positively impacted by the investment in research and innovation.

Keywords: Research and Innovation; Investment; Financial Performance

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List of Acronyms

ROA	Return on Asset
ROE	Return on Equity
DY	Dividend Yield
DC	Dividend Cover
PE	Price Earnings Ratio
CGR	Capital Gearing Ratio
RDI	Research & Development Intensity
FS	Firm Size
LEV	Leverage
AIBL	Al-Arafah Islami Bank
R & D	Research & Development
R & I	Research & Innovation

Chapter 1: Internship Overview

1.1 Title of the study

The impact of Research and Innovation Investment on Al-Arafah Islami Bank's Financial Performance.

1.2 Details of an Internships

1.2.1 Information about student

As a part of the Master of Business Administration Internship Program at BRAC Business School, BRAC University, I was assigned to Al-Arafah Islami Bank Ltd. My program began on January 1, 2023, and ended on March 31, 2023. My operational boss at AIBL, Mr. Tareq Pathan, assigned me to the Remittance section inside the General Banking Department. This study idea was proposed by my academic supervisor, Saif Hossain, a Senior Professor at BRAC Business School, BRAC University, and was accepted by my organizational supervisor. Information on the student is provided below:

Name: Rokhsan Nasrin Shuborna

Student ID: 19264051

Program Name: Master of Business Administration
(MBA)

Major Subject: Finance

1.2.2 Date, Business Name, Department/Division Name, and Address

I was given the opportunity to work as an intern at Al-Arafah Islami Bank Ltd for three months in order to fulfill a Brac Business School requirement. The duration of

my internship was three months, from January 1 to March 31, 2023. They also extended the option of an internship in its Dhaka branch office. As an intern, I work in the general department.

Duration of Internship: 1st January 2023-31st March 2023

Bank name: Al- Arafah Islami Bank Limited

Unit: General Banking Department

Address: Plot#30, Sonargaon Janapath, Dhaka 1230.

1.2.3 Supervisor Name and Position of Internship Company Details

I did a three-month internship program at AIBL that began on January 1 and ended on March 31 of the same year. My boss at Al- Arafah Islami Bank Ltd. was Mr. Tareq Pathan, senior principle officer and second manager.

1.2.4 Job Description of the Position

I was essentially employed as an intern at AIBL and I was employed by the Remittance section. Supporting the remittance section was my primary responsibility in AIBL. In the AIBL, I have engaged in the following activities:

I was in charge of processing daily transactions with an emphasis on process efficiency, such as processing and recording all company payments, issuing payment receipts, operating office equipment, entering and updating data, making bank deposits, creating financial reports, maintaining account information, identifying discrepancies and informing management, and making sure mail order payments have authorized signatures.

1.3 Internship Outcome

Job performance is influenced by a number of variables, including accountability, working conditions, having the necessary knowledge and expertise on work accomplishments, and job satisfaction. I am more satisfied than ever to be a part of the working atmosphere at AIBL. I received kind assistance from the staff, who helped me develop my performance and acquire new skills. The internship at AIBL lasted 14 weeks. Throughout the course of these 14 weeks, I have taught a variety of things that I have acquired in theoretical studies in a practical setting. I learned a lot throughout my internship, and the overall experience was quite understanding. In conclusion, I gained knowledge regarding the part I involved.

1.3.1 My Responsibilities During Internship

- Publishing work/research: questionnaire creation, design concepts, and proofreading.
- Secondary Research: reading books, journals and newspapers.
- Help with the collecting of primary and secondary qualitative or quantitative data for the research team.
- An economic feasibility study for establishing a new branch, sub-branch, or agent outlet.
- Update data through digitalization.

1.3.2 Challenges faced throughout the internship

I had several challenges during my internship. It took me some time to figure out how things truly worked because I had no prior professional experience. Second, the majority of duties were carried out by specialist software that was largely used by the employee when working for a private bank

like AIBL. As the program isn't general and needs particular expertise to work, an intern who hasn't received any training may suffer. It was challenging for me to conduct a thorough investigation since certain supervisors were reluctant to reveal any information. It was challenging for me to conduct a thorough investigation since certain supervisors were reluctant to reveal any information. I was instructed to confirm everything with both of my employers. Remittance is a branch of the general banking department, which also contains the following divisions:

- Accounts Section
- Collecting and Clearing Section
- Accounts Opening Section
- Remittance Section
- Cash Section

Due to the limited time, I was unable to participate in all of the portions. These are the challenges I encounter while on my internship.

1.4 Summary

Working with a firm like AIBL has been a huge privilege. As compared to other businesses' operations or production, it is a sizable industry. The ability to learn while working for the organization was what I liked most about it. A great chance exists to have a thorough grasp of numerous common banking tasks. I assisted with the bulk of general banking chores, always with the full cooperation and approval of my supervisor. I was able to gain a greater understanding of the many work issues that managers and top-level management face on a regular basis when working in the remittance department, as well as how these challenges can be overcome via effective education. I now have a greater grasp of the various difficulties that large

companies face, as well as how groups like AIBL may help me with issues of hiring. Here, I gained real-world work experience and improved my understanding of everyday situations. Coupled with working under time constraints, which made the most of my time. AIBL also helps me get better at networking.

1.5 Recommendations

I have discovered something truly extremely inspirational about AIBL after working there for Fourteen weeks. On the other hand, I would want to convey something to them from my observation over the previous three months that could cause them to reconsider.

These are some suggestions from my perspective:

- The firm does have an internship program, but it is not well-structured. The organization must maximize the usage of its interns while minimizing expenses.
- Time management is a major challenge. We need adequate time to manage clients, attend meetings, learn new skills and techniques, and hone our bargaining talents as beginners or newcomers. We won't be able to study efficiently for a respectable amount of time if our seniors don't provide us adequate time and attention. Thus, I believe that the three-month period should be extended.
- They must provide their interns lunch and access to a car pool.

Chapter 2: Organizational Section

2.1 Introduction

2.1.1 The Report's Origin

This report was created as a part of the academic report for the MBA program at BRAC University. The internship's major objective is to provide students with real-world business experience while gradually acclimating them to corporate culture. The research's aims include the following:

- To more fully understand the obligations of the role.
- To relate a problem from everyday life to a topic studied in an MBA program.
- To fulfill the prerequisites for the MBA program.
- To get experience in the real business environment.

2.1.2 Objective of the Study

The objective of the report can be observed in two forms:

- Broad Objective
- Particular Objective

Broad Objective

The study's main goal is to determine how research and innovation spending affects Al-Arafah Islami Bank's financial results.

Particular Objective

The study's particular objectives include analyzing the connections between return on asset and dividend yield, dividend cover, price earnings ratio, capital gearing ratio, research and development intensity, firm size, and leverage (ROA). Moreover, to look at the relationships

between return on equity and dividend yield, dividend cover, price earnings ratio, capital gearing ratio, research & development intensity, business size, and leverage (LEV) (ROE).

2.1.3 Background of the study

Research and development work initiates and promotes new manufacturing, advances knowledge, and provides novel approaches to creating and utilizing technology (Fatima, S., Fatima, S., & Fatima, N., 2018). The secret to staying on top of predicting future business circumstances and being proactive with every decision is information. Thus, it is vital to invest in a department within the business that gathers data to predict a picture of potential future risks and possibilities (MAJESTEYE, 2023). The R&D section contributes significantly to supplying the best mix of growing measures. Proper information presentation and exploitation are essential to reaching informed judgments that ultimately decide whether the business will add value or lose it.

A private commercial bank known as AIBL was incorporated on June 18, 1995, as a Private Limited Corporation under the Companies Act of 1994. On September 27, 1995, the official opening ceremony was place (AIBL , 2013). Corporate Head Office at AIBLTower, 63 Purana Paltan (Dainik Bangla Mor), Dhaka, Bangladesh. AIBL has offices in Dhaka, Chattogram, Rajshahi, Khulna, Borishal, Sylhet, Rongpur, and Mymensingh, as well as throughout Bangladesh. AIBL has 119 brances across its 38 Bangladeshi districts. As of June 2022, there were 14,300 agents working around the nation. Around 300 contemporary ATM Booths and 3,220 Point of Sale (POS) devices are spread across prime commercial, urban, and rural regions.

On September 27, 1995, the AIBL Research & Development Department was created (AIBL, 2023). Therefore, this department at AIBL has been around for more than ten years. The R&D Department shall give all potential research-based, scientifically generated inputs and development possibilities to the Management and Board in both proactive and reactive ways. All of the bank's research requirements will be handled by this department. Financial Market and Strategy (FM&S), Product Development and Management (PD&M), Stakeholder Insights (SI), Business Analytics (BA), Business Process Development and Re-engineering (BPD&R), Channel Planning and Reorganizing (CP&R), and Service Quality Assurance are the major functional areas of the R&D Department (SQA). The name of the quarterly internal publication published by AIBL is "Probaho" (BDreports24, 2020)." The AIBL Research & Development Department has been producing Probaho, a quarterly Business Review magazine, since its foundation. It includes the most recent financial news, financial articles, banking statistics, and more.

The banking sector in Bangladesh is becoming more and more cutthroat. Each bank must be efficient if they want to increase their portion of this market. Information is the key to staying on top of anticipating future business conditions and being proactive with every action. The firm must thus include a component that collects information to provide a picture of potential future dangers and possibilities. Offering the most efficient merging of extensive measures is the responsibility of the R&D section. Proper information presentation and exploitation are essential to reaching informed judgments that ultimately decide whether the business will add value or lose it. When deciding whether to extend credit or an open letter of credit in connection with this commodity in manufacturing or international company, R&D will be employed to mitigate risk.

The management and executing committee's leaders must be kept up to date on both the bank's performance and any new developments.

2.1.4 Research Question

Research question 1: Does investing in research and development have any effect on the financial performance of Al-Arafa Islami Bank Limited?

Research Question 2: Are DY, DC, PE, CGR, RDI, FS, and LEV significantly associated with ROA?

Research Question 3: Do the variables DY, DC, PE, CGR, RDI, FS, and LEV have any appreciable impact on ROE?

2.1.5 Importance of the Research

The banking sector in Bangladesh is becoming more and more cutthroat. Banks must continually enhance their performance if they want to expand their share of this market and the secret to staying on top of predicting future business circumstances and being proactive with every decision is information. As a result, it's critical for the business to have a section that gathers data to provide a picture of potential future risks and possibilities.

Having more branches is essential for maintaining competitiveness, and an R&D division is vital in providing the best possible mix of branch-expansion strategies. The right display and exploitation of information is the key to making informed decisions that, in the end, decide whether the business will gain or lose value.

The manager of a bank branch will utilize data on the projected price of a commodity supplied by R&D to lower risk. A regular flow of information regarding the bank's performance and any new developments must be sent to the chairmen of the management and executing committees.

2.1.6 The Scope of the Report

At a class or seminar, the subject's broad topic or study scope will be described. The "Scope" of this section describes the value of R&D to the banking sector. The scope of the activity is described as the "boundaries" of the objective, knowledge, teaching, or outcome. The research will detail the activities, influence, assessment, and feedback of the R&D Division on MTBL's banking operation in this part. Also, it can demonstrate the possible outcomes that can lead to achievement if other banks conduct R&D activities.

2.1.7 Limitations of the Report

It was a problem for me to get all the necessary information from the management because a lot of the information at AIBL is maintained extremely secretively. I noticed the following restrictions when I was composing my report:

A time frame

Time is limited at AIBL throughout the workday. I had three months to gather all the data, which is obviously not enough time for such a sizable project. As a result, I was unable to offer a more thorough report because of time restrictions.

Lack of Knowledge

Lack of information is another problem, and data may be sensitively provided. The company's annual report is usually hard to find, and websites and vlogs frequently don't provide enough

information. the respondent's resistance to divulging private information. They felt as though they were disclosing confidential information without authorization.

Limitative Policy

I was unable to get adequate material for the report because of the company's strict policies for disclosing crucial information.

Security Concern

Lack of data, which was necessary for the investigation, prompted the study. The company representative is unable to offer some details due to security and other corporate obligations. Due to a number of important obligations and ongoing operations, the secretive corporation is reluctant to divulge further information. As a result, rely as much as possible on publicly available information and a specific number of formal, informal, and informal meetings.

Place

Data were only collected from the Dhaka Office, highlighting the location's propensity for bias.

Not Enough Experience

I had no professional experience because I was new, so it took me a while to realize things realistically.

2.2 An Overview of the Bank

2.2.1 Background of the Al- Arafah Islami Bank Limited

On June 18, 1995, Al- Arafah Islami Bank opened for business with the intention of providing a modern financial system based on the Qur'an and Sunnah. On September 27, 1995, the opening ceremony was held (AIBL, 2023). It is Bangladesh's largest and well-known bank. The bank's prosperity depends on its ability to launch new products. To satisfy the needs of its clients, the

bank provides a wide range of goods and services. The bank announced a solid technology and continued profitability. Nowadays, AIBL is one of Bangladesh's top-rated banks. According to CAMELS ratings, it is ranked sixth (Assignment Point, 2023). The firm began operations with the intention of gradually carrying out its banking operations, including wholesale, retail, international trade finance, SME banking, NRB banking, offshore banking, privilege banking, etc. The bank operates its global network of more than 500 foreign correspondent banks to conduct its international operations. The banks now operate a network of 199 branches spread throughout 38 districts, more than 50 sub-branch locations, more than 200 agent banking locations, more than 300 contemporary ATMs, including 10 CRM booths, more than 10 air lounges, and other facilities (BANKBD, 2023). The Bank's authorized capital is Tk. 15000.00 million, however its paid-up capital as of December 31, 2013, was Tk. 8343.24 million. Eminent Islamic scholars and honorable businessmen from all throughout the country support the Bank. The whole paid-up capital is held by indigenous investors (BANKBD, 2023).

2.2.2 Goals of the AIBL

The objectives of Al-Arafah Islami Bank Ltd. transcend beyond purely financial success to include enhancing people's quality of life. The following is a list of AIBL's primary goals:

- To develop an Islamic Shariah-based, interest-free banking system.
- To provide financial services to persons who do not regularly conduct banking transactions.
- To offer large company clients commercial and investment banking services.
- To make accommodations for anyone who want to conduct the hajj and umrah.

2.2.3 Vision of AIBL

“To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy” (ASSIGNMENTPOINT, 2023).

2.2.4 Mission of AIBL

Enjoying the pleasure of Allah in this life and the next.

- Banking procedures based on Shariah are becoming increasingly common.
- Dependable financial services with state-of-the-art technology.
- Prompt and efficient customer service.
- Upholding a high bar for moral business behavior.
- Balanced growth.
- For shareholders, a stable and competitive return on equity.
- Competitively priced, cutting-edge banking.
- Attract and retain skilled workers.
- Providing competitive compensation packages for employees.
- unwavering commitment to boosting the country's economy.
- increasing SMEs and microbusiness finance.

2.2.5 AIBL Commitments

- To keep our position as the leading Islamic bank in Bangladesh, we practice modern Islamic banking that is customer-focused and have had strong, steady growth in both deposit mobilization and quality investment.

- Through our offices around the country, to offer financial services that are touched by our hearts to retail, small- and medium-sized enterprises, as well as corporate clients.
- Our company objectives are created to meet the clients' varying commercial and industrial ambitions. (AIBL PRIFILE, 2023).

2.2.6 Stock Statistics of AIBL

Market Capitalization (BDT)	10,649,021,850
Shareholders' Equity (BDT)	25,900,342,226
Book Value Per Share (BDT)	22.73
Last Audited P/B Ratio (x)	46,85,007
Forward P/E	12.04
EPS (BDT)	1.96
Audited P/E Ratio (x)	13.57
Trading Currency	Bangladeshi Taka
Market Category	A
Market Lot	1
Credit Rating	LT: AA, ST:ST-2
Last Dividend Declaration Date	May 9 2021
AGM Date	August 11 2022
Total Shares	1064902185
Paid up Capital (BDT)	10,649,021,850

Table 1: AIBL Annual Report 2021

2.3 Management Practices of AIBL

2.3.1 Leadership Approach

The act of inspiring and encouraging others to freely work toward a common objective is known as leadership. It is an important factor that helps people or organizations establish their objectives and then motivates and helps them to achieve those goals. A person's leadership style is defined as a consistent set of beliefs, abilities, traits, and attitudes that are manifested in their actions. Much focus is placed on incentives by positive leaders. Negative leaders also heavily emphasize threats, dread, severity, and penalties.

AIBL personnel are managed using a collaborative leadership style. Participatory leaders quickly exhibit decentralization of authority. Participatory judgements are not unilateral like those of an authoritarian since they take into account input from followers and involvement from them. Groups and leaders cooperate as a social unit. Workers are encouraged to share their opinions, come up with fresh ideas, and take action because they are well-informed on the matters that have an impact on their jobs.

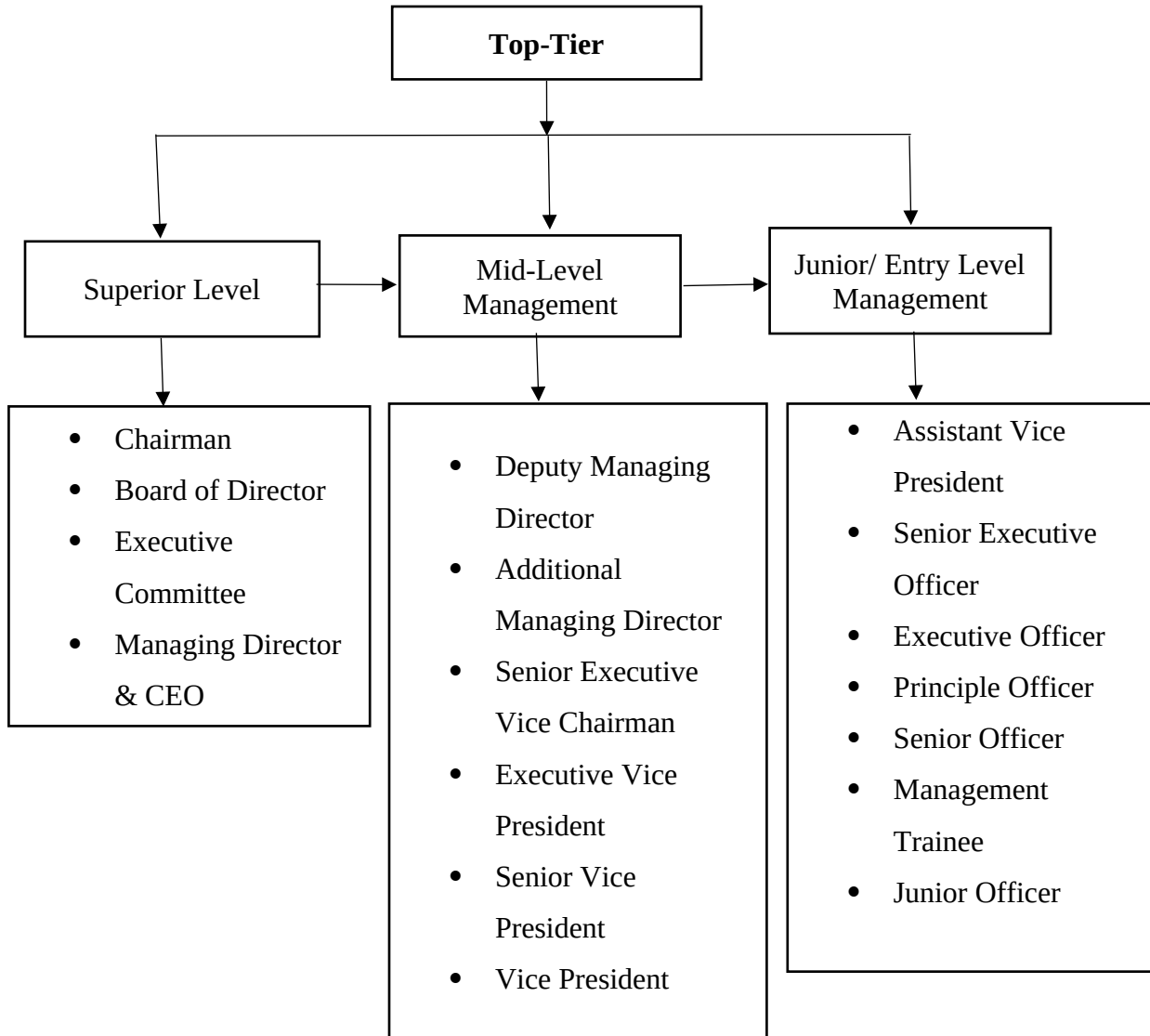
AIBL employs a participatory leadership strategy in which it solicits input from staff members and thoroughly weighs their suggestions before making a decision..

2.3.2 Training and Development

Both new hires and current workers can receive training from AIBL. To assist them grasp their jobs and the corporate culture, they offer training to new hires. The intern participates in training sessions, which is one of AIBL's strongest points. Three training sessions are held just

for the interns. Once a month, they organize quick training sessions for interns. I'm also taking part in this training program. In order to keep their skills current, AIBL also offers training to current staff.

2.3.3 Hierarchy of Position of AIBL



2.3.4 AIBL's Personnel Hiring and Selection Policy and Procedures

Enforcing the Personnel policy of AIBL is one of the main duties of the human resources division. Each employee's performance is assessed by the division twice a year, and each

employee has a thorough dossier kept on them (DSPACE, 2015). There are some personnel hiring and selection policy and procedures given in below:

1. Planning and forecasting
2. Personnel Request
3. An employment posting
4. Reviewing CVs to Choose Candidates
5. Contracting with the Shortlisted Applicants
6. Make plans for the initial interview with the chosen prospects.
7. Arrange for the initial group of interviewees to return for a second interview.
8. Upkeep of the applicant database
9. Candidates' Participation

Planning and forecasting

The recruiting process's planning phase is crucial. The three steps of a recruitment process are as follows: 1. The labor force 2. The need for labor 3. Preserving equilibrium between the supply and demand of labor. When a recruiting strategy is created at AIBL, the first line managers notify the program leader. The program director then alerts upper management about the opening. To confirm and ensure financing, top management meets with HR.

Personnel Request

The first stage of the hiring procedure is the staff requisition. This is a request made by management to fill a position left open by a departing employee. The date, job title, and nation name remain in the personnel requisition because AIBL works with foreign employees the most.

An employment posting

The process for staff requisitions is followed, and a job posting is made for the required role. After compiling the job description, the individual in question develops the advertising by

coordinating the essential responsibilities, qualifications in terms of education and experience, and the age and income range for applicants. The advertisement is often visible on AIBL's websites, including "careers.aibl.net" and "bdjobs.com," and they just started posting their ads on LinkedIn. For both internal and external candidates, there are two more websites. The two are "recruitment.internal.bi" and "recruitment.external.bi."

Reviewing CVs to Choose Candidates

The resumes are then reviewed. Three different scenarios are used to choose the bulk of CVs. Furthermore, everything has been stored in a single folder with subfolders.

- Excellent curriculum vitae
 - Can be taken into consideration
 - Unselected curriculum vitae
-
- **Excellent Curriculum Vitae:** Excellent resumes are those that are well-aligned with the needs of the job.
 - **Can be taken into consideration:** The job description is slightly or just partially matched by the CVs that are eligible for consideration. If not, but you have a solid history and certification, you can be given consideration for a different post.
 - **Unselected curriculum vitae:** CVs that are unrelated to the job description and do not match it in any way.

Deals with the Shortlisted Applicants

After that, candidates were suggested by applicants, who were then contacted for an interview. Candidates are often approached via phone or email.

Make Plans for the Initial Interview with the Chosen Prospects

Longlists, top management lists, at-a-glance sheets, and reception lists are all prepared at the initial interview, as I said in my responsibilities. The number of longlist files will depend on senior management's presence. After the written test, the applicants will participate in a verbal interview.

Arrange for the first group of interviewees to return for a second interview

A second interview is planned in accordance with the job requirements if the candidates are chosen. The identical process is followed, however there is no written test given.

keeping the hiring database up to date

After every interview, the database for hiring and conducting interviews is updated according to protocol. Every interview is videotaped, and for the smooth operation of the HR system, the time, title of the position, name of the manager, and notes are also saved.

Candidates' Participation

When a candidate has been officially chosen, the joining date is decided. On the employee's first day of work, the management provides him or her with a pin and a few key papers to fill out, after which the management receives the employee's significant paperwork.

2.4 Marketing Practices at AIBL

2.4.1 Types of Banking Business

The Corporation began its banking operations as planned and was granted a license by Bangladesh Bank pursuant to the terms of the Banking Companies Act 1991, making it authorized to engage in the following banking activity types:

- ATM Services
- Banking Services
- Consumer Banking

- Corporate Banking
- Investment Banking
- La-Riba Islamic Credit Card (AIBL, 2023)

2.4.2 AIBL Products

The corporation began its banking operations as planned. It was granted a license by Bangladesh Bank according to the terms of the Banking Companies Act 1991, making it authorized to engage in the following banking activity types:

2.4.2.1 Deposit Products

- AIBL Al Wadiah Current Deposit
- AIBL Monthly Hajj Deposit
- AIBL Termed Hajj Deposit
- AIBL Mudaraba Denmohor Deposit Scheme
- AIBL Mudaraba Shadhin Term Deposit
- AIBL Mudaraba Education Savings Scheme
- AIBL Cash Waqf Deposit Scheme
- AIBL Farmer & Freedom Fighters Account (AIBL DEPOSIT, 2023).

2.4.2.2 DPS Products

- AIBL Millionaire Plan
- AIBL Brick by Brick
- AIBL Education Plan
- AIBL Graduate
- AIBL Kotipoti

2.4.2.3 FDER Products

- AIBL Regular Fixed Deposit
- AIBL Double Saver
- AIBL Monthly Benefit Plan

2.4.2.4 Loan Products

- AIBL Personal Loan
- AIBL Home loan
- AIBL Home Equity Loan
- AIBL Auto loan

2.4.2.5 Card Services

- AIBL Debit Card
- AIBL credit Card
- AIBL VISA Co-branded Cards

2.5 Research and Development Activities of AIBL

The majority of the division's operations are divided among the functional groups listed below:

- Operational research
- Marketing research
- Business policy research

There is a lot of knowledge and information exchange within the functional groups, and each is particularly dependent on and supportive of the others.

Operational Research (Financial Market and the Economy Analysis)

- Macroeconomics book and article reviews
- An annual business direction, item
- The strategic planning of the bank

- Assessing how the bank's performance compares to those of rival banks in its generation or category
- Forecasting and analysis of business trends
- studies that uphold the fundamental objectives of the business policy

Marketing Research

Marketing research offers information on the current competitive market in the banking sector. The best way to develop new financial products that are innovative, customer-focused, and novel is through marketing research.

- Create new financial products, services, and customer service channels for banks while also enhancing those that already exist in order to better serve and meet the demands of clients, both as consumers and as businesses (B2B).
- Develop more effective marketing plans for the items.

These are some of the main objectives of marketing research, and the R&D department uses this strategy to increase its customer base and, eventually, sales. To achieve its main goal, the marketing research team must complete the following tasks.

Business Policy Research

- A manual for opportunities for new business growth
- Investing best practices
- Management growth principles

2.6 Summary and Conclusion

The initial set of research questions in the first chapter of this study are focused on how investments in R&I affect the bank's financial performance. The relevance of the connection between DY, DC, PE, CGR, RDI, FS, and LEV and financial success as gauged by ROA is the subject of the second set of questions. If there is a significant correlation between DY, DC, PE, CGR, RDI, FS, and LEV and financial performance bound by ROE is the subject of the last set of questions. The details of the business overview I selected are provided in Chapter 2. The final chapter goes into more detail into the impact that literature-supported investments in research and innovation have on banks' financial performance. In this chapter, the link between investments in R&I, financial performance, and the impact these investments have on bank performance is conceptualized. The methodology of the study is described in Chapter 3. This study took into account a number of factors, including the technique, research design, methodology, data source and type, data collecting procedure, demographic target, data analysis method, statistical tools, variable definition, and regression model specification. Also enhanced with a regression analysis-focused chapter three. Examples include coefficients, ANOVA, model summary, and descriptive statistics. Also, I included that Chapter 3 summarizes, concludes, and makes recommendations about the effect of research and innovation on bank financial performance.

2.7 Recommendation

I have already covered AIBL's management processes, marketing strategies, financial results, and accounting procedures; everything they do is of very high quality. Having the opportunity

to work for the top Bank in Bangladesh gave me a great chance to learn beyond the norm, so if interns come here to learn something, that would be really helpful for their future.

Chapter 3: Project Part

3.1 Introduction

This chapter provides an overview of the related literature for the research mentioned in the preview. Here, we will talk about the studies conducted by various academics discussing the effect of investments in R&I on banks' financial performance after discussing the research variables and relevant empirical investigations, a conceptual framework, a synopsis of the literature, and, ultimately, research gaps are presented. Regarding the study aims, a total of fourteen hypotheses have been developed. The research technique will then be developed using the framework as a guide, which will be covered in the next chapter.

3.1.1 Literature Review

“Research & Development is crucial to the success, efficiency, and profitability of any company concern. R&D is used in place of producing a profit” (Shaheen Fatima, Samreen Fatima, Nausheen Fatima, 2018). “R&D investment and corporate performance have historically been the subject of research. Businesses used donations and charity organizations as social activities, but such R&D did not enhance the performance of the firm. R&D activities have little effect on performance since they can only give long-term financial benefits and cannot produce results in the near run” (Shaheen Fatima, Samreen Fatima, Nausheen Fatima, 2018). “All parties engaged in the business recognize the value of R&D, and depending on the business strategy employed, it

may have an impact on sales. Revenue will increase as the company's value proposition and customer confidence grow. How enthusiastic a corporation is about undertaking research and development will determine how successful its R&D strategy is” (Fatima, S., Fatima, S., & Fatima, N., 2018). According to (Fatima, S., Fatima, S., & Fatima, N., 2018), “Innovative businesses expand more quickly than non-innovative ones. Investments in R&D have a positive impact on growth rates and are linked to higher growth rates for firms. The most important innovation initiatives are those that boost the company's output and revenue. International business operations and innovation activities at banks are strongly intertwined. R&D and innovation projects have an impact on the company's choice to enter new foreign markets. It has been shown that smaller companies spend more money on innovation than larger ones. The term "innovation" refers to a broad range of operations, including the creation, introduction, and improvement of products, technology, skills, and purchasing and selling procedures. Compared to other sorts of investments, R&D investments are unique. Spending money on human resources allows businesses to employ competent workers who will provide a variety of innovations”. According to (VanderPal, G. A. , 2015November), “examine the relationship between profitable R&D investments and the unpredictable nature of future performance. The unpredictable character of future earnings is positively correlated with R&D, which is consistent with the nebulous nature of R&D's benefits. They also showed that it is easier to comprehend the relationship between R&D efforts and future profitability when data about a company's efficacy of R&D spending is included”.

According to (Shaheen Fatima, Samreen Fatima, Nausheen Fatima, 2018), “investigate how profit and other information affect the price of research and development. It proves that operational profit generates anomalous profit as a result of rising R&D expenses. They examined

the fact that businesses spend more on R&D thanks to product innovation and improvement. It illustrates how input behavior and output control result in the enhancement of products, which in turn creates the market value of new products”.

According to (VanderPal, G. A. , 2015November), “a \$1 increase in R&D investment results in a \$2 rise in profits over the course of seven years. Similarly, there is a positive correlation between operating income and recent and archival R&D data. The findings also indicated that the impact of R&D on current operational results differed depending on the industrial sector. Instead of focusing on present and prior levels, it is more practical to concentrate on the link between R&D expenditure and profitability while taking future R&D growth into account”.

“Many studies have found a link between R&D spending and innovation output, however the strength of the link depends on the structure of the organization and the nature of the knowledge produced. In several prior studies, R&D investment was found to have a favorable impact on innovation performance” (Tsegaye Mulugeta Habtewold1, 2021). Businesses use R&D expenditure to increase their innovation performance and provide large returns by creating and releasing new, cutting-edge products and services. Businesses that increase their R&D spending are expected to be more likely to advance positively, introduce new products and technologies, and increase their competitiveness. R&D spending and innovation performance are generally understood to be positively correlated in the literature.

3.1.2 Review of Literature and Research Gap in Brief

The need for studies measuring the effect of R&D spending on financial success was a research gap I encountered. Another gap was the scant study done to determine how gross margins,

technical innovation, and marketing performance affected financial performance. To close this gap is the main goal of our research.

3.2 Methodology

This chapter describes the research methodology employed for this study. It includes the target demography for the study, the sampling methodologies employed, the research methodology, research design, research strategy, and research source. The chapter also looks at the data collection technique and the utilized empirical model. The chapter concludes by outlining the stages required in data analysis and how the outcomes are presented.

Many quantitative techniques and methods can be used to solve research difficulties. To accomplish the study's main goal of the study, it is utilized to frame the descriptive technique and test the hypothesis to identify the outcome and effect. Quantitative processes and approaches tend to focus on quantities since numbers show the magnitudes and intensities of theoretical structures and ideas. This research approach also relates to finding evidence to either support or refute hypothesis that was developed in the earlier phases of the study.

Research methodologies fall into two categories:

- Deductive method
- Inductive method

This study employs a deductive approach that is common in quantitative research. A study strategy is then developed to evaluate the hypotheses, with an emphasis on developing hypotheses based on established theory (Shrutika Sirisilla, 2023). The method that this technique best supports is the Deductive method, which involves deducing conclusions from premises. The

suitability of the hypothesis for the investigation serves as a crucial distinguishing factor between deductive and inductive methods. The deductive technique assesses the truthfulness of current hypotheses or assumptions, whereas the inductive approach assists in the creation of new theories.

The secondary data for this study was taken from the yearly reports of the AIBL, which were gathered from the official websites published by the AIBL, Bangladesh, over five years from 2017 to 2021. The AIBL's five-year annual report (2017–2021) served as a secondary data source.

Data from the financial statements of banks are utilized to identify bank-specific factors that control research expenditures and bank profitability. The study employed audited financial documents (balance sheet, income statement, and cash flow statement) supplied by AIBL in order to improve the research's validity and dependability. The researchers may combine the benefits and address some of the shortcomings of any data source by choosing an appropriate and acceptable data collection tool, which helps to reduce the investment in unnecessary conclusions. Hence, AIBL, Bangladesh, makes up our sample. The research period, which runs from 2017 to 2021, requires data to be available. At first, all of the annual reports of the AIBL were obtained from the websites of the relevant banks. Following a manual search of each annual report for relevant information, the ratios derived from the computation of the various variables related to research and innovation investment and performance measurement in the annual reports of the banks served as the empirical inputs for testing hypotheses.

3.3 Findings and Analysis

The following is a list of the statistical techniques that were used to analyze the data and identify the numerous correlations between the variables:

3.3.1 Statistical Analysis

“The descriptive analysis part covers basic descriptions of variables. Included are the mean, maximum, minimum, and standard deviation for each variable. As a result, descriptive statistics for the variables (both dependent and independent) during the duration of the sample period were calculated. This supports Malhotra's claim that using descriptive statistics approaches helps the researcher see the current situation and makes relevant information available” (Malhotra, 2007).

3.3.2 Analysis of Linear Regression

It attempts to represent the link between two or more variables by applying a linear equation to the data gathered. $Y = a + bX$, where X is the independent variable and Y is the dependent variable which is the equation for a linear regression line. Linear regression was used to evaluate the statistical correlation at a 5% significance level. The correlation coefficient establishes the magnitude of the link between the independent and dependent variables (R). The fit of the model and the overall significance of the connection were evaluated using the coefficient of determination (R -square), which reflects the percentage of variation in the dependent variable which can be accounted for by changes in the independent variables. The structural models are finally run to put the theories to the test. The data is evaluated using IBM SPSS version 25.

3.3.3 SPSS Statistics 25 by IBM

Statistical data is logically batch-processed and then non-logically analyzed using software called the Statistical Package for Social Sciences (SPSS). It provides a variety of statistical computations, including, among others, linear regression analysis, descriptive statistics, correlation, bivariate statistics, and numerical result prediction. In order to analyze the relationship between research & innovation investment and related banks chosen as samples of financial performance, data are calculated using IBM SPSS version 25 in this study.

3.3.4 Specifications for a Regression Model

The association between the independent and dependent variables is established by the study using a general linear model of regression. By taking into account the variables utilized in earlier investigations, the model has been fixed. This is the model:

$$\text{Model 1: ROA} = \beta_0 + \beta_1\text{DY} + \beta_2\text{DC} + \beta_3\text{PE} + \beta_4\text{CGR} + \beta_5\text{RDI} + \beta_6\text{FS} + \beta_7\text{LEV} + \epsilon$$

$$\text{Model 2: ROE} = \beta_0 + \beta_1\text{DY} + \beta_2\text{DC} + \beta_3\text{PE} + \beta_4\text{CGR} + \beta_5\text{RDI} + \beta_6\text{FS} + \beta_7\text{LEV} + \epsilon$$

Where,

- β = constant term,
- $\beta_1 - \beta_7$ = coefficient of independent variants
- ϵ = regression error term
- ROA = Return on Asset
- ROE = Return on Equity
- DY = Dividend yield ratio
- DC = Dividend cover Ratio
- PE = Price earnings ratio
- CGR = Capital gearing Ratio
- RDI = Research & Development Intensity Ratio
- FS = Firm size ratio

- LEV = Leverage Ratio

3.4 Return on Asset for Research and Innovation Investment

The independent and dependent variables' descriptive statistics are shown in Tables 2 and Table 5 below. The dependent variables (ROE) are Return on Asset (ROA) and Return on Equity. While the independent variables include Firm size (FS), Leverage ratio (LEV), Price Earnings Ratio (PE), Capital Gearing Ratio (CGR), R&D Intensity Ratio (RDI), Dividend Yield Ratio (DY), Dividend Cover Ratio (DC), and Ratio of Capital to Earnings (DC).

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	5	.0094	.0140	.012600	.0018588
RDI	5	.0016	.0055	.003120	.0015189
FS	5	110	119	114.20	4.266
LEV	5	-.0027	.0281	.011340	.0135108
DY	5	-.1700	.0200	-.070000	-.0809321
DC	5	.1402	.4896	.287400	.1433511
PE	5	4.7525	18.8770	10.211240	5.7440333
CGR	5	7.6762	8.3041	7.928340	.2498049
Valid N (listwise)	5				

Table 2: Regression-based descriptive statistics for ROA

Table 2 displays descriptive information about the variable used in this study. The table above indicates that there are a total of 5 samples. Return on Asset (ROA) has a mean value of 0.012600, a range of 0.0094 to 0.0140, and a standard deviation of 0.0018588. The average research and development intensity ratio (RDI) is 0.003120, with minimum and highest values of 0.0016 and 0.0055. Firm sizes (FS) range from 110 to 119, with 114.20 being the median value. With lowest and maximum values of -0.0027 and 0.0281, the average leverage ratio (LEV) is 0.011340. The minimum and highest values of the dividend yield ratio (DY) are -0.1700 and 0.0200, respectively, with a mean value of -0.0700. With a mean value of 0.2874, the dividend capital ratio (DC) runs from a low of 0.1402 to a high of 0.4896. The price earnings ratio (PE) ranges from a low of 4.7525 to a high of 18.8770, with a mean value of 10.2112. Finally, consider capital gearing ratio (CGR). 7.6762 and 8.3041, respectively, are the lowest and highest scores, with a mean of 7.9283.

3.4.1 AVONO of ROA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.123	4	0.513	4.132	.000 ^b
	Residual	6.244	0	0.114		
	Total	11.367	4			

a. Dependent Variable: ROA
b. Predictors: (Constant), DY, PE, RDI, CGR, FS, LEV, DC

Table 3: ANOVA of ROA using regression model

The table above shows the results of the ANOVA test to determine how fit the model is. The F statistic of 4.132 and significance level of 0.000 show that the data fits the model well, indicating that the model's provided variables are accurate performance predictors.

3.4.2 Coefficients of ROA

Coefficients ^a					
Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.068	.022		1.244	.104
FS	.001	.021	.391	2.121	.000
LEV	-.116	.009	-.841	-.214	.670
DC	.022	.001	.029	2.320	.000
CGR	-.009	.000	-1.252	-2.099	.039
DY	-.005	.012	-.501	-3.423	.098
PE	0.337	.026	.394	.381	.130
RDI	0.135	.021	.087	2.114	.051

a. Dependent Variable: ROA

Table 4: Coefficients of ROA using regression model

Since the tests were conducted with a 95% level of confidence, the p-value for each of the aforementioned tests had to be less than or equal to 0.05 in order to be significant. Unstandardized coefficients reveal how much the dependent variable varies with an independent variable when all other independent variables are held constant. Table 4 contains the beta coefficients for the seven independent variables. The beta coefficients display the unique prediction power of each variable. The table above shows that the beta constant is negative. The negative beta coefficients of the leverage ratio (LEV), capital gearing ratio (CGR), and dividend yield ratio (DY) all show that the dependent variable, return on asset (ROA), is inversely associated to these independent variables. The performance is predicted to fluctuate by 0.116, 0.009, and 0.005 for every unit change in the leverage ratio, capital gearing ratio, and dividend yield ratio, respectively.

On the other hand, a positive correlation between the dependent variable, return on asset (ROA), and the independent variables, dividend cover ratio (DC), firm size (FS), price earnings ratio (PE), and research & development intensity ratio (RDI), is suggested by the positive beta coefficients and statistical significance of these variables.

A unit change in the Dividend Cover Ratio, Firm Size, Price Earnings Ratio, and Research & Development Intensity Ratio, respectively, results in a proportionate change in performance of 0.022, 0.001, 0.337, and 0.135.

The results of the research (ROA) show that the independent variables Firm size (FS), Price Earnings Ratio (PE), Research & Development Intensity Ratio (RDI), and Capital Gearing Ratio (CGR) significantly affect the dependent variable Return on Asset.

Thus, the following is the initial regression model:

$$\text{ROA} = 1.068 - 0.001 (\text{FS}) - 0.022 (\text{DC}) + 0.009 (\text{CGR}) - 0.337 (\text{PE}) + 0.135 (\text{RDI}) + \epsilon$$

3.5 Return on Earnings for Research and Innovation Investment

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	5	.05	.06	.0617	.002571
ROI	5	.00	.00	.0031	.00151
FS	5	110	119	114.20	4.266
LEV	5	-.00	.02	.0113	.01351
DY	5	-.17	.02	-.0700	.08093
DC	5	.14	.48	.2874	.14335
PE	5	4.75	18.87	10.2112	5.74403
CGR	5	7.67	8.30	7.9283	.24980
Valid N (listwise)	5				

Table 5: Regression-based descriptive statistics for ROE

Table 2 displays some descriptive information on the variable utilized in this inquiry. The Return on Equity (ROE), which was calculated using a total of 5 samples and had a mean of 0.0617 and a range of 0.0583 to 0.0641 with a standard deviation of 0.0026, can be seen in the table above. The average research and development intensity ratio (RDI) is 0.003120, with minimum and highest values of 0.0016 and 0.0055. Firm sizes (FS) range from 110 to 119, with 114.20 being the median value. With lowest and maximum values of -0.0027 and 0.0281, the average leverage ratio (LEV) is 0.011340. The minimum and highest values of the dividend yield ratio (DY) are -0.1700 and 0.0200, respectively, with a mean value of -0.0700. With a mean value of 0.2874, the dividend capital ratio (DC) runs from a low of 0.1402 to a high of 0.4896. The price earnings ratio (PE) ranges from a low of 4.7525 to a high of 18.8770, with a mean value of 10.2112. Finally, consider capital gearing ratio (CGR). 7.6762 and 8.3041, respectively, are the lowest and highest scores, with a mean of 7.9283.

3.5.1 AVONO of ROE

ANOVA ^a					
Model 2	Sum of Squares	df	Mean Square	F	Sig.
Regression	210.322	4	24.043	2.231	.000 ^b
Residual	630.465	0	7.010		
Total	840.787	4			
a. Dependent Variable: ROE					

b. Predictors: (Constant), DY, PE, RDI, CGR, FS, LEV, DC

Table 6: ANOVA of ROE using regression model

The table above shows the results of the ANOVA test to determine how fit the model is. The F statistic of 2.231 and significance level of 0.000 show that the data fits the model well, indicating that the model's provided variables are accurate performance predictors.

3.5.2 Coefficients of ROE

Coefficients ^a					
Model 2	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.007	.022		1.244	.104
FS	.001	.021	1.244	2.121	.000
LEV	-.121	.009	-.637	-.214	.698
DC	-.002	.081	-.138	-2.320	.089
CGR	-.004	.000	-.374	-2.099	.039
DY	-.100	.012	-.501	-3.423	.002
PE	.337	.026	.394	.381	.130
RDI	.135	.021	.087	2.114	.421

a. Dependent Variable: ROE

Table 7: Coefficients of ROE using regression model

Since the tests were conducted with a 95% level of confidence, the p-value for each of the aforementioned tests had to be less than or equal to 0.05 in order to be significant. Unstandardized coefficients reveal how much the dependent variable varies with an independent variable when all other independent variables are held constant. Table 7 displays the beta coefficients for the seven independent variables. The beta coefficients display the unique prediction power of each variable. The table above shows that the beta constant is negative. The negative beta coefficients (ROE) of the independent variables leverage ratio (LEV), capital gearing ratio (CGR), dividend cover (DC), and dividend yield ratio (DY) show an inverse relationship between them. This demonstrates that an inverse change in performance of 0.121, 0.004, 0.02 and 0.100 occurs for every unit change in leverage, capital gearing, dividend cover, and yield ratios, respectively.

However, the price-earnings ratio (PE), research-and-development intensity ratio (RDI), and firm size (FS) all have positive beta coefficients and are statistically significant, demonstrating a positive correlation between the dependent variable return on equity (ROE) and these factors. This means that a unit change in the Price-Earnings Ratio, the Research and Development Intensity Ratio, and the Firm Size results in a proportionate change in performance of 0.337, 0.135, and 0.001 respectively.

The results of the study show that the independent variables firm size (FS), price earnings ratio (PE), and research and development intensity ratio (RDI) have a substantial influence on the dependent variable return on equity (ROE).

The second regression model then takes the form:

$$\text{ROE} = 1.007 - 0.337 (\text{PE}) - 0.135 (\text{RDI}) - 0.001 (\text{FS}) + \epsilon$$

3.6 Conclusion

Among Bangladesh's other cutting-edge, extremely competitive banks, there is no Research & Development Section. In this instance, AIBL founded the R&D Division. In order to go forward, several institutions have now established this section. My time working in the research and development department was fruitful since I learned a lot there. I have gained proficiency mostly in the following areas as a result of my internship at AIBL:

- Research approach
- Analytical skills
- Banking knowledge
- Proficiency in a variety of research tools and methodologies.

Investments in R&D are crucial because they show potential for future development in a company's performance. This study examined the impact of R&D investment on the financial success of the AIBL using data from the years 2017–2021. The findings of the study showed a link between R&D expenditure and financial performance. Yet, it was shown that the impact of R&D expenses was greater in ROE than ROA.

3.7 Recommendation

I've included a handful of the most significant initiatives from the R&D Division that help senior management make choices that are competitively and effectively informed. Only when the moment is right are these efforts launched to provide clients distinctive goods and services. The

AIBL Managing Director is largely in charge of the R&D Division. Following its corporate head office strategy, the Division focuses on meeting unforeseen needs and providing superior services to its clients. And I found that there is a close relationship between banking operations and R&D activity. The management occasionally benefits from the remarks of the R&D department in order to comprehend changes in market dynamics and to make prompt choices in order to keep an edge. This can be done by carrying out the steps described below.

- The banking industry focuses mostly on money and how it functions. The financial side of this is notably weak, even though the R&D sector is permitted to examine numerous aspects of banking operations. Indeed, Financial Administration is in charge of this area (FAD).
- Because external market research companies' work is very sophisticated and competitively sensitive, there should be less reliance on them. As a result, more specialists need to be employed.
- On times, R&D is overburdened with work from other departments. At that moment, the flow and everyday duties are hampered. Thus, management ought to give R&D initiatives top priority. because they need in-depth examination and the use of reliable resources.
- The present personnel numbers make the R&D Division ineffective. Take action to ensure that the right people are hired, bringing in subject-matter specialists who unavoidably need to have business sense, previous working experience, and the essential technical abilities.

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