



AL ARAFAH ISLAMI BANK LIMITED

# IN THE QUEST OF A SUSTAINABLE SUPPLY CHAIN

# 2018



## **Internship Report**

**On**

# **The Supply Chain of AIBL: How can AIBL maintain a sustainable Supply Chain?**

### **Faculty Supervisor:**

Ms. Nusrat Hafiz  
Lecturer  
BRAC Business School  
BRAC University

### **Prepared by**

Saleh Md. Abu Sinan  
ID: BBA 14104108  
BRAC Business School  
BRAC University

**Semester:** Fall 2018

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December 13<sup>th</sup>, 2018

Ms. Nusrat Hafiz  
Lecturer  
BRAC Business School  
BRAC University  
66, Mohakhali, Dhaka 1212.

**Subject:** Submission of Internship Report on “The Supply Chain of AIBL: How can AIBL maintain a sustainable Supply Chain?”.

Dear Miss,

To begin with, I would like to sincerely thank you approving this topic, as this study has given me the opportunity to develop my knowledge in supply chain management further. Also, I am delighted to inform you that my internship at the Al Arafah Islami Bank has been completed successfully. These 3 months have been a captivating and practical learning experience.

I have tried my level best to follow your instruction regarding the research paper. Hopefully, I will manage to fulfill your expectation and present a commendable study.

Sincerely,  
Saleh Md. Abu Sinan  
ID: 14104108  
BRAC Business School  
BRAC University

## Letter of Endorsements

It's to certify Saleh Md. Abu Sinan is a BRAC Business School student, ID: 14104108. He has successfully completed his " Internship Programme, " entitled " AIBL 's supply chain: how can AIBL maintain a sustainable supply chain? " by Al Arafah Islami Bank Limited.

Signature

.....

Ms. Nusrat Hafiz

Lecturer

BRAC University

66, Mohakhali, Dhaka 1212.

## **Acknowledgement**

Firstly, I would like to use this opportunity to express how grateful I am to BRAC University for giving me the opportunity to take part in the Internship Program.

Also, greatly thankful to my most helpful faculty supervisor Ms. Nusrat Hafiz for providing me with the much-needed guidance and materials which helped me tremendously in conducting this research paper.

Lastly, I'm grateful to Iqbal Hossain, Clearings Officer, AIBL for teaching me how to work in a banking environment. Special thanks to all employees of AIBL that made my three months working as an intern really memorable.

## **Executive Summary**

In this era, consideration of CSR in every department of an organization is obligatory for strengthening Corporate Ethics and maintaining an exemplary Brand Image. With the introduction of a new guideline, new challenges have emerged for AIBL as to how they will integrate CSR in each of their departmental operations while sustaining the same level of performance and efficiency or exceed it? In the quest of obtaining a comprehensive answer to this question six complementary objectives are set by this study. In an effort to collect primary data, a questionnaire has been distributed among the bank officials. After the analysis and interpretation of the extracted data, some critical areas of improvement have been identified. Based on this, a model has been developed to provide guidance in mitigating the short comings of the Supply Chain System.

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# Organizational Overview

## 1. Profile

Al Arafah Islami Bank Ltd was formed on 18 June 1995 as a private limited company in order to reap the benefits here and thereafter by going down the road of Allah and the ways shown by His Rasul (SM).

## 2. Vision

- A. To be a pioneer in Islamic banking in Bangladesh and to make a significant contribution to the growth of the mission of the national economy.
- B. Realize Allah's satisfaction here and hereafter.
- C. Shariah-based banking practices proliferation.
- D. Financial quality services that adopt the latest technology.
- E. Customer service quickly and efficiently.
- F. Ensure a high standard of business ethics.
- G. Growth balance.
- H. Stable & competitive return on equity of shareholders.
- I. Competitively innovative banking.
- J. Retainment of high standard human resource
- K. Providing compensations packages to the staffs
- L. Commitment to the national economy
- M. Micro and SME financing implementation.





### **3. Commitments**

- A.** AIBL is a fundamentalist Islamic banking customer-centric sound and continuing growth in both deposit mobilization as well as quality investment to maintain status as a leading Islamic bank in Bangladesh.
- B.** To provide financial services to retail, small and medium sized businesses enterprises and holding companies through branches across the country with our soul's touch.
- C.** AIBL 's business policies are intended as a response to customers' changing business and industrial requirements.

### **4. Special Features of the Bank**

- A.** All AIBL operations are carried out according to a profit / gain-based approach in compliance only with Islamic Shariah in order to counter the Usury nation.
- B.** In 2007, 70% of business income was administered to savers in Mudaraba.
- C.** AIBL 's diverse range of services have included online banking in 2008. In this update, Bangladeshi software was adopted to promote local developers.
- D.** AIBL assembles its own AGMs (Annual General Meeting) regularly. EGMs (Extraordinary General Meeting) are also arranged whenever deemed essential.
- E.** AIBL pays profits to the respected investors on a constant basis. For 2013, they have announced a bonus yield of 13.50 percent to our shareholders.
- F.** AIBL genuinely believes in offering dedicated professional services to people in the vein of Islamic brotherhood, prosperity and unity.
- G.** The Bank is pledged to set up a welfare benefit banking policy that meets the wants and needs of lower incomes and marginalized groups.
- H.** The Bank reinstates the Islamic values of creating a justified economic system by means of mass enlightenment and a cohesive society.



- I. In accordance with Islamic values, it contributes to the economic prosperity of lower socio - economic people; once again to the creation of career opportunities and also to the sponsorship of rural areas in order to guarantee a nuanced growth of the economy.
- J. The Bank has established AIBL English Medium Madrasha and AIBL Library and believes in social and humanitarian activities. More efforts will follow in the future.

## Research

### 1. Introduction of the Study

#### **i) The Rationale of the Study**

As a consequence of how the academic curriculum is structured, conventionally the majority of the students spend most of their academic life being confined in a continuous loop of classes and exams. Nearly all of them get deprived of the scope to practically demonstrate their academic knowledge on a real-life scenario thus hampering their learning process while in some cases lessening the interest in a subject. Hence, this deficiency of practical experience works as a loophole in the education system. This is when the necessity of internship comes in to work as a substance to fill in the loophole of the traditional academic system.

Serving as a compulsory part of the BBA Program, “Internship” is obligatory for all the undergraduates for attaining graduation from BRAC University. During this internship phase, pupils are instructed to carry out a study on a specific topic concerning the organization they are currently involved with. Two major roles that internship play are, **A) Provides an opportunity to the undergraduates for implementing the theoretical knowledge that they have acquired throughout their academic life in an actual organizational environment, B) Provides the experience of conducting primary research while being in direct association with an organization.** This is an excellent initiative to complement their theoretical knowledge and provide the needed supplement for the initiation of their corporate career.

In order to further enhance my understanding of “Operations and Supply Chain Management” aspect of a banking institution and how they structure their operations for achieving the most efficient supply line, I have conducted my internship report on the supply chain of Al Arafah Islami Bank Limited (AIBL). The principal question that I am



seeking an answer to is ***“How Al Arafah Islami Bank Limited can maintain a sustainable Supply Chain?”***

## **ii) Statement of the Problems**

In accordance with Bangladesh Bank Circular 02 Date: 01.12.2016, AIBL has formed its **Sustainable Finance Unit** on January 5, 2017. It was formed by merging Green Banking department and CSR Division to integrate both Corporate Social Responsibility and Green Banking under the same branch. In this era, consideration of CSR in every department of an organization is obligatory for strengthening **Corporate Ethics** and maintaining an exemplary **Brand Image**. The signs of the increasing importance of CSR can be discerned by observing the Bangladesh Bank’s authoritarian **Environmental Resource Management (ERM)** guidelines. To be assured that, banking institutions integrate Corporate Social Responsibility on their day to day operations further, Bangladesh Bank introduced **Environmental and Social Risk Management (ESRM)** in 2018 replacing Environmental Resource Management (ERM). ESRM is, as quoted by the Bangladesh Bank, ***“More Robust, Interactive and Auto Generated Risk Rating System”***. With the introduction of this new guideline, the challenges for AIBL are how they will integrate CSR in each of their departmental operations while sustaining the same level of performance and efficiency or exceed it. **In this study, I will focus mainly on how CSR can be appropriately integrated on Supply Chain Management of AIBL while achieving admissible efficiency, the potential challenges, and the guideline or model for feasible solutions.**

## **iii) Scope & Delimitation of the Study**

The focal point of this study primarily revolves around the Supply Chain Management and the CSR aspect of the Al Arafah Islami Bank Limited. It covers the four aspects of SCM, which are Supplier, Distributor, Manufacturer, and Customer. This research also talks in length about AIBL explaining their contemporary CSR activities and implementation methods.

Due to time constraint and difficulties in extracting information as a consequence of strict confidentiality, this research paper sets a smaller boundary than previously intended. Nevertheless, this study still reaches out to substantial areas of the research topic.



#### **iv) Objectives of the Report**

In the quest of obtaining a comprehensive answer to the question “*How Al Arafah Islami Bank Limited can maintain a sustainable Supply Chain?*”, six complementary objectives are set by this study:

- A. To find the key processes that are carried out in the company’s supply chain management.
- B. To find whether they implement CSR in their Supply Chain, if yes, what are their methods.
- C. To find CSR practices in 4 aspects of SCM, which are Supplier, Distributor, Manufacturer and Customer
- D. To find the extent of influence of the key suppliers in the decision making of the company.
- E. To evaluate supply chain performance based on flexibility, resource efficiency, and output.
- F. To find key areas of inefficiencies and develop a model to provide guidance on how those inefficiencies could possibly be refined.

Successfully completing these six objectives will assist in answering the research question in an inclusive and comprehending manner.

#### **v) Research Questions**

In addition to the primary research question, the questions that this study indirectly seeks to answers are:

- A. What are the future prospects of CSR in Supply Chain Management?
- B. How CSR is an integral part of a Brand?
- C. How CSR can contribute to the company performance?
- D. How CSR can be a distinguishable factor for a company?
- E. Can CSR work as a Unique Selling Point (USP) for a company?

## **2. Review of Related Literature**

Consolidation of Corporate Social Responsibility and Supply Chain Management has become an emerging prospect in the twenty-first-century corporate culture mainly due to the abundance of researches showing how integrating CSR into SCM can bring out a positive after-effect for an organization. On the contrary, some argue that this idea is inconsistent with the core concept of business, “Solely to Make Profit”. However, their



outlook has been proven to be mostly inaccurate given you glance at the long-term and grand scheme of things. Meaning the blossoming of the brand image through CSR outshines the cost incurred as a result its implementation. To instantiate, a research on this very subject has been published on “Research Online”, a repository for the University of Wollongong. The research was undertaken by Keating, B., Quazi, A. M., Kriz, A. & Coltman, T in 2008. It broke-down how Westpac Banking Corporation has successfully implemented Corporate Social Responsibility in their Supply Chain and the implications that have on the global banking system. On top of that, this study also demonstrated how their assessment and governance tools worked in harmony to establish Westpac Banking Corporation as one of the supreme CSR friendly banks not just only in Australia but also in the world.

To add to that, a prominent article was published on the “IndustryWeek.com” by Dave Blanchard in 2012, which took this same idea and further unraveled the untraversed territory of CSR-SCM integration by presenting the workflows in a CSR friendly manufacturing, transportation, distribution, and procurement system.

### **3. Methodology of the Study**

The foundation of this research is predominantly based on the preponderance of **primary data collected through the use of a questionnaire**, which is catered with inquiries designed to pluck out objective-relevant information. The questionnaires were distributed to the seven officials of Remittance, Clearing, Investment, and managerial department of AIBL to substantiate that the pieces of information are consistent.

To be assured that the context is realized and well comprehended, secondary data from a variety of sources has been scrutinized. They are followed:

- A. Previously published studies on the topic
- B. Annual Reports of AIBL
- C. Newspaper and web articles
- D. AIBL website
- E. Videos on the topic



#### **4. Analysis and Interpretation of the Data**

In the opening segment, the following tables, charts, graphs and statements will manifest a statistical outcome of the questionnaire's answers. In the later part, interpretations of the statistical data will be presented in a way that will assist in achieving the six objectives set out earlier in the study. Please go to Page. 2 or click here for the revision of the objectives.

##### **i) Collected Primary Data Analysis**

Statements and Inquiries	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<b>General SCM Practices</b>					
%					
AIBL's SCM is based more on flow of information and finance rather than product flow	28.6	42.8	28.6	0	0
AIBL focuses on quality suppliers rather than cheaper alternatives	14.29	85.7	0	0	0
AIBL focuses on long term supplier relationship for reliability	28.57	71.4	0	0	0
AIBL strictly follows predefined sets of rules to select their key SCM partners	0	37.5	37.5	25.0	0
AIBL gives proper recognitions to their suppliers based on quality	0	14.2	28.5	57.1	0
AIBL has existing programs to develop and train suppliers for better services	0% (YES)			100% (NO)	
AIBL keeps suppliers of banking materials close to each branch for saving time and reducing cost	28.6	71.4	0	0	0
AIBL has automatic system that let the suppliers know when materials need to be resupplied	0% (YES)			100% (NO)	
ALBL uses different SCM models to plan project schedule	100% (YES)			0% (NO)	
<b>CSR Practices in SCM</b>					
AIBL has successfully integrated Green Banking in their SCM plan	42.9	57.1	0	0	0

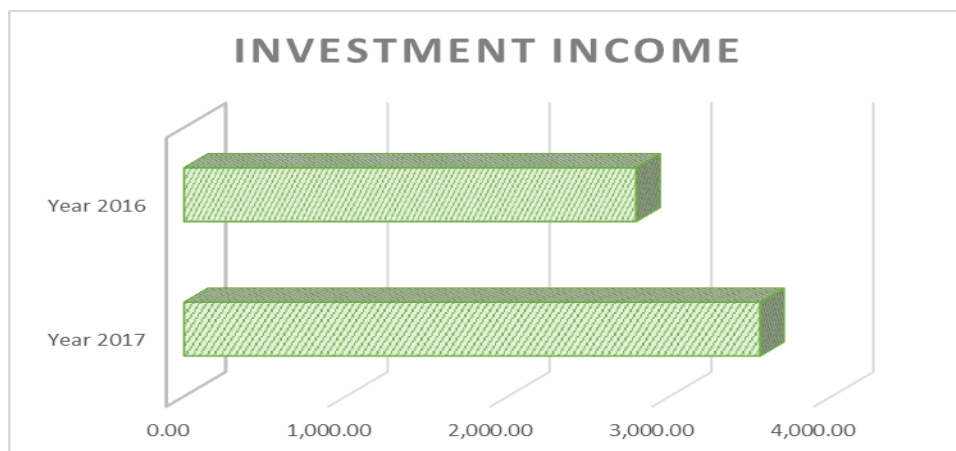


Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
AIBL has a separate committee to look after the proper implementation of CSR in their SCM plan	100% (YES)		0% (NO)		
Does AIBL checks the CSR compliance of the suppliers in the supplier selection process? If yes, kindly mention the methods in brief on the right box.	No separate weight given to the CSR activity. Background and Performance checks are conducted (Similar answer among the 7 participant)				
Kindly Mention the key CSR programs undertaken by AIBL.	Sustainable Finance Unit Tree Plantation Programme-2017 Special Farmers & Freedom Fighters Savings Account Manpower Development Program (Similar answer among the 7 participant)				
Does AIBL has to follow any CSR guideline set by the government? If yes, kindly mention the name.	Environmental and Social Risk Management (ESRM) 2018				
<b>Suppliers Influence</b>					
AIBL informs all the key suppliers about future organization plans	0	14.3	28.6	57.1	0
AIBL notes the supplier's feedback in making key decisions	0	0	28.6	71.4	0
AIBL communicates with their partners before any SCM process redesign	28.6	57.1	14.3	0	0
AIBL informs their partners in advance about decisions that could affect both parties	100	0	0	0	0
<b>Supply Chain Performance (Flexibility)</b>					
AIBL partners can successfully tackle demand fluctuations	0	28.6	42.8	28.6	0
AIBL has the ability to withstand occasional supply failure	14.3	57.1	28.6	0	0

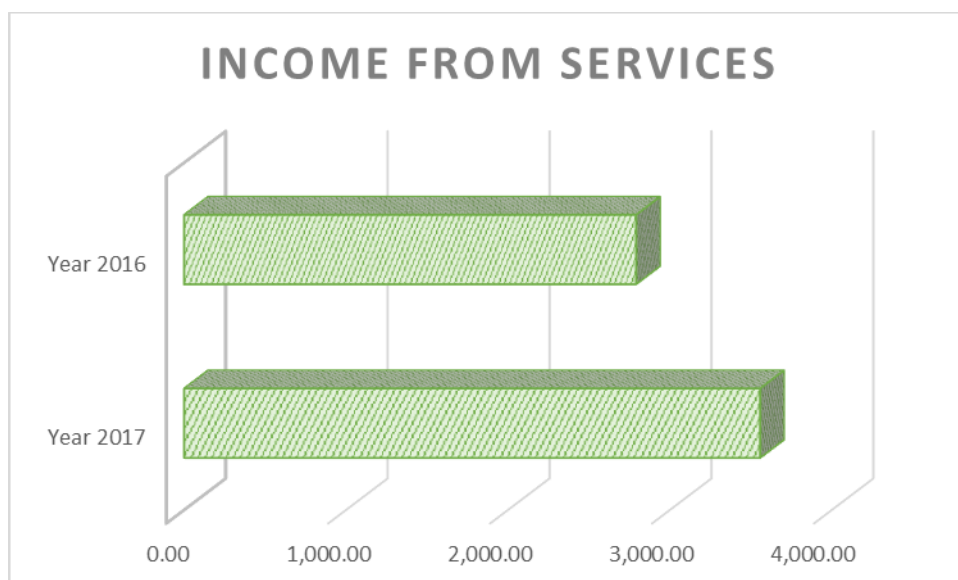
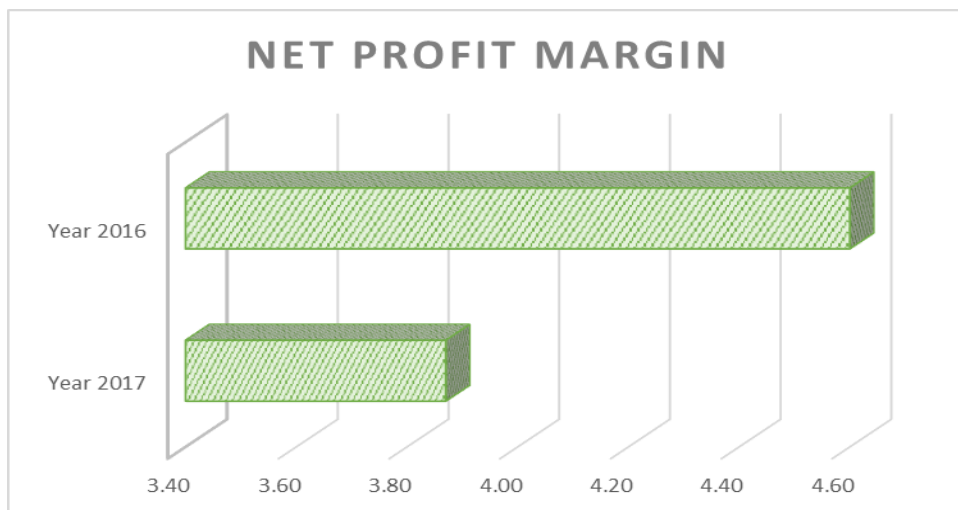
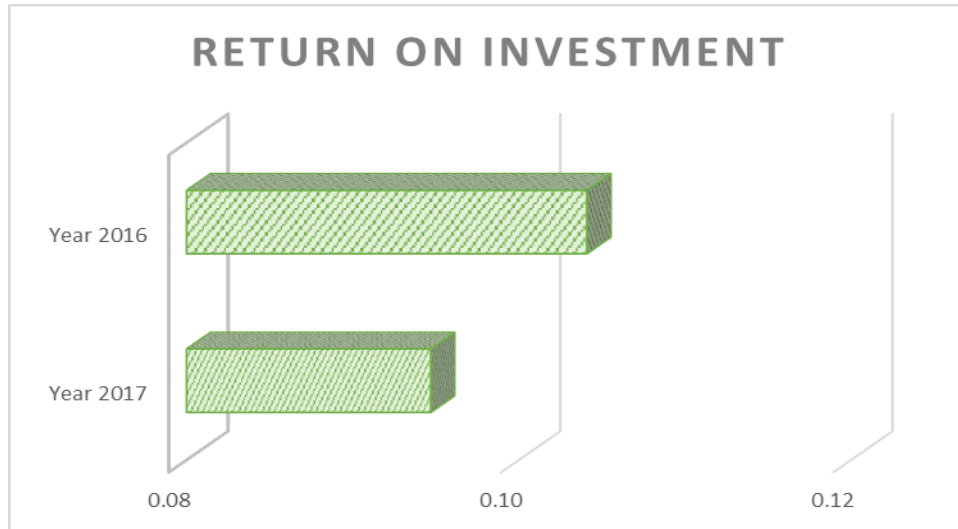


AIBL is flexible in implementing new technologies and services	0	0	28.6	71.4	0
<b>Supply Chain Performance (Resource Management)</b>					
Investment income and the growth in 2017	Tk. 20,491.03 million 8.82% Growth from 2016				
Return on Investment and the growth in 2017	9.47% -9.92% Growth				
Income from banking services in 2017	Tk. 3,557.36 million 27.43% Growth				
Net Profit Margin in 2017	3.87% -0.72% Growth				
<b>Supply Chain Performance (Output)</b>					
Total Deposits in 2017 and Growth	Tk. 245,642,230,752 22.78% Growth				
Total Investment in 2017 and Growth	232,614,228,723 22.96% Growth				
<b>Challenges &amp; Opportunities</b>					
Please mention the SCM challenges that AIBL is currently facing in brief	Switching from ERM to ESRM in 2018 Implementing the new government guideline in SCM Department				
Is AIBL searching for new opportunities or plan in the SCM department?	Introduction of new Assessment Policy in Supplier Selection Process				

***SCM Performance Comparative Graphs***









## **ii) Collected Primary Data Interpretation**

By observing the above table, the possible conclusions that this study finds about AIBL's Supply Chain Management are discussed below:

### **General SCM Practices**

- A.** Since AIBL is a banking institution, their SCM uses the transfer of financial data across different department and partners more abundantly than the transfer of physical materials required for day to day operations.
- B.** AIBL prioritizes quality to cost and fancies building long term relationship with supplier for better reliability.
- C.** The discrepancy in the official's feedback about predefined guideline in the supplier selection process might suggest a drawback in the system.
- D.** The feedback suggests AIBL doesn't have any separate measure of awarding exceptional suppliers.
- E.** AIBL doesn't have a supplier training program.
- F.** AIBL doesn't have automated supply system (A system that automatically notifies supplier in case of low stocks)
- G.** AIBL uses SCM tools to schedule projects.

### **CSR Practices in SCM**

- A.** AIBL is associated with Green Banking.
- B.** AIBL has a dedicated unit for monitoring the CSR implementation in SCM.
- C.** AIBL doesn't check CSR compliance of the supplier in the selection process

### **Suppliers Influence**

- A.** AIBL doesn't inform about the future organization plan to the key suppliers beforehand.
- B.** AIBL doesn't note the supplier's feedback in making key decisions.
- C.** AIBL communicates with their partners before any SCM process redesign
- D.** AIBL informs their partners in advance about decisions that could affect both parties



### Supply Chain Performance (Flexibility)

- A. AIBL can tackle demand fluctuation on a manageable level. (Low Level Fluctuation)
- B. AIBL can withstand rare supply failure, which implies they keep additional storages of materials as safety stock.
- C. AIBL is not flexible in introducing new technologies to its stuffs.

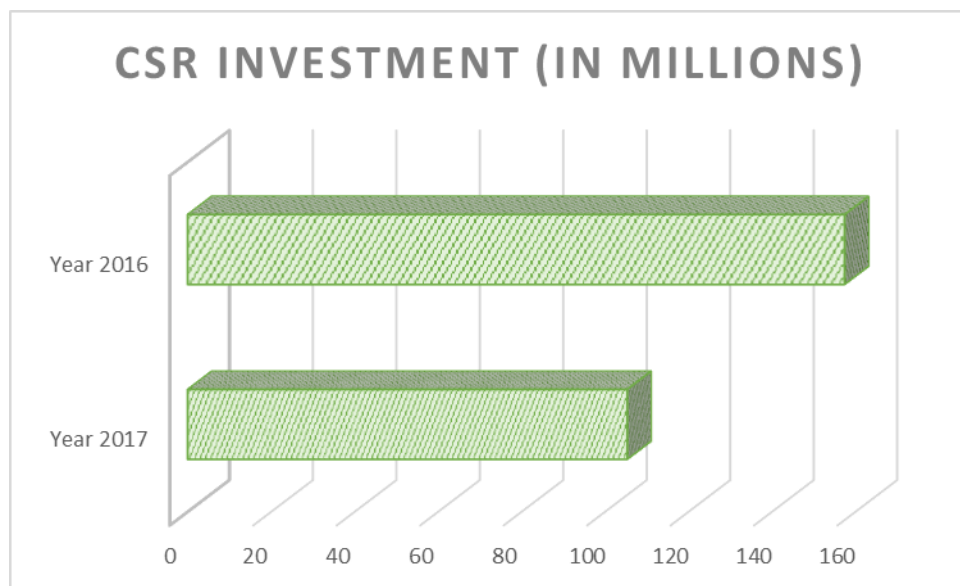
### iii) Collected Secondary Data Analysis

This secondary data has been collected from the 2017 Annual Report of AIBL

#### Investment in CSR

(Amount in BDT Million)

Particulars	2016	2017
Health Sector	64.60	10.80
Education Sector	09.70	8.10
Disaster Management	23.20	2.60
Cultural Activities	2.00	0.90
Environment	5.80	1.70
Others	0.00	133.30
<b>Total</b>	<b>105.30</b>	<b>157.40</b>





#### **iv) Collected Secondary Data Interpretation**

AIBL's increased investment in CSR from 105.30 Million BDT in 2016 to 157.40 Million BDT in 2017 implies they have perused additional CSR projects to complement the new ESRM guideline.

#### **5. Findings of Study**

Since the necessary information for this study has been meticulously analyzed and interpreted, let us reappraise the problem statement. As a consequence of the new introduction of new government guideline Environment and Social Risk Management, AIBL is trying to develop a functional CSR method to implement in Supply Chain operations while sustaining the same level of performance and efficiency or exceed it.

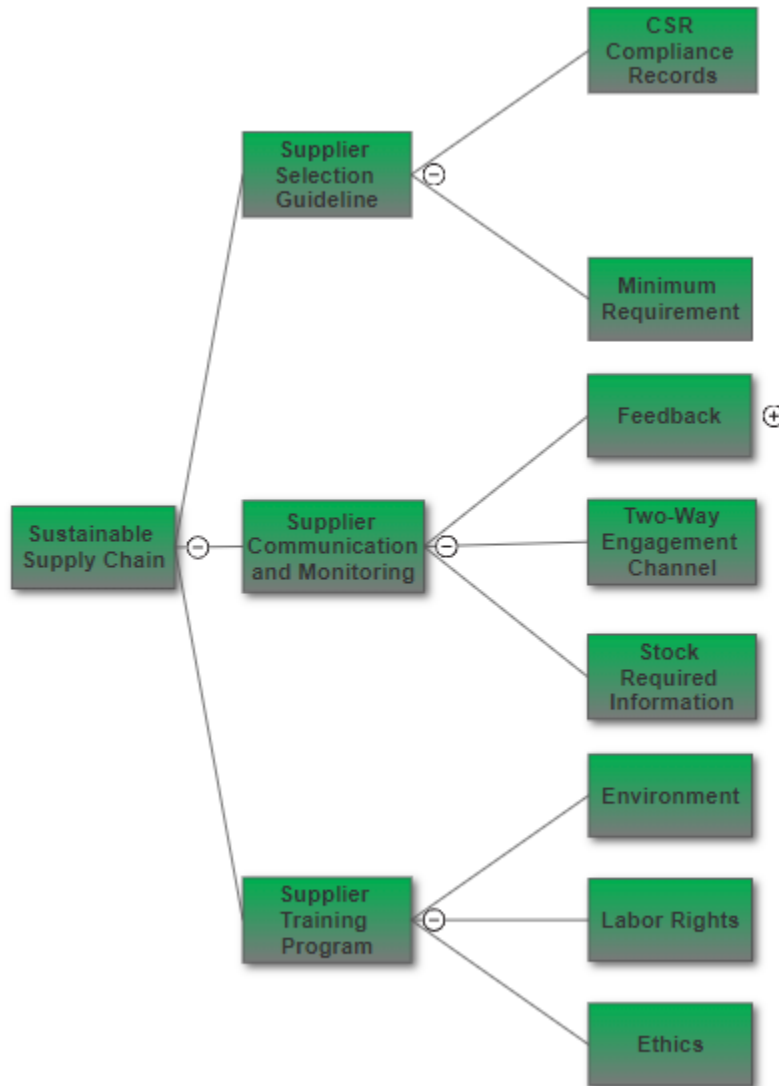
By observing the interpretation, I have managed to identify some critical areas that requires restructuring to instigate a system of CSR aware Supply Chain system. The core criteria in selecting the critical areas is cost efficient implementable CSR. The identified critical areas are mention below:

- A. Lacking of a predefined and structured guideline in the supplier selection process. This is a major drawback for AIBL in the implementation of a sustainable CSR in the Supply Chain. A well-defined guideline is a must for identifying the most social friendly suppliers.
- B. No measure of giving recognitions to the best CSR friendly supplier.
- C. NO CSR compliance check system. (Could handicap the brand image in case of a supplier is involved in practicing exploitation)
- D. No Supplier Training Program (Implementing could incur substantial cost in the short run but hugely beneficial for the brand image.)
- E. Insufficient communication regarding business decision between the supplier and the bank. (Could create mishap between the two parties)
- F. Inflexibility in embracing new technology (Possibility of straying away from new profitable opportunities.



## **6. Recommendations**

In the pursuit of establishing a CRM friendly sustainable Supply Chain Management for AIBL, I have put together a model that could act as a guidance. This model recommends AIBL the steps required for possibly achieving a sustainable and efficient supply chain ecosystem.



**Model:** Sustainable SCM Guideline Model for AIBL



The model is primarily divided into 3 steps, implementing which will possibly guarantee a communicative SCM and help mitigate the issues in sight of AIBL.

## **7. Conclusion**

To draw an end to this brief but comprehensive research, it is rather fitting to say the least that Al Arafah Islami Bank Limited has the potential to be one of the leading CSR friendly bank regarding SCM in Bangladesh. AIBL has both the flair and the proficiency needed to be a leader in the CSR field. To put cherry on top, they have a well-established culture which is based on a value that promotes the social flourishing and ethical conduction of operations.



## References

Al Arafah Islami Bank Annual Report 2017, Annual Report (2017) Ref: <https://www.al-arafahbank.com/AIBL%20Annual%20Report-2017.pdf>

Al Arafah Islami Bank Website, Ref: <https://www.al-arafahbank.com>

Keating, B., Quazi, A. M., Kriz, A. & Coltman, T (2008), In Pursuit of a Sustainable Supply Chain, Research Online, University of Wollongong



## Appendix

### Questionnaire

### SUPPLY CHAIN MANAGEMENT PRACTICES OF AIBL

The following statements and inquiries are about the Supply Chain Management Practices of AIBL. Kindly give check to one of the five boxes in each statements based on your agreement level, check YES or No in eligible fields and write comments when required.

Statements and Inquiries	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<b>General SCM Practices</b>					
AIBL's SCM is based more on flow of information and finance rather than product flow					
AIBL focuses on quality suppliers rather than cheaper alternatives					
AIBL focuses on long term supplier relationship for reliability					
AIBL follows predefined sets of rules to select their key SCM partners					
AIBL gives proper recognitions to their suppliers based on quality					
AIBL has existing programs to develop and train suppliers for better services	YES		NO		
AIBL keeps suppliers of banking materials close to each branch for saving time and reducing cost					
AIBL has automatic system that let the suppliers know when materials needs to be resupplied	YES		NO		
ALBL uses different SCM models to plan project schedule	YES		NO		
<b>Additional Comments</b>					
<b>CSR Practices In SCM</b>					





AIBL has successfully integrated Green Banking in their SCM plan					
AIBL has a separate committee to look after the proper implementation of CSR in their SCM plan	YES		NO		
Does AIBL checks the CSR compliance of the suppliers in the supplier selection process? If yes, kindly mention the methods in brief on the right box.					
Kindly Mention the key CSR programs undertaken by AIBL.					
Does AIBL has to follow any CSR guideline set by the government? If yes, kindly mention the name.					
<b>Statement</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>Suppliers Influence</b>					
AIBL informs the key suppliers about future organization plans					
AIBL notes the suppliers feedback in making key decisions					
AIBL communicates with their partners before any SCM process redesign					
AIBL informs their partners in advance about decisions that could affect both parties					
<b>Supply Chain Performance (Flexibility)</b>					
AIBL partners can successfully tackle demand fluctuations					
AIBL has the ability to withstand occasional supply failure					
AIBL is flexible in implementing new technologies and services					
<b>Supply Chain Performance (Resource Management)</b>					
Investment income and the growth in 2017					
Return on Investment and the growth in 2017					



Income from banking services in 2017	
Net Profit Margin in 2017	
<b>Supply Chain Performance (Output)</b>	
Total Deposits in 2017	
Total Investment in 2017	
<b>Challenges &amp; Opportunities</b>	
Please mention the SCM challenges that AIBL is currently facing in brief	
Is AIBL searching for new opportunities in the SCM department?	
<b>Additional Comments:</b>	

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Authorized Signature