

Profitability Performance of Green Financing in Conventional and Shariah
based Banks: A case study on Mutual Trust Bank Ltd.
and Al-Arafah Islami Bank Ltd.

Mutual Trust Bank Limited

Prepared by

Rifat Sharmin

ID: 183011022

Supervised by

A F Wazir Ahmad

Assistant Professor | ULAB School of Business

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Bachelor of Business Administration



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Internship Report Approval Form

Student Name: Rifat Sharmin

ID No. 183011022

Major: Finance

Year: 2023

Mobile Phone: +8801778220597

Email: rifat.sharmin.bba@ulab.edu.bd

INTERNSHIP/PROJECT INFORMATION

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(Tick One): ☐ Approved ☐ Not Approved ☐ Partial Re-write ☐ Full Re-write

Remarks (For Not Approved): _____

Signature: _____

Name: A F Wazir Ahmad

E-mail: wazir.ahmad@ulab.edu.bd

Phone: +8801718741133

Date: 17/12/2023

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ULAB ID: 183011022

Signature: Rifat Sharmin Date: 17/12/2023

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Part A

Chapter 1: Internship Preparation

1.1 Motivation for Internship

Along with my academic journey, I have gained mostly theoretical knowledge. However, I want to apply the knowledge in actual work environment. I believe an internship can be a stepping stone for me to accomplish this goal. It will create a platform for me to gain practical experience of the corporate world, where I can relate my academic knowledge to real world situations. Moreover, an internship will allow me to polish relevant skills required for my future career and will enhance my personal growth. Furthermore, an internship experience will provide me the opportunity to explore and determine a proper career field. As a finance major, I am interested to work in financial departments in corporate companies, banking and non-banking institutions in the future. Therefore, I believe gaining experience through internship is a proper choice to initiate the journey in such fields in the future.

1.2 Internship Search Process

Before submitting the internship applications, I refined my curriculum vitae ensuring it contained all the necessary information. According to my preference I wanted to do an internship at a banking institution, I applied to several such organizations. The application process consisted of delivering hard copies of my CV and cover letters to the head offices of those several esteemed financial institutions. Specifically, I applied to three prominent banks: Mutual Trust Bank Limited, Pubali Bank Limited, and Islami Bank Bangladesh Limited. Mutual Trust Bank Limited was the first to respond by extending me an internship offer. Due to the bank's reputation and consistent positive performance over the years, I became interested to accept the offer. I noticed that the bank's encouraging environment aligned perfectly with the internship aspirations. Furthermore, after entering in the bank's corporate culture, I developed a positive impression, which solidified my decision. Therefore, I started the internship journey at the Dhanmondi Branch of Mutual Trust Bank Limited.

1.3 Interview Experience

After a couple of weeks of application submission, an interview was confirmed by Mutual Trust Bank head office. The date and time of the interview was provided. The interview took place in the last week of August at Gulshan head office. The candidates were requested to be present around 10:30 Am with well-prepared professional attire. During my turn, I entered the interview room, where the HR representative welcomed me warmly. The 15 minutes interview covered basic questions which consisted mostly of the background, preferences and aspirations. Overall, the professional yet welcoming atmosphere at Mutual Trust Bank's head office set an encouraging ambience. Within a span

of two days, the head office requested to collect the acceptance letter and documents to proceed with the internship.

1.4 About Mutual Trust Bank Ltd.

Mutual Trust Bank Ltd. (MTB) is a third-generation private commercial bank headquartered in Dhaka, Bangladesh. The bank is established on September 29, 1999, as a public company limited by shares under the Companies Act of 1994. MTB had an authorized capital of TK 38,00,000,000 divided into 38,000 ordinary shares at TK 100 each. The bank obtained its Certificate for the Start of Business on similar day. On October 5, 1999, MTB was granted a license by Bangladesh Bank under the Banking Companies Act of 1991, officially initiating its banking operations on October 24, 1999. MTB has received several honors, including being named the Best Financial Institution of 2014 at the Daily Star Business Awards 2015. Additionally, MTB has been honored with the first ever "SME Bank of the Year" and "Women Entrepreneurs' Friendly Bank of the Year" awards by Bangladesh Bank and SME Foundation, showcasing the bank's commitment to serving diverse customer needs and contributing to the economic growth of the region.

According to the Institute of Chartered Accountants of Bangladesh, MTB ranked third for being the best-presented annual report in the Private Banks category. This shows the dedication of MTB with a vision to become one of the most esteemed banks in the nation. MTB has also made its name in the International Finance Magazine's 'Best Customer Service Banks in 2022 in Bangladesh'. The bank contains around 200 Agent Banking Centers along with 119 main branches and 33 sub branches.

1.4.1 Vision of MTB:

MTB's vision is to become the highest recognized banks among in Bangladesh. The bank is known to have a strong customer centric enterprise along with innovation and cultural dynamics. MTB offers diverse range of products and services to customers while also contributing to the nation's economic growth.

1.4.2 Mission of MTB:

- To strongly value customer satisfaction.
- Increasing involvement in micro and SME investments.
- To become a world class bank.
- To become one of the top performing banks in Bangladesh.
- To sustain growth and profitability.

1.4.3 Commitment of MTB:

- Shareholder: MTB aims to create sustainable and long-term economic benefits for the shareholders. The implementation is done through ethical and effective business strategies.
- For Community: They dedicate their efforts to the society by providing employment opportunities.
- For Clients: They strive to provide better services to their valued customers, offering a variety of financial products. They also possess the commitment to meeting all their banking needs to ensure their satisfaction.
- For Employees: MTB creates relationship with their dedicated staff and employees. The bank also collaborates to encourage diverse experiences and skills of all employees within the organization.

Chapter 2: About the Internship

2.1 Job Position and Responsibility

After receiving my acceptance letter from MTB Head Office, I was assigned as an intern at the MTB Dhanmondi Branch. The tasks were mainly associated at the general banking section, which was the most bustling segment of the bank. Moreover, MTB Dhanmondi Branch is known to be one of the busiest branches among the other branches. The general banking section focuses on serving consumers tasks such as account registration, account status inquiries, and fund transfers. A significant part of my time was to interact with customers to inform them about the bank's services and address any concerns. Towards the end of the internship, I had the opportunity to gain experience in the bank's investment department. This department also revolved around client interactions, particularly those individuals' seeking loans. Overall, the following responsibilities were:

1. **Opening Accounts for Customers:** To become a verified client of MTB, customers require to open a bank account at MTB. Account options include savings accounts, current accounts, payroll accounts, fixed deposit accounts, deposit scheme accounts and MSD accounts. This process involves legal procedures and document submission by the customers. It is important to gather complete and proper documents of the customers to open the accounts successfully.
2. **Customer Service Support:** I assisted customers with inquiries about the bank's services and informed clients about account registration requirements. The process included submission of photos, National ID copies, nominee details, passport-sized photos, utility bill copy, trade license (for current accounts), TIN certificate, partnership deed (for private limited companies), a declaration copy, and a permission letter for risky cases.
3. **Docudex Software Network:** The task involved managing MTB operations through the Docudex software system. I entered scanned documents into my supervisor's account for head office authorization. In case of further queries required by the head office regarding the documents had to be sent correctly. It is a time-consuming process to officially verify and open customers' accounts, which requires focus and patience to complete the tasks.
4. **Debit Card and Checkbook Management:** Management of checkbooks and debit cards section required entry of data on MS Excel to keep track of the date and information. Whenever the customers arrived to collect their checkbooks or debit cards, those had to be issued through the help of a supervisor. Lastly, the customers had to properly sign the required documents before collecting their checkbooks and debit cards.

2.1.1 Work Environment:

As mentioned previously, the MTB Dhanmondi Branch has strong customer orientation. Through careful observation, it was seen that the employees at the branch shows high dedication to their work. The dedication sets a positive impact on the bank's overall performance. Throughout my internship experience, the employees consistently supported and guided me through the tasks, which enhanced the quality of my learning journey.

The work environment at MTB Dhanmondi sets a balance between being task-driven and amiability. The work environment encouraged active engagement in work and the continuous development of my skill sets. The MTB office culture at the Dhanmondi Branch is highly client centric, which results customers' loyalty with the bank. Furthermore, the office setup is properly maintained, which showed commitment to orderliness and discipline. It overall created a professional ambiance which positively impacted my work productivity. It is understandable that the ongoing success of MTB Dhanmondi Branch, is due to the customer focus, employee dedication, and a well-organized work environment.

2.2 Skill Development and Self Growth

The internship journey has helped me to polish and enhance several existing and newfound skills, which will be highly valuable for me in the corporate world. Below there are top few key skills I have developed during my internship journey at MTB, which I anticipate will contribute to my long-term success:

1. **Working under Pressure:** MTB set a fast-paced environment for my internship journey, which provided a valuable opportunity for me to learn working efficiently under pressure. The experience taught me the importance of stress management. It has also helped me to achieve mindfulness and discipline. These qualities will be essential for both my personal and professional life.
2. **Efficient Communication:** It is known that effective communication is the key in all aspects of life. My internship at MTB has helped me to emphasize the skill which will be valuable in the professional settings. The journey has taught me to communicate proficiently with the customers and management. In addition, I also learnt clear communication with customers to ensure their satisfaction.
3. **Leadership:** At first, I did the tasks which were assigned, and as the internship journey proceeded, I gradually became proactive. It involved in taking responsibilities to manage clients independently. Also, I managed the account-opening process. My willingness to learn and take on additional responsibilities has enhanced my leadership skills as well.
4. **Professionalism:** The time at MTB taught me the importance of workplace etiquette and professionalism. I presented myself with confidence and professionalism in front of the

customers and management. In addition, professionalism has also assisted me on how to blend in the corporate culture, which will be valuable for me in the future.

5. **Teamwork:** The nature of the MTB work culture was collaborative. I experienced teamwork by working with other interns. We engaged in discussions to effectively complete our tasks and enhance our task performances. Overall, engagement in teamwork has polished my decision making and problem-solving skills.

2.3 Educational Learning

During my internship, I found the opportunity to connect my academic knowledge with practical experience. Being a sustainable development minor student, the context of the report topic has been relatable. This background knowledge made it easier for me to understand the complexities of sustainable development required the internship report. In a major course focusing on Banking and Insurance, I learnt the fundamentals of Islamic banking with concepts such as Mudaraba, Musharaka, and Murabaha. These academic insights were directly applicable in my role at MTB's Yaqeen Islamic Banking sector. It assisted me to understand of why customers choose Islamic banking services. Moreover, I have gained detailed knowledge from the university course works about different types of accounts and financial products offered by banks. This educational knowledge has assisted me to quickly grasp the concepts during my internship journey at MTB. Also, during account opening tasks, I easily understood the processes and requirements, which gave me a competitive edge compared to other interns. Overall, the three-month internship has allowed me to gain valuable practical experience in the banking sector. Additionally, I have gained the skills and ideas to related academic knowledge to real world work place.

Chapter 3: Self Reflection

3.1 Internship Evaluation

The employees at MTB Dhanmondi Branch were cooperative and professional in the work place. They guided and instructed me with patience, which made the learning experience smooth. They taught tasks and supported throughout those patiently every time. I received positive feedback and encouragement on my work, which made me more confident. They were very polite and patient about any task-based errors. In addition, I was allocated a desk and a computer which helped me to understand and complete the tasks efficiently. Moreover, the employees were always well-mannered and helpful toward the customers as well. Furthermore, the employees were punctual and every member arrived consistently at the office an hour before 10 am, upholding a standard of professionalism through their attire as well.

Though MTB Dhanmondi Branch is a busy branch, sometimes it may seem the branch lacks manpower. This issue is due to the high number of customers visiting the branch and the situation creates a pressure for the reasonable amount of manpower in the branch. Sometimes one employee has to shoulder additional responsibilities, which can lead to a decline in morale and enthusiasm. Managing a high number of customers and completing all the tasks altogether created an amount of pressure for the employees in the bank. Such conditions had also been personally challenging and sometimes it created extra work loads. To reduce this stress and maintain operational efficiency, it could be a good decision for the bank to consider expanding its workforce by hiring additional personnel.

3.2 Self Utilization Scopes

I utilized my capabilities successfully on the task which I have done. However, I believe I could put those capabilities more into the other departments as well, such as the SME and Foreign Exchange department. It was noticeable that the pressure in those departments were comparatively low which, could have provided the time to learn more about the departments. Upon short term experience, I have gained a few knowledge about the investment section, additionally the employees in that department were very helpful. They assisted with the data necessary for the completion of the report. Overall, the learning remains endless, however, the knowledge which was provided was precise and important.

3.3 Insights and Recommendations

During the internship, I had the opportunity to gain valuable experience mostly in the general banking division. However, I sought interest in learning a bit more about the investment department. The department contains loans and advanced products for female entrepreneurs, such as MTB Bhagyobati and MTB Gunabati. It would have been a good opportunity to observe clients related to the department. Unfortunately, due to lack of time it was not possible to explore that area. However, according to my

developed experience, I would be comfortable working in the general banking sector of a bank. I will be confident in handling the tasks with the sufficient knowledge from this internship.

Overall, MTB offers an excellent platform for interns to gain essential knowledge and skills. The internship program here is well-structured and beneficial. However, I would like to offer a few recommendations that could further enhance the overall internship experience.

- The branch could designate interns to other departments as this will help develop more skills and knowledge.
- The IT system of MTB Dhanmondi Branch needs an upgrade due to occasional slow process.
- Allocating specific jobs for each intern per day to reduce pressure and complexities among them.

Chapter 4: Personal Development Plan

4.1 Next Course of Action and Career Plan

After the completion of the internship at MTB Dhanmondi Branch, I have gained valuable insights as my personal strengths and preferences. It has allowed me to understand the professional sector I want to work in. Judging by the experience, I seek to reach to a management role within a financial institution. I believe that work responsibilities in such a position can help with my career growth. Moreover, I am will be seeking to pursue a management position at a corporate company which will further broadening the scope of my career.

Furthermore, I am committed to pursuing a master's degree from abroad, as it will enhance the value of my qualifications and open up new routes for professional development. I have a strong interest to work in the banking sector, especially in financial institution or a corporate company's finance department. I am eager to explore and excel in these areas as I progress in my career.

4.2 Skills Development required to Secure Career

As a candidate I may possess the required skills which will help me for the future career journey. However, for a long run, developing more skills along the way is very important. Throughout my future career developments, specific skill developments are crucial for me, such as:

1. Interpersonal skills:

- **Critical thinking-** An active way of thinking is very important in a career journey. It will help to prosper a proper growth in the corporate world and improve my performance. A critical thinking strategy will help me to solve problems in tasks and to take active right decisions in my career field.
- **Being outspoken-** Possessing creative ideas without utilizing would not improve performance in career development. I believe that I am communicative however, being more outspoken and sharing ideas actively will assist efficiently on the right time. Such skill development is one of the skills I am determined to work on.
- **Empathy-** Work environment is always surrounded with people. Therefore, it is important to maintain a great sense of empathy with the people around to improve work performance. To be a better person and a good manager, I seek to become an empathetic person. Moreover, to improve performance in a workforce and team, it is important to perceive people in an empathetic manner.

2. Technical Skills

- **Advanced MS Excel-** Proficiency in advanced MS Excel is a highly demandable skill by employers. While I possess a functional understanding of MS Excel, developing advanced Excel capabilities will distinguish me as a candidate of choice. Organizations prioritize candidates who can enhance efficiency and save time. This skill will also allow me to do financial analysis which will be used to make financial decisions. Overall, advanced Excel skills will help me to construct models effectively and enable me to meet these expectations.

Executive Summary

The combustion of fossil fuels is a human activity which impacts climate change by releasing greenhouse gas emissions that increases global temperatures. Financial institutions recognized the issue and took the responsibility by using economy's ability to decarbonize. World leaders signed “The Paris Agreement” which is a global commitment to combat climate change and gather support to tackle it. Central banks set policies for financial institutions to adopt green financing as a proactive measure.

Mutual Trust Bank Ltd is a bank contributing to society through green financing. Therefore, this report contains the study to understand the operational processes of Mutual Trust Bank Limited compared to Al-Arafah Islami Bank Limited through profitability performance of its Green Financing Investments. A comprehensive qualitative and quantitative performance analysis was done by using various sources, including annual reports, research papers, organizational observations, and interviews with bank’s official.

The results indicate that, for AIBL Green Financing investments shows a superior performance record in profitability compared to MTB Green Financing investments. In addition, Green Financing Investments shows lower risks than MTB Green Financing, resulting in enhanced performance of AIBL. Interview reveals about nature of businesses where MTB’s Green Financing Investments is involved in. It also provides an idea on how MTB could work on to expand in this sector and performance. Furthermore, the lower profitability of MTB’s Green Financial Investments is greatly linked to awareness. To address this, MTB can utilize multiple strategies to redirect financing to green sectors, and ensuring monetary sustainability.

PART B

Chapter 1: Introduction

1.1 Research Objectives

Main objective of this research is to make a Profitability Performance Analysis of Green Financing between Mutual Trust Bank Ltd and Al-Arafah Islami Bank Ltd. The specific objectives of this study are:

1. To analyze profitability performance of green financing investments of Mutual Trust Bank.
2. To compare the profitability performance of green financing investments of Mutual Trust Bank with Al-Arafah Islami Bank Limited.
3. To identify the challenges and best practices associated with green finance for MTB and to provide recommendations for enhancing their green finance practices and profitability.

1.2 Background of the study

As known, green financing means to use investments or loans to support ecologically friendly projects. The concept means that the purchase of environmentally friendly products and services takes place to advance environmental development. Financial institutions are making investments in companies that use eco-friendly techniques. They are providing green finance to support solar and wind farm developments. It is well recognized that banks are important in assisting people and companies in obtaining capital for environmentally friendly projects. In order to boost environmental benefits through new financial tools and policies, banks must create funding channels for green projects.

In 2009, Bangladesh shifted its focus to sustainable financing through the introduction of a refinancing scheme for "Renewable Energy and Environment-Friendly Financeable Sectors." This scheme was further approved by the Policy Guidelines on Green Banking in 2011. Unlike green projects, financial institutions are more interested in fossil fuel projects. It is due to the recognized risks and lower returns involved with new green technologies. Financial institutions in Bangladesh also invests in various environmentally beneficial projects such as renewable energy, energy resource efficiency, alternative energy, liquid waste management, and environmentally friendly brick production. These measures aim to initiate the adoption of green banking practices in Bangladesh.

MTB is one of the high performing banks in Bangladesh with increasing trend in Net Profit Margin in recent years. However, there is a necessity to evaluate the performance of its green financing department to find out the amount of investment and its overall contribution to the bank's success. Moreover, MTB is known for its construction based on green architecture.

In addition to assessing MTB's Green Finance Investments, this analysis will draw a comparison with Al-Arafah Bank Ltd Green Financing Investments, an Islamic bank in Bangladesh. Al-Arafa Bank Ltd

follows Shari'ah principles with a cutting-edge banking system. This report will provide the profitability performance analysis of the two banks' green finance sector. This will give a unique perspective on how financial institutions in Bangladesh are doing in this sector. The comparative analysis will provide insights between Islamic and non-Islamic banking green finance investment sector.

1.3 Research Questions

1. How does Mutual Trust Bank Ltd influence its green financing performance in comparison to Al-Arafah Islami Bank Ltd.'s adherence to Shari'ah principles?
2. What are the specific green finance initiatives undertaken by both banks, and how do these initiatives contribute to their overall profitability?
3. Can a comparative analysis provide insights into the performance disparities between an Islamic bank (Al-Arafah Islami Bank Ltd) and a non-Islamic bank (Mutual Trust Bank Ltd) in the realm of green financing?

1.4 Green Financing: Theoretical Background

1.4.1 Concept of Green Finance

In the 21st century of globalization era there is a major concern of declining in greenery. The increased awareness about the natural environment among individuals, business organizations and corporations set motivation in maximizing green coverage. Developed and developing nations are asked to take responsibilities towards enhancing greenery to ensure sustainability. (Chowdhury et al., 2013).

In short, green financing is described as financial support for environmentally friendly development such as reducing greenhouse gas (GHG) emissions and air pollutants. Overall, green development is known to be a balance between economic activities and environmental conservation. Furthermore, green development gives solutions to three current global economic threats, which are climate change, energy constraints, and financial crises. It is known that the concept of green finance poses a challenge of financial regulations in every country. (Mohd. & Kaushal, 2018).

The G20 Green Finance Study Group states that green financing means to fund the investments that contribute to environmental well-being. Green finance context is a subset of sustainable development. Additionally, green finance finds out risk perceptions to promote eco-friendly investments to projects to improve environmental effects. The concept involves many financial institutions, both public and private financial sectors. Efficient management of environmental risks is the main concept of green finance in financial system. (Rashid & Uddin, 2019).

Additionally, Green investment includes both direct and indirect systems. When directly investing in green initiatives, the focus is to support businesses producing environmentally friendly products which will increase the growth of green industries. Conversely, indirect green investment concern is to provide working capital for the operational activities to eco-friendly plants, industries, or products. (IBBL, 2017).

1.4.2 History of Green Finance

In 1992, the United Nations Environment Program Finance Initiative (UNEP FI) started. The UNEP and a group of commercial banks to make banks more aware of the environment. The initiative was on the basis of Green Finance. It involved more financial groups like investment banks, insurers, and fund managers. They discussed on connecting environmental protection with sustainable economic development. Therefore, the main goal was to consider the environment in financial services. UNEP FI is support by over 190 financial groups from 40 nations. They get updated on trends and practices, which assist them to use green opportunities for growth in sustainable sector. (UNEP FI, 2010, 2011).

1.4.3 Importance of Green Finance in Bangladesh

Climate Change Vulnerability Index (CCVI) explains that Green Finance is important for Bangladesh as Bangladesh is most prone to the impacts of climate change among 170 nations. This is due to Bangladesh having the least capability to tackle natural disasters, including floods and droughts (Rashid & Uddin, 2019).

Due to this, the term "green banking" has gained importance in the banking sector in Bangladesh. Basically, green banking is a financing intermediary for economic activities. It conducts all its operations to achieve healthy environment for both the present and future generations. Additionally, the concept of green banking also focuses on ethical responsibility, socially responsibility and corporate social responsibility. Overall, green financing involves adopting daily operational procedures which are environmentally friendly.

Chapter 2: Methodology

2.1 Type of research

The research used descriptive methods, including unstructured interviews, financial ratio analysis, and trend analysis. It shows the analysis, comparison, and description of the performance of MTB's Green Financing Investments relative to Al-Arafah Islami Bank Ltd Green Financing Investments. This detailed study provides insight about both banks' investment strategies.

2.2 Research Design

The research used both quantitative and qualitative elements. To gather data for the quantitative analysis within this mixed method, reports, interview, and online materials were utilized. For the qualitative aspect, methodologies such as observing banking activities and conducting in-depth interview with bank personnel was utilized. In this research design, a survey was unnecessary, therefore no sample size or population was required. The collected data originated from both primary and secondary sources.

2.3 Sample and Data Collection

Several channels were used to gather data for conducting a comprehensive performance analysis both qualitatively and quantitatively. The study used data from both primary and secondary sources.

Primary Sources:

- In-depth discussions conducted face-to-face with officials.
- Detailed observation of various organizational activities.

Secondary Sources:

- Information gathered from the websites.
- Unpublished, published research papers and journal articles from online and offline sources.
- Annual reports and Sustainable reports of the banks.

2.4 The Variables:

The following profitability ratios are used for the analysis-

$$\mathbf{1.Return\ on\ Assets\ (ROA) = \frac{Net\ Income}{Average\ Total\ Assets}}$$

ROA shows the capability of a management on using the company's assets to generate earnings. Higher ROA is better because it shows how a company is earning more money on less investments.

$$\mathbf{2.Return\ on\ Equity\ (ROE) = \frac{Net\ Income}{Total\ Equity}}$$

The ratio measures the earnings by the company from the shareholders' equity. It gives an idea on how much the company is efficient on generating profits from the equity capital. An increase in ROE means improvement in performances.

$$\mathbf{3.Return\ on\ Investment\ (ROI) = \frac{Net\ Profit}{Cost\ of\ Investment}}$$

The primary gauge of the earnings generated by an investment is the Return on Investment (ROI). This ratio shows the profit or loss in relation to the investment's cost. It serves as a valuable tool for appraising the present or investment returns.

$$\mathbf{4.Net\ Profit\ Margin = \frac{Net\ Income}{Net\ Sales\ (Revenue)}}$$

Net profit margin is a measuring tool that measures the amount a company earns out of every dollar of sales. Higher profit margin means better condition of the company. Higher profit margin means, the remaining portion of profit is higher after the selling activities took place. It indicates efficient expense controlling ability.

$$\mathbf{5.Cost\ to\ Income\ Ratio = \frac{Total\ Cost}{Total\ Income}}$$

The cost-to-income ratio evaluates the income produced per unit of currency expended. It provides the insight about the efficiency of a bank in generating output. A reduced cost-to-income ratio means enhanced financial performance for a bank.

Chapter 3: Findings and Discussion

3.1 Quantitative Analysis:

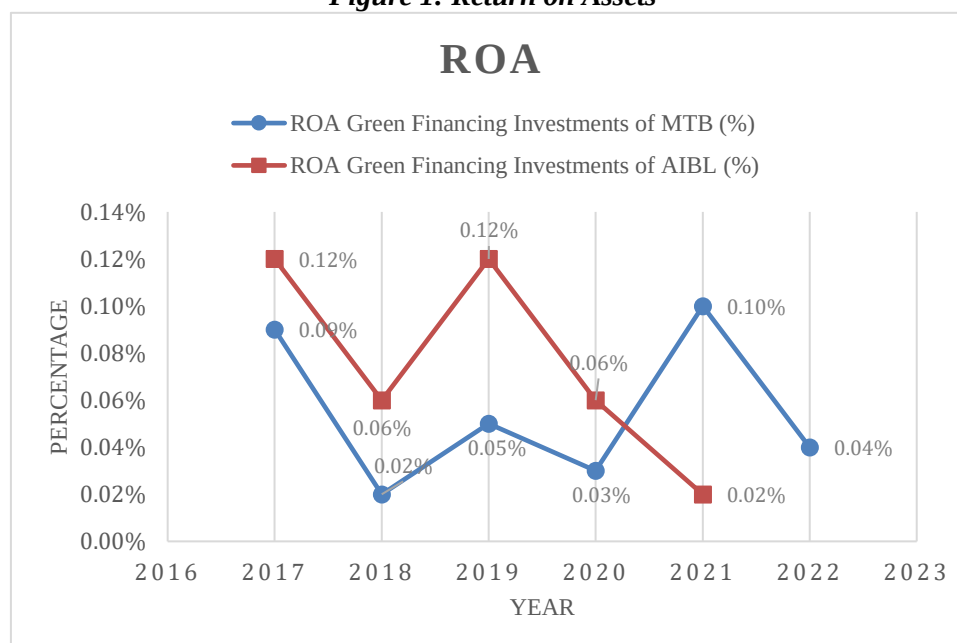
Through in-depth interviews with an MTB official, comprehensive information was obtained. An analysis was done which required profitability ratios to assess the performance of MTB Green Financing Investments in relation to AIBL Green Financing Investments. This study involves a period of 5 years, which portrays a thorough examination of trends between these two banks.

Table 1: Return on Assets

ROA		
Year	Green Financing Investments of MTB (%)	Green Financing Investments of AIBL (%)
2017	0.09%	0.12%
2018	0.02%	0.06%
2019	0.05%	0.12%
2020	0.03%	0.06%
2021	0.10%	0.02%
2022	0.04%	-
Standard Deviation	0.000327109	0.00043359

Source: (Appendix A, AIBL Internship Report)

Figure 1: Return on Assets



Source: Data Analysis

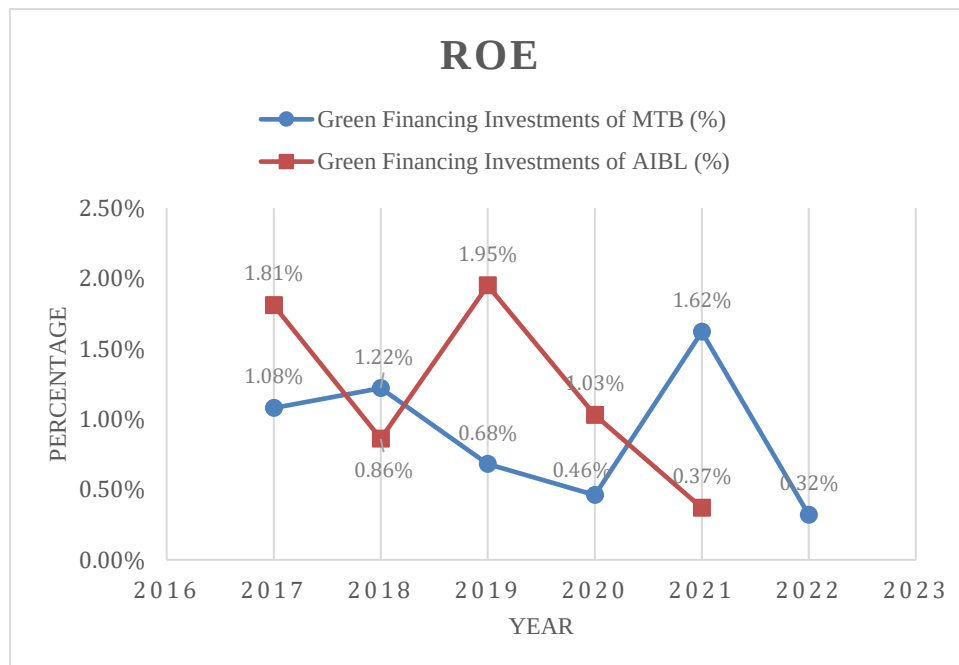
The above data shows MTB's Return on Assets (ROA) reduces from 2017 to 2020 compared to AIBL, with a positive increase in MTB's ROA in 2021. This explains AIBL's asset utilization in Green Financing is better than MTB. None of the banks meets the 5% ROA standard, which shows both banks requires research for improvement in investment strategies.

Tables 2: Return on Equity

ROE		
Year	Green Financing Investments of MTB (%)	Green Financing Investments of AIBL (%)
2017	1.08%	1.81%
2018	1.22%	0.86%
2019	0.68%	1.95%
2020	0.46%	1.03%
2021	1.62%	0.37%
2022	0.32%	-
Standard Deviation	0.004962929	0.006648158

Source: (Appendix A, AIBL Internship Report)

Figure 2: Return on Equity



Source: Data Analysis

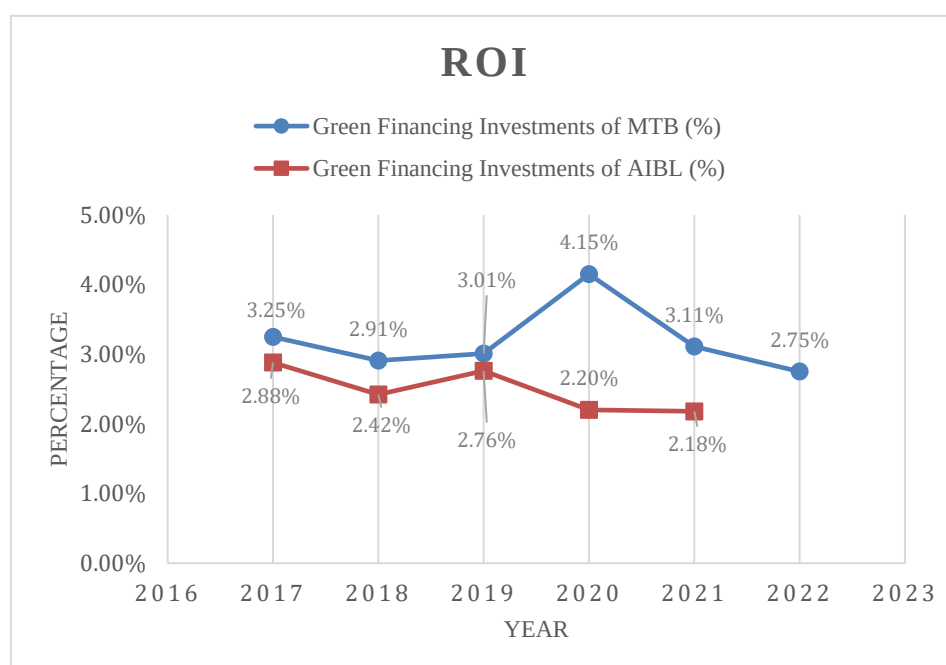
The above data indicates that MTB's Return on Equity (ROE) of Green Financing Investments has a declining trend, while AIBL consistently performs well from 2017 to 2020. MTB shows a significant increase in ROE in the year 2021. Overall, AIBL's ROE in the Green Financing Investments shows better performance. However, both banks do not meet the standard ROE of 10% in Green Financing Investments sector. There could be potential operating inefficiencies impacting overall performance. MTB requires to efficiently maintain the operating management more to improve its performance.

Table 3: Return on Investments

ROI		
Year	Green Financing Investments of MTB (%)	Green Financing Investments of AIBL (%)
2017	3.25%	2.88%
2018	2.91%	2.42%
2019	3.01%	2.76%
2020	4.15%	2.20%
2021	3.11%	2.18%
2022	2.75%	-
Standard Deviation	0.004971385	0.003201874

Source: (Appendix A, AIBL Internship Report)

Figure 3: Return on Investments



Source: Data Analysis

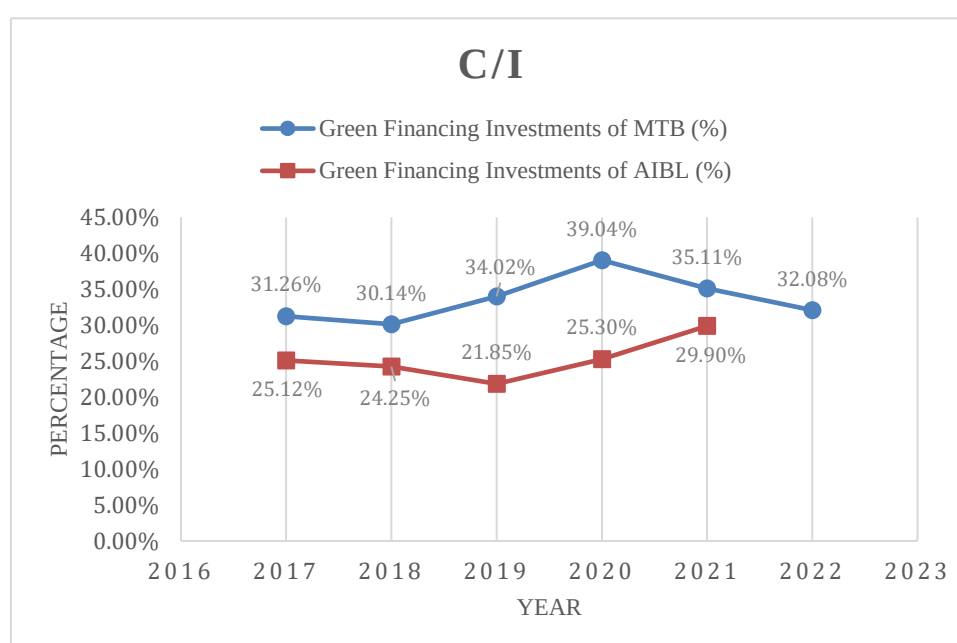
The above figure explains that the Return on Investments (ROI) of MTB Green Financing Investments outperforms AIBL Green Financing Investments over the years of 2017 to 2021. MTB has demonstrated higher efficiency and profitability in recent years with the highest performance in 2020. Still both the banks do not meet the standard of Return on Investment benchmark, which exceeds 7%. MTB requires more investment practices within the Green Financing sector. To ensure profitability, MTB requires a balance between revenue generation and operational costs.

Table 4: Cost to Income Ratio

C/I		
Year	Green Financing Investments of MTB (%)	Green Financing Investments of AIBL (%)
2017	31.26%	25.12%
2018	30.14%	24.25%
2019	34.02%	21.85%
2020	39.04%	25.30%
2021	35.11%	29.90%
2022	32.08%	-
Standard Deviation	0.032189217	0.029238724

Source: (Appendix A, AIBL Internship Report)

Figure 4: Cost to Income Ratio



Source: Data Analysis

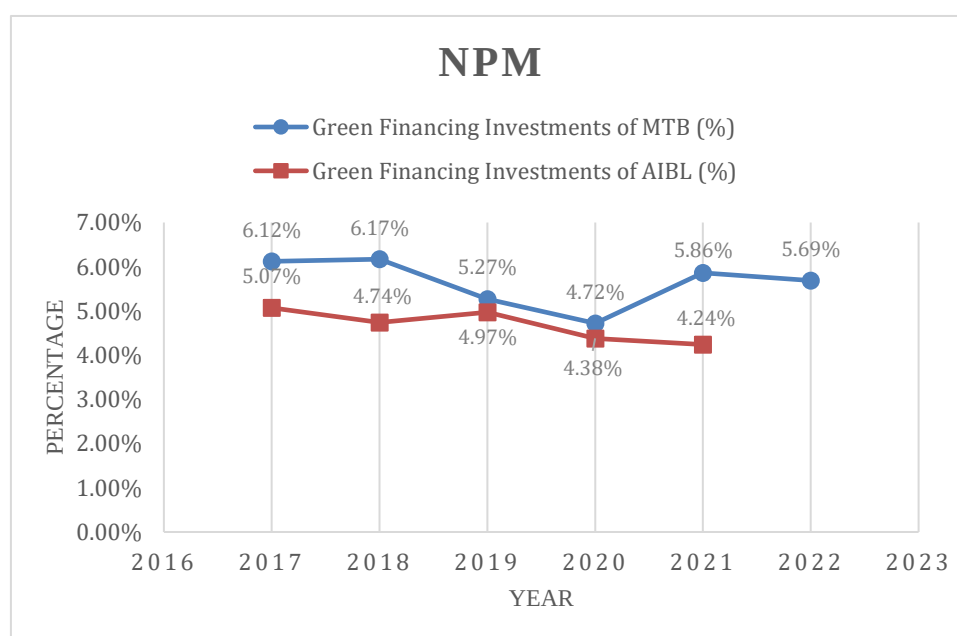
The above data shows that the Cost to Income ratio of MTB Green Financing Investments gradually increases that of AIBL Green Financing Investments from 2017 to 2021. C/I ratio below 50% is considered acceptable. The graph shows that both MTB and AIBL is maintaining low C/I ratios, which shows operational efficiency and efficient investment. However, AIBL shows greater efficiency in their Green Financing Investments. Therefore, MTB needs to manage cost and increase income to reduce the overall ratio.

Table 5: Net Profit Margin

NPM		
Year	Green Financing Investments of MTB (%)	Green Financing Investments of AIBL (%)
2017	6.12%	5.07%
2018	6.17%	4.74%
2019	5.27%	4.97%
2020	4.72%	4.38%
2021	5.86%	4.24%
2022	5.69%	-
Standard Deviation	0.005559646	0.003617319

Source: (Appendix A, AIBL Internship Report)

Figure 5: Net Profit Margin



Source: Data Analysis

The above data shows that from 2017 to 2022, MTB Green Financing Investments is outperforming AIBL Green Financing Investments in terms of Net Profit Margin (NPM). The graph shows that MTB is achieving a higher level of profitability in its Green Financing sector. The standard Net Profit Margin is considered to be 10%, however, both banks' Green Financing investments do not meet the standard. It is suggested for further improvement in their financial performance.

3.2 Qualitative Analysis:

An interview was carried out with Mehedi Hasan Zahid, the Assistant Manager of the Sustainable Finance Department at MTB. The interview was done to assess the data and condition of MTB's Green Financing Investments to evaluate their profitability performance. The insights gained from the interview provided a brief information about the bank's Green Financing sector.

The beginning of the interview involved the history of MTB's Sustainable Finance Department establishment. MTB started its dedicated Sustainable Finance Department in 2014 after the instruction of Bangladesh Bank. Basically, Bangladesh Bank had instructed every bank in Bangladesh to finance in green projects. Therefore, by being a responsible bank MTB followed Bangladesh Bank's guidelines. From then on, MTB began financing for green projects. The bank started prioritizing environmentally friendly actions to improve the society and economy.

MTB has provided financial support to multiple eco-friendly projects across Bangladesh. According to the interview, one of the successful financings' stories involved Banolata Refractory Ltd which utilized HHK technology for brick manufacturing. The technology was supported by MTB's financing which helps to reduce carbon emissions during brick production. The technology is recognized for its environmentally friendly actions. Additionally, MTB provides its financial support to green projects within Bangladesh which is agricultural sector. The bank was encouraged to invest in specific green products related to Sustainable Linked Finance according to Bangladesh Bank's guidelines. Therefore, MTB follows those guidelines and finances Sustainable Agriculture.

According to the interview, MTB has created a financial package named "MTB Green Energy". The package is to support renewable energy projects such as solar and biogas projects. Additionally, MTB has invested in solar irrigation projects which contributes in the energy sector. MTB has established sustainable help-desk services for their customers in all their branches. This encourages the customers to obtain loans to utilize for environmentally friendly projects. MTB is gradually introducing this green financing investment concept to create awareness on sustainability across Bangladesh. The interviewee also stated that capacity building is required among banks in Bangladesh. It is needed to develop a successful Green Investment sector in Bangladesh. Also, banks in this country requires necessary skills and capabilities to strengthen their position in this sector.

Chapter 4: Summary of Findings

1. The overall Return on Assets (ROA) for MTB Green Finance Investments is lower in comparison to AIBL Green Finance Investments. It can be assumed that MTB may have invested excessive funds to green projects that failed to generate growth in revenue. This outcome might be due to management decision-making or the bank's investments in projects.
2. MTB is renowned for its high Net Profit Margin (NPM). The overall NPM for MTB Green Finance Investments is higher than AIBL Green Finance Investments. However, in MTB's case, the NPM remains relatively stable without a significant increase, impacting the ROA. The bank probably has expanded its asset investments without any visible rise in NPM. Therefore, high asset investment without increase in NPM has negatively influenced the ROA of MTB Green Finance Investments.
3. In terms of the Cost to Income ratio, MTB Green Financing Investments shows lower efficiency compared to AIBL Green Financing Investments. The operating costs are increasing at a faster rate than income. While it is understandable that MTB is using high expenses to enhance the bank's performance, however there will be negative effect of the bank's long-term profitability.
4. The study is conducted of the year 2017 to 2021. The data of the recent year of AIBL was not available, due to which the comparison of recent situations and conditions of the banks' performances could not be justified. The full study focuses mostly on the past data which is used to create the overall analysis.
5. In the qualitative analysis, the interview contains brief information about the MTB's Green Financing sector. Due to the time limitation, comprehensive data could not be collected. Moreover, multiple interviews with the department's officials would have resulted into successful deliverance. Furthermore, due to confidentiality many information were unavailable to conduct polished research.

Chapter 5: Recommendation and Conclusion

5.1 Recommendation

MTB may conduct semi-annual training programs for both clients and employees to provide knowledge on the principles of sustainability. Such educational initiatives can teach clients about the advantages of green financing. That will promote the adoption of sustainable practices in their projects they are willing to work on. In addition, to enhance their sustainability efforts, MTB could form partnerships with environmental experts, including NGOs and sustainability consultants, to gain valuable insights. Moreover, by engaging with the stakeholders and investors MTB may get the opportunity to understand their expectations to develop environmental sustainability. Therefore, collecting feedback from these parties will be beneficial. Valuable insights can be gained to make decisions about financial investments in green projects. According to the interview, as MTB has already succeeded in investing in technology related projects, the sustainable department sector could move further into technological aspects to gain more knowledge. Moreover, conducting additional research in this area will enable MTB to invest confidently in technological projects. Overall, it will contribute to both sustainability and financial enhancement in the long run.

5.2 Conclusion

The aim of my internship was to investigate the impact of Green Financing among financial institutions. A simple study was done to find out whether the banks bring benefits or drawbacks. However, the lack of prior studies on this subject sets a challenge and led to insufficient data. Despite having the chance for an in-depth analysis, it was challenging for me due to lack of experience and expertise. Additionally, the research could have been sufficient and satisfactory if the internship was more than three months. However, I have given every effort to ensure alignment with the internship's objectives. In my belief, this report could assist MTB's future planning and effective strategy building to establish itself as a competitive financial institution.

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Appendix:

Interview Questionnaires:

1. What was the motivation behind implementation of green financing at MTB?
2. Kindly give a brief history on the establishment of MTB Green Financing Department.
3. What are some successful examples of green projects that MTB has financed?
4. What positive environmental outcomes did MTB achieve in green project Investments?
5. What are the specific green projects/areas/sectors where MTB is actively financing?
6. What other necessary steps should MTB take to improve green financing sectors in Bangladesh?
7. ROA, ROE, ROI, C/I, NPM of MTB Green Financing Investments of years 2017 to 2022.

INTERNSHIP PROPOSAL FORM

Name:	Rifat Sharmin
ID:	183011022
Department:	ULAB School of Business
Supervisor's Name (Faculty):	A F Wazir Ahmad
Organization Name:	Mutual Trust Bank Limited
Internship Title:	Profitability Performance of Green Financing in Conventional and Shariah based Banks: A case study on Mutual Trust Bank Ltd. and Al-Arafah Islami Bank Ltd

Rifat Sharmin
Student's signature & date
17/10/2023

Supervisor's signature & date
17/10/2023



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MTB Group Human Resources

MTB/CHO/GHR/1938/2023

August 27, 2023

Ms. Rifat Sharmin
Dhanmondi 9/A, Dhaka 1209

Dear Ms. Sharmin:

Internship placement in MTB

Please accept best compliments from Mutual Trust Bank Limited (MTB).

In response to your application, this is to inform you that the management of MTB has accepted your prayer to pursue internship for a period of three (03) months under the supervision of the Branch Manager, MTB Dhanmondi Branch with immediate effect.

Hope your association with MTB will be an excellent learning experience for you.

Best wishes.

MOHAMMAD ABDUS SALAM
UNIT HEAD, GHR
27 AUG 2023
salam@mutualtrustbank.com

Corporate Head Office: MTB Centre, 26 Gulshan Avenue, Gulshan 1, Dhaka 1212

Phone : 880 (2) 5881 2298, 222 283 966, Fax : 880 (2) 222 264 303, SWIFT : MTBL BD DH E-mail : info@mutualtrustbank.com

www.mutualtrustbank.com