

# Examining the Performance of Islami Banking: Bangladesh Perspective

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**Abstract:** *Islami banking has played a pivotal role in fostering prosperity and economic growth in Bangladesh. Since its establishment, the Islami banking industry has demonstrated robust performance, currently holding over 25 percent of the market share within the nation's entire banking sector. This study aims to scrutinize the performance of Islami banks in Bangladesh, employing time series data spanning from 2018 to 2022 obtained from various reports published by Bangladesh Bank. To achieve our objectives, several key variables were examined, including total deposits, total investments, total remittances, excess liquidity, branches, employment, industry share, return on assets (ROA), and return on equity (ROE). The analysis reveals that Islami banks have consistently exhibited strong growth in deposits, investments, remittances, excess liquidity, employment, branch network, industry share, ROA, and ROE. However, the study also identified a negative trend in deposits and excess liquidity. In conclusion, this study proposes certain policy recommendations enhancing the performance of Islami banking in Bangladesh.*

**Keywords:** Banking Industry, Economic Growth, Islami Banking, Performance, Policy.

## I. INTRODUCTION

Islami banking is characterized as a financial system grounded in Shariah law, emphasizing principles such as conducting business in line with profit and loss sharing while strictly prohibiting the accumulation of interest and usury. Islami banking has been rapidly expanding around the world for the past three decades, with widespread support among Muslims and non-Muslims (Abdullah Saif Al Nasser, S., Datin, & Muhammed, J. 2013). While the foundations of Islami financial law have a lengthy history, the establishment of Islami finance and banking industry can be traced back to 1963, when Egypt's Mit Ghamr Saving Banks engaged in profit and loss sharing investments. However, significant strides in Islami banking began in the 1970s, marked by the introduction of new investment techniques, strategies, and product development (Steward, M. 2008). Notably, Dubai Islami Bank (DIB), established in 1975, bears the distinction of being the first Islami bank in history. DIB not only outperforms conventional banking systems by offering higher returns but also provides a range of financial products, including auto, home, and personal finance (Platt, G. 2008).

Bangladesh, home to 167 million people, stands as the third-largest Muslim country globally, with approximately 90 percent of its population adhering to Islam. The introduction of Islami banking in Bangladesh traces back to 1983, when "Islami Bank Bangladesh Limited" was established, marking the initiation of Islami banking practices in the country. This significant step was taken on the recommendation of the Organization of Islami Cooperation (OIC) and reflects the collective needs and aspirations of the vast Muslim population in Bangladesh. In the past decades, this Shariah-based service banking activity has been greatly expanded and successful. Inspired by this success, numerous banks now operating in the nation provide Islami banking services. through their own Islami banking branches and windows alongside their traditional banking activities. This significant expansion of Islami banking activities indicates the interest of the common people in interest-free banking, as a result of which Islami banking has become known as a popular modern banking system in Bangladesh.

Islami banking in Bangladesh has witnessed remarkable growth and expansion, driven by robust public demand and widespread support for the system. Its increasing popularity globally has further contributed to this trend. As a result, numerous full-fledged Islami banks have emerged, and there has been a growing response from conventional banks to meet the demand for Shariah-compliant services. This response often takes the form of establishing Islami branches alongside their traditional counterparts. Furthermore, a significant trend has been observed wherein conventional banks undergo a transformation to become Islami banks.

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An important factor in our country's economic growth is the banking industry. Particularly Islami banks have made a significant contribution to Bangladesh's economic expansion and prosperity. his study attempts to present a comprehensive analysis of the performance of the Islami banking system in the country.

The study's remaining section is organized as follows: Section II provides an overview of Islami banking in Bangladesh. Section III presents the literature review. Section IV contains the objectives of the study. V includes data and methodology. VI depicts the performance analysis of Islami banks in Bangladesh. Finally, Section VII presents the conclusion and policy recommendations.

## II. AN OVERVIEW OF ISLAMI BANKING IN BANGLADESH.

Bangladesh's Islami banking industry has grown and expanded significantly due to the robust public demand and support for the system, as well as its growing global recognition. Consequently, several full-fledged Islami banks have developed and numerous conventional banks have built Islami branches and windows to provide Islami banking services in compliance with Islami Shariah along with regular banking services. Additionally, there is a noticeable trend where conventional banks are transitioning into Islami banks. Currently, Islami banking operations are carried out across a network of 1671 branches, comprising 10 full-fledged Islami banks, 30 branches from 15 traditional banks and 615 windows affiliated with 15 traditional banks. Bank-wise Islami banking branches and windows are illustrated in Table-1.

**Table 1- Branches and Windows Number of Islami Banking in Bangladesh (end September 2023).**

SL	The Bank's Name	Total
<b>A)</b>	<b>Full-fledged Islami Banks:</b>	<b>1671</b>
1.	"Islami Bank Bangladesh PLC"	394
2.	"ICB Islami Bank Limited"	33
3.	"Social Islami Bank Limited"	179
4.	"Al-Arafah Islami Bank Limited"	212
5.	"Exim Bank Limited"	148
6.	"Shahjalal Islami Bank PLC"	140
7.	"First Security Islami Bank Limited"	209
8.	"Union Bank Limited"	112
9.	"Standard Bank Limited"	145
10.	"Global Islami Bank PLC"	99
<b>B)</b>	<b>Branches of traditional banks providing Islami banking services:</b>	<b>30</b>
1.	"The City Bank Limited"	1
2.	"AB Bank Limited"	1
3.	"Dhaka Bank Limited"	2
4.	"Premier Bank Limited"	2
5.	"Prime Bank Limited"	5
6.	"Southeast Bank Limited"	5
7.	"Jamuna Bank Limited"	2
8.	"Bank Alfalah Limited"	1
9.	"NRB Bank Limited"	1
10.	"One Bank Limited"	2
11.	"United Commercial Bank PLC"	1
12.	"Bangladesh Commerce Bank Limited"	2
13.	"Bengal Commercial Bank Limited"	3
14.	"National Credit & Commerce Bank Limited"	1
15.	"Mercantile Bank PLC"	1

C)	Windows of traditional banks providing Islami banking services:	615
1.	"Sonali Bank PLC"	58
2.	"Agrani Bank Limited"	60
3.	"Pubali Bank Limited"	17
4.	"Trust Bank Limited"	30
5.	"Bank Asia Limited"	5
6.	"Standard Chartered Bank"	1
7.	"Mercantile Bank PLC"	45
8.	"Midland Bank Limited"	1
9.	"NRBC Bank PLC"	314
10.	"One Bank Limited"	14
11.	"Meghna Bank Limited"	10
12.	"Mutual Trust Bank Limited"	15
13.	"Premier Bank Limited"	25
14.	"United Commercial Bank PLC"	10
15.	"South Bangla Agriculture & Commerce Bank Limited"	10
D)	<b>Total=A+B+C</b>	<b>2316</b>

Source: Bangladesh Bank.

### III. LITERATURE REVIEW:

Over the past few decades, Islami banking in Bangladesh has grown significantly, starting the country's banking system as a small but significant player and now occupying an important position. To investigate the performance of Islami banks operating in Bangladesh, a review of relevant national and international literature has been done.

Hanif, M. (2023) conducted a study on the performance of the Islami banking services industry (IBSI) in Pakistan spanning 32 quarters (2013Q4–2021Q3). The research considered the objectives of Islami finance, encompassing social responsibility, equitable wealth distribution, and financial stability. The result shows that investing in social sectors did not enable the IBSI in Pakistan to make a significant contribution to the social improvement of the masses. The study also shows that a lower allocation of funding to rural and agricultural economies has a less impact on financial access. It was recommended that, utilizing the analytical framework created in this study, future research agendas might cover Shari' ah compliance and performance evaluation of various Islami banking markets.

Chowdhury, E. K., Dhar, B. K., Thanakijombat, T., & Stasi, A. (2022) investigated the financial performance of 28 conventional and 8 Islami commercial banks in Bangladesh. The analysis examined key performance measures such as return on equity, return on assets, net interest margin, and the pre-provision profit ratio for the years 2015 to 2019. The findings showed that bank-centric, industry-centric, and macroeconomic factors all had an impact on the financial performance of both conventional and Islami banks. These elements can change depending on policy, public perceptions of Islami banking systems, and the regulatory authorities' capacity to oversee them. Furthermore, the analysis demonstrated that even in the face of advantageous circumstances, Islami banks do not perform as well as conventional banks.

Al Arif, M. N. R., & Yati, D. (2021) used the Sharia Maqashid Index and a one-way ANOVA test to assess the performance of Islami banks in Bangladesh, Indonesia, and Pakistan. The results of the study indicate that the Bank of BNIS, Bank of BRIS, and Al-Arafah Islami Bank of Bangladesh received the top ratings. The results also revealed differences in performance, highlighting the advice that Islami banks should match their goals and performance indicators to the maqashid sharia framework.

A study conducted by Sadekin, M. N., Khan, A. G., & Islam, M. N. (2014) to examine the establishment, progress, and expansion of five Islami banks in Bangladesh. Seven variables were employed in the study between 2008 and 2012: remittances, deposits, investments, number of branches, workers, net income, and earnings per share. Eight trend equations were examined for a range of Islami bank operations. The results showed that all of the chosen banks' branches, employees, deposits, and net income all had positive trend values. Furthermore, the trend equations' squared

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correlation coefficients ( $r^2$ ) showed that net income, branches, and deposits all had  $r^2$  values larger than 0.5, indicating a positive outlook for Bangladesh's Islami banking industry.

Ibrahim, M., Mohammad, K. D., Hoque, N., and Khan, M. A. (2014) evaluated the performance of six Islami banks listed on the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Deposits, investments, overseas remittances, earnings per share (EPS), dividend declaration, dividend payout ratio, price-earnings ratio (P/E), and net asset value (NAV) were among the indicators included in the performance evaluation. The annual reports of the chosen banks provided the data that were taken out for the assessment. Following a thorough examination of these variables, the research came to the conclusion that Islami banks had seen considerable success.

Abduh, M., Hasan, S. M., & Pananjung, A. G. (2013) evaluated the performance and efficiency of Islami banks in Bangladesh during the period of 2006 to 2010. DEA was employed in the study to measure the Islami banks' efficiency and ratio analysis to assess the Islami banks' performance. The paper found that from 2006 to 2010, all Islami banks had an upward tendency, indicating that these institutions had become more efficient during the research period. The study also recommended further research comparing Islami and traditional banking, adding more variables to the stochastic frontier technique, and increasing the number of time periods.

The study carried out by Al Mahmud, A., & Islam, M. M. (2010) examines the performance of Bangladesh's Islami and traditional banking systems in detail from 2000 to 2005. The goals of the study were developed using widely used metrics, including general business measures, profitability ratios, managerial soundness, and social profitability. The research findings indicate that although Bangladesh's economy has benefited greatly from the contributions of both conventional and Islami banking systems, two substantial functional inequalities exist. First of all, Islami banks use trading and investment systems, while traditional banks use loan and borrowing processes. Second, Islami banks do not accept or pay interest on any transactions; instead, they use profit as a pricing mechanism. Traditional banks entail the payment and receiving of interest on advances and deposits. According to the survey, Islami banks outperformed conventional banks in terms of performance.

Alam, M. N. (2000) attempted to investigate the growth patterns in deposits and investments of "Islami Bank Bangladesh Limited (IBBL)," the country's first and biggest Islami bank, from 1983 to 1994. It is stated in the document that IBBL invested mostly in the Quard E Hasana, Hire Purchase, Musharaka, Bai-Muajjal, and Murabaha modes and primarily mobilized deposits through the AL-Wadia and Mudaraba modes. The research emphasized how the bank prioritizes, among its variety of business models, Murabaha, Bai-Muajjal, and related investment modes.

In his research, Kabir Hassan, M. (1999) provided a useful explanation of interest-free banking in Bangladesh, highlighting its essential elements. The study examined "Islami Bank Bangladesh Limited (IBBL)," the nation's first Islami bank, with a focus on its performance evaluation from 1983 to 1994. The assessment covered a number of topics, such as growth in deposits, investments, income, overseas trade, remittances, and branch network expansion. In addition, the research carried out a comparison evaluation of IBBL's performance over the course of the study against that of other private banks. The paper's main recommendations supported the following: the creation of interest-free money market products by the central bank; clients should be chosen based on the quality and sincerity of their projects; lending portfolios should be diversified into long-term financing through Musharaka and Mudaraba; and client education regarding Islami banking.

The study conducted by Sarker, M. A. A. (1999) focused on the performance of Islami banks in Bangladesh from 1988 to 1997. The study assessed Islami banks' performance using five efficiency test criteria, most of which were financial measures. Notably, the findings demonstrated that Islami Bank Bangladesh Limited was the only Islami bank in Bangladesh to exhibit a positive growth trend in deposits, advances, and profits across the reporting years. During the study period, the Mudaraba ideal mode was not used in any investment, whereas the Musharaka form of ideal partnership was used in less than 3% of all investments.

#### **IV OBJECTIVES**

The purposes of the present paper are twofold: firstly, to assess the performance of Islami banks in Bangladesh and secondly, to suggest policy recommendations aimed at ensuring the optimal performance of Islami banks in the country.

#### **V DATA AND METHODOLOGY**

To assess Bangladesh's Islami banks' performance, the study adopted descriptive analysis. The necessary information and data were obtained from secondary sources, encompassing various reports from Bangladesh Bank spanning the years 2018 to 2023.

**VI PERFORMANCE ANALYSIS OF ISLAMI BANKS IN BANGLADESH**

Islami banking in Bangladesh is experiencing continuous growth, with a notable trend of conventional banks and their branches transitioning into Islami services. This indicates a widespread acceptance of interest-free banking among the general public. The Islami banking sector demonstrates robust expansion in the economy, evident in its rising market share concerning deposits, investments, remittances, excess liquidity, branch expansion, and employment within the overall banking system. Table-2 shows the key information about Islami banking in Bangladesh during 2018–2023.

**Table: 2 key information of Islami banking in Bangladesh** (BDT in Billion)

Quarter	Deposits	Investment	Remittances	Excess Liquidity	Branches	Employments
Mar-18	2155.58	2091.48	90.4	50.78	1181	32309
Jun-2018	2247.58	2168.27	114.62	64.66	1178	32579
Sep-2018	2278.14	2203.43	122.82	52.03	1200	33058
Dec-2018	2373.67	2309.07	130.76	65.24	1241	33027
Mar-2019	2421.18	2372.79	83.37	37.93	1252	34128
Jun-2019	2530.59	2451.88	97.12	59.97	1261	35341
Sep-2019	2621.11	2503.23	118.62	61.31	1301	36337
Dec-2019	2802.28	2627.52	146.32	97.33	1380	35906
Jun-2020	2913.04	2754.66	103.24	93.37	1448	36582
Sep-2020	3196.25	2840.11	179.55	182.54	1464	38125
Dec-2020	3269.22	2940.94	214.09	293.18	1528	38784
Mar-2021	3577.92	3223.98	157.34	304.09	1755	43288
Jun-2021	3681.63	3279.43	200.39	363.65	1802	43909
Sep-2021	3765.78	3368.20	197.92	351.86	1853	44453
Dec-2021	3931.11	3534.48	203.68	336.25	2080	45260
Mar-2022	3996.79	3606.49	134.7	299.99	2110	47927
Jun-2022	4123.41	3818.29	157.17	260.09	2121	48728
Sep-2022	4213.75	3862.21	202.23	175.25	2139	49433
Dec-2022	4099.49	4052.02	256.91	128.71	2217	49851
Mar-2023	4116.31	4123.97	306.09	77.08	2234	50143
Jun-2023	4280	4214.77	221.92	86.9	2282	50019
Sep-2023	4319.89	4290.71	280.47	77.67	2316	50146

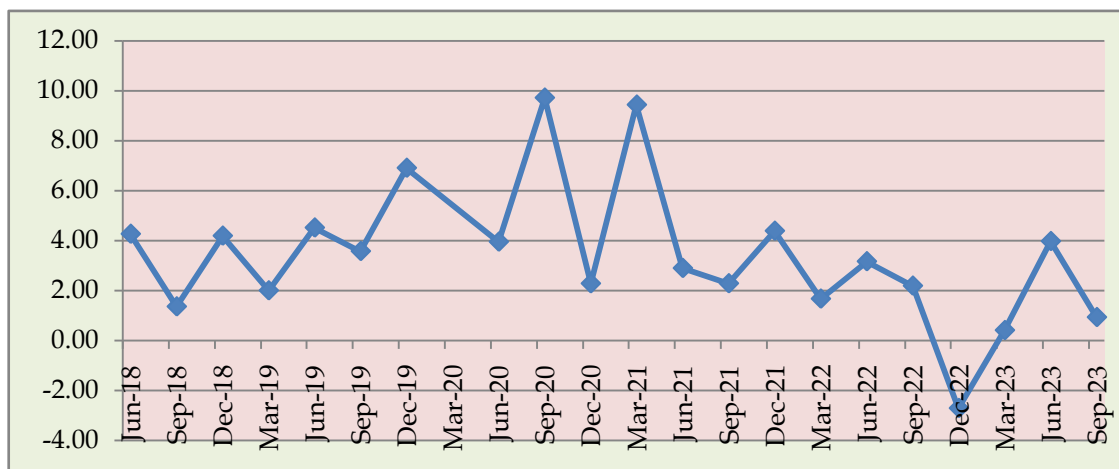
Source: Bangladesh Bank.

**6.1 Performance of Islami Banks in Terms of Deposit**

To meet a broader spectrum of customer requirements, Islami banks in Bangladesh have expanded their product portfolios, contributing to enhanced deposit mobilization. The growing preference for Islami banking products among customers is attributed to their adherence to Sharia principles, prohibiting the payment or receipt of interest (riba) and emphasizing ethical and socially responsible financial practices. Over the recent years, the Islami banking sector in Bangladesh has witnessed substantial fluctuations in deposit growth, marked by notable ups and downs. As of December 2018, the aggregate deposits in Islami banks, encompassing Islami banking branches and windows within conventional banks, reached BDT 2373.67 billion, constituting 23.50% of the total banking system deposits. Subsequently, at the end of December of the years 2019, 2020, 2021, and 2022, along with the end of September 2023, the cumulative deposits within the Islami banking system increased to BDT 2802.28 billion, BDT 3269.22 billion, BDT

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3931.11 billion, BDT 4099.49 billion and BDT 4319.89 billion, respectively. These figures represented 24.65%, 25.33%, 27.89%, 25.81%, and 26.61% of the total banking system deposits for their respective periods Table 1.



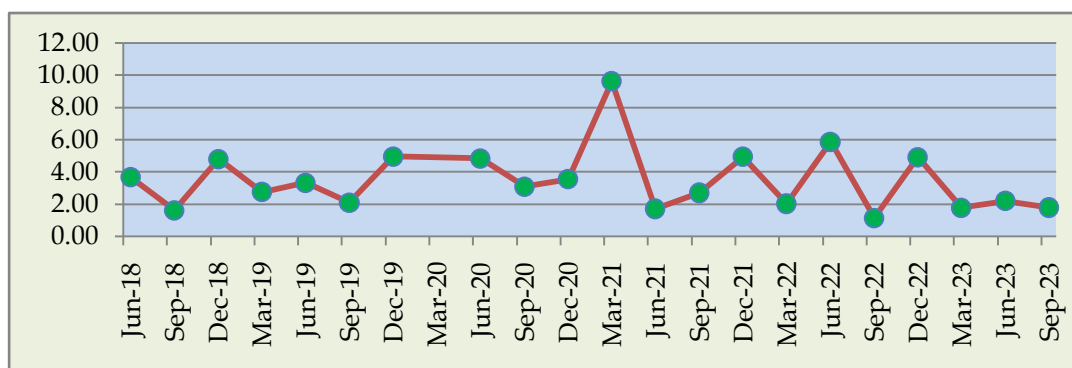
Source: Bangladesh Bank.

**Figure. 1 Growth of deposits of Islamic banking system in Bangladesh**

Fig. 1 depicts the deposit growth trends in the Islami Banking System of Bangladesh, spanning from June 2018 to September 2023. The deposit growth rate exhibited fluctuations, peaking in September 2020 and hitting a low point with negative growth in December 2022. Afterwards, it showed an increasing trend.

### 6.2 Performance of Islami Banks in Terms of Investment

The investment growth in Islami banking in Bangladesh has witnessed positive growth, reflecting a broader shift in the financial preferences of individuals and institutions seeking Sharia-compliant and socially responsible investment opportunities. In December 2018, the total investment in Islami banks within Islami banking branches and windows of conventional banks amounted to BDT 2309.07 billion, comprising 24.04% of the overall investment in the banking system. In the subsequent periods of December 2019 and December 2020, the total investments in the Islami banking system amounted to BDT 2627.52 billion and BDT 2940.94 billion, accounting 24.82% and 25.69% of the total banking system's investments, respectively. Furthermore, the total investments in the Islami banking system stood at BDT 3534.48 billion, BDT 4052.02 billion, and BDT 4290.71 billion at the end of December 2021, December 2022, and September 2023, respectively (Table 1). These amounts accounted for 27.88%, 29.20%, and 28.00% of total investments in the banking system during the corresponding periods.



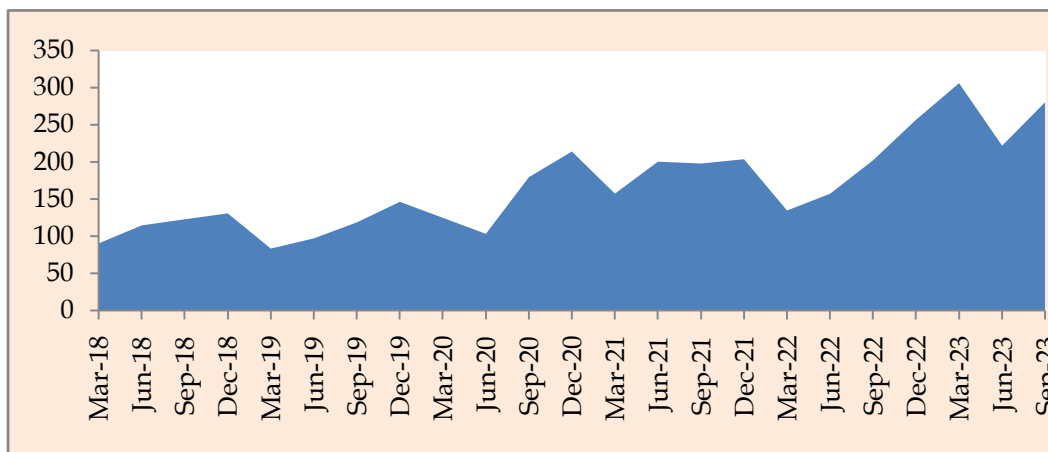
Source: Bangladesh Bank.

**Figure. 2 Growth of investment of Islamic banking system in Bangladesh**

Fig. 2 presents the fluctuating positive trend of growth in investment in the Islami banking system in Bangladesh over the period of June 2018 to September 2023.

**6.3 performance of islami banks in terms of foreign remittance collection**

The Islami banking sector of Bangladesh plays a crucial role in the aggregation of foreign remittances and their equitable distribution among recipients throughout the nation. The cumulative remittances facilitated by the Islami banking system of Bangladesh amounted to BDT 130.76 billion in the December Quarter of 2018, increased to BDT 146.32 billion in the December Quarter of 2019, and further rose to BDT 214.09 billion in the December Quarter of 2020. Notably, that showed up its peak at BDT 306.09 billion in the March quarter of 2023, marking the highest amount during the study period. As of the ending of the September of 2023, the total remittances stood at BDT 280.47 billion (Fig. 3).

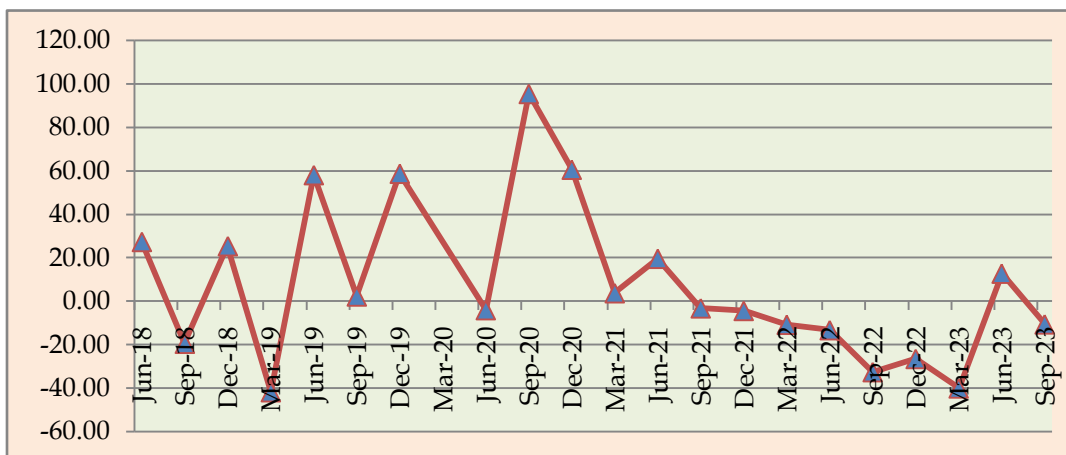


Source: Bangladesh Bank.

**Figure. 3 Remittances mobilized by Islami banking system (In BDT Billion)**

**6.4 Performance of Islami Banks in Terms of Excess Liquidity**

Islami banks in Bangladesh have been grappling with a surplus liquidity challenge. The excess liquidity within the Islami banking system amounted to BDT 97.33 billion at the close of December 2019, rising from BDT 65.24 billion at the end of December 2018. This figure further increased to BDT 293.18 billion by the conclusion of December 2020. Notably, by the end of December 2021, the excess liquidity in the Islami banking system surged to BDT 336.25 billion, compared to BDT 128.71 billion at the close of December 2022 and BDT 77.67 billion in September 2023 (Table 1). Fig. 4 illustrates that the growth of excess liquidity in the Islami banking system experienced a sharp decline after September 2020, reaching a nadir with a negative trend in March 2023.

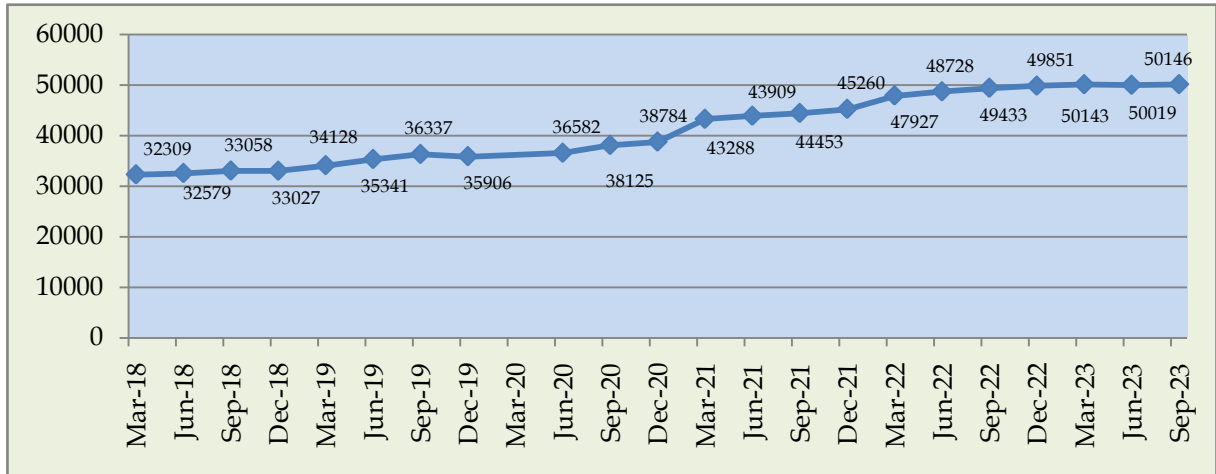


Source: Bangladesh Bank.

Figure. 4 Growth of excess liquidity of Islami banking system in Bangladesh

6.5 Performance of Islami banks in terms of employment

The Islami banking system in Bangladesh has been significantly contributing to employment through its banking activities. Fig. 5 shows that over the study period, total manpower of Islami banking has increased and stood at 50146 in September 2023, which was 49851 and 45260 at the end of December 2022 and December 2021, respectively.

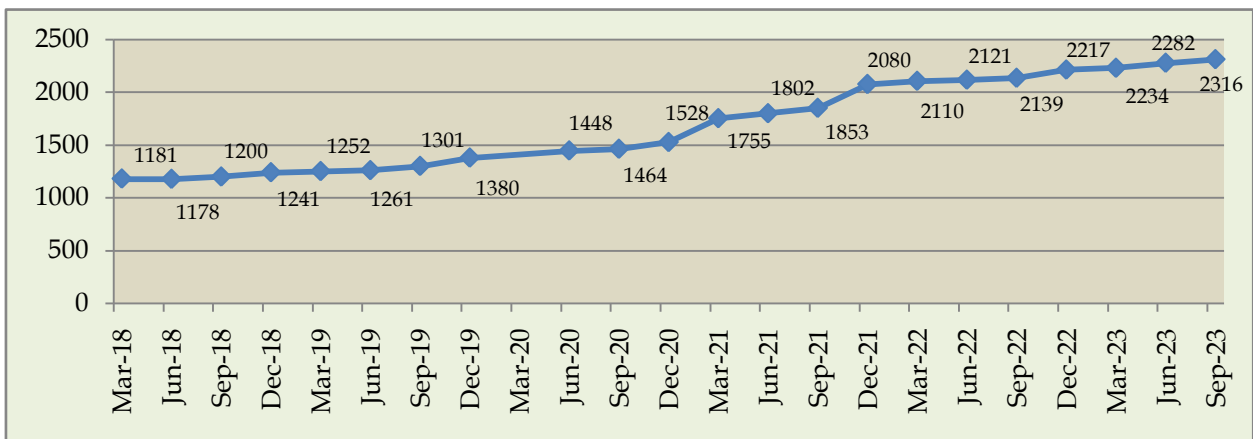


Source: Bangladesh Bank.

Figure. 5 Number of manpower of Islami banking system in Bangladesh

6.7 Performance of Islami Banks by expansion of branches

Islami banking has been on the rise in Bangladesh, with both fully Islami banks and branches and windows of conventional banks expanding their branch networks to reach a wider customer base. According to Fig. 6, the total number of branches of Islami banks, inclusive of branches and windows within conventional banks reached 2,316, by the conclusion of September 2023.



Source: Bangladesh Bank.

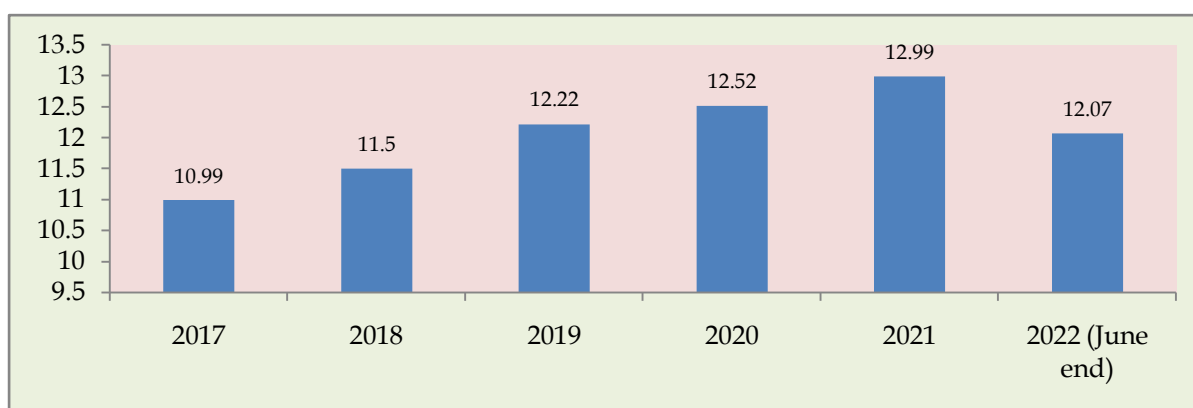
Figure. 6 Number of branches of islamic banking system in Bangladesh



### 6.8 Performance of Islami Banks by capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) serves as a safeguard for a bank's solvency by supporting risk exposure with assets.

Banks with a higher Capital Adequacy Ratio (CAR) are perceived as secure, demonstrating the ability to fulfill financial obligations effortlessly and contributing to the overall efficiency and stability of the financial system. Bangladeshi banks must maintain a minimum CAR of 10.0 percent of the capital base to risk-weighted assets (RWA) or BDT 4.0 billion as capital, whichever is higher, to address credit, market, and operational risks in accordance with Basel-III standards. As illustrated in Chart 7, the Capital Adequacy Ratio (CAR) for Islami banks in Bangladesh shows that the CAR of full-fledged Islami banks increased to 12.99 percent as of December 31, 2021, up from 12.52 percent at the close of December 2020. However, by the conclusion of June 2022, it had slightly decreased to 12.07 percent (Fig.7).

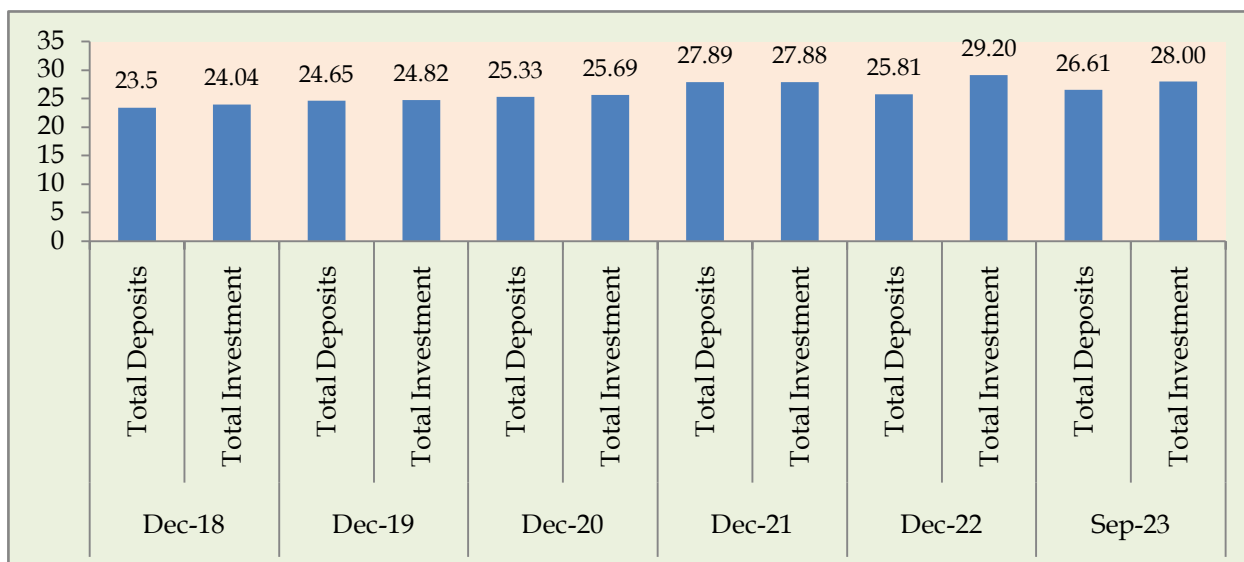


Source: Bangladesh Bank.

Figure. 7 Capital Adequacy Ratio (CAR) of islamic banks in Bangladesh

### 6.9 Ratio analysis

Since its inception, Bangladesh's Islami banking sector has made a significant contribution to deposit mobilization and the financing of a range of economic activities. Over time, the market share of Islami banks has consistently grown. By representing a 28.00 percent share of investments and a 26.61 percent share of deposits in the entire banking industry as of the end of September 2023, the Islami banking system commanded a strong market share. The percentages at the end of December 2022 were 25.81 percent for deposits and 29.20 percent for investments; this represented a minor shift from those numbers (Fig. 8).

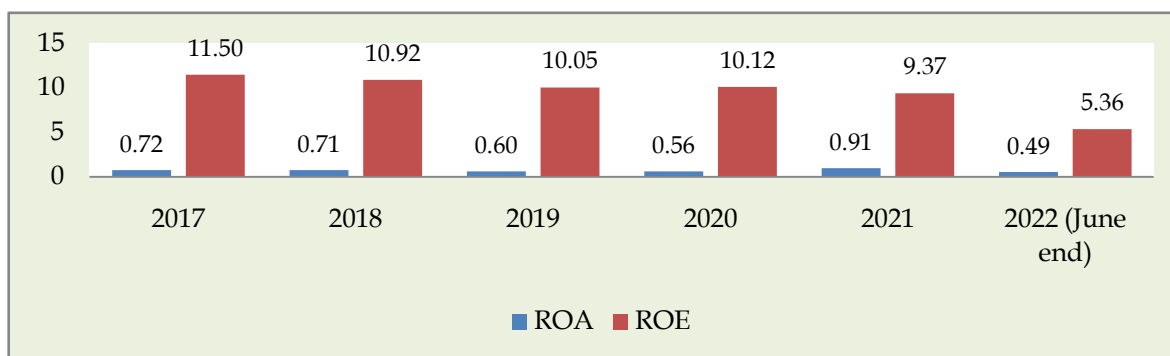


Source: Bangladesh Bank.

Figure. 8 Industry share of islamic banking system in Bangladesh

### 6.10 ROA and ROE

Return on Assets (ROA) and Return on Equity (ROE) are widely accepted indicators for assessing a bank's financial performance and profitability. These indicators provide valuable insights into the overall financial health of a bank. Chart 9 illustrates the trend in the profitability of Islami banks. In 2017, both ROE and ROA experienced an upswing, reaching 11.50 percent and 0.72 percent, respectively. This suggests that Islami banks with higher ROA demonstrated greater efficiency in generating profits with a smaller asset base, while ROE reflected their ability to yield returns on shareholders' investments. However, in 2021, a decline in ROE was evident among Islami banks, settling at 9.37 percent. This downturn can be primarily attributed to the adverse impact of the COVID-19 pandemic and the ensuing economic upheaval during that period. Despite this, ROA exhibited an increase, reaching 0.91 percent (Fig. 9).



Source: Bangladesh Bank.

Figure. 9 ROE and ROA of Islamic banks

## VII CONCLUSION AND POLICY RECOMMENDATIONS

In conclusion, Islami banking in Bangladesh reveals a commendable trajectory of growth and contribution to the nation's economic development. This study identified that Islami banking in Bangladesh has achieved substantial market share and demonstrated robust performance across various key indicators such as deposits, investments, remittances, employment, branch network, ROA, and ROE. Despite these successes, challenges such as the negative growth of deposits and excess liquidity have also been identified. The study suggests that some policies aim to capitalize on the observed positive trends and address challenges such as the negative trend of deposits and excess liquidity, ensuring a sustained and impactful contribution to the country's economic development through the Islami banking sector in Bangladesh.

### Policy Recommendations for Enhancing the Performance of Islami Banking in Bangladesh:

- Due to the Islam prohibition of *riba* (interest), Islami banks in Bangladesh are restricted from investing in government Treasury bills and bonds that bear interest, prevalent in the current market. It is imperative to offer innovative Sharia-compliant capital market and money market products in the Islami banking sector in order to maintain liquidity management.
- In Bangladesh, the Islami banking industry has grown, but the number of full-fledged Islami banks' rural branches has not kept up with the demand. It is imperative for Islami banks to prioritize and intensify efforts to extend their outreach into rural areas.
- The investment level by Islami banks in Bangladesh in fundamental Islami modes like *Mudaraba* and *Musharaka* is comparatively limited. Given this scenario, it is crucial for Islami banks to give priority to the formulation of comprehensive guidelines and policies. These initiatives should focus on fostering greater investments under the *Mudaraba* and *Musharaka* modes, thereby diversifying their investment portfolios.
- Islami banks in Bangladesh should consider venturing into micro-finance projects, extending support to women entrepreneurs, and addressing the financial requirements of government agencies. This strategic diversification could provide Islami banks with a significant advantage, fostering their growth and success.
- Islami banks in Bangladesh ought to amplify their corporate social responsibility (CSR) initiatives to contribute to the socio-economic development with a focus on serving humanity. This can be achieved through various philanthropic activities, placing emphasis on critical areas such as health, education, disaster management, rehabilitation, and poverty eradication.
- Bangladeshi Islami banks should strictly follow Bangladesh Bank standards and align their operations and strategy with the government's environmental sustainability goals.
- Enhancing Bangladesh's Islami banks' performance could be achieved through the improvement of human resources quality. This involves increased investment in research and training to prepare personnel within the sector as proficient Islami banking professionals capable of adeptly addressing Shariah compliance issues in the Islami financial industry.

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