Uttara University

Project Report

on

Islamic banking practice in Bangladesh

Submitted To:

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Program: MBA for BBA (Regular)

Major: Finance

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Letter of Transmittal

August 30, 2020

Nusrat Jahan

Assistant Professor

Department of Business Administration

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Subject: Submission of Project Report on "Islamic banking practice in Bangladesh"

Dear Sir,

With due respect, I beg to inform you that, I am a student of MBA, 50th batch & dept. of DBA at Uttara University. I am very glad to submit you my project report prepared on **"Islamic banking practice in Bangladesh."**

I have given my best effort to prepare the report with relevant information that I have collected from various sources during my project program from 20st June to 25th August 2020.

I pray and hope that the mistake of the report may have, will be kindly excused. So I cordially request to you evaluating this report & enough kind to receive this report.

Sincerely yours

……………………….

Sahera Khatun

ID: 2193061010

Program: MBA

Major: Finance

Department of Business Administration

Student's Declaration

I declare that the Project Report on **"Islamic banking practice in Bangladesh"**includes the results of my own research works, pursued under the supervision of Nusrat Jahan, Assistant Professor, School of Business, UttaraUniversity.

I also declare that the Project report is prepared for academic purpose only. This report is not submitted by others.

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Sahera Khatun
ID: 2193061010
Program: MBA
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Department of Business Administration

Supervisor's Declearation

This is to certify that Sahera Khatuna student of MBA, ID: 2193061010, has successfully completed his project report on **"Islamic banking practice in Bangladesh"** under my supervision for the partial fulfillment of the award of MBA degree.

He has done his job according to my supervision and guidance. He has tried his best to do this successfully. I think his program will help him in the future to build up his finer career.

……………………..

Nusrat Jahan

Assistant Professor

Department of Business Administration

School of Business

Uttara University

Acknowledgement

With God, all things are possible; for he has made it possible by giving me the ability and strength to carry out this study. I say thank you Almighty Allah.

Works like this kind cannot be carried out without the help and guidance of an experienced person. I therefore wish to express my profound gratitude to Nusrat Jahan my supervisor for her suggestions, support, patience and constructive criticism throughout the research period.

Not forgetting the Lecturers and staff in the Department of BBA, School of Business, Uttara University.

Lastly, to my parents, husband, children, brother and sisters who by their encouragement gave me the strength to carry on when all hope was lost. I say Allah Bless you all.

Table of Content

Abstract

In tandem with the global rapid expansion of Islamic banking, Bangladesh has experienced phenomenal growth in Islamic banking following strong public demand for the system. Since its inception in 1983, Islamic banking industry has recorded robust performance and the industry now accounted for more than twenty percent market share of the entire banking industry in Bangladesh. Though Islamic banking industry in Bangladesh has achieved more than 20 percent annual growth, the industry has immense potentials for further expansion as Bangladesh is a Muslim majority country with a vibrant economy of 6 percent real economic growth over the last decade. To reap the full potentials of Islamic banking, it is imperative to assess the present status of Islamic banking industry in Bangladesh. Given this, the present paper investigated the present status of Islamic banking industry and it also assessed its comparative performance with overall banking industry. To attain the objectives of the paper, required information/data have been collected from the secondary sources and financial ratio analysis approach has been applied. Finally, the paper shed light on challenges faced by the Islamic banking industry and prescribed policy options to meet the challenges.

Chapter- 01

Introduction

1.1Introduction

Introduction Islamic banking is a profit and loss sharing principle-based banking system which covers the financial transaction sides of Islam since Islam is a complete code of life which notifies the people to submit themselves to the will of Allah with a system of life. It prescribes a complete code and rules for conduction of everyday life in all spheres. It makes not only a spiritual relationship Allah and human beings but also guidance to maintain relationship between man to man, and man to society in terms of economically and politically with all other spheres of life. Islamic economics is basically based the rules, regulations and guidance of Quran and Sunnah. So, it ensures well defined justification for assuring wealth distribution for welfare society and welfare economic.

Islamic bank Bangladesh Ltd bank in Bangladesh Islamic Bank Ltd (BBL) is an Islamic banking company based in Bangladesh. It become incorporated on 13 march 1983 as a public limited company under the companies act 1913 it has 36.91% local and 63.09% foreign shareholders. As of November 2019, IBBL has 350 branches including 59 AD branches and 03 offshore banking units as well as has more than 13500 staffs . In addition to that IBBL maintains its own 621 ATM booths and 33 IDM along with 6000 shared ATM network across the country. IBBL mobilizes around 29%of country remittance. in 2015 it serves us $3903.21 million out of us $15316.75 million of total country remittance. As such ,IBBL is the largest private banking network in Bangladesh . when IBBL was established ,it was the first bank in southeast Asia to provide banking service based on shariah. The bank is listed with both Dhaka stock exchange Ltd. and Chittagong stock exchange Ltd.

1.2 Justification of the study

- The study motivated to know about theIslamic banking has been defined in a number of ways. The definition of Islamic bank, as approved by the General Secretariat of the OIC, is stated in the following manner.This research helps to obtain detailed information onIslamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operation. It is, therefore, natural and, indeed, imperative for an Islamic bank to incorporate in its functions and practices commercial investment and social activities, as an institution designed to promote the civilized mission of an Islamic economy
- The project is, "Islamic banking practice in Bangladesh." According to the topic it is important to understand the Islamic bankingis a profit and loss sharing principle-based banking system which covers the financial transaction sides of Islam since Islam is a complete code of life which notifies the people to submit themselves to the will of Allah with a system of life. It makes not only a spiritual relationship Allah and human beings but also guidance to maintain relationship between man to man, and man to society in terms of economically and politically with all other spheres of life.

  For this research people will able to know aboutIslamic economics is basically based the rules, regulations and guidance of Quran and Sunnah. So, it ensures well defined justification for assuring wealth distribution for welfare society and welfare economic. Bangladesh Islamic Bank Ltd (BIBL) is an Islamic Banking based in Bangladesh.

- IBBL is always strived to achieve superior financial performance, be considered a leading Islamic Bank establish and maintain the modern banking technologies, to ensure soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professionals, working for the benefit of the people, based upon accountability, transparency and integrity in order to ensure stability of financial system. Consumers will encourage savings in the form of direct investment. The investment particularly in projects which are more likely lead to higher employment.

Chapter- 02

Objective

2.1 Objectives of the study

The objectives of the research study on

- To study the mode operation of Islamic banking in Bangladesh.
- To study the mode of lending practices of Islamic banks in Bangladesh
- To discuss about investment of Islamic banks in Bangladesh.

Chapter- 03

Methodology

3.1Methodology of the Study

The Study purpose should state its understanding of the study in relevance to the objectives and scope of work. The Study purpose should propose its own designed study methodology which include total working plan, sampling plan, the development of tools and techniques, checklists and question guides (both quantitative and qualitative if necessary), data collection and quality control plans that would be representative of the project activities. The firm will develop a proper sampling design and follow with respect to sample size, allocation and selection of samples to conduct the study/survey. The instruments must be pre-tested in a representative sample of geographically diverse sites.

The research investigation should be conducted in all districts of the country to determine the comparative advantage of one district over other and one Uttara over another within a Dhaka district. The research study will involve extensive review of literature and collection of quantitative as well as qualitative data.

Data Collection:

Different data and information are collected from various sources, such as primary and secondary which is givenbelow-

Primary sources of data:

- Personalinspection
- Questionnaire/interview to Officers andclients
- Work experience at different desk of theBank

Secondary Sources of Data

- Financial report ofIBBL
- Internet
- Brochure/Books
- BankDocuments
- Different Journals

Data analysis:

I have analyzed and shown the collected data into tables and charts. Compared and commented based on it.

Chapter- 04

Discuss of the Objectives

Objective- 01: To study the mode operation of Islamic banking in Bangladesh.

4.1.1 Emergence and Present Number of IslamicBanks

The Islamic banking industry started its successful journey in Bangladesh through establishment of the Islamic Bank Bangladesh Ltd. (IBBL) in 1983 which is the first interest- free bank in Southeast Asia. Since its inception, the Islamic banking sector maintained robust growth. After 1990s the Islamic banking sector gained further momentum and now it accounts for more than one-fifth share of the entire banking system. As on 30th June 2014, there are 56 commercial banks in Bangladesh of which 8 private sector banks (PCBs) have been functioning as full-fledged Islamic Banks. In addition, 19 branches of 8 conventional banks and 25 windows of 7 conventional banks are also offering Islamic bankingservices.

4.1.2 Share and Structure of Deposits of IslamicBanks

Total deposits of the Islamic banks stood BDT 1335.61 billion at the end of June 2018 which accounts 21 percent share of the entire banking industry. Among total deposits, 8 full-fledged Islamic banks have mobilized deposits of BDT 1266.62 billion (94.8%), Islamic banking branches of conventional banks have collected BDT 48.18 billion and Islamic banking branches of conventional banks have gathered BDT 20.80 billion. Islamic Bank Bangladesh Limited has the biggest share of deposits (39.36%) [chart-1], followed by EXIM Bank Ltd. (13.01%), First Security Islami Bank Ltd. (12.17%), Al-ArafahIslami Bank Ltd. (12.10%), Social Islamic Bank Ltd (8.08%), ShahjalalIslami Bank Ltd. (7.50%), Islami banking branches (3.61%), Union Bank Ltd (1.71%), Islami banking windows (1.56%) and ICB Islamic Bank Limited (0.89%).

Source: Research Department, Bangladesh Bank

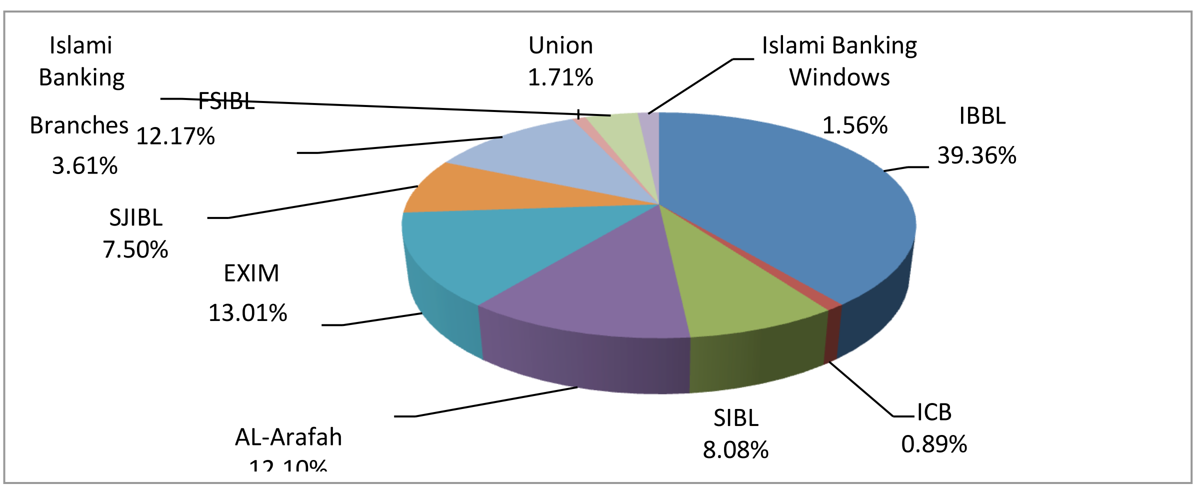


Figure- 01: Share of Deposits of all Islamic Banks (June 2018)

An analysis of different modes of deposits in the Islamic Banking sector reveals that MudarabaTerm Deposits secured the highest position (53.12%) [chart-2] followed by Mudaraba Savings Deposits (MSD) (18.03%), Mudaraba Special Savings (pension/profit) Deposits (10.04%), Special Scheme Deposit (9.94%) and Current Account Deposits (4.55%).

Source: Research Department, Bangladesh Bank

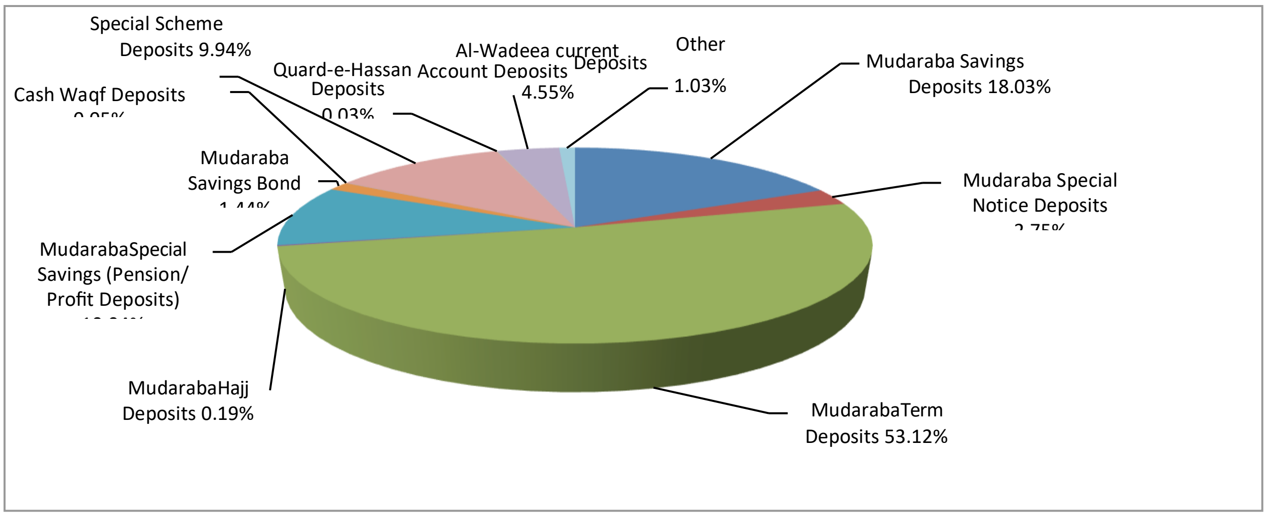


Figure- 02: Types of Deposits held by Islamic Banks (June 2018)

4.1.3 Share and Structure of Investments of IslamicBanks:

Total amount of investments in Islamic Banking sector stood at BDT 1137.96 billion at the end of June 2014 which represents 24 percent share of the whole banking industry. Among total investments, 95.31 % are made by 8 Islamic banks, 3.31% by the scheduled banks' Islamic banking branches and the rest 1.38% is accumulated by the scheduled banks' Islamic banking windows.

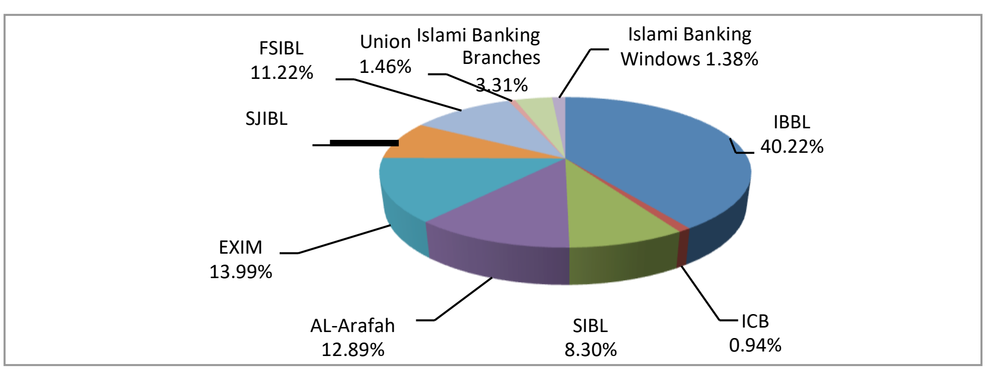
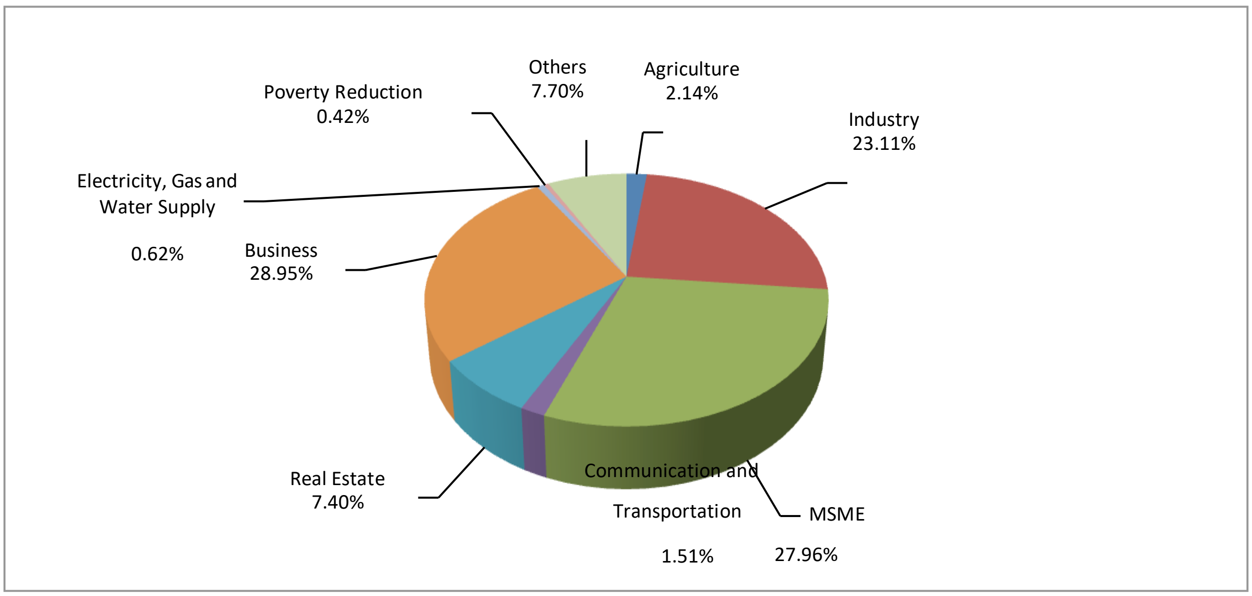


Figure- 3: Share of Investments made by Islamic Banks (June 2018)

Islami Bank Bangladesh Ltd has accounted for the highest 39.04% share of investments among all Islamic banks (chart-3) followed by EXIM bank Ltd. (13.99%), Al ArafahIslami Bank Ltd. (12.89%), First Security Islami Bank Ltd (11.22%), Social Islami Bank Ltd(8.30%), ShahjalalIslami Bank (7.56%), Union Bank (1.46%) and ICB Islami Bank Ltd (0.85%).

Islamic banks invest in all key sectors of the economy of Bangladesh. Investment in the business has occupied the highest 28.95% share (chart-4). The next position is secured by MSME (Micro, Small and Medium Enterprises) sector (24.67%) followed by Industrial sector (23.11%), others (7.70%), Real Estate (7.40%), Agriculture (2.14%), Transportation (1.51%), Electricity, Gas and



Water supply (0.62%) and Poverty Reduction(0.42%).

Figure- 4: Sector–wise Investment made by Islamic Banks (June2018)

An analysis of mode-wise investment shows that Bai-Murabaha mode has occupied the highest investments (44.06%) in June 2014 [chart-5] followed by Bai-Muajjal (24.90%), HPSM (17.00%), Ijara&Ijara-bil-Bai (6.06%), others (4.27), Quard with Security (2.06%),Musharaka (1.47%), Mudaraba (0.05%) and Bai-Istisna (0.14%).

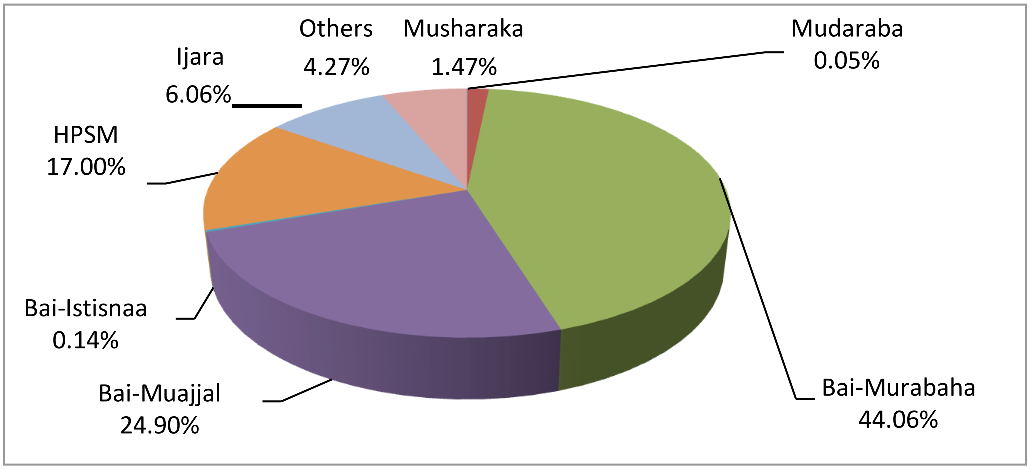


Figure- 05: Mode-wise Investment (June 2018)

4.1.4 Number ofBranches:

Total number of Islamic Bank branches (including Islamic branches of conventional banks and windows) was 887 at the end of June 2014. Out of total branches of Islamic banks, 577 (65.05%) are located in the city and the remaining 310 (34.94%) are located in the rural areas.

4.1.5 Developmental Roles of IslamicBanks

Islamic banks are playing crucial roles in mobilizing savings and external remittances and turning those savings and remittances into investments which contributes a lot to promote GDP and create jobs. By investing huge amount in trade finance, Islamic banks are facilitating external trade to enhance our openness with global economy. More than 10 million account holders of Islamic banks (10% of the industry) are the glaring example of how Islamic banks have become the banks of the people by playing their roles in financial inclusion.

Particulars	2014	2015	2016	2017
Deposits Mobilization (in billion BDT)	594.43	740.29	939.16	1201.27
Financing (Investment) (in billion BDT)	563.12	688.95	860.50	1035.90
Remittances (in billion BDT)	220.90	237.12	301.60	325.50

Export Finance (in billion BDT)	164.52	195.06	211.20	224.30
Import Finance (in billion BDT)	282.38	324.90	311.96	336.40

Table- 01: Key Development Roles of Islamic Banks in Bangladesh

4.1.6 Market Share of IslamicBanks in Bangladesh

Although the Islamic banking industry has been growing faster than the conventional banks banks, Shari'ah banks are still a minor proportion (grossly one-fifth) of the total banking sector in Bangladesh. Compared with the overall banking industry, the combined share of Islamic banks is 21 percent in deposits and 24 percent in investment as of end-December 2018.

Objective- 02: To study the mode of lending practices of Islamic banks in Bangladesh.

4.2.1 Islamic banking Lending

Here, we propose a fairly new conceptualization of "Islamic bank rent". It can be defined as the extra profits enough to compensate for the unexpected loss and the displaced commercial risk to which Islamic banks are facing, in other words, as the excess profits required for maintaining their franchise value and reputation as prudent *Shari*'*ah*-compliant lenders. The unexpected loss is associated with the difficulty in sharingprofit-and-lossandhencecanalsoberegardedas"profit-and-losssharingrisk". Asanillustration,thedisplacedcommercialriskandtheprofit-and-losssharingriskareassociated with the "a" in the following equation.

Spread earned by Islamic banks = (risk-adjusted) risk premium + a, where spread = rate of profit received — rate of profit paid

4.2.2 **Evidence from the banking sector ofBangladesh**

Following the global trend, the Islamic banking sector of Bangladesh has achieved substantial progress during recent time. The operation of the first Islamic bank was allowedin1983byBangladeshBank,thecentralbankofthecountry.Outofatotalof47 banksincluding4state-ownedbanks,4state-owneddevelopingfinancialinstitutions,

30 private banks and 9 foreign banks, the sector is now consisted of 7 full-fledged Islamic banks and 16 conventional banks including 3 foreign banks with separate Islamicbankingwindows/branches.Thus,3foreignbanksoutof9and20privatebanks outof30areengagedinIslamicbankingeitherpartlyorfully,andallbanksinvolved in Islamic banking are under private or foreign ownership with no state ownership. In aggregate, the market share of the Islamic banking sector reached to 18.3 per centand

20.3percentintermsofdepositsandcredits,respectively,oftheoverallbankingsector attheendofDecember2011

Table- 1reports return on assets (ROA) and non-performing loans (NPL) of Islamic banks from 2006 to 2011. It shows that the average ROA of Islamic banks obtains a steadygrowthduringtheperiod.Mostimportantly,theaverageROAishigherthanthat ofotherprivatebanksinalmostallyears.Similarly,NPLalsoreflectsabetterpictureof the performance of Islamic banks compared to that of private banks. It remains lower thantheaverageofallprivatebanksduringthewholereportedperiod.

What is the secret of the better performance of Islamic banks compared to other private banks of the banking sector in Bangladesh? To have an idea of this matter, Table-02)summarizestheincomefrom*murabaha*ofIslamicbanksduring2008-2012.Itis clear from the table that the majority of their income is derived from the asset-based *murabaha*, whereas the income from equity-based *mudaraba*and *musharaka*is very negligible.Onlythreebanksinvolvedintheprofit-and-loss-sharingmodesoffinancing whereas the remaining banks are totally reluctant. It is also important to mention that banks with a relatively lower income from *murabaha*reported in the table have been engaged in other asset-based financing such as *bai-muajjal*, *bai-salam*and *ijara*for majority of their income. Apparently, the contribution of *murabaha*and other asset-basedmodesoffinancingprovidesomeformofbank-rentopportunitiesforthese Islamic banks to protect their “franchise value” and “reputation” argued in Section 2 alongwiththeirlowerlevelinNPL.Thus,itcanbearguedthattheasset-basedmodesof financing can bring adequate profits (Islamic bank rent opportunity), while keeping a relatively low level of NPL ratio partly contributing to the financial stability of the Islamic banking sector inBangladesh.

To demonstrate the Islamic bank rent opportunity captured by Bangladeshi Islamicbanks,ananalysisofthespreadmargininIslamicbanking,whichisthedifference.

	2012	2013	2014	2015	2016	2017
ROA (in per cent)	1.41 (1.10)	1.27 (1.30)	1.44 (1.40)	1.67 (1.60)	2.26 (2.10)	1.40 (1.60)
NPL (in per cent)	4.03 (5.98)	3.38 (5.65)	2.68 (5.13)	2.17 (4.42)	2.33 (5.63)	2.15 (3.35)

Table- 02: The averages of ROA and NPL of Islamic banks[a]

Notes: In case of NPL, figures in parentheses represent the averages of 23 private banks, excluding Islamic banks; in case of ROA, figures in parentheses represent the averages of 30 private banks, including Islamic banks; [a] six Islamic banks are considered for the computation

Source: Constructed by the authors based on the annual report 2016-2017 of Bangladesh Bank and respective banks’ annual reports

betweentheratesofprofitreceivedandprofitpaid,ideallygeneratesabetterpictureof the scenario. We spot an analytical light on conventional banks that maintain both Islamic and non-Islamic windows/branches simultaneously. This approach helps us to compare the ratio of interest paid to depositors against the interest received from borrowersinconventionalbankingwiththeratioofprofitpaidtodepositorsagainstthe profit received from borrowers in Islamic banking on a non-risk-adjusted basis and therebyprovidesanideaofthegrossvalueofanybankrentopportunity.

	Year				
Name of the bank	2008	2009	2010	2011	2012
Islami Bank Bangladesh Ltd	60.00 (1.70)	54.82 (2.58)	54.25 (3.63)	58.20 (4.13)	58.68 (3.78)
First Security Islami Bank Ltd	77.78 (0.00)	81.36 (0.00)	79.83 (0.00)	75.22 (0.00)	75.22 (0.00)
Export Import Bank of Bangladesh Ltd	22.82 (0.00)	21.48 (0.00)	38.98 (0.00)	42.51 (0.00)	40.09 (0.00)
ShahjalalIslami Bank Ltd	NA	20.32 (0.00)	15.39 (0.00)	15.63 (0.00)	17.10 (0.00)
Social Islami Bank Ltd	NA	20.74 (0.74)	18.41 (0.66)	6.03 (0.42)	4.63 (0.41)
Al-ArafahIslami Bank Ltd	34.74 (0.01)	29.98 (0.01)	35.15 (0.01)	25.66 (0.00)	15.93 (0.00)

Table- 03: Income fromMurabaha(inpercentage)ofdifferentIslamicbanks

Notes: Figures in parentheses represent the income from profit-and-loss sharing mudarabaand musharaka; NA stands for not available

Source: Calculated by the authors based on the annual reports of respective banks

Table (03) highlightstheseratiosof9samplebanks(including8privatebanksand1foreignbank) outof16availablebanksduringtheperiod2007-2012.Ingeneral,itcanbearguedthat

theriba-freebankingdonebytheIslamicbankingwindows/branchesofthesebanksare associated with a lower ratio than the riba-based banking in conventional branches.To be specific, for six of the reported banks, the ratio has remained consistently lower during the whole period under study. It reveals the likelihood of the prevailing higher bank-rent opportunity under the asset-based financing in the Islamic banking sector, particularly under the dominantmurabaha.

Name of the bank	2012	2013	2014	2015	2016	2017
Prime Bank Ltd	75.07 (62.79)	80.29 (65.22)	80.42(59.84)	64.74 (53.88)	75.76 (64.72)	76.69 (65.98)
Bank Asia	73.86 NE	75.18 NE	72.13(50.15)	65.11 (45.15)	75.59 (67.22)	73.47 (69.38)
The City Bank Ltd	78.16 (54.11)	68.02 (57.65)	63.43(81.44)	49.27 (81.75)	52.75 (104.39)	61.29 (73.20)
Dhaka Bank Ltd	NA NE	71.05 (86.78)	73.58(83.45)	67.14 (60.07)	76.06 (75.20)	77.90 (110.93)
Jamuna Bank Ltd	NA NE	82.30 (58.78)	78.07(58.79)	72.67 (58.69)	75.25 (60.89)	81.27 (68.61)
Premier Bank Ltd	79.68 (77.93)	75.50 (78.97)	77.30(84.95)	69.48 (72.43)	77.52 (70.31)	81.09 (69.18)
Southeast Bank Ltd	76.51 (68.88)	84.04 (70.30)	86.55(66.97)	75.09 (64.32)	86.81 (67.85)	90.11 (71.95)
AB Bank Ltd	72.69 (72.75)	72.49 (71.63)	67.49(67.11)	61.99 (59.10)	76.21 (70.67)	77.11 (73.57)
HSBC Bank Ltd	45.41 NE	45.37 (0.00)	48.71 (0.00)	40.92 (1.47)	35.51 (7.36)	41.12 (10.36)

Table- 04: Cost to income ratioin riba-basedbanking[a]and Islamic banking[b] of conventional banks

Notes: FiguresinparenthesesrepresenttheratiofromIslamicbankingoperations;NAandNEstandf ornotavailableand notestablished,respectively;[a](interestpaid/interestreceived)×100;[b](profitpaid/profitreceived)× 100

Source: Calculated by the authors based on the annual reports of respective banks

Tohaveanideaabouttheimportanceofthesustainabilityof"Islamicbankrent" opportunity,Table (04) comparestheratioofoperatingexpensestointerestreceivedfrom conventional banking, with the ratio of operating expenses to profit received from Islamicbankingforallofthesamplebanksshownin Table (03).Itappearsfromthetable thattheratioislowerinriba-freebankingthanthatofriba-basedbankingduringthe wholeperiod.However,therearestillfluctuationsinbetween.Also,theforeignsample bankfacestheperiodicupsanddownsintheratiomaybeduetotheinabilitytoreduce theprofit-and-loss-sharingriskbysystematicallyrequiringcollateralunderasset-based financing as argued by Zaher and Hassan (2001). It appears that higher bank rent is requiredforrespondingtotheoccasionalvolatilityinoperatingexpensestoincomeratio ofIslamicwindows/branchesinspiteofthefactthatthedominantformoffinancingin theirportfolioisasset-based. Thishasdemonstratedtheimportanceofpreservinga relativelyhigherbank-rentopportunityinIslamicbanking,particularlytodealwith the associated profit-and-loss-sharingrisk.

Banks Name	2012	2013	2014	2015	2016	2017
Prime Bank Ltd	25.29 (6.35)	24.77 (6.32)	31.49 (5.39)	33.91 (6.78)	28.12 (5.37)	24.25 (5.85)
Bank Asia	18.55 NE	19.86 NE	24.36 (50.45)	29.79 (18.42)	22.00 (12.18)	21.43 (9.54)
The City Bank Ltd	32.58 (12.49)	38.66 (13.58)	37.85 (8.57)	45.61 (28.29)	39.33 (30.48)	34.75 (6.40)
Dhaka Bank Ltd	NA NE	21.08 (4.48)	20.82 (4.45)	24.44 (7.03)	21.21 (5.27)	17.01 (7.60)
Jamuna Bank Ltd	NA NE	26.90 (11.99)	29.56 (9.81)	27.86 (9.06)	25.81 (9.07)	23.25 (6.56)
Premier Bank Ltd	22.54 (8.91)	25.04 (9.40)	27.50 (8.25)	42.82 (6.03)	54.43 (3.30)	41.19 (3.29)
Southeast Bank Ltd	15.71 (9.32)	15.40 (8.56)	15.68 (7.80)	19.00 (8.31)	16.87 (6.85)	15.22 (5.32)
AB Bank Ltd	26.74 (4.32)	26.91 (3.64)	29.40 (3.56)	36.57 (6.50)	28.54 (4.02)	27.71 (3.33)
HSBC Bank Ltd	21.76 NE	23.40 (9.32)	28.04 (6.56)	31.72 (2247.27)	32.84 (39.23)	27.68 (15.38)

Table- 05: Ratio of operating expenses to income in riba-based banking[a] and Islamic banking of conventional banks

Notes: Figures in parentheses represent the ratio from Islamic banking operations; NA and NE stand for not available and not established, respectively; [a] (operating expenses/interest received) × 100; [b] (operating expenses/profit received) ×100

Source: Calculated by the authors based on the annual reports of respective banks

Objective- 03: To discuss about investment of Islamic banks in Bangladesh.

4.3.1 Investment Modes & Mechanism ofIBBL

IBBL invests it smoney in various sectors of the economy through different modes permitted by Shari‟ah and Bangladesh Government. The modes of invetsment are as follows:

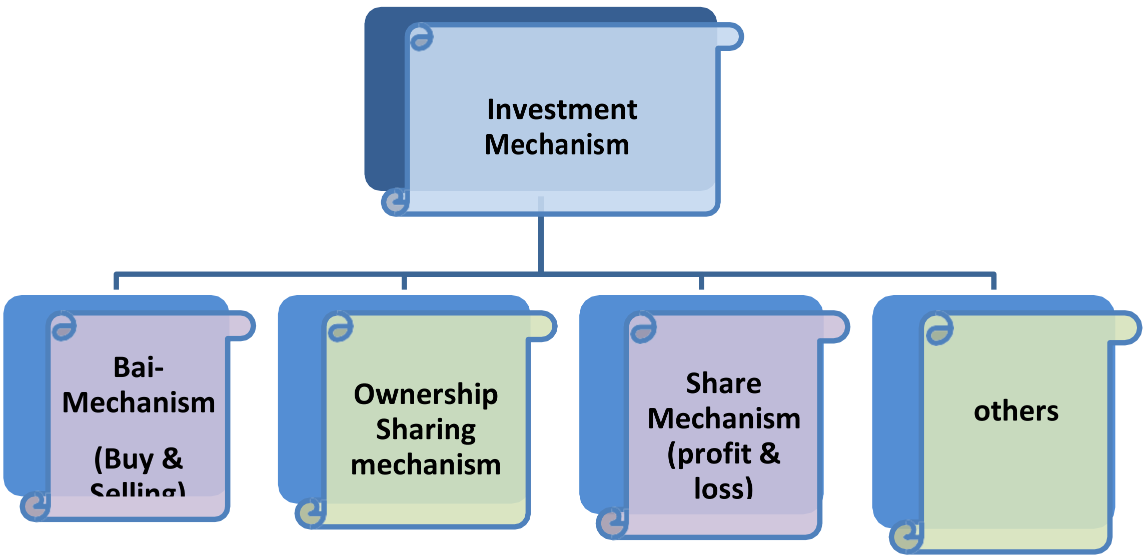


Figure- 06: Different investment mechanisms

Bai-Murabaha

Theterms „Bai-Murabaha‟have deprived from Arabic words Bai and Ribhun. Theword Bai meanspurchaseandsaleandthewords„Ribhun‟meansanagreeduponprofit.BaiMurabahameans sale on agreed uponprofit.

Bai-Murabaha may be defined as a contract between a buyer and a seller under which the seller sells certain specific goods permissible under Islamic Shariah and the Law of the land to the buyer at a cost plus an agreed upon profit payable today or on some date in the future in lump-sum or by installments. The profit may be either a fixed sum or based on a percentage of the price of the goods. There are different types of Murabaha as givenbelow:

Types of Murabaha

In respect of dealing parties Bai-Murabaha may be of two types-

- OrdinaryBai-Murabaha:
  Only two parties participate in this contract.
- Bai –Murabaha on order andpromise:

There are three parties in Bai-Murabaha on order and promise. Mostly it is for commercial use.

Steps of Bai-Murabaha Practiced by Islami Bank:

- Submission of proposal from theclient
- Signing a promise by the client topurchase
- The first salecontract
- Singing of Murabaha SaleContract
- Delivery and receipt thecommodity

Bai-Muajjal (Deferred Sale)

The terms "Bai" and "Muajjal" have been derived from Arabic words „Bai" and „Ajjal". The word Bai means purchase and sale and the word „Ajjal" means a fixed time or a fixed period. "Bai-Muajjal" means sale for which payment is made at a future fixed date or within a fixed period. In short, it is a sale on Credit.

The Bai-Muajjal may be defined as a contract between a Buyer and a seller under which the seller sells certain specific goods (permissible under Shariah and law of the country), to the Buyer at an agreed fixed price payable at a certain fixed future date in lump sum amount or within a fixed period by fixed installments. The seller may also sell the goods purchased by him as per order and specification of the buyer.

Bai –Muajjal is treated as a contract between the bank and the client under which the bank sells to the client certain specific goods, purchased as per order and specification of the client at an agreed price payable with in a fixed future date in lump sum or by fixed installments.

Thus it is a credit sale of goods by which ownership of the goods is transferred by the bank to the client but the payment of sale price by the client is deferred for fixedperiod.

Bai- Salam

The terms "Bai" and "Salam" have been derived from Arabic words. The words "Bai" means "sale andpurchase" and the word "Salam" means "Advance"". "Bai-Salam" meansadvance sale andpurchase.It is a sale in which an advance payment is made by the buyer, but the delivery is delayed to an agreed date. In the Bai-Salam, a financial transaction happens in advance in cash as a price of commodity whose delivery will be in a future date. It means deferred is the commodity sold and price of the commodity described is to be Bai-Salam, a financial transaction happens in advance in cash as a price of commodity described is to be aid immediately in advance.

Practical steps of the Salam Sale:

- Cash sale or Sale onCredit
- **Delivery and Receipt of the Commodity on the Specific due Date:** There are several options for delivery available to thebank-

a. The bank may receive the commodity and resell it to another party for cash or credit.
b. The bank may authorize the seller to find another buyer for the commodity.
c. The bank may direct the seller to deliver the commodity directly to a third party with whom the bank has entered into anotheragreement.

- The Sale Contract between bank andclient

Rules of Bai-Salam:

- It is a condition that the commodity known by both parties to theagreement.
- The quality of the commodity is monitored closely, as very little variation from specifications in the contract is allowable. The commodity is deliverable on the due date. If there is uncertainty about the ability to deliver the commodity at the due date, a Salam transaction isimpermissible.
- It is permissible to draw a Salam sale contract for a total to be delivered increments on different specified futuredates.
- It is a condition that the commodity is a liability debt. The seller is obliged to deliver the commodity when it is due, according to the specifications stipulated in the contract, whether or not his firm produces the commodity or obtained from otherfirms.

Salam sales are impermissible on existing commodities because damage and deterioration cannot be assured before delivery on the duedate.

Bai- Istishna

Istishna is a contract between a manufacturer/seller and a buyer under which the manufacturer/seller sells specific product(s) after having manufactured, permissible under Islamic Shariah and Law of the Country after haying manufactured at an agreed price payable in advance or by go downs within a fixed period or on/within a fixed future date on the basis of the order placed by the buyer.

Features of Istishna:

Istishna is an exceptional mode of investment allowed by Islamic Shariah in which product(s) can be sold without having the same in existence. In the product(s) are ready for sale. Istishna is not allowed is Shariah. Then the sale may be done either in Bai-Murabaha or Bai-Muajjal mode of investment. In this mode, deliveries of goods are deferred and payment of price may also be deferred.

- It facilitates the manufacturer sometimes to get the price of the goods in advance, which he may use as capital for producing thegoods.
- It gives the buyer opportunity to pay the price in some future dales or by godowns.
- Istishna is specially practiced in manufacturing and industrial sectors; however, it can be practiced in agricultural and constructions sectorsalso.

Ownership Mechanism

Hire purchase (Ijarah)

The term Ijarah has been derived from the Arabic words „Air" and „Uirat" which means consideration, return, wages or rent. This is really the exchange value or consideration, return, wages, rent of service of an asset. Ijarah has been defined as a contract between two parties, the Hiree and Hirer where the Hirer enjoys or reaps a specific service or benefit against a specified consideration or rent from the asset owned by the Hiree.

Element of Ijarah:

The Hire: the individual or organization hires/rents out the property of service is called the Hiree.

The Hirer: the individual of organization hires / takes the hire of the property or service against the consideration.

The Rent: the consideration either in monetary terms or in kinds fixing quantity of goods/money to be paid against the benefit of the asset or service of the asset is called therent

Hire Purchase under ShirkatulMeelk (HPSM)

Shirkatul means partnership ShirkatulMeelk means share in ownership. When two or more persons supply equity, purchase an asset, own the same jointly, and share the benefit as per agreement and bear the loss in proportion to their respective equity, the contract is called ShirkatulMeelk contract.

Hire Purchase under ShirkatulMeelk made both the bank and the client supply equity in equal or unequal proportion for purchase of an asset like land, building, machinery, transport etc. Purchase the asset with that equity money, own the same jointly; share the benefit as per agreement and bear the loss in proportion to their respective equity. The share part or portion of the asset owned by the bank is hired out to the client partner for a fixed rent per unit of time for a fixed period. Lastly the bank sells and transfers the ownership of its share/ part/ portion to the client against payment of price fixed for that part either gradually part by part or in lump sum within the hire period or after the expiring of the hireagreement.

Stages of Hire Purchase under ShirkatulMeelk-

Hire Purchase under ShirkatulMeelk agreement has got three stages:

- Purchase under jointownership
- Hireand
- Sale and transfer of ownership to the other partnerHirer.

Rules of HPSM:

- It is a condition that the asset to be hired must not be a fungible one which cannot be used more than once or in other words the asset must be a non-fungible one which can be utilized more than once or the service of which can be separated from the asset itself.
- It is a condition that the subject of the contract must actually and legally be attainable. The Hirer shall ensure that he will make use of the asset as per provisions of the Agreement.
- The hire contract is permissible only when the asset and the benefit derived from it is with in the category as per IslamicShariah.
- It is permissible to advance, defer or install the rental in accordance with the agreement as well as to make the Hirer to bear the cost of ordinary routine maintenance, because this cost is normally known and can be considered as part of therental.
- If the hired asset is damaged or destructed by the act of Allah and if the Hiree offers a substitute with the same specifications agreed upon in the hire contract the contract does notterminate.

Under HPSM agreement, both the Hire and the Hirer must pay their respective equity as agreed upon to purchase the demised asset under jointownership.

Share Mechanism

Mudaraba

It refers to a contact between two parties in which one party supplies capital to the other party for the carrying on of some trade on the condition that the resulting profits are distributed in a mutually agreed proportion while all loss is borne by the provider of the capital. Mudaraba is also known as Qurad andMuqaradah.

Rules of Mudaraba:

It is a condition in Mudaraba that the capital be specific in nature. In other words, the amount of capital must be known at the inception of the contract. The purpose of this rule is to ensure that there is no uncertainty about the amount of capital and thus, no uncertainty about the division of profits.

It is also included in the condition that,capital must be in the form of currency in circulation. However, merchandise can be contributed, so long as both parties to the business arrangement agree upon its value. The capital of the Mudaraba must be delivered to the Mudarib. It is permissible for the Mudarib to hire an assistant to perform difficult work that he is unable to perform on his own.

Musharakah (Partnership)

The word Musharakah is derived from the Arabic word Sharikh meaning partnership. Islamic jurists point out that the legality and legality and permissibility of Musharakah is based on the injunctions of the Holy Quran‟s, Sunnah, and Ijma (consensus) of the scholars. It may be noted that Islamic Banks are inclined to use various forms of Shariakt-al-Inan because of its built on flexibility. At an Islamic bank, a typical Musharakah transaction may be conducted on the following manner.

One two or more entrepreneurs approach an Islamic Bank for the finance required for a project. The bank along with other partners provides complete finance. All partners, including the bank have the right to participate in the project. They can also waive this right. The profits are to be distributed according to an agreed ratio, which need not be the same as the different partners have provided the finance for the project Musharakah may be of two types:

- Permanentand
- DiminishingMusharakah

4.3.2 Investment Process ofIBB:

Generally a bank takes certain steps to deliver its proposed investment to the client. But the process takes deep analysis. Because banks invest depositors fund, not banks‟ own fund. If the bank fails to meet depositors demand, then it must collapse. So, each bank should take strong concentration on investment proposal. However, Islami Bank Bangladesh Limited (IBBL) makes its investment decision through successfully passing the following crucialsteps:

Selection of theclient:

First of all, client approaches to any of the branches of Islami Bank Bangladesh Limited (IBBL). Then, he talks with the manager or respective officer (Investment).

Secondly, bank considers five C"s of the client. After successful completion of the discussion between the client and the bank, bank selects the client for its proposed investment. It is to be noted that the client/customer must agree with the bank"s rules & regulations before availing investment. Generally, bank analyses the following **five C's** of the client:

- Character
- Capacity
- Capital
- Collateral
- Condition

Household Durable Scheme:

Objective: To increase standard of living and quality of life of the fixed income group by extending them investment facilities to purchase householdarticles.

Target Group: Permanent Officials of Govt. / Semi-Govt. / Autonomous Body / Corporations / Banks & FIs / Defense Forces / Madrasa / School / College / University Teachers / Businessmen / House owners of Metropolitan & other District Head Quarters / Professionals (Doctors / Engineers / Lawyers etc.) / Existing clients / Wage Earners / University / Medical Students / Officials of renowned PrivateFirms.

Nature of Goods/ Items: Electronics & electrical goods, Motor cycle / Bi-cycle, Furniture / Fixtures, Ornaments, Instruments / Equipments for Medical & Engineering students etc.

Mode of Investment: Bai-Muajjal / HPSM (itemwise).

Period of Investment: Maximum3-years

Rate of Return: 16.00% or rate to be determined by the Bank from time totime.

Amount of Investment: For All Metropolitan Cities Tk.0.30million For Districts & Municipalities Tk.0.20million

Others Tk.0.10 million

Bank's Participation: 30% or as per Guideline of BangladeshBank

Age of Clients: Service holders : 3-yrs unexpiredservice

Security: HDS Goods + PG + Spouse / Guardian Guarantee + Employer Certificate / Marking lien on MSS / MTDR (ifapplicable).

Transport Investment Scheme (TIS):

Objective:

To ease the existing transportation problem.

To ensure speedy economic growth and development of the country particularly the expansion of trade, commerce &industry.

Target Group: Persons, businessmen, firms having proven experience in transport business, Official/Commercial use by the business firms & industries, established clinic & hospitalsetc.

Nature of Goods / Items : Bus, Truck, Minibus, Double Decker, Private Car, Micro Bus, Jeep, Auto Rickshaw, Pick up Van, Human Hauler, Baku, Vessel etc.

Mode of Investment: Bai-Muajjal/HPSM.

Period of Investment: 3 to 5years.

Rate of Return: 14.00% or rate to be determined by the Bank from time totime.

Bank's Participation: 60% to 70% depending on vehicletype.

Security: Hypothecation on purchased Vehicle, Immovable Properties, Marking lien on TDR / MSS, PersonalGuarantee(s).

How to Apply: Application Form shall have to be collected from nearest Branch of Islami Bank BangladeshLtd.

Small Business Investment Scheme (SBIS):

Target Group: Jobless young people/ small traders/ small & cottage industries/ service sector with a valid tradelicense.

Nature of Goods / Items: Dairy, beef fattening, fishery, poultry &live stock farming, workshop, tailoring, garments sweetmeat, grocery, stationery, electrical and electronics, shoes, cloths, laundry, small restaurantetc.

Mode of Investment: Bai- Muajjal/HPSM

Period of Investment: Maximum 1-year in Bai-Muajjal& Maximum 2-years inHPSM.

Rate of Return: 15.00% or rate to be determined by the Bank from time totime.

For All Metropolitan Cities: Tk.50 million.

Bank's Participation: 80% of the costprice.

How to Apply: Application Form shall have to be collected from nearest Branch of Islami Bank BangladeshLtd.

Micro Industries Investment Scheme(MIIS):

Objective:

-To create potential entrepreneurs

-Diversification of Bank investment port-folio.

Target Group: Engineering Diploma/ Degreeholders.

Nature of Goods / Items: Food & agriculture / plastic & rubber/ forestry & furniture / dairy product processing / engineering/ leather / chemicals / textiles / recycling / service electrical accessories / paper product / handicrafts industries / computer technology industries /manufacturing of garments / sewing and other machines for tailoringetc.

Mode of Investment: Bai- Muajjal/HPSM

Period of Investment: Maximum 1-year for Bai-Murabaha& Maximum 3 years for HPSM (excluding gestationperiod).

Rate of Return: 13.50% or rate to be determined by the Bank from time totime.

Amount of Investment: For All Metropolitan cities : Up to Tk.1.50million;

For Districts & Municipalities: Up to Tk.1.00 million;

Others: Up to Tk.0.50 million

Note: Fixed invest should not cross 50% of sanctioned amount.

Bank's Participation: 80% of the costprice.

How to Apply: Application Form shall have to be collected from nearest Branch of Islami Bank BangladeshLtd.

Agriculture Implement Investment Scheme (AIIS):

Objective

-To provide power tillers, power pumps, shallow tube wells, thresher machines etc. on easy terms to unemployed rural youths for self-employment.

-To the farmers to help augment production in agriculture sector.

Target Group: Educated or uneducated farmers &persons oryouths.

Nature of Goods /Items

Power Tiller / Power pump / Deep / Shallow tube well / Thresher machine / Combined harvester / Tractor / Rice transplanted / USG making Machine / Drum Seeder / Agro processing machinery &equipmentsetc.

Mode of Investment: Bai- Muajjal/HPSM

Amount of Investment: Maximum Tk. 0.30 million.

Period of Investment: Maximum 1-year for Bai-Muajjal& Maximum 2-years for HPSM.

Rate of Return: 15.00% or rate to be determined by the Bank from time totime.

Bank's Participation: 80% of the costprice.

Security: Hypothecation on machinery, immovable properties above Tk.0.10 million, Personal Guarantee(s), MSS / TDRetc.

How to Apply: Application Form shall have to be collected from nearest Branch of Islami Bank BangladeshLtd.

Real Estate Investment Program (REIP):

Objective:

-To ease the housing problem in the urban areas.

-To make arrangement for comfortable accommodation of the fixed income group.

Target Group: Land lords, service holders, businessmen, professionals, expatriatesetc.

Nature of Goods / Items: Construction of building, purchase of flats / readymade building, extension / renovation of house, installation of lift, generator, substationetc.

Mode of Investment: Bai-Muajjal /HPSM

Period of Investment: Maximum15-years

Rate of Return: 15.00% or rate to be determined by the Bank from time totime.

Chapter- 05

Future Forward

5.1 Future Forward

Several limitations came up while doing this study though it's expected that these limitations have not affected the process or outcome of the study. It's supposed that these limitations will be satisfied in the future research.

1. First, only 10 articles were reviewed to do this study. Clearly, there will be other Islamic Banking Practice in Bangladesh- related articles published in other journals. However, in mitigation of this limitation, the strength of the study is the ability to make comparisons with the findings of the earlier study of Islamic Banking Practice in Bangladesh- related work conducted by other researchers. By comparing the results of this study with those of other researchers, it has been identified with some certainty that the significant changes and trends that have occurred in the use of Islamic Banking Practice in Bangladesh in the industries of Bangladesh.
2. Second, each article was classified based on the judgement of the authors. The fact-finding for classifying the articles in this study, the fundamental theories and research methods used could differ from the other researcher's perspectives. However, these differences are only minor and that the comparisons made of the results are accurate and that the changes and trends identified in the demand of Islamic Banking Practice in in Bangladesh are persistent and real.
3. Information was not sufficient. It was hard to obtain some of the information from the websites.
4. Some of the theories and definitions don't get matched entirely with the present context of the economy and financial organization in Bangladesh. It gets matched partially instead.

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Appendices

Appendix 1: Introducing Consulted Articles

sl	Article Name	Author(s)	Journal Name	Volume (Issue), page no.	Year	Publisher
1	IslamicBankinginBangladesh:CurrentStatus,ChallengesandPolicyOptions	MdGolzareNabi MdAminu Islam Dr.RosniBakar	International Journal of Scientific & Technology Research	7(10):51-25	2015	Researchgate
2	Efficiency and Performance of Islamic Banks in Bangladesh.	Muhamad Abduh* SidratulMahabub Hasan AlfatihGesanPananjung	Journal of Islamic Banking and Finance	1-15	2013	Researchgate
3	Regulation and Performance of Islamic Banking in Bangladesh.	Abu umarfaruqahmad M kabirhasan	Thunderbird Internationl Business Review	49(2), 251-277	2012	Researchgate
4	Islamic banking in Bangladesh: A case study of IBBL	Mohammed NurulAlam	Internationl Journal of Islamic Financial Services	1(4)	2000	Researchgate-
5	ISLAMIC BANKING AND FINANCE IN THEORY AND PRACTICE: A SURVEY OF STATE OF THE ART	MOHAMMAD NEJATULLAH SIDDIQI	Islamic Economic Studies	13, No. 2,	2006	Researchgate
6	Investigating the Performance of Islamic Banks in Bangladesh	Md. Ibrahim1 , KaziDeen Mohammad2 , Nazamul Hoque1 & Mohammad Aktaruzzaman	Asian Social Science;	10, No. 22;	2014	Canadian Center of Science and Education

		Khan1				
7	ISLAMIC BANKING IN BANGLADESH: PERFORMANCE, PROBLEMS & PROSPECTS	Md. Abdul AwwalSarker	International Journal of Islamic Financial Services	1 No.3	1999	Researchgate
8	Measuring the Performance of Islamic Banks in Bangladesh: An Exploratory Study	Md. Helal Uddin	[International Journal of Ethics in Social Sciences	.2, No.1,	2014	Researchgate
9	Financial Performance Analysis of Islamic Bank in Bangladesh: A Case Study on Al-ArafahIslami Bank Limited	Md. Nazirul Islam Sarker1 , Arifin Sultana2 , A. Z. M. ShafiullahProdhan	World Journal of Economic and Finance	3(1), pp. 052-060	2017	Researchgate
10	A Comparative Study of Islamic and Conventional Banking in Bangladesh: Camel Analysis	MD. TANIM-UL-ISLAM* MOHAMMAD ASHRAFUZZAMAN	Journal of Business and Technology (Dhaka)	X, Issue–01,.	2015	American Accounting Association

Appendix II : Complication of objectives/purpose/hypothesis addressed by the articles

Article no.	objective/purpose/hypothesis
1	Objective Current Status, Challenges and Policy Options of islami Bank of Bangladesh.
2	Purpose In the banking sector, the efficiency of banks is considered to be an important issue. Fundamentally, banking efficiency can be measured in two ways, (i) Technical Efficiency; and (ii) Cost Efficiency (CE).
3	Objectives ● To regulate the issue of the currency and the keeping ofreserves; ● To manage the monetary and credit system of Bangladesh,with a view to stabilizing domestic monetary value; ● To preserve the par value of the Bangladesh Taka; ● To promote and maintain a high level of production, employ-ment, and real income in Bangladesh and to foster growth anddevelopment of the country's productive resources for thenational interest
4	Objective To establish a partnership relationship with customers and to eliminate the idea of the debtor-creditor relationship of traditional banks. · To establish welfare oriented banking system; · To mobilize savings towards productive sectors; · To invest on profit and risk sharing basis; · To invest to those businesses sectors that are found legal from · the religious point of view. · To accept deposits on profit and loss sharing basis. · To create employment opportunities by investing savings towards prospective economic sectors.
5	Purpose What can be characterized as the 'theory' of Islamic banking was, till the end of the nineteen-seventies, largely a plea for replacing interest in bank lending by profit sharing. This would change the nature of financial intermediation, making the fund owners as well as the financial intermediaries share the risks of enterprise with the fund users. Early literature's main emphasis was on fairness.
6	Objective To evaluate the performance of Islamic banks listed in the capital market of Bangladesh. ¬ To make a comparison among different Islamic banks from different variables. ¬ To propose some policy recommendations for ensuring good performance of Islamic banks in the capital market of Bangladesh.
7	Purpose Evidences from Bangladesh indicate that Islamic banks can survive even within a

	conventional banking framework by which over from PLS to trade related modes of financing
8	Objective To highlight the financial position of the sample Islamic banks To examine the financial performance of the sample banks To make a comparative analysis based on the findings of the study. To suggest some measures for improving the problems involved in Islamic Banking of Bangladesh.
9	Objective ● To measure the performance of Al-ArafahIslami Bank Limited (AIBL). b) To identify the problems faced by AIBL. c) To suggest measures based on findings for sustainable growth of AIBL.
10	Objective The objectives of this study are to evaluate the financial performance of Islamic and conventional banks of Bangladesh through CAMEL test during the period of 2009 to 2013 and to determine whether there are significant differences between the two categories of banks for each of the ratios used in CAMEL test

Appendix III: Complication of Methods used in the articles

Article no.	Methods used
1	review method with the technique of reviewing and analyzing several papers related to the topic of discussion about the Islamic Banking policy in Bangladeh.
2	This methodology shows various positive aspects, however the main advantage is that this method removes existing disparities. It is common that banks that are used as the subject matter of the research are not equal in terms of size. This method removes disparities and brings all banking firms at par. In this study, five Islamic banks in Bangladesh are included.
3	Incorporating some legal provisions in the amended BankCompanies Act 1991;2. Using the CAMEL-rating framework9by Bangladesh Bank foranalysis of the operational risks of Islamic banks; and3. Conducting research in order to devise a separate Islamicbanking inspection methodology for Islamic banks.
4	Qualitative research is an umbrella concept covering several forms of inquiry that help us understand and explain the meaning of social phenomena with as little disruption of the natural setting as possible
5	The most significant development during the late nineteen-seventies and early eighties was the advent and proliferation of murabahah or cost-plus financing. What the businessman got from the

	Islamic bank under this arrangement is the commodity he needed purchased by the bank at his request, with the promise to purchase it from the bank at a price higher than its purchase price, to be paid after a period of time.
6	All the listed Islamic banks at DSE & CSE have been selected except ICB Islamic Bank Limited (ICBIBL) for conducting the research. The ICBIB has been dropped from the list of preference due to its association with Z category, which is the clear indicator of its poor operational efficacy
7	Collection of secondary data from books and journal articles retrieved from google scholar and other websites
8	This study has been based mainly on data from secondary sources. The relevant data and information were collected from Stock Exchanges, Annual Reports of sample Islamic banks of Bangladesh, Bangladesh Bank, Securities and Exchange Commission and web sites of Islamic banks of Bangladesh etc
9	In this study, ratio analysis was used as an indicator to measure the performance. Al-ArafahIslami Bank Limited (AIBL) was selected for this case study because almost no research done on the performance analysis of this bank. The primary data were collected from different levels of officers and executives by face to face interview through structured interview schedule
10	● This study assesses the performance of Islamic banks and conventional banks of Bangladesh by using the CAMEL model. Based on CAMEL, there are five categories of variables. These categories are capital adequacy, asset quality, management capability, earnings ability, and liquidity.

Appendix IV: Complication of conclusions of the articles

Article no.	Conclusions
1	Islamic banking has achieved significant growth in Bangladesh that belongs to 20 percent share of the whole banking industry. Investment in socially desirable sectors like microenterprises, small projects and agricultural sectors are only getting marginal shares in total investment. Islamic banks are also facing challenges; among them major constraints include absence of separate act, paucity of money and capital market instruments, and lack of skilled manpower.
2	It uses ratio analysis to measure the performance of the Islamic banks and DEA with Malmquist Index to measure the efficiency of the Islamic banks. The result concludes that ShajalalIslami Bank limited has performed better than other Islamic banks in terms of ratios analyzed, namely ROA, ROE, ETA, CAR, IER and AU.
3	Islami banking Bangladesh came into existence with certain objectives,in line with the philosophy of Bangladesh islami banking implay a direct and specific responsibility on their part to play an effective play role in the socioeconomic development of the country.

4	It may be concluded from the above discussion that the IBBL's shows an overall success in both deposits and investment positions since it started its banking activities. As regards to the deposits side it may be observed that the total deposits increased over past ten years even though, the average deposit growth rate from 1988 to 1994 is only 23%.
5	Lastly we should consider a truism: If Muslims have the same orientation and motivation in finance as everybody else, they will end up having the system that has resulted from other people's choices, the one we call conventional financial system. A genuinely distinctive system can emerge only out of a genuinely distinct orientation and motivation, a different set of norms.
6	It has been found that from the different dimensions; the performance of IBBL is consistent and very good followed by AIBL. But, the performances of Islamic banks other than IBBL are not satisfactory in case of foreign remittance collection. Indeed, the performance is the outcome of various variables relating to deposit, investment, foreign remittance collection and dividend policy.
7	Islamic banks can provide efficient banking services to the nation if they are supported with appropriate banking laws, and regulations. This will help them introducing PLS modes of operations, which are very much conducive to economic development. It would be better if Islamic banks had the opportunity to work as a sole system in an economy.
8	Islamic banking has been rapidly growing in Bangladesh. For this reason, it is important to know that they are doing all of their activities according to the provision of Shari'ah. This paper tried to measure the performance of the Islamic banks in Bangladesh according to the annual report from 2008 to 2012. Islamic Banks should follow the recommendation which is given in this paper based on analysis.
9	Al-Arafah Islamic Bank Limited (AIBL) is conducting their business following Islamic Shariah (law). It is trying to avoid interest in any of its operation. Various financial ratio analyses show that AIBL get a better position on the basis of its performance. The bank should be sincere to collect deposit and lending money and increased the number of financial products.
10	The information from the audited financial statements has been gathered to make a comparison between five Islamic banks and five conventional banks using CAMEL analysis. After a comparative analysis of assets, loans, capital, liquid assets, deposits, operating expenses, interest expense (profit rate in Islamic banks), interest revenue (investment profit in Islamic banks), net income of both Islamic banks and conventional banks, some important facts are identified. The results of CAMEL analysis show that in the sector of capital adequacy Islamic banks play a very good role as this side reflects the ability of a bank to absorb unexpected losses.