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Study On The Financial Performance Analysis Of Islami Bank Bangladesh Limited

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ABSTRACT

The aim of this study is to investigate the efficiency and performance of two Islamic banks in Bangladesh namely, Islami Bank Bangladesh Limited & Al Arafah Islami Bank Limited. Data are collected through their published annual reports from the year of 2017 to 2021. In addition, methods used to measure the performance and efficiency of Islamic banks are ratio analysis and data envelopment analysis respectively. With regard to banks' performance, this study concludes that Islami Bank Bangladesh Limited is better than other Islamic banks in terms of its ROA, ROE, ETA, CAR, IER and AU ratios. On the other hand, with regard to banks' efficiency, all Islamic banks have shown an improvement on their efficiency level. However, the result shows that Islami Bank Bangladesh Limited is better in terms of efficiency. This study complements other studies which discuss about performance and efficiency in Islamic banks, particularly in the case of Bangladesh.

Keywords: *Islamic Banking, Riba, Interest Free Banking, Financial Performance, Productivity*

INTRODUCTION

Bangladesh is the third largest Muslim country in the world with around 160 million populations of which about 85 percent are Muslim. Bangladesh has made significant strides in its economic sector performance since independence in 1971. Although the economy has improved vastly in the 1990s, Bangladesh still suffers in the area of foreign trade in South Asian region. Despite major impediments to growth like the inefficiency of state-owned enterprises, a rapidly growing labor force that cannot be absorbed by agriculture, inadequate power supplies, and slow implementation of economic reforms, Bangladesh has made some headway improving the climate for foreign investors and liberalizing the capital markets; for example, it has negotiated with foreign firms for oil and gas exploration, better countrywide distribution of cooking gas, and the construction of natural gas pipelines and power stations.

Progress on other economic reforms has been halting because of opposition from the bureaucracy, public sector unions, and other vested interest groups. The especially severe floods of 1998 increased the flow of international aid. So far the global financial crisis has not had a major impact on the economy. Foreign aid has seen a gradual decline over the last few decades but economists see this as a good sign for self-reliance. There has been a dramatic growth in exports and remittance inflow which has helped the economy to expand at a steady rate.

Bangladesh dominates interest based banking system. Since its inception, Bangladesh saw a new trend in banking both at home and abroad. Islamic banking was successful tries in Egypt. After the Mit Gamar Model. Naser Social Bank was in the process of establishment. During the seventies, Islamic Development Bank (IDB) and a number of Islamic Bank at national levels were established in the Islamic world. At home, the Islamic groups were vigorously working for adoption of Islam as the complete code of life. They found Islamic Banking in ready form of immediate introduction to professional bodies Islamic Economic Research Bureau (IERB) and Bangladesh Islamic Bankers Association (BIBA) were taking practical steps for

imparting training on Islamic Economics and banking to a group of bankers and arranging some national and international seminars/workshops to mobilize local and foreign people and attract investors to come forward to establish Islamic bank in Bangladesh.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. To know about the status of Islamic Banking in Bangladesh.
2. To find out the financial performance of Islamic Banking in Bangladesh
3. To identify the potential based priority of Islamic Banking system for the development of professional employment.
4. To identify the problems of Islamic conceptual Bank expansion.

RESEARCH METHODOLOGY

This study employed both quantitative and qualitative methods as a combined research approach (also called integrated approach). The study collected data and information from both primary and secondary sources in two phases. First, the study analyzed available literatures and documents to understand the theory and framework and study instruments on Islamic banking. Secondly, a *questionnaire survey* had been employed to assess the effect of Islamic banking on the economy of Bangladesh. Filled questionnaires had been back-checked daily for their completeness by the researcher. Data had been collected via face-to-face interview with the respondents of the study area.

Research Design: The choice of an appropriate research design is essential for a scientific study since it gives a framework of what the researcher do from setting the research question to the operational implications of the data analysis. A research design is 'the arrangements of conditions form collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure' (Sellitz 1965 cited in Aminuzzaman 1991, p.53). The study is focused to evaluate the Islamic banking on economy of Bangladesh. Hence, descriptive and analytical research designs have been chosen. Because descriptive research design helps to describe the current practices and events while analytical research design enables to establish relationship between variables (Aminuzzaman 1991). Here the research design of the present study is survey type.

The study design has to be a quasi-experiment one. Data were collected from stake holders/ groups of banking related person (beneficiary and without beneficiary) and compared through cross tables to test study.

Study Area: The study was conducted at Dhaka district in Bangladesh. In Bangladesh, all banks headquarters are situated at the capital city at Dhaka. So it was easily access in the field, participate, observation and its interviews from the sample. However, in the field of urban and rural, the study has tried to understand in depth of the Islamic banking.

Variables: A variable is a property or characteristic whose degree or form varies across a set of objects in a given situation, such as examination result, level of education, gender, income, age, etc. In research, variability of an event depends on theoretical framework. Same event might be variable in one study but constant in another. Variables are of two types. a) Independent variable and b) Dependent variable:

a) Independent variable: Independent variables are those variables which don't depend upon any other variable. In this research, Islamic banking is an independent variable.

b) Dependent variables: Dependent variables are those variables which depend upon any other variable. In this research banking performances, Islamic banking products are the dependent Variables on Islamic banking.

Sampling Method: Basically, randomly purposive sampling method was used in the study so as to get the best information to achieve the objectives of the study. This method gave flexibility to the researcher to pick up only people who are likely to have the required information and be willing to share it. Moreover, the sampling method helped to ensure representation of different variation of service providers as well as service seekers. In other words, heterogeneity in the composition of sample of service seekers and providers (age, sex, senior-junior officials, education, and profession) was attempted to maintain as possible.

Sampling Technique: Purposive sampling is a sampling technique in which the study relies on judgment when choosing members of population to participate in the study. Purposive sampling is a non-probability sampling method and it occurs when “elements selected for the sample are chosen by the judgment of the researcher. Researchers often believe that they can obtain a representative sample by using a sound judgment, which will result in saving time and money”.¹In this research purposive sampling method was used.

Sample Size: Two Islamic banks were selected for the study. The banks are Islami bank Ltd and Al Arafa Islami Banks Ltd. From two banks 200 Officers were selected. The Officers were mid level and management level.

Sources of Data: Generally, there are two different sources of collecting data, viz., primary sources and secondary sources. The present study is based on both primary and secondary sources of data. Primary data were collected from the respondents of the study area directly using different data collection techniques. On the other hand, the study has used different relevant publications, dissertations, books, journal articles, reports, and websites etc. as sources of secondary data. The data were collected from secondary sources must be useful to cross validate primary data and also to analyze the relationship among variables. Primary data were collected from the particular areas in Bangladesh.

Data Collection Method: The study conducted based on both primary and secondary data. Primary data were collected through interviews and Questionnaire survey. Structured questionnaire containing both open and closed ended to be used. A survey through a standardized questionnaire was conducted to collect both quantitative and qualitative information from. Three questionnaires were used for collecting primary data from selected banks officers for interview through this survey.

The semi-structured interviews have to be used for conducting with the policy makers, administrators, and other officers. These provided inputs to see the impact of the policies related to Islamic banking. Secondary data and information were collected besides the primary sources side by side secondary data were gathered from journal articles, published books, government documents, selected banks annual report, policies, reports of various committees related to Islamic banking etc. At the same time the present study has collected qualitative data through face to face interview by using a check list, Case study and Key Information Interview (KII).

Data Processing and Analysis: In qualitative study the researcher has the freedom to marshal gathered data to meet the desired objectives of the study (Creswell 2009). Partial data of questionnaire survey was processed using simple statistics. The rest of the data were explained carefully to meet the aim of the study and research question and also attempted to establish relation among the variables. Some important and strong statements were referred in the analysis part to add value to the findings.

Endeavor was make firstly to unleash the potential of Islamic banks on the economic development and to rationalize its institutionalization; secondly to detect the challenges, prospects and finally to put some light on to overcome the barriers.

Computer Program Microsoft Excel was used for data analysis. Data were analyzed according to the objectives of the study. Tables, graphs and statistical analysis were done by Computer Program Microsoft Excel.

FINDINGS AND ANALYSIS

Performances of IBBL

Islamic banking and finance is a creation of modern age. Capitalism argues, capital- one of the key factors of production, deserves fixed return whereas the entrepreneurs have to bear all the risks. The conflict of opinions with the Islamic values starts from this very basic point. As the conventional banking systems follow the philosophy of capitalism and interest which is forbidden according to Islamic Shariah. Islamic Bank Bangladesh Ltd (IBBL) is doing good each and every year. The operating performance of IBBL from 2017 to 2021 has shown in the following table.

¹ Black, K. (2010) “Business Statistics: Contemporary Decision Making” 6th edition, John Wiley & Sons

Table 1: Operating performance of IBBL from 2017 to 2021

(Amount in million Tk.)

Operating Performance (Income Statement)	2021	2020	2019	2018	2017
Total Revenue	88,257	84,493	88,131	77,596	66,939
Operating Profit	16,554	14,798	21,914	20,240	16,805
Profit Before Tax	11,441	10,689	14,100	13,701	12,113
Profit after Taxes	4,639	4,521	5,328	6,075	4,693
EPS	2.88	2.81	3.31	3.77	2.91

Source: Islami Bank Annual Report, 2021

Operating performance of IBBL from 2017 to 2021 has shown in the above table. From the result it was found that total revenue of IBBL was maximum in 2021 which was 88,257 million taka and minimum in 2017 which was 66,939 million taka. Operating profit was maximum in 2019 which was 21,914 million taka and profit after taxes was maximum in 2018 which was 6075 million taka.

Table 2: Horizontal & vertical analysis of IBBL from 2017 to 2021**Horizontal & Vertical Analysis**

(Amount in million Tk.)

Statement of financial Position (Partial)	2021	2020	2019	2018	2017
Shareholders Fund	64,561	61,613	58,652	54,896	50,329
Property Plant & Equipment	18,378	17,810	16,187	15,346	15,475
Net Current Assets	331,621	289,623	172,155	134,713	135,812
Current Liabilities	1,002,189	855,671	656,086	707,576	656,599
Long Term Liabilities	17,000	21,000	15,000	8,000	3,000

Source: Islami Bank Annual Report, 2021

Horizontal & vertical analysis of IBBL from 2017 to 2021 has shown in the above table. From the result it was found that shareholders fund was maximum in 2021 which was 64,561 million taka, property plant and equipment was maximum in 2021 which was 18,378 million taka, net current assest was maximum in 2021 which was 33,621 million taka, current liabilities maximum in 2021 which was 1,002,189 million taka.

Table 3: Performances of IBBL

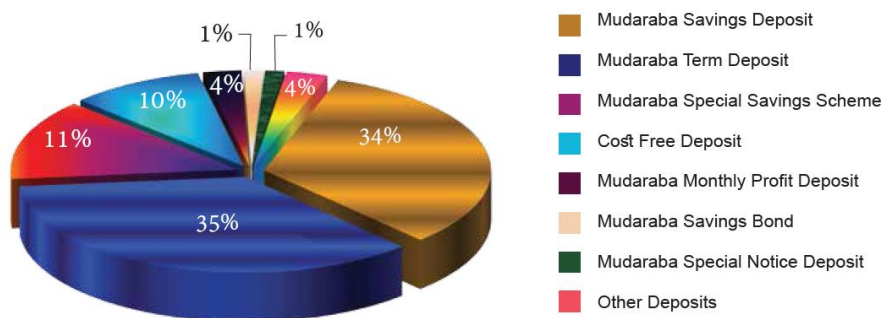
(Amount in million Taka)

	Particulars	2021	2020
1	Paid-up capital	16,099.91	16,099.91
2	Total capital (equity)	98,189.08	87,252.72
3	Capital surplus/ (deficit)	7,517.83	6,740.89
4	Total assets (Excluding contra)	1,635,992.80	1,416,828.89
5	Total deposits	1,381,979.53	1,179,691.35
6	Total investments (excluding Investment in shares/ securities)	1,191,173.00	1,035,287.88
7	Total contingent liabilities and commitments	264,845.62	208,088.16
8	Investment deposit ratio	79.74%	80.42%
9	Percentage of classified investment against total general investments	3.31%	3.41%
10	Profit after tax & Provision	4,639.20	4,521.01
11	Amount of classified investment during current year	4,128.01	874.56
12	Provision kept against classified investments	37,230.28	36,297.93
13	Provision surplus/ (deficit)	0.50	2.50
14	Cost of fund	6.17%	7.03%
15	Profit earning assets	1,144,776.62	948,976.54
16	Non-profit earning assets	491,216.18	467,851.96
17	Return on investments	6.32%	7.40%
18	Return on assets	0.30%	0.35%
19	Income from investments	75,714.88	76,297.94
20	Earnings per share (Taka)	2.88	2.81
21	Net income per share (Taka)	2.88	2.81
22	Price earnings ratio (Times)	11.11	9.54
23	Net Asset Value (NAV)	64,561.29	61,612.88
24	Net Asset Value (NAV) per share (Taka)	40.10	38.27
25	Net Operating Cash Flow per share (NOCFPS) (Taka)	41.42	82.40
26	Dividend Yield per share	3.13%	3.73%
27	Dividend pay out ratio per share	34.70%	35.61%
28	Dividend cover Ratio (Times)	2.88	2.81

Source: Islami Bank Annual Report, 2021

Performances of IBBL have shown in the above table. From the result it was found that Performances of IBBL was better in 2021 in comparison to 2020.

Figure 1: Deposit mix of Islami Bank Bangladesh Limited
Deposit Mix - 2021



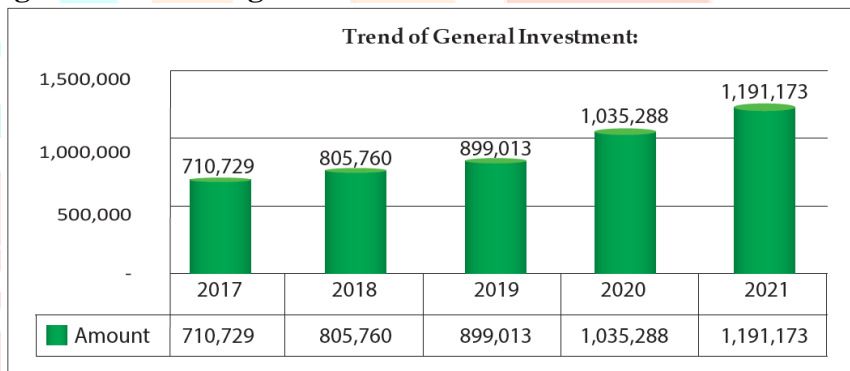
Source: Islami Bank Annual Report, 2021

Deposit mix of Islami Bank Bangladesh Limited has shown in the above pie chart. From the result it was found that deposit mix of IBBL were positive in trends.

General Investments of IBBL

General Investment of IBBL has been experiencing a steady but remarkable growth over the couple of years. General Investment of the Bank stood at Tk.1,191,173 million as on 31st December 2021 with net increase of Tk.155,885 million witnessing 15.06% growth over 31st December-2020 despite the further challenges of the second wave of the Covid-19 pandemic on the banking sector since middle of the year. The trend of general investment for last 5-years is shown in the following graph:

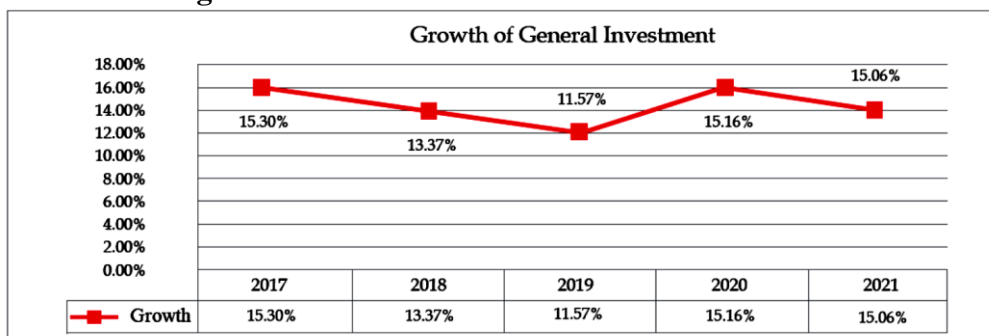
Figure 2: Trend of general investment of IBBL from 2017 to 2021



Source: Islami Bank Limited Annual Report, 2021

Trend of general investment of Islami Bank Bangladesh Limited from 2017 to 2021 has shown in the above bar chart. From the result it was found that the trend of general investment of the banks was in increasing trends.

Figure 3: Growth of General investment of IBBL



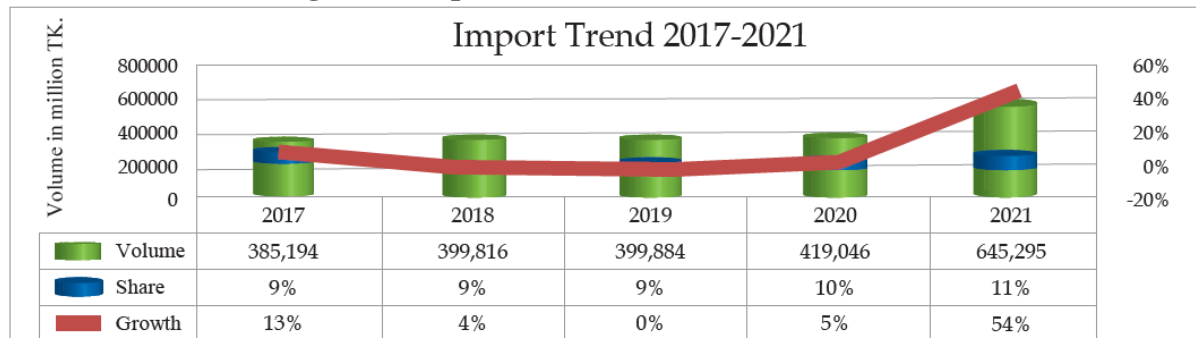
Source: Islami Bank Limited Annual Report, 2021

Growth of General investment of IBBL has shown in the above graph. From the result it was found that the Growth of General investments of IBBL were in mixed trend.

Import Trade Performance of IBBL

Import business in the year 2021 increased by 53.99% in comparison to 2020, from Tk.419, 046.00 million to Tk. 645,295.00 million. IBBL's market share of the import business was 11.40% in 2021, showing growth of 1.40 percent from the previous year. We were able to achieve the target over the managements expectation and leading the market by gaining further market share and continuing to increase the import business bucket even in the midst of the fresh wave of pandemic (COVID-19). Our market share and volume of import have reached to a new height in 2021. The graph depicts the import performance over the last five years (2017-2021).

Figure 4: Import trend of IBBL from 2017-2021



Source: Islami Bank Limited Annual Report, 2021

Export Trade Performance

Export business in the year 2021 was Tk.301, 782 million with showing growth of 34.14%. A number of factors affects the export portfolio among which fresh investment trend in private sector, increased demand of consumable goods worldwide, recovery of COVID-19 effects of RMG sector largely contributed. Market share of export business of IBBL stood at 8.03% claiming the persistent foothold at the industry which was 8% in previous year. 5 (five) years export performance (2017-2021) is shown in the chart.

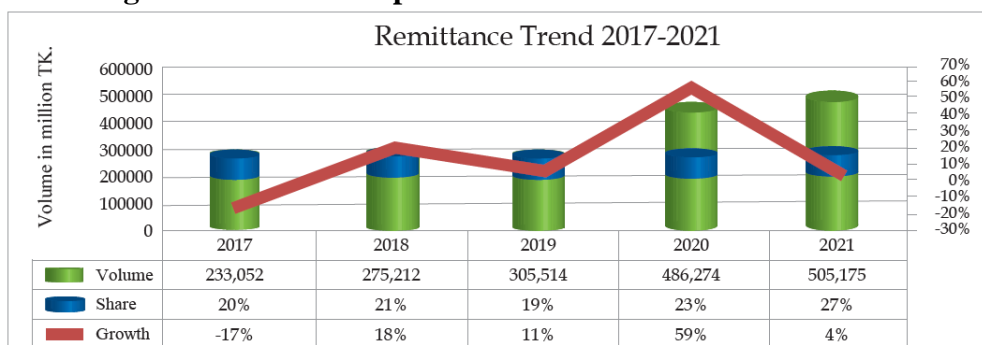
Figure 5: Export performance of IBBL from 2017-2021



Source: Islami Bank Limited Annual Report, 2021

Foreign Remittance Business of IBBL

Foreign Remittance Business rose to Tk. 505,175.00 million with a growth of 4%. IBBL market share stood at 26.90% in 2021. Five (05) years remittance performance (2017-2021) is shown in the chart.

Figure 6: Remittance performance of IBBL from 2017-2021

Source: Islami Bank Limited Annual Report, 2021

Performances of Al Arafah Islami Bank Ltd (AIBL)

Islam provides us a complete lifestyle. Main objective of Islamic lifestyle is to be successful both in our mortal and immortal life. Therefore in every aspect of our life we should follow the doctrine of Al-Qur'an and lifestyle of Hazrat Muhammad (Sm.) for our supreme success. Al-Arafah Islami Bank started its journey in 1995 with the said principles in mind and to introduce a modern banking system based on Al-Qur'an and Sunnah. A group of established, dedicated and pious personalities of Bangladesh are the architects and directors of the Bank. Al-Arafah Islami Bank Ltd was established (registered) as a public limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995.

The authorized capital of the Bank is Tk. 15,000.00 million and the paid-up capital is Tk. 10,649.02 million as on 31.12.2021. Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by local shareholders. The equity of the bank has stood at Tk. 25,900.33 million as on 31 December 2021, the manpower was 4,247 and the number of shareholders was 19,146. It has achieved a continuous profit and declared a good dividend over the years.

High quality customer service through the integration of modern technology and new products is the tool of the bank to achieve success. The bank has a diverse array of carefully tailored products and services to satisfy customer needs. The Bank is committed to contribute significantly to the national economy.

It has made a positive contribution towards the socio-economic development of the country with 201 branches of which 26 is AD throughout the country. Al-Arafah Islami Bank Ltd. is pledge-bound to convert the Bank into an Islami Bank on global standard which will be dynamic in actions, progressive in ideas, honest in dealings, correct in judgment, futuristic in attitude, fair in approach, polite in behavior and devoted to high quality service to customers. Our aims are for boosting modern management, advanced technology, good profitability and steady growth transparency. Al-Arafah Islami Bank Ltd. is also firmly committed to disclosure and compliance to shariah and regulatory authorities. Today the bank is an agile organization which promotes innovation, encourages improvement, values sense of urgency and develops people who accept challenges and turns them into opportunities. Al-Arafah Islami Bank Ltd. has 206 branches (upto November 2022) and a total of 3682 employees (upto December 2018). Its authorized capital is Taka 15000 million and the paid-up capital is Taka 10440.22 million as on 31 December 2018. Wisdom of the directors, Islamic bankers and the wish of Almighty Allah make Al-Arafah Islami Bank Ltd. most modern and a leading bank in Bangladesh.

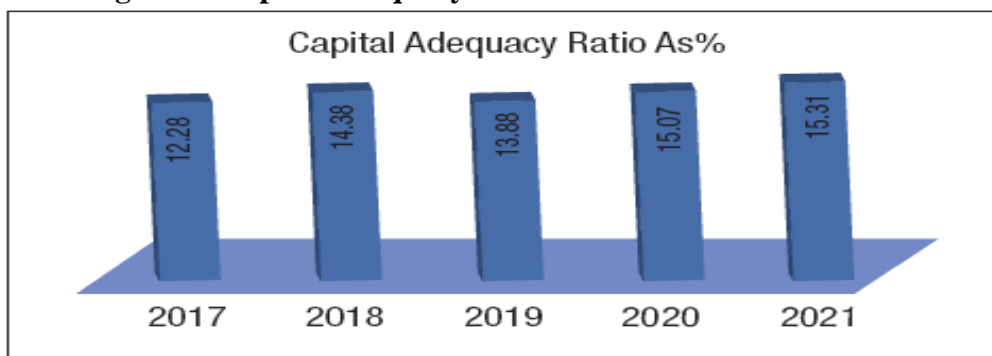
Capital Adequacy & Reserve Fund

According to BRPD Circular the Bank will have to maintain Tk.4,000.00 million Capitals from 1st July 2011. In compliance with the new provision, the bank has raised its Capital from Tk. 43660.88 million to Tk. 39,258.09 million (Consolidated Basis) and Tk.41,358.68 million to Tk. 37,486.33 million (Solo Basis). Outstanding balance of AIBL Mudaraba Subordinated Bond Tk. 9,600 million as at 31st December 2021. In the year 2021 AIBL issued Mudaraba perpetual Bond for Tk. 5,000.00 million that meet the qualifying criteria for Tier- 1 Capital as per Basel III Guidelines.

In the year 2015 AIBL issue Mudaraba Subordinated Bond Tk. 3,000.00 million, in the year 2018 for Tk. 5,000.00 million and in the year 2020 for Tk. 5,000.00 million that meet the qualifying criteria for Tier 2 Capital as per annex 4 of Basel III Guidelines. The paid up capital of the bank was at Tk.10,649.02 million at 31st December 2021. The total reserve fund has stood at Tk.11,733.36 million in the current year against

Tk. 11,418.96 million at 31st December 2020. In this account, the bank experienced a growth of 2.75%. The Bangladesh Bank has fixed the ratio of minimum capital adequacy (MCR) against Risk-Weighted Assets at 12.50% or Tk. 4,000 million whichever is higher.

Figure 7: Capital Adequacy Ratio of AIBL from 2017 to 2021



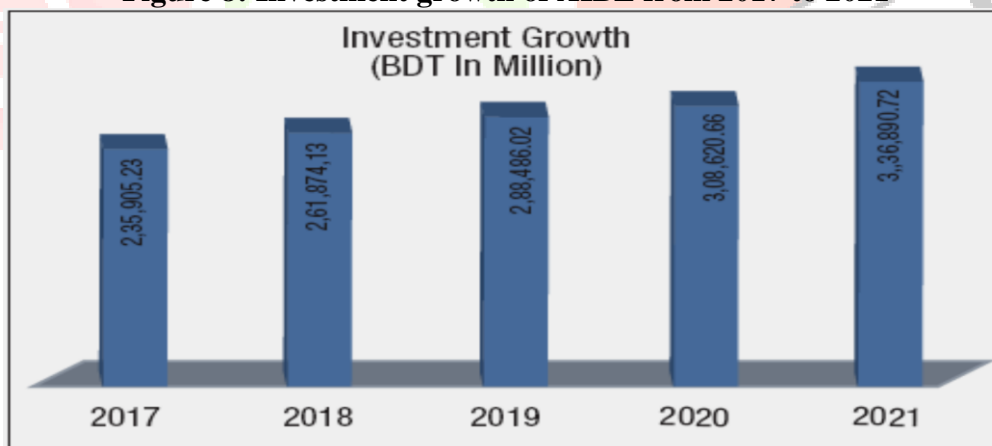
Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

Capital Adequacy Ratio of AIBL from 2017 to 2021 has shown in the above figure. From the result it was found that Capital Adequacy Ratio of AIBL from 2017 to 2021 was in mixed trends.

Investment of AIBL

The investment of the bank has stood at Tk. 336,890.72 million as on 31st December 2021 as against Tk. 308,620.66 (Net off PR) million in the previous year showing an increased by 9.16%. The investment portfolio of the bank is well diversified and covers a broad spectrum of businesses and industries including readymade garments, textile, edible oil, ship scraping, steel & engineering, chemicals, pharmaceuticals, cement, telecommunication, construction, health care, real estate, education, transport and investment under consumer schemes. We have geared up efforts to improve the recovery rate of disbursed investment and also taken adequate measures for converting the classified investment into performing assets. As a result, classified investment of the bank could be kept at a low level far below the national average. It is 4.81% in our bank as on 31 December 2021.

Figure 8: Investment growth of AIBL from 2017 to 2021



Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

Investment growth of AIBL from 2017 to 2021 has shown in the above figure. From the result it was found that the investment growth of the bank was in increasing trends.

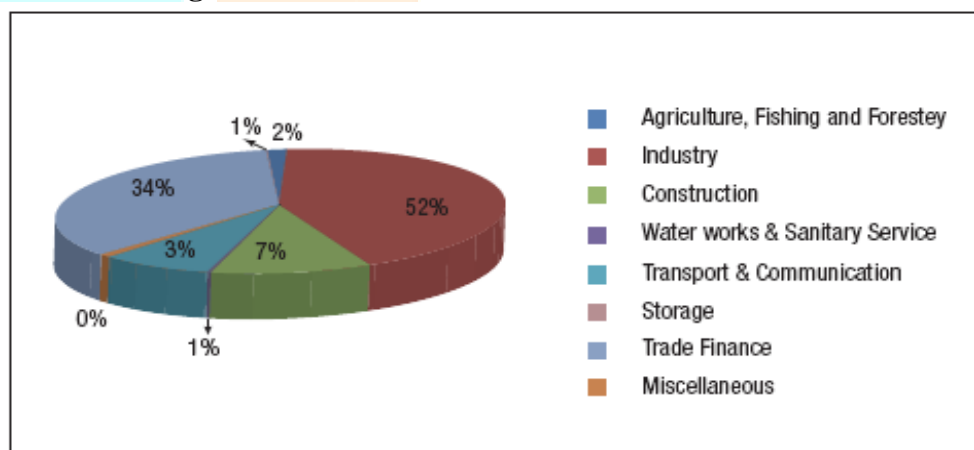
The bank gives top-most priority to the creation of quality assets and does appropriate risk grading while approving commercial, trade and project investment to different clients.

Table 4: Sector wise Investment of AIBL in 2021

Sectors	Taka in million
Agriculture, Fishing and Forestry	5,663.50
Industry	178,629.90
Construction	24,653.90
Water works & Sanitary Service	2,807.70
Transport & communication	11,341.30
Storage	1,753.80
Trade Finance	116,420.52
Miscellaneous	3,960.30
Total (Including Profit Receivable)	345,710.92
Less Unearned Profit on Investment	8,340.20
Total	336,890.72

Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

Sector wise Investment of AIBL in 2021 has shown in the above table. From the result it was found that industrial investment of AIBL was 178,629.90 million taka which was maximum followed by trade finance (116,420.52 million taka)

Figure 9: Sector wise Investment of AIBL in 2021

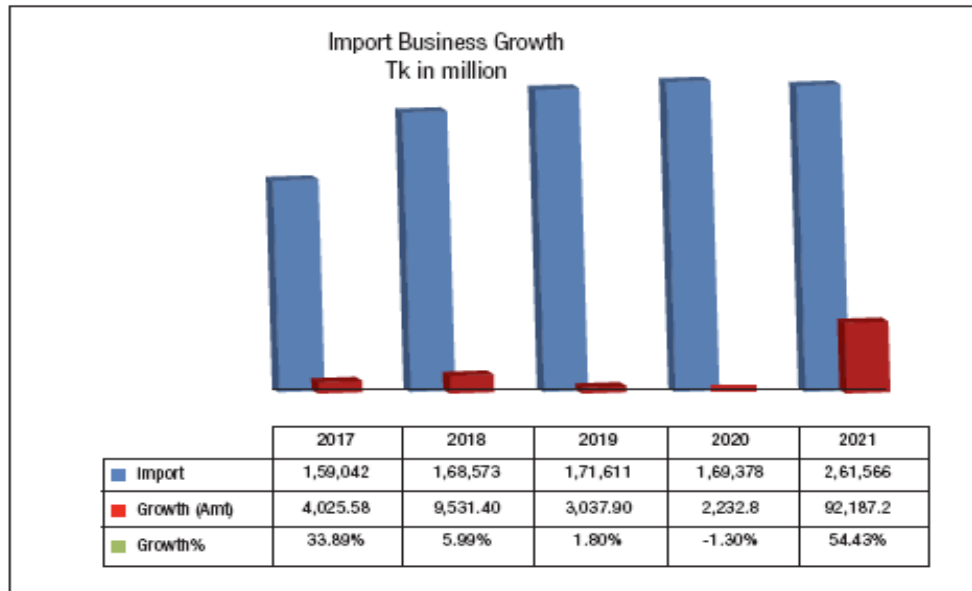
Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

Sector wise Investment of AIBL has shown in the above graph. From the result it was found that industrial investment of AIBL was 52% which was maximum.

Import Business of AIBL

Total import business of the bank stood at Tk. 261,566.10 million during the year 2021 as against Tk. 169,378.90 million, Tk. 171,611.70 million and Tk. 168,573.80 million in the previous year 2020, 2019 and 2018 respectively. Our import business increased by Tk. 92,187.20 million i.e. 54.43% growth in 2021 as compared to decrease of Tk. 2,232.80 million i.e. -1.30% growth in 2020 and increase of Tk 3,037.90 million i.e. 1.80% in 2019 respectively.

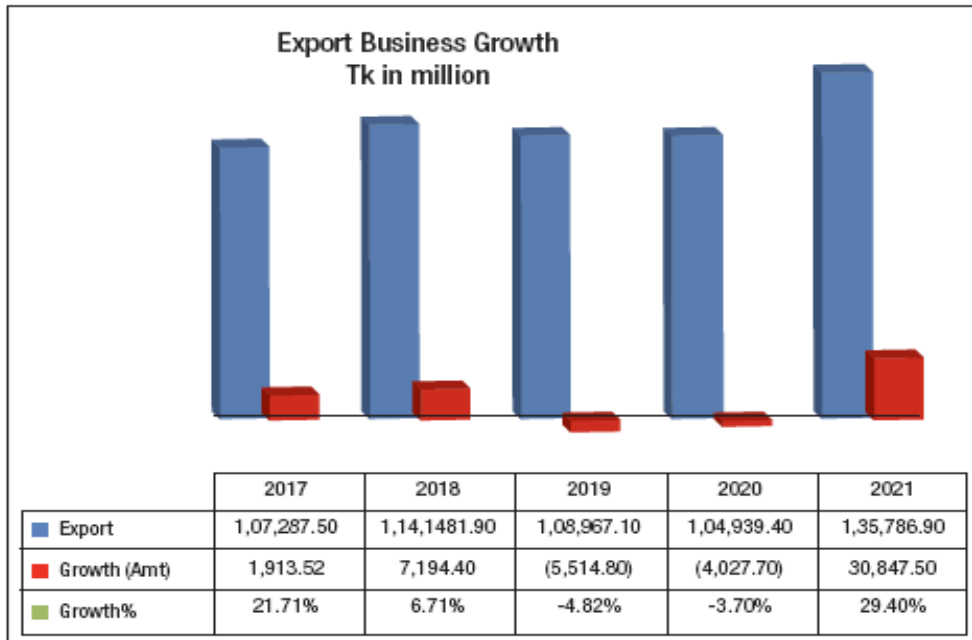
Target for Import business for the year 2022 has been fixed at Tk. 300,000 million with an expected growth of 14.69%.

Figure 10: Import Business Growth of AIBL from 2017-2021

Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

Export Business of AIBL

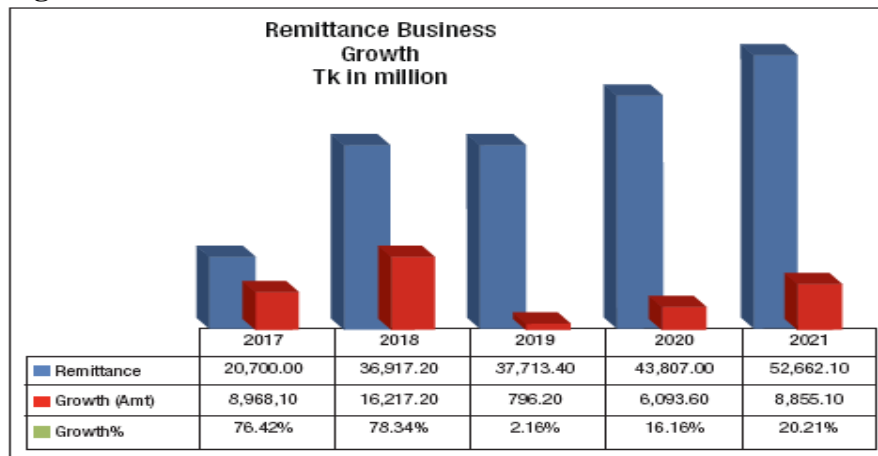
Total Export business of the bank stood at Tk. 135,786.90 million during the year 2021 as against Tk. 104,939.40 million, Tk. 108,967.10 million, Tk. 114,481.90 million in the previous year 2020, 2019 and 2018 respectively. Our export business increased by Tk. 92,187.20 million i.e. 29.40% growth in 2021 as compared to decreases of Tk. 4,027.70 million i.e. -3.70% growth in 2020, decreases Tk. 5,514.80 million i.e. -4.82% growth in 2019. Our target for Export business for the year 2022 has been fixed at Tk 170,000 million with an expected growth of 25.20%.

Figure 11: Export Business Growth of AIBL from 2017-2021

Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

Remittance of AIBL

Total remittance of the bank stood at Tk. 52,662.10 million during the year 2021 as against Tk. 43,807.00 million, Tk. 37,713.40 million and Tk. 36.917.20 million in the previous year 2020, 2019 and 2018 respectively. Our remittance increased by Tk. 8,855.10 million i.e. 20.21% in 2021 as compared to increases of Tk. 6093.60 million i.e. 16.16% in 2020, Tk. 796.20 million i.e. 2.16% % in 2019 respectively. Target for Remittance business for the year 2021 has been fixed at Tk. 60,000 million and thus expecting a growth of 12.23%.

Figure 12: Remittance Business Growth of AIBL from 2017-2021

Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

Foreign Remittance Division of AIBL

Foreign Remittance Division is one of the most potential business segments of the bank which contributes overall growth of the Bank, increases the inflow of foreign currency, assists to build up low cost deposit and strengthens customer base of the Bank as well as upholds Bank's image in home & abroad and also makes significant impact towards the sustainable development of the Bank. Foreign Remittance Division is procuring remittance from all the remittance hubs across the globe consisting more than 100 countries through 23 (twenty-three) Remittance Arrangements with different exchange houses in abroad and local banks.

Remittance Achievement:

Total remittance of the bank stood at Tk. 5,266.21 crore during the year 2021 as against Tk. 4,380.70 crore, Tk. 3,771.34 crore, Tk. 3,691.72 crore and Tk. 2,070.28 crore in the previous year 2020, 2019, 2018 and 2017 respectively. Our remittance increased by Tk. 885.51 crore i.e. 20.21% in 2021 as compared to increases of Tk. 609.36 crore i.e. 16.16% in 2020, Tk. 796.20 crore i.e. 2.16% in 2019, Tk. 1,621.44 crore i.e. 78.32% in 2018 and Tk. 896.74 crore i.e. 76.41% in 2017 respectively. Target for Remittance business for the year 2022 has been fixed at Tk. 6,350.00 crore expecting growth 20.58%.

Table 5: Performance of Foreign Inward Remittance -From 2017 to 2021 of AIBL

Year	Remittance		No. of Tr.	Target (In Crore)	Achievement (In %)	Commission Received (In Lac)	Growth (In %)
	BDT (In Crore)	USD (In Million)					
2017	2,070.28	251.89	421,704	1,500	138%	131.10	76.41
2018	3,691.72	441.22	684,045	3,000	123%	176.01	78.32
2019	3,771.34	446.45	698,640	5,000	75%	217.88	2.16
2020	4,380.70	516.19	693,537	4,250	103%	211.21	16.16
2021	5,266.21	618.68	827,851	5,400	97.52%	260.72	20.21

Source: Al Arafa Islami Bank Ltd. Annual Report, 2021

The Branches & Agent Banking Outlets of AIBL have procured foreign remittance BDT 3,653.79 crore in 2021 which is more than 24.22% of the previous year 2020 and procurement of foreign remittance through BEFTN (A/c Credit with other bank) was BDT 1,612.42 crore in 2021 which is more than 12.03% of the previous year 2020.

CONCLUSION

The study of the prospects, challenges and problems of the Islamic banking sector of Bangladesh shows that this sector is progressing steadily. The formation of Islamic banks and adoption of parallel Islamic banking by several conventional banks over the years can be an indicator of the high acceptability of this sector by the public. The main reason for the demand for Islamic banking can be attributed to the desire of people to engage in financial transactions that adhere to the rules of Shariah. The demand from this segment induces banks to either offer Islamic finance exclusively or as a parallel service with other conventional offers.

The Islamic bankers believe that the Profit Loss Sharing (PLS) method represents financial advantages for the banks and offers benefits for the economy by causing lower interest stimulated instability. The banks are, however, not implementing the principals of Shariah fully. According to the conventional banks, these banks have not abolished interest from the transactions. This has caused the PLS method fail to have the impact it is intended to have on risks, profitability and the society. The foremost factor making Islamic banking attractive to customers is adherence to the rules of Shariah.

Convenience of opening accounts or the quality of the services offered does not have much impact on the consumer's decision of choosing an Islamic banking system, but for the Shariah based activities of the Islamic banks, their reliable commitment to the customer also their well behave encourage the Muslim to be attracted by the Islamic banks.

At present Islamic banking is worldwide. They follow Islamic rules & laws appropriately. So, day by day its gain, its popularity as a secure banking. As a result customer put their steps to the door of Islamic banks.

Islamic banks can satisfy most of the efficiency conditions if they can operate as a sole system in an economy. Conventional banking, on the other hand, does not satisfy any of the efficiency conditions analyzed in the present study. However, when Islamic banks start operation within the conventional banking framework, their efficiency goes on decreasing in a number of dimensions. The deterioration is not because of Islamic bank's own mechanical deficiencies; rather it is the efficiency-blunt operation of the conventional banking system that puts a negative impact on the efficient operation of Islamic banks. This does not mean that the survival of Islamic banks operating within the conventional banking framework is altogether threatened.

Evidence from Bangladesh indicates that Islamic banks can survive within the conventional banking framework by switching over from PLS to trade related modes of financing.

Even under the conventional banking framework Islamic banks can operate with certain level of efficiency by applying in a reasonable percentage the PLS-modes - the distinguishing features of Islamic banking. This has been possible in some countries of the Muslim world where the management of Islamic banks was cautious about possible impacts of every policy measure. Particularly, the management of these banks was judicious in selecting sectors or areas as major of their operations. Sudan Islamic Bank is a typical example in this respect. Islamic banks in Bangladesh have much to learn from experience of this successful bank.

Having been considered the pro-efficiency character of Islamic banking and its beneficial impacts on the economy, government policy in Muslim countries should be in favor of transforming conventional banking system into Islamic banking.

RECOMMENDATION

There has been identified progress made by Islamic banking sector since independence. But for gaining Better progress in the future following steps should be taken by all Islamic banks:

1. **The whole financial System need to be re-organized:** Conventional bank should re examine and covert their system to (Profit and Loss Sharing (PLS)).
2. **New banking philosophy for the Islamic Banks should be established:** There seems to be a gap between the ideals and actual practice of Islamic banks in Bangladesh. In their reports, booklets, bulletins and posters their banks express their commitment to striving for establishing a just society free from exploitation. Study shows that a little progress has been achieved so far in that direction.
3. **Banking Policies and practices should be modernized:** Islamic banks, with a view to facing the growing competition either fellow-Islamic banks or the conventional banks which have launched Islamic banking practices, will have to adapts their functioning in line with modern business practices.
4. **Policy and Strategy should be formulated:** The first action that deserves immediate attention is the promotion of the image of Islamic banks as PLS banks. Strategies have to be carefully devised so that the image of Islamic character and solvency as a bank is simultaneously promoted.
5. **Distributional Efficiency should be stepped:** The task is more challenging for Islamic banks, as they have to promote their distributional efficiency from all dimensions together with profitability, Islamic banks, step by step, have to be converted into profit loss-sharing banks by increasing their percentage share of investment financing though PLS modes.
6. **Allocating Efficiency should be promoted:** The Islamic banks can improve their Allocative efficiency by satisfying social welfare conditions in the following manner. First, they should allocate a reasonable portion of their investible funds in social priority sectors such as agriculture (including poultry and fishery), small and cottage industries and export-led industries like garment, shrimp cultivation. Secondly, when the percentage shares of allocation of investible funds are determined among the sectors of investment financing, profitability of projects should be the criterion for allocating investment funds. The criterion would be best satisfied if more and more projects were financed under PLS modes.
7. **Government and Central bank's Responsibilities should be improved:** Government should think actively for the promotion of Islamic banking in Bangladesh considering its pro-development role. Bangladesh Bank should develop some Islamic Monetary and saving instruments and create separate window for transactions with the Islamic banks and a full-fledged Islamic banking Department for analyzing, supervising, monitoring and guiding purpose, thereby facilitating Islamic banks for their smooth development in Bangladesh.
8. **Inter-Islamic Bank Co-operation and Perspective Plan should be moderate:** All Islamic banks should come forward to help each other's and adopt a perspective plan say for 27 years for Islamization of the banking system of Bangladesh. To actualize this mission, they should set-up immediately an Apex Research Academy and Training Institute designed with modern tools.
9. **Equity of Islamic Banking should be increased:** Growths are present in all the sectors of Islamic banking. In case of equity the growth is present, but the growth is not like other sectors. So, in case of equity, more growth should be provided.

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