Financial Performance Analysis of Islamic Banks of Bangladesh

Thesis Report

on

Financial Performance Analysis of Islamic Banks of Bangladesh

Submitted To:

Department of Business Administration

Sonargaon University (SU), Dhaka

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Program: MBA

Major: Accounting

Department of Business Administration

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Date of Submission: 11th May, 2023

Sonargaon University (SU), Dhaka

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Submitted To:

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Letter of Transmittal

11th May, 2023

To

Nowshin Mahmood Tahiya

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Subject: Submission of Thesis Report on Financial Performance Analysis of Islamic Banks of Bangladesh.

Dear Madam,

I would have the honor to submit my MBA thesis report on, "Financial Performance Analysis of Islamic Banks of Bangladesh". It is an integrated part of my MBA program which has enriched my academic background to enter the professional field. I am glad to submit the thesis report on "Financial Performance Analysis of Islamic Banks of Bangladesh" with you. The study also enhanced my knowledge about how a bank operates and performs its banking activities by maximizing profit.

I, therefore, pray and hope that you would be kind enough to accept my report and oblige thereby.

You're Sincerely

Tamanna Akter

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Letter of Acceptance

This is to certify that **Tamanna Akter,** ID: MBA2202026014, Program: MBA, Major: Accounting, Department of Business Administration, Sonargaon University (SU), Dhaka has done her thesis report on **"Financial Performance Analysis of Islamic Banks of Bangladesh"** as a partial requirement of obtaining MBA degree. To my knowledge this report is original in nature and has been prepared by her under my guidance and was nowhere submitted for any purpose.

May Allah bless her in all spheres of life.

Nowshin Mahmood Tahiya
Lecturer
Department of Business Administration
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Acknowledgement

At the very beginning I would like to express my sincere gratitude to Almighty Allah who has given me the chance to complete my thesis report in a very comfortable manner.

I would like to give special thanks to my supervisor **Nowshin Mahmood Tahiya, Lecturer and Exam Coordinator,** Department of Business Administration, Sonargaon University (SU), Dhaka for her officious and praiseworthy guidelines and suggestion. She inspired me with the valuable guidelines to complete this report successfully.

Finally, I express my gratitude towards all my teachers of Sonargaon University (SU), Dhaka whose help and co-operation made me possible to prepare this thesis report.

Executive Summary

The banking sector plays a predominating role for capital formation and in the growth and development of our economy in every single aspect. The main motive of this research is to show a comparative evaluation of financial conditions of some selected banks by using descriptive analysis, z-test analysis and ratio analysis with graphical presentation. The secondary data used for the study has collected from bank's Annual reports, websites, Bulletins, scholar's views, journals, and Magazines, etc. The selected banks for analysis are IBBL, SIBL, FSIBL, AIBL, and SJIBL Bank. The phase of study for the chosen banks is from 2019 to 2022. According to analysis and overall z test ratings this study presumes that, the banks named IBBL, SIBL and AIBL are comparatively the leading banks and in safe position.

Abbreviation

AIBL	- Al-Arafah Islami Bank Ltd.
FSIBL	- First Security Islami Bank Ltd.
IBBL	- Islami Bank Bangladesh Ltd.
SIBL	- Social Islami Bank Ltd.
SJIBL	- Shahjalal Islami Bank Ltd.

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Chapter-1

Introduction

1.1 Introduction

Bank is the momentous financial institution in this modern economy. They are an indispensable part of current economic activities. Banking sector have a significant involvement in the growth and development of our economy in all aspect. Banks grease the entire financial system and ensure smooth functioning in Bangladesh. They expedite the growth by ensuring uninterrupted supply of fund by which people engage in numerous productive and economic activities. The key role of the banks is financial inter-mediation by mobilizing of funds, raising capital and allocating them for investment. In last few decades the world economy has seen an astronomical development by numerous factors e.g. raising institutional loan supply that play the pivotal roles. The role of banking sector is like as the artery system of human body.

There are two types of banking system in Bangladesh. One is conventional banking system and the other is Islamic banking system. Conventional Banking System is based on interest and Islamic Banking System is based on profit-loss sharing. And currently 61 scheduled banks are operating in Bangladesh under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks include 6 state owned commercial banks, 3 specialized banks, 43 private commercial banks and 9 foreign commercial banks. Among 42 private commercial banks, there are 10 Islami Shariah-Based private commercial banks and 33 conventional private commercial banks. There are also 5 non-scheduled banks and 34 Non-Bank Financial Institutions which are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. Commercial banks mainly receive deposits, give loans, and finance the trade of a country. These banks play the most important role in modern economic organization.

Islamic banking, also referred to as Islamic finance or Shariah-compliant finance, refers to financial activities that adhere to Shariah (Islamic law). Two fundamental principles of Islamic banking are the sharing of profit and loss and the prohibition of the collection and payment of interest by lenders and investors.

Islamic banking is an Ethical Banking System, and its practices are based on Islamic (Shariah) laws. Interest in completely prohibited in Islamic banking. It is asset based

financing, in which trade of elements prohibited by Islam are not allowed. For example, you cannot take a loan for a Wine Shop. On the other hand, Conventional Banking is an Un-Ethical Banking system based on Man-Made Laws. It is profit-oriented and its purpose is to make money through interest.

The commercial banks and other financial institutions both provide long, short and medium-term credits to the entrepreneurs' and business-persons, usually to whom, who lead the venture for economic development. In this point, the Islamic scholars dealt with reforming the Islamic banking activities in order to find the best alternative. Bangladesh banking system is mixed of public, private and foreign commercial banks. Where some are conducting Islamic banking activities as full-fledged and partially by opening Islamic banking windows by deploying the modern and electronic banking technologies. The statistical overview of recent year's data shows a steadily growth of Islamic banking day by day. Based on some notable supporting factors it can say that this appear of inclination is likely to continue. Financial positional analysis of the taken banks is the process of examining the financial strengths and weaknesses of the banks by duly establishing the relationship between the elements of balance sheet and the profit and loss account. This process helps in short term and long-term growth and forecasting can be recognized with the comfort of financial performance inspection of the banks.

1.2 Objectives of the Study

The objectives of the study are divided into two parts. They are:

i. Primary objectives:

The primary objective is to evaluate the Financial Performance Analysis of Islamic Banks of Bangladesh.

ii. Secondary objectives:

- To know the investment position of Islamic Banks of Bangladesh.
- To know overall investment scenario.
- To know profitability performance.
- To know liquidity performance.
- To know efficiency performance.
- To know z-score analysis.

1.3 Methodology of the study

In order to make a comprehensive and informative thesis report secondary data has been used. The sources are given below:

- **Secondary Sources of Data**
  - Annual Reports of IBBL, SIBL, AIBL, SJIBL and FSIBL.
  - Various books, articles of five Islamic Banks of Bangladesh.
  - Articles related to the financial performance of Islamic Banks of Bangladesh.

1.4 Scope of the study

The scope of this report is mostly limited to Islamic Banks in Bangladesh, as the report is based on practical observations, and limited to the related departments of this report. The total report is entitled with the Financial Performance Analysis of Islamic Banks of Bangladesh. The prime focus was on financial statement analysis of Islamic Banks in Bangladesh for giving some explanation about the financial position and financial performance of the bank over at least four years. However, in this study the financial performance of Islamic Banks in Bangladesh are analyzed from different viewpoints including ratio analysis. This report may help those people who want to know about the financial performance of Islamic Banks in Bangladesh.

1.5 Limitations of the study

The study mainly covers the Financial Performance Analysis of Islamic Banks of Bangladesh only. To prepare this report I face some limitations. The limitations are given below:

- To complete the thesis report, period time was limited to only three months which is very short period of time to learn about the whole banking activities.
- As final financial performances are prepared in head office, it becomes difficult to understand the elements of the financial statements of different banks.
- Privacy of data was another important problem that faces with during the conduct of this study.
- The study based on the secondary data, collected from numerous reports of bank. The phase of this study is limited to only four years (2019 to 2022).

Chapter-2

Literature Review

2.1 Review of Literature

A brief and simple synopsis of previous researches relevant to performance evaluation of Islamic Banking in Bangladesh is summarize below that will support this presumes:

Today, the growth of the Islamic banking industry cannot be denied. The global Islamic banking industry is growing at least 5% annually (S&P Global Ratings, 2020). The surge in Islamic banking has generated debates among policymakers and economists about the sustainability and performance of IBs. Various studies such as Johnes et al. (2018), Berger et al. (2019), Belkhaoui et al. (2020) and Ledhem and Mekidiche (2020) measured the performance of IBs using a sample of Gulf Cooperation Council (GCC) or other Muslim countries such as Malaysia, Saudi Arabia, Turkey, Brunei and Indonesia.

Kouser and Saba (2012) compared the performance of Pure Islamic banks, mixed banks andconventional banks in Pakistan using CAMEL rating. The study revealed the following facts i) Islamic bankshave adequate capital and have strong asset quality compared to other banks in sample, ii) Islamic banks ingeneral have more competent management compared to conventional banks, iii) the earnings of Islamic branches of conventional banks are greater than other banks.

As Islamic banking is an emerging industry, the literature reveals that various studies have scrutinized the functioning of IBs and CBs. Most of the previous studies find mixed results. For instance, Ariss (2010) analyzes the performance of IBs using H-Statistics and Lerner Index. The findings show that IBs have better capitalization and a higher share of assets to loans but are less competitive and less profitable than CBs.

Sarker, (1999) assessed the performance of Islamic banks in Bangladesh for the period of 1988-97. The study used five efficiency test benchmark (mostly financial ratios) to evaluate the performance of selected banks. The paper appeared that, only Islamic Bank Bangladesh maintained optimistic growth trend in deposit and profit within reported period. Investments under Musharaka, perfect partnership mode were below 3% of total investments where no investment had made under Mudaraba, another mode during the reported timeline.

Ahmad & Hasan (2007) investigated current regulatory and legal issues of Islamic banks of Bangladesh. The paper reported a clear lack of distinct regulatory and supervisory frame for Islamic banking for effective functioning in line with the tenets of Shariah. Another major issue is, absence of interbank Islamic money market, existence of discriminatory legal reserve requirement for conventional and Islamic banking, ubiquity of restrictive conditions in the capital market, and the insufficiency of legal support and protection of Bangladesh Bank to evade the associated risks of Islamic banks. They suggested that Islamic banking sector should have an Independent banking act that supervise and controls their operations and arrange legal support for concerned parties.

Abduh et al. (2013) aimed to examine the performance and efficiency of five Islamic banks of Bangladesh. The performance and efficiency of Islamic banks data collected from published annual reports (2006-2010). The paper pointed that the trend of all Islamic banks have upgraded their efficiency over the period. The author suggested further research applying stochastic frontier approach with new variables, increasing number of time period and make a comparison between Islamic and conventional banking.

Nonetheless, few studies find the lower performance of IBs. For example, Rosly and Bakar (2003) and Mokhtar et al. (2008) conduct studies in Malaysia and conclude that IBs exhibit slower performance than CBs. Hassan (2006) investigates the competency of IBs in Middle Eastern countries during 1995–2001 and finds that IBs are less efficient than CBs. A study conducted in Pakistan by Saeed et al. (2013) utilizes data envelopment analysis (DEA) and financial ratio analysis (FRA) techniques to scrutinize the efficiency of IBs from 2007 to 2011 and concludes that IBs are less competent than CBs.

Chapter-3

Overview of Islamic Banks of Bangladesh

3.1 Historical Background of IBBL

Islami Bank Bangladesh Limited is a Joint Venture Public Limited Company engaged in commercial banking business based on Islamic Shari'ah with 63.09% foreign shareholding having largest branch network (total 394 branches, 228 Sub-branches and 2706 Agent Outlets) among the private sector Banks in Bangladesh. It was established on the 13th March 1983 as the first Islamic Bank in the South East Asia.

It is listed with Dhaka Stock Exchange Ltd. and Dhaka Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 20,000 Million and Paid-up Capital is Tk. 16,099.91 Million having 33,686 shareholders as on 31st December 2021.

3.1.1 Mission of IBBL

To establish Islamic Banking through the introduction of a welfare oriented banking system and also ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development in through diversified investment operations particularly in the priority sectors and least developed areas of the country. To encourage socio-economic upliftment and financial services to the loss-income community particularly in the rural areas.

3.1.2 Vision of IBBL

IBBL vision is to always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance.

- Goal is to establish and maintain the modern banking techniques, to ensure soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professional, working for the benefit of people, based upon accountability, transparency and integrity in order to ensure stability of financial systems.
- IBBL will try to encourage savings in the form of direct investment.
- IBBL will also try to encourage investment particularly in projects which are more likely to lead to higher employment.

3.1.3 Strategic Objectives of IBBL

- To ensure customers' satisfaction.
- To ensure welfare oriented banking.
- To establish a set of managerial succession and adopting technological changes to ensure successful development of an Islamic Bank as a stable financial institution.
- To prioritize the clients welfare.
- To emerge as a healthier & stronger bank at the top of the banking sector and continue stable positions in ratings, based on the volume of quality assets.
- To ensure diversification by Sector, Size, Economic purpose & geographical location wise Investment and expansion need based Retail and SME/Women entrepreneur financing.
- To invest in the thrust and priority sectors of the economy.
- To strive hard to become a employer of choice and nurturing & developing talent in a performance-driven culture.
- To pay more importance in human resources as well as financial capital.
- To ensure lucrative career path, attractive facilities and excellent working environment.
- To ensure zero tolerance on negligence in compliance issues both sharia'h and regulatory issues.
- To train & develop human resources continuously & provide adequate logistics to satisfy customers' need.
- To be excellent in serving the cause of least developed community and area.
- To motivate team members to take the ownership of every job.
- To ensure developemnt of devoted and satisfied human resources.
- To encourage sound and pro-active future generation.
- To achieve global standard.
- To strengthen corporate culture.
- To ensure Corporate Social Responsibilities (CSR) through all activities.
- To promote using solar energy and green banking culture and echological balancing.

3.2 Historical Background of SIBL

Founded in 1995, Social Islami Bank Ltd. (SIBL) is the country's leading value-added financial institution based on Shariah' Principles. SIBL comprises of SIBL Securities Ltd, SIBL Investment Ltd, SIBL Foundation Hospital. The three-tier banking model (Formal, Non-formal & Voluntary), the first of its kind in the banking arena of Bangladesh, brings a new dynamism in welfare banking targeting eradication of poverty of the country with a motto of "Working Together for a Caring Society". Working closely with our valued clients and stakeholders to provide them one-stop services, access to the very latest products using technology. Our unrivaled customer services has made us unparalleled in the industry. We build a long-term business partnership with our clients helping them grow profitable.

SIBL always ready to serve you with 4000 employees in 179 branches and 179 subbranches across the country. It has also 356 Agent Banking Outlets to cater financial services to the remotest parts of the Land.

The strong conviction to create a caring society is the cornerstone of SIBL's all activities. We feel a strong affinity to the emotions of people. We believe that only banking activities can't usher our society to a just and equitable stage. Thus we are extensively engaged in CSR activities on humanitarian grounds. We work in the fields such as from poverty eradication to family empowerment. Unlike others, the Bank's criteria for success are not only the key objective to make profit but also landmarks to become the country's most humanitarian and complete Bank.

3.2.1 Mission of SIBL

- Establishing Three Sector Banking Model
- Transformation to a service oriented technology driven profit earning Bank
- Fast, accurate and satisfactory customer service
- Balanced & sustainable growth strategy
- Optimum return on shareholders' equity
- Introducing innovative Islamic Banking Products
- Attracting and retaining high quality human resources

- Empowering real poor families and creating local income opportunities
- Providing support for social benefit organizations by way of mobilizing funds and social services

3.2.2 Vision of SIBL

- Working together for a caring society

3.2.3 Strategic Objectives of SIBL

- To be honest is ordained by the scripture – we stick to this value in all our service provision.
- Remaining transparent in all acts is a virtue that's builds trust - we adhere to it.
- Efficiency implies perfection in any job done - we strive to render full satisfaction with it.
- To be accountable is to be responsible and above any suspicion - we are dutifully there.
- SIBL enhances economic well being with regard to the bliss of religious ethics.
- Our minds and eyes are open to the evolution in quality of life to innovate further benefits for the service takers.
- Flexibility leads to better understanding and greater satisfaction - we pursue the quality.
- Customers must feel secure with all our products and services - we keep on ensuring it.
- Modern life is technology dependent - we keep looking for the latest development to provide the best in ease to our clients.

3.3 Historical Background of AIBL

With the objective of achieving success here & hereafter by pursuing the way directed by Allah and the path shown by His Rasul (SM), Al Arafah Islami Bank Ltd was established (registered) as a private limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the Bank is Tk.15000.00 million and the paid up capital is Tk. 10649.02 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 indigenous shareholders.

The equity of the bank stood at Tk. 2348.32 crore as on 31 December 2018, the manpower was 4247 as on 31 December 2021 and the number of shareholders was 19146 as on 31 December 2021. 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 209 branches of which 25 is AD throughout the country.

3.3.1 Mission of AIBL

- Achieving the satisfaction of Almighty Allah both here & hereafter.
- Proliferation of Shariah Based Banking Practices.
- Quality financial services adopting the latest technology.
- Fast and efficient customer service.
- Maintaining high standard of business ethics.
- Balanced growth.
- Steady & competitive return on shareholders' equity.
- Innovative banking at a competitive price.
- Attract and retain quality human resources.
- Extending competitive compensation packages to the employees.
- Firm commitment to the growth of national economy.
- Involving more in Micro and SME financing.

3.3.2 Vision of AIBL

- To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy.

3.3.3 Strategic Objectives of AIBL

- Ours is a customer focused modern Islamic Banking sound and steady growth in both mobilizing deposit and making quality Investment to keep our position as a leading Islami bank in Bangladesh.
- To deliver financial services with the touch of our heart to retail, small and medium scale enterprises, as well as corporate clients through our branches across the country.
- Our business initiatives are designed to match the changing trade & industrial needs of the clients.

3.4 Historical Background of SJIBL

Shahjalal Islami Bank Limited (SJIBL) commenced its commercial operation in accordance with principle of Islamic Shariah on the 10th May 2001 under the Bank Companies Act, 1991. During these years SJIBL has diversified its service coverage by opening new branches at different strategically important locations across the country offering various service products both investment & deposit. Islamic Banking, in essence, is not only INTEREST-FREE banking business, it carries deal wise business product thereby generating real income and thus boosting GDP of the economy. Board of Directors enjoys high credential in the business arena of the country, Management Team is strong and supportive equipped with excellent professional knowledge under leadership of a veteran Banker Mr. Muhammed Shahidul Islam.

3.4.1 Mission of SJIBL

- Uncompromised quality service and customer care.
- Setting high standards of integrity.
- Inclusive and innovative banking.
- Sustainable value for all stakeholders.
- Continuous development of professionals and system up gradation to face the challenges and drive for excellence.
- System Automation and digitization adopting the state-of art technology with full proof security to ensure fast and accurate customer service.
- Human Resources Development based on morality and et

3.4.2 Vision of SJIBL

- Most admirable brand of shariah banking & investment in Bangladesh ensuring sustainable value for all our stakeholders embodied with human development based on morality and ethics.

3.4.3 Strategic Objectives of SJIBL

- To increase customer base through Shariah based services to clients
- To provide quality services to customers through quality products.
- To set high standards of integrity through social/societal marketing.
- To make quality investment for different market segments.
- To ensure sustainable growth in business.
- To ensure yearly profit target.
- To ensure maximization of Shareholders' wealth.
- To extend our customers innovative services acquiring state-of-the-art technology blended with Islamic principles.

3.5 Historical Background of FSIBL

In the history of lslami Sharia'h based banking system in our country with modern and progressive guidelines; "First Security Islami Bank Limited (FSIBL)" is one of the pioneers. It is a full- fledged sharia'h compliant bank which follows all the Islami rules & regulations. First Security Islaml Bank Ltd. was inaugurated on 25th October, 1999. By considering public demand and justification of the prudent decision of the board & management of our bank, it was converted to a full-fledged Islami bank on 1st January 2009.

"First Security Islami Bank Limited (FSIBL)" is relentlessly working for developing long-term strategic plan to maintain dynamic growth by realizing the changing habit of all types of clients and to become the symbol progressiveness of banking arena of our country. It provides easy access to its broad base of customers throughout the country via multi delivery channels which include branches, Sub-branches, Agent Banking Outlets, ATM booths located nationwide, as well as app. "FSIBL Cloud" based internet banking and Mobile financial Services.

With over two decades of glorious history in contributing to the financial community in Bangladesh with its innovative and entrepreneurial business spirit, “First Security Islami Bank Limited (FSIBL)”is committed to delivering the best customer experience and creating long-term shareholders’ value.

3.5.1 Mission of FSIBL

- To contribute to the socio-economic development of the country.
- To attain the highest level of satisfaction through the extension of services by dedicated and motivated professionals.
- To maintain continuous growth of market share by ensuring quality.
- To ensure ethics and transparency in all levels.
- To ensure sustainable growth and establish full value of the honorable shareholders and

above all, to contribute effectively to the national economy.

3.5.2 Vision of FSIBL

- To be the premier financial institution in the country based on “Islamic Shariah” by providing high quality products and excellence in services backed by latest technology and a team of highly motivated personnel to deliver excellence in Banking Service.

3.5.3 Strategic Objectives of FSIBL

- Employing, retaining local qualified personnel, and continually develop their skills and Expertise to provide banking services and manage operational risks in line with industry best practices. Applying equal opportunity employment principle to encourage personnel to grow within the bank.
- Establishing a set of managerial succession and adopting technological changes to ensure development of an Islamic Bank as a stable financial institution.
- Achieving financial strength and growth, including expanded market share, and generating income for its shareholders through strengthening trust and partnership with our customers and an on-going focus on providing professional and quality customer service.

Chapter-4

Financial Performance Analysis of Islamic Banks of Bangladesh

4.1 Overall Investment Scenario

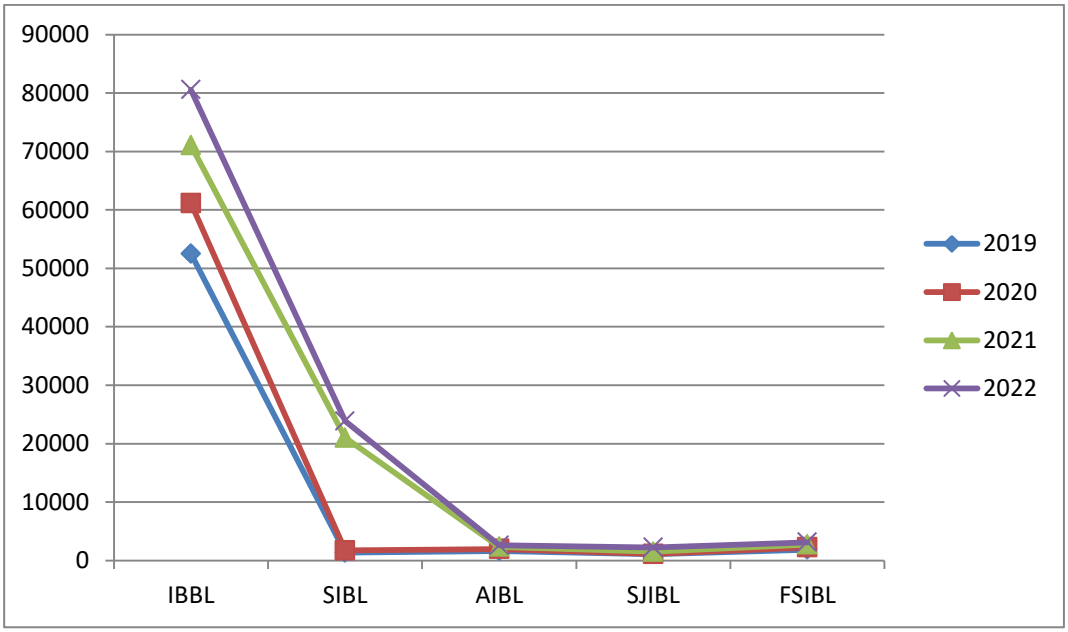
Total Investment scenarios are given below in the following table as we can see the overall investment scenario we can see IBBL become the first position in the investment:

Table 1: Overall Investment Scenario

Banks	YEAR (Figure in million)			
	2019	**2020**	**2021**	**2022**
IBBL	52510	61141	71072	80575
SIBL	1341	1741	21004	23865
AIBL	1625	1965	2359	2618
SJIBL	1098	1127	1521	2248
FSIBL	1872	2258	2733	3114

Source: Annual Reports of respective banks in the year 2019-2022

Figure 1: Overall Investment Scenario



Source: Annual Reports of respective banks in the year 2019-2022

From this analysis of overall investment scenario, we can see that, IBBL achieve the highest of 80575 million in the year 2022, where SJIBL achieve lowest overall investment scenario in year 2022 the lowest 2248 million.

4.2 Profitability Performance

The Profitability ratios analysis is a major indicator for measuring the profitability of a company. These Ratios can be assessed by relating the profit to investment, sales, or to the equity shares. These here we show an analysis

4.2.1 Gross Profit Ratio

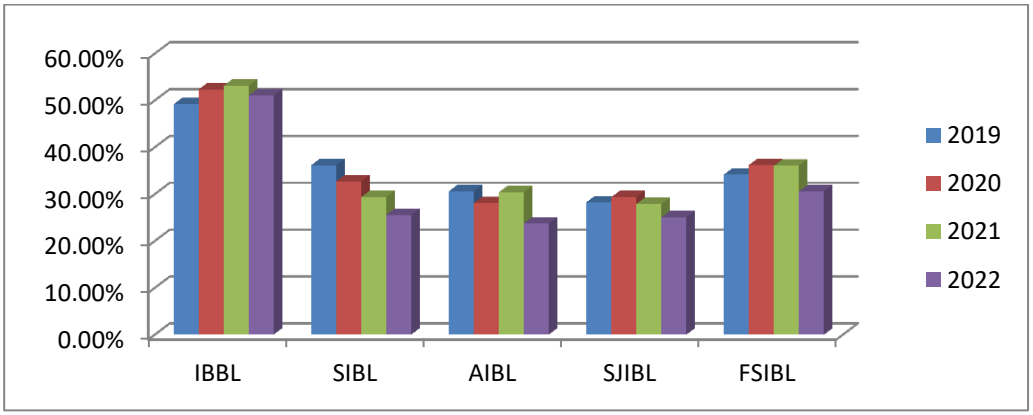
Gross profit ratio is a profitability ratio that shows the relationship between gross profit and total net sales revenue. This is very common tool for assessing the operational performance of an organization. This ratio is quantified by riving the gross profit by net sales amount.

Table 2: Gross Profit Ratio

Banks	2019	2020	2021	2022
IBBL	49.18%	52.33%	53.12%	51.03%
SIBL	36.15%	32.71%	29.35%	25.54%
AIBL	30.57%	28.07%	30.36%	23.73%
SJIBL	28.24%	29.35%	27.88%	25.03%
FSIBL	34.18%	36.22%	36.06%	30.60%

Source: Annual Reports of respective banks in the year 2019-2022

Figure 2: Gross Profit Ratio



Source: Annual Reports of respective banks in the year 2019-2022

The table 2 shows the analysis of gross profit ratio, where we can see that, IBBL achieve the highest of 51.03% in the year 2022, where AIBL achieve lowest Gross Profit Ratio in Year 2022 of 23.73%. If we average & compare the overall Gross Profit Ratio, IBBL is in rank 01.

4.2.2 Return on Equity (ROE)

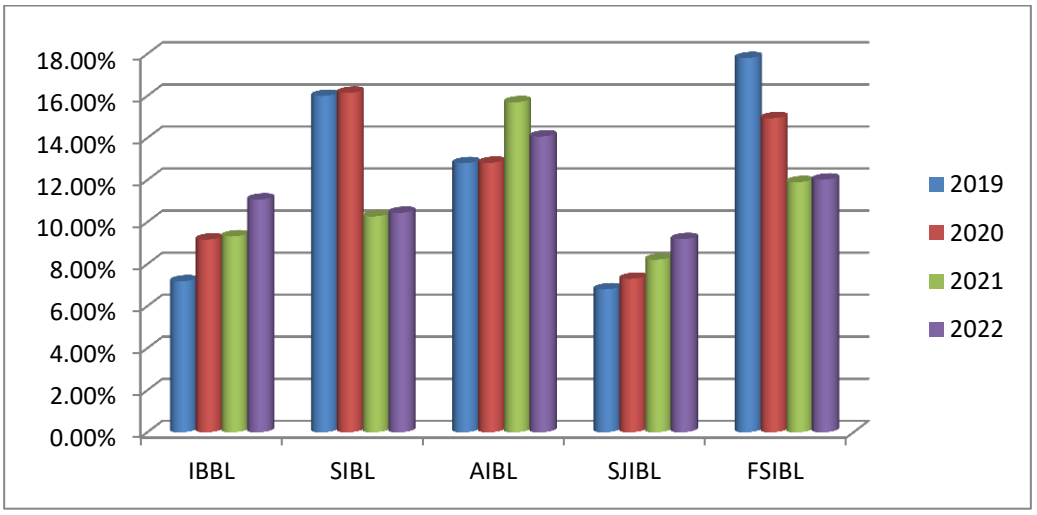
ROE is a profitability measuring technique for a business in compare to the equity, that known also as assets minus liabilities or net assets. ROE is an indicator of how well an organization utilize their funds for generating earnings growth.

Table 3: Return on Equity (ROE) Ratio

Banks	2019	2020	2021	2022
IBBL	7.18%	9.17%	9.32%	11.07%
SIBL	16.00%	16.15%	10.27%	10.44%
AIBL	12.80%	12.82%	15.70%	14.07%
SJIBL	6.80%	7.30%	8.21%	9.19%
FSIBL	17.80%	14.94%	11.90%	12.02%

Source: Annual Reports of respective banks in the year 2019-2022

Figure 3: Return on Equity (ROE) Ratio



Source: Annual Reports of respective banks in the year 2019-2022

From this analysis of table: 3 of Return on equity ratio (ROE) we can see that, AIBL achieve the highest percentage of 14.07% in the year 2022, where SJIBL bank achieve lowest Return on Equity ratio (ROE) in Year 2022 the lowest percentage 9.19%%. If we average & compare the overall Return on equity (ROE), FSIBL is in rank 01 (one).

4.2.3 Return on Assets (ROA)

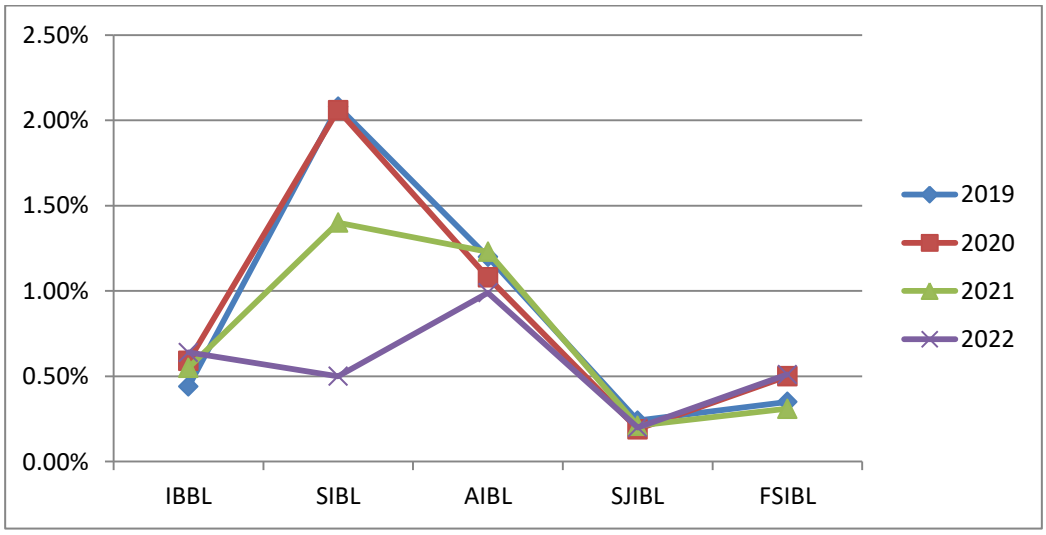
Return on assets is a profitability ratio that provides how much profit a company is able to generate from its assets. ROA is assessed by riving net income by average total asset.

Table 4: Return on Assets (ROA) Ratio

Banks	2019	2020	2021	2022
IBBL	0.44%	0.59%	0.55%	0.64%
SIBL	2.08%	2.06%	1.40%	0.50%
AIBL	1.20%	1.08%	1.23%	0.99%
SJIBL	0.24%	0.19%	0.21%	0.20%
FSIBL	0.35%	0.50%	0.31%	0.51%

Source: Annual Reports of respective banks in the year 2019-2022

Figure 4: Return on Assets (ROA) Ratio



Source: Annual Reports of respective banks in the year 2019-2022

Table:4 presents the Return on Asset ratio (ROA). From this analysis of Return on Asset ratio (ROA) we can see that, AIBL achieve the highest percentage 0.99% in the year 2022, where SJIBL Bank achieve lowest GPR in 2022 the lowest percentage 0.20%. If we average & compare the overall Return on asset (ROA), SIBL is in rank 01 (one).

4.2.4 Earnings per Share

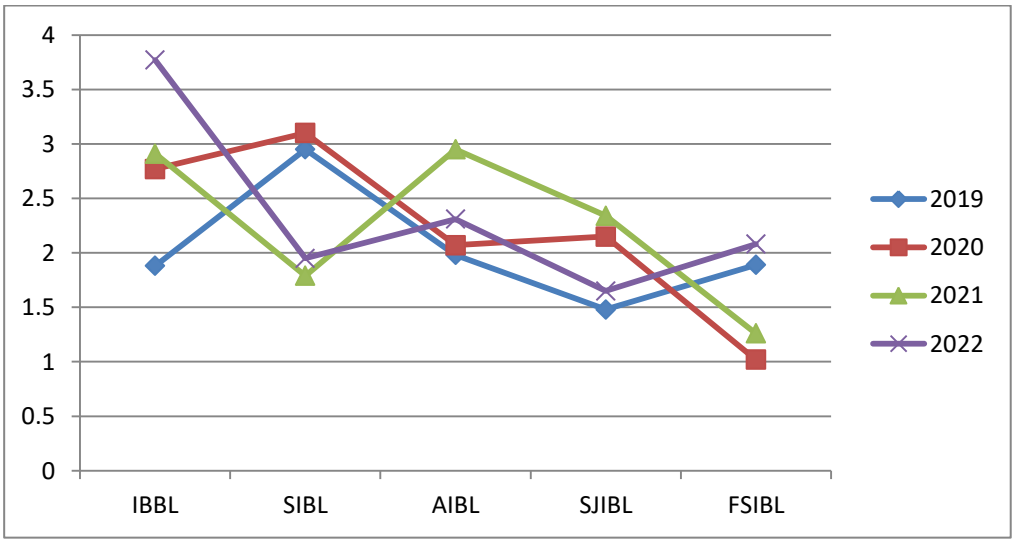
The Earnings per share can be calculated by the formula of profit divided by the number of shares outstanding of a company. EPS shows how much money a company makes for each share of its stock. A higher EPS indicates more value because investors will pay more for a company with higher profits.

Table 5: Earnings per Share

Banks	2019	2020	2021	2022
IBBL	1.88	2.77	2.91	3.77
SIBL	2.95	3.10	1.79	1.95
AIBL	1.98	2.07	2.95	2.31
SJIBL	1.48	2.15	2.34	1.65
FSIBL	1.89	1.02	1.26	2.08

Source: Annual Reports of respective banks in the year 2019-2022

Figure 5: Earnings per Share (EPS)



Source: Annual Reports of respective banks in the year 2019-2022

Table: 5 shows the Earning per share (EPS) we can see that, IBBL achieve the highest value in 3.77 in the year 2022, where SJIBL achieve lowest earning per share (EPS) in Year 2022 the lowest value in 1.65. If we average & compare the overall Earning Per share (EPS), IBBL is in rank 01 (one).

4.3 Liquidity Performance

4.3.1 Current Ratio/Acid Test

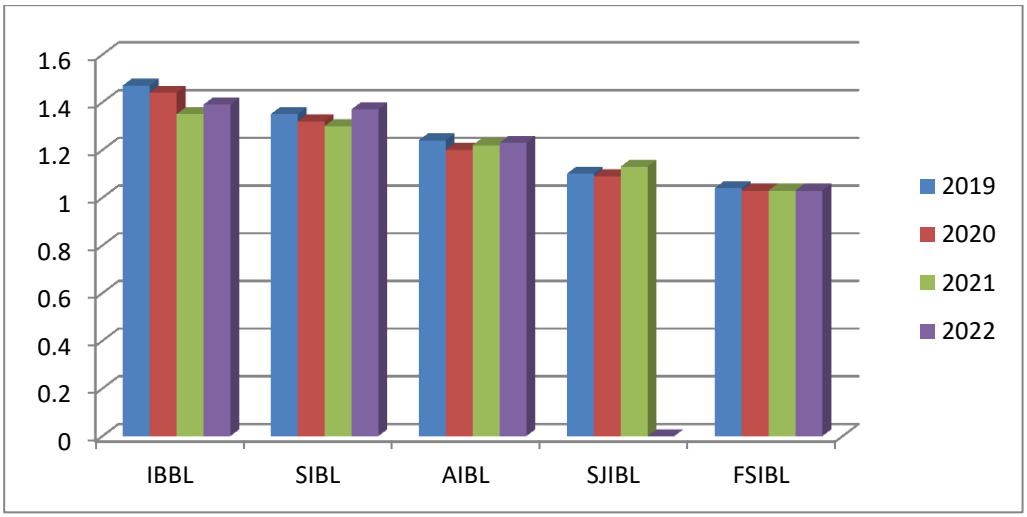
The current ratio is one kind of liquidity ratio which identifies whether an organization has adequate resources to settle its short-term claims. It compares a firm's current assets to its current liabilities, and is calculate by current assets divided by current liabilities. It is probably the best known and most often used of the liquidity ratios, which analysts and investors use to evaluate the firm's liquidity.

Table 6: Current Ratio/ Acid Test

Banks	2019	2020	2021	2022
IBBL	1.47	1.44	1.35	1.39
SIBL	1.35	1.32	1.30	1.37
AIBL	1.24	1.20	1.22	1.23
SJIBL	1.10	1.09	1.13	1.14
FSIBL	1.04	1.03	1.03	1.03

Source: Annual Reports of respective banks in the year 2019-2022

Figure: 6: current Ratio/Acid Test



Source: Annual Reports of respective banks in the year 2019-2022

Table:6 present the analysis of current ratio/Acid Test ratio where we can see that, IBBL achieve the highest ratio in 1.39 in the year 2022, where FSIBL achieve lowest ratio 1.03 in Year respectively in 2022. If we average & compare the overall current ratio/Acid Test Ratio, IBBL is in rank 01 (one).

4.3.2 Capital Adequacy Ratio

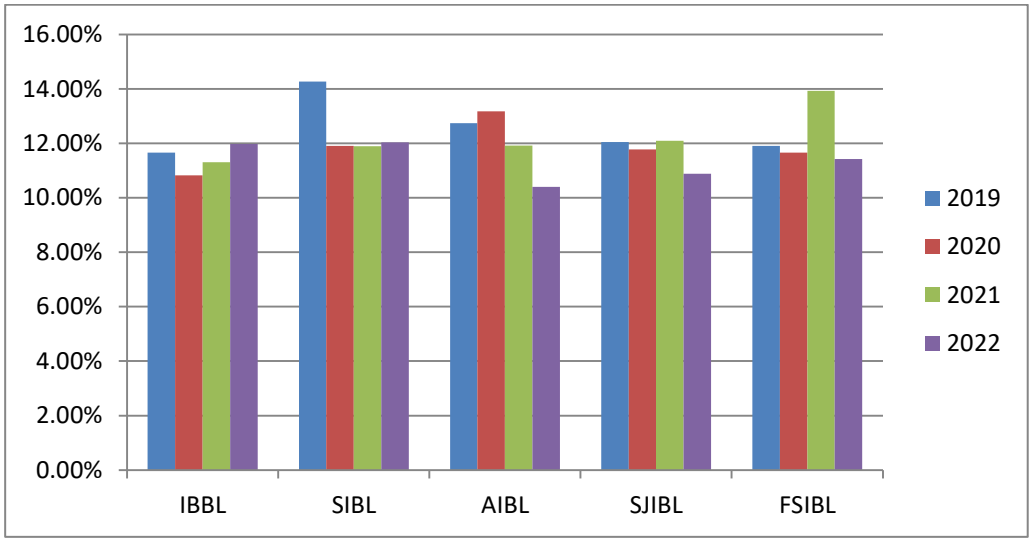
The capital adequacy ratio (CAR) is refers to the available capital of a bank for ensuring the absorption of a notable amount of loss and to meet the legitimate Capital obligations. It indicates the percentage of risk-weighted credit exposures of a bank. CAR is known also as Capital to Risk Assets Ratio, which refers to bank's capital to its risk.

Table 7: Capital Adequacy Ratio

Banks	2019	2020	2021	2022
IBBL	11.66%	10.82%	11.30%	11.97%
SIBL	14.27%	11.90%	11.89%	12.03%
AIBL	12.74%	13.17%	11.92%	10.40%
SJIBL	12.04%	11.77%	12.09%	10.88%
FSIBL	11.90%	11.66%	13.92%	11.42%

Source: Annual Reports of respective banks in the year 2019-2022

Figure 7: Capital Adequacy Ratio



Source: Annual Reports of respective banks in the year 2019-2022

From this analysis of capital Adequacy ratio, we can see that, SIBL achieve the highest percentage of 12.03% in the year 2022, where AIBL achieve lowest capital Adequacy ratio in Year 2022 the lowest percentage 10.40%. If we average & compare the overall capital Adequacy ratio, SIBL is in rank 01 (one).

4.3.3 Cash Reserve Ratio (CRR)

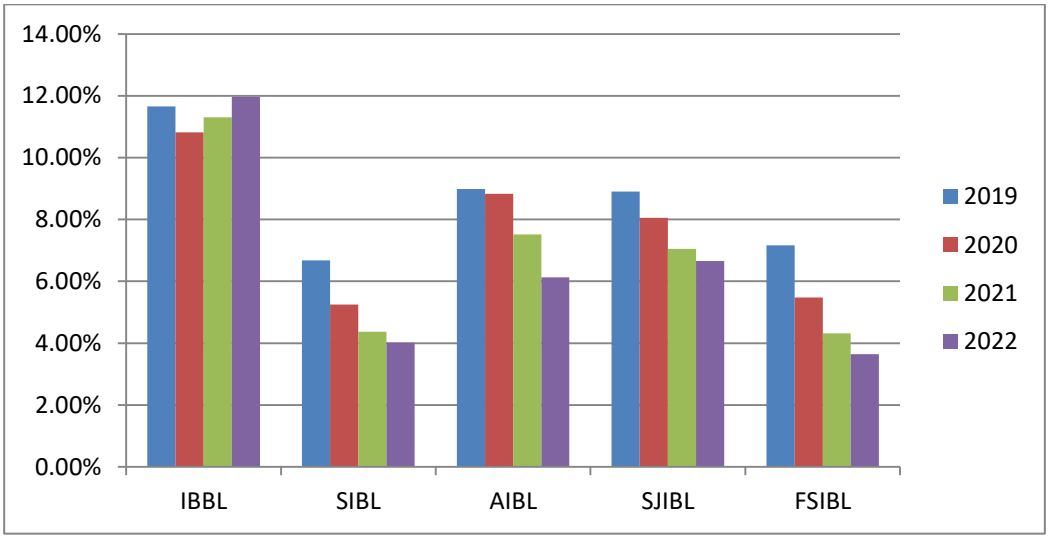
Cash Reserve Ratio (CRR) the reserve requirement of specified minimum fraction of the total deposits that must be held by a commercial bank either in cash or as deposits with central bank.

Table 8: Cash Reserve Ratio (CRR)

Banks	2019	2020	2021	2022
IBBL	11.66%	10.82%	11.30%	11.97%
SIBL	6.68%	5.25%	4.37%	4.02%
AIBL	8.99%	8.83%	7.51%	6.13%
SJIBL	8.90%	8.05%	7.05%	6.66%
FSIBL	7.16%	5.48%	4.32%	3.64%

Source: Annual Reports of respective banks in the year 2019-2022

Figure 8: Cash Reserve Ratio (CRR)



Source: Annual Reports of respective banks in the year 2019-2022

From this analysis of cash reserve ratio, we can see that, IBBL achieve the highest percentage of 11.97% in the year 2022, where SIBL achieve lowest cash reserve ratio in Year 2022 the lowest percentage of 3.64%. If we average & compare the overall cash reserve ratio, IBBL is in rank 01 (one).

4.4 Efficiency Performance

4.4.1 Price Earnings Ratio

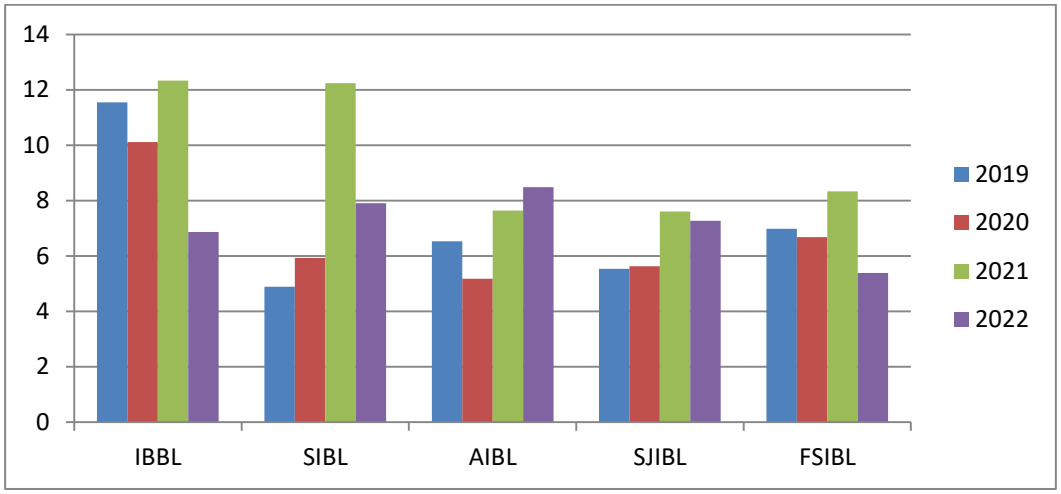
Price-earnings ratio is that the ratio of a company's share price to the company's earnings per share. The ratio is employed for valuing companies and to seek out out whether or not they are overvalued or undervalued. It can be calculated by dividing the market price per share by earnings per share.

Table 9: Price Earnings Ratio

Banks	2019	2020	2021	2022
IBBL	11.54	10.11	12.33	6.87
SIBL	4.89	5.93	12.24	7.90
AIBL	6.53	5.18	7.64	8.48
SJIBL	5.54	5.63	7.61	7.27
FSIBL	6.98	6.68	8.33	5.39

Source: Annual Reports of respective banks in the year 2019-2022

Figure 9: Price Earnings Ratio (Times)



Source: Annual Reports of respective banks in the year 2019-2022

From this analysis of price earnings ratio, we can see that, AIBL achieve the highest ratio in 8.48 in the year 2022, where FSIBL achieve lowest price earnings ratio in Year 2022 the lowest ratio is 5.39. If we average & compare the overall price earnings ratio, IBBL is in rank 01 (one).

4.4.2 Cost of Fund

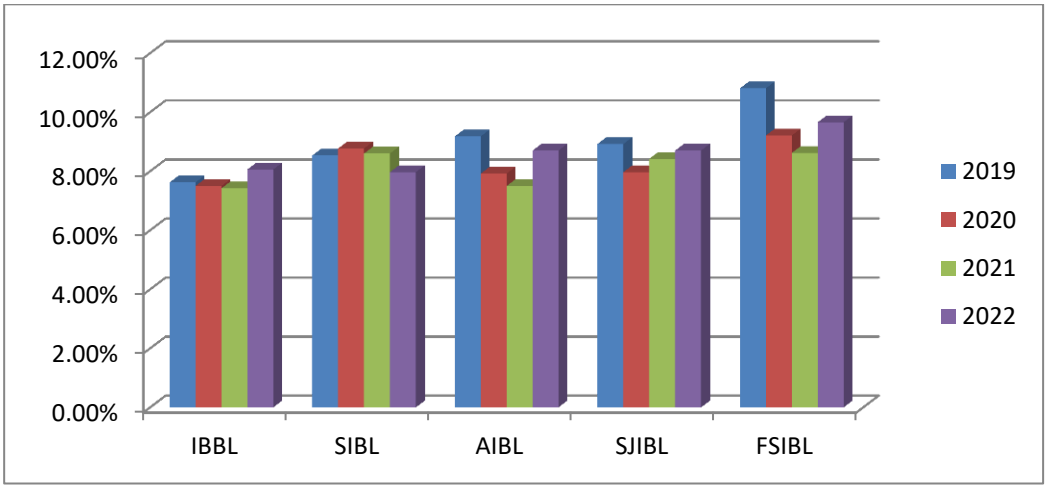
Cost of funds is the interest rate paid by financial institutions for the funds that they use in their business. The spread between the cost of funds and the interest rate charged to borrowers represents one of the main sources of profit for many financial institutions.

Table 10: Cost of Fund

Banks	2019	2020	2021	2022
IBBL	7.62%	7.50%	7.42%	8.06%
SIBL	8.53%	8.77%	8.60%	7.97%
AIBL	9.18%	7.92%	7.50%	8.70%
SJIBL	8.92%	7.97%	8.42%	8.70%
FSIBL	10.81%	9.21%	8.62%	9.66%

Source: Annual Reports of respective banks in the year 2019-2022

Figure 10: Cost of Fund



Source: Annual Reports of respective banks in the year 2019-2022

The Table:10 presents the analysis of cost of fund where we can see that, FSIBL achieve the highest value in 9.66% in the year 2022, where SIBL achieve lowest cost of fund in Year 2022 the lowest value is 7.97%. If we average & compare the overall cost of fund, FSIBL is in rank 01 (one).

4.5 Z-Score Analysis

Simply put, a z-score (also called a regular score) gives you a plan of how removed from the mean an information point is. But more technically it's a measure of how many standard deviations below or above the population mean a raw score is called z score or z test. We use Atman theory to calculate the Z score of selected Islamic Bank in Bangladesh. The formula of z-sore is given below:

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5.$$

X_1 = working capital / total assets

X_2 = retained earnings / total assets

X_3 = earnings before interest and taxes / total assets

X_4 = market value of equity / total liabilities

X_5 = sales / total assets

The scores are given below:

Table 11: Z-Score Analysis

	Coefficient	IBBL	SIBL	AIBL	SJIBL	FSIBL	Calculation
Z1	1.20	0.89	0.47	0.42	0.18	0.32	Total Current Asset-Total Current Liabilities/ Total Asset
Z2	1.40	0.19	0.85	0.19	0.10	0.41	Retained Earnings /Total Asset
Z3	3.30	1.40	2.09	0.19	1.02	0.15	EBIT /Total Asset
Z4	0.60	0.19	0.43	0.33	0.12	0.27	Share outstanding * Market price /Total liability
Z5	1.00	0.06	0.29	0.19	0.02	0.11	Revenue /Total Asset
Z-score		6.13	5.23	3.37	1.66	1.8	Coefficient * respective calculation
Zone		Safe	Safe	Safe	Grey	Grey	IF(Zscore>2.99=Safe " IF(Zscore<1.8 =Distress","Grey"))

Figure 11: Z-Score Analysis

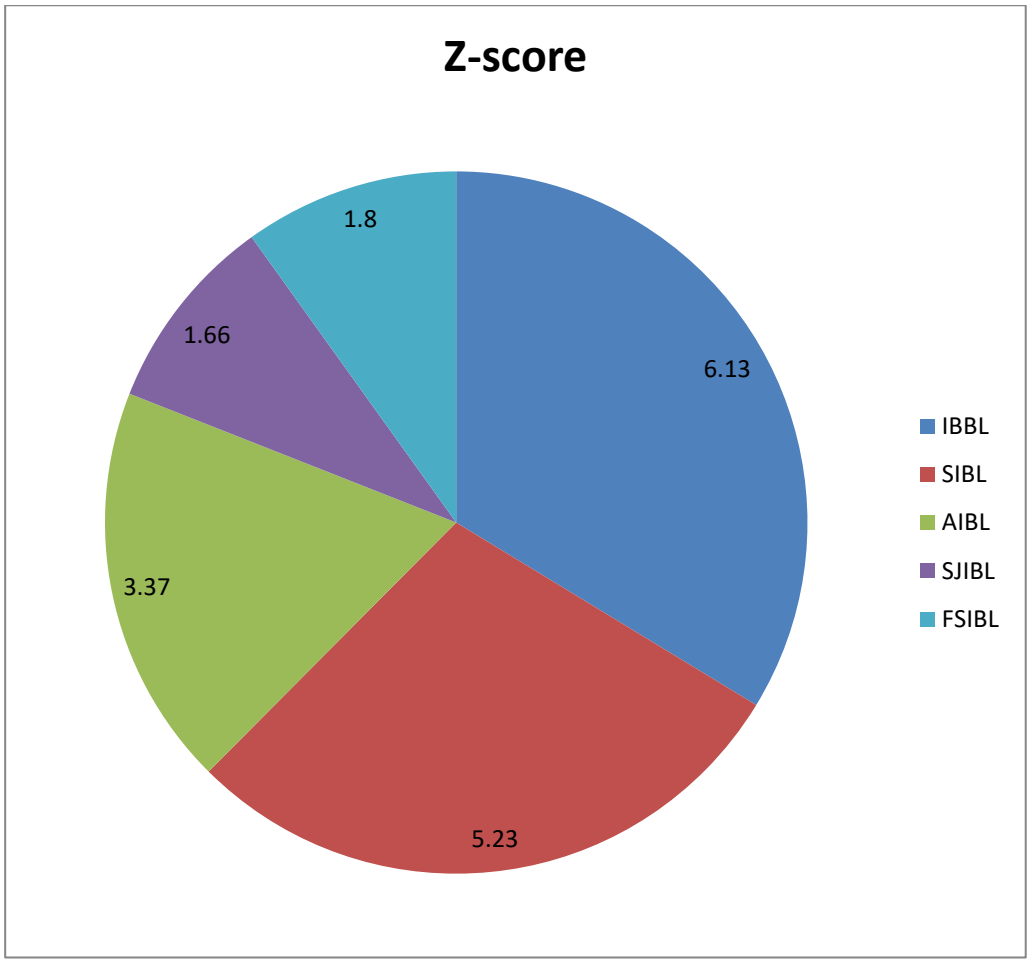


Table: 11 show the Z Score Analysis. Since the z score 0 – 1.8 indicates the company will declare bankruptcy in the future. When z score 1.8 – 3 indicates the company is likely to declare bankruptcy or Distress. And when z score 3+ indicates the company is not declaring bankruptcy or "safe". We can analyze the z score of IBBL, AIBL, SIBL, FSIBL and SJIBL bank then we see IBBL, SIBL and AIBL will not declare bankruptcy in future as result those three bank are safe. And we can see SJIBL and FSIBL will likely to declare bankruptcy or "Distress" "Grey".

Chapter-5

Findings of the Study

5.1 Findings

On the basis of analysis the following findings are observed during the thesis period:

- IBBL should increase their current ratio in terms of increase the current asset and decrease the current liabilities.
- Debt to equity ratio is fluctuating that may increase the risk.
- To decrease the ratio are going to be better for the banks. lucre margin is decreasing so SIBL should attempt to increase the web margin of profit.
- Net profit margin is decreasing so SIBL should try to increase the net profit margin. Net operating margin is decreasing.
- Return on equity is decreasing so Islamic banks should increase the ratio because higher ratio will attract the investor to speculate more.
- Return on deposit is extremely low. Dividend payout ratio of AIBL is 15% which is higher than other Islamic banks.
- Return on asset is incredibly low which isn't good for the banks because it indicates the correct utilization of investor asset.
- The profitability performance is better than past position ROA, ROE, EPS are in increasing trend. AIBL have less focus on its distributional efficiency from all dimensions together with profitability.
- Cost of fund of FSIBL is too high which around 9.66%. CRR of FSIBL is 3.64% which is poor in consideration of other Islamic selective banks.
- From total analysis we can say that IBBL is best among five selective Islamic banks. Others bank should follow IBBL business policy.

Chapter-6

Recommendations and Conclusion

6.1 Recommendations

On basis of this study we want to mention some notable recommendations for selected banks.

- They should decrease the debt to equity ratio will be better for the banks.
- Banks should invest their capital in additional profitable sector by reducing the non-expenses and liabilities.
- Banks should reduce the operating expenses in terms of increase the operating income.
- Islamic banks should increase the online profit that may help to extend the return on deposit.
- FSIBL should increase their CRR. Banks should more careful in digital banking through alternative delivery channel.
- AIBL, SJIBL banks should increase their branch number.
- SJIBL bank should increase of their ATM number. SJIBL Bank should more careful in their deposit mobilization.

6.2 Conclusion

The present world of banking is very challenging. The success of bank is now totally depending upon the factors such as decision making, efficient and cordial services, and maximum use of resources and introduction of new financial products. The practice of Islamic Banking is newly established in Bangladesh; that's why the market share of Islamic banking is incredibly little compared to the non-Islamic banks. This might be the rationale to keep up the less profitability, liquidity and solvency than the traditional banking stream. But Islamic banking stream is trying to make the notice about Sharia compliance (interest free banking) idea which is able to give great advantages within the future to boost the financial performance. Financial sector is playing a significant role to uplift the expansion of economy of a rustic. Thus, the efficient and smooth banking system definitely helps to reduce the financial risk. Hence, to judge the economic condition of a country by performance analysis of bank has always been source of interest for researchers, practitioners and academician. Lastly, it is hoped these two banking streams will enhance their financial performance in the future and earn a worldwide reputation by showing a profitable scenario. Though the past research run on Islamic banks tried to cover all aspects. But most of these researches are not with updated date. In this study, we tried to my level best to cover not only the financial ratios analysis but also cover all over investment scenario and the Z-test analysis as well, when the other research focus one of them.

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