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Islamic Banking in Türkiye and Bangladesh: A Comparative Case Study of Institutional and Banking Practices in the Largest Islamic Banks

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Abstract Türkiye and Bangladesh are both Muslim Majority countries. In both countries, Islamic Banking is growing fast. The proportion of Islamic banking of overall banking in Türkiye is less than that of Bangladesh. This study evaluates institutional and banking practices of the two markets through a comparative case study of respective market leaders- Kuveyt Türk Participation Bank and Islami Bank Bangladesh PLC. The analysis compares ownership structure, Shariah governance, balance sheet composition, Islamic financing modes, and selected financial performance indicators using data of both banks for 2017, 2022, and 2025. The findings reveal notable institutional and operational differences between the two banks. Kuveyt Türk maintained a more liquidity-oriented balance sheet, lower non-performing investment ratios, and stronger profitability, whereas Islami Bank Bangladesh allocated a larger share of its assets to financing activities but experienced significant deterioration in asset quality and profitability by 2025 following governance changes.

Keywords: Islamic Bank, Participation Bank, Kuveyt Türk, Islami Bank Bangladesh, Shariah governance, ownership structure, liquidity.
JEL Classification: G21, G28, Z12.

1 Introduction

1.1 Overview

Türkiye and Bangladesh—both are Muslim majority countries. Both countries have been included in Next-11 countries with fast economic growth rates by Goldman Sachs (Wilson and Stupnytska, 2007). Islamic Banking is growing in both the countries as well. In a recent report, Türkiye and Bangladesh have been ranked as 8th and 10th in the world respectively in terms of Islamic banking assets (ICD and LSEG, 2025). According to that report, as of 2024, Islamic Banking Assets stood at USD 75 billion in Türkiye and USD 50 billion in Bangladesh (ICD and LSEG, 2025). Called as Participatory banking in Türkiye, Islamic Banking market share in Türkiye is 9.2% (TKBB, 2025), whereas Islamic Banking market share in Bangladesh is 29.10% (Bangladesh Bank, 2025). Global Islamic Banking Assets value was USD 4.32 trillion in 2024 and expected to grow to USD 6.897 trillion in 2029 (ICD and LSEG, 2025). Even though both countries have been growing at about the same rate, their financial systems are very different and do not follow the same pattern. Türkiye uses a "Participation Banking" model that is supported by the government and works from the top down. It has a structure for active product innovation, centralized Shariah standardization through the Participation Banks Association of Türkiye (TKBB), and dedicated regulatory integration (BDDK) (TKBB, 2025). Bangladesh, on the other hand, follows a bottom-up, market-driven model based on customer demands (Hassan et al., 2023).

These differences in structure bring up an important empirical question: How do differ-

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ent institutional and banking practices affect bank-level governance, balance sheet structures, and financial performance? To find out more about this process, the study will focus on the largest Islamic Bank in each of these countries. Küveyt Türk is the largest Islamic Bank in Türkiye and Islami Bank Bangladesh Limited is the largest Islami Bank of Bangladesh.

1.2 Objective of the Study

The main objective of this study is to investigate the effect of differences in the institutional and regulatory environment between Türkiye and Bangladesh on the banking practices of the largest Islamic banks in the two countries by means of a comparative case study.

The study intends more explicitly to:

1. Make a comparison of the institutional setups (ownership pattern and Shariah supervision) of the respective leading banks in Türkiye and Bangladesh.
2. Examine banking practices, such as funding strategy, balance sheet structure, and Islamic financing modes used.
3. Evaluate some selective financial performance and risk metrics for selective years.

1.3 Research Questions

The following research questions are assessed in the study:

1. How do the ownership structure and Shariah governance framework of Kuveyt Türk Participation Bank and Islami Bank Bangladesh PLC differ?
2. How do the two banks differ in terms of balance sheet structure, funding composition, and asset allocation?
3. How do the Islamic financing practices adopted by the two banks compare?
4. How do the differences in institutional arrangements and banking practices relate to the financial performance and risk profiles of the two banks?

1.4 Research Gap and Contribution of the Study

While previous research has extensively compared the financial performance and efficiency of Islamic banks, comparatively little attention has been paid to how differences in institutional arrangements translate into different banking practices. In particular, there is limited comparative evidence integrating ownership structure, Shariah governance, funding strategy, asset allocation, Islamic financing methods, and financial performance at the bank level. In addition, past comparative studies did not capture current institutional changes in Türkiye and Bangladesh. This study compares the largest Islamic banks in the two countries using yearly reports and industry data up to 2025.

2 Literature Review on the Growth Factors of Islamic Banking

Islamic banks serve the requirements of Muslims by doing financial intermediary business aiming to maximize profits, like other banks. It is operated based on Islamic Shariah, which prohibits interest and speculation in transactions.

The growth of the Islamic banking industry, both globally and within specific markets like Türkiye and Bangladesh, is driven by a combination of economic, regulatory, technological, and socio- religious factors. A primary driver is the large underbanked Muslim population globally and the rising wealth in OIC countries, often supported by elevated oil prices in which projections suggest global Islamic finance assets could reach USD 9.7 trillion by 2029 (ICD and LSEG, 2025).

The growth factors of Islamic Banking have been studied in many studies. Islamic banking growth is favorably connected with GDP per capita, Muslim population, and economic integration with Middle Eastern nations, according to Imam and Kpodar (2013). It did not think institution quality affected Islamic banking asset growth. In contrast, interest rates are harmful (Imam and Kpodar, 2013). A higher Muslim population, economic prosperity, and sharia in the legal system did not affect Islamic banking expansion, according to another study. Instead, increasing capital resources, stable domestic pricing, a more educated population, and high oil prices boosted Islamic banking growth, whereas country instability hindered it (Cham, 2018).

The sector has been actively promoted by the Turkish government. Strategic papers such as the Presidency's Medium-Term Programme (2025–2027) have sought to position Türkiye as a leader in participation finance through the Istanbul Financial Centre (ICD and LSEG, 2025). Growth has been greatly boosted since 2015 by the creation of public participation banks (Ziraat, Vakıf and Emlak Katılım) as well as digitalization of the banks in which there were 122.8 million active individual digital banking users in 2025 (TKBB, 2025). More recently, the introduction of digital-first participation banks (Hayat Finans, TOM Katılım, and Adil Katılım) targets to promote financial inclusion and service diversity. Moreover, activity in the sukuk market has been providing a critical alternative for liquidity management and sustainable financing for participation banks (TKBB, 2024, 2025). Besides, the growth in GDP and the consumer price index have also been attributed behind participation banks' growth (Salihoglu, 2022).

In Bangladesh, the significant demand for Islamic alternatives in the Muslim majority country has led to tremendous growth of Islamic Banking. The demand has also seen conversion of conventional branches to Islamic streams indicating wide public endorsement (Hassan et al., 2023). The performance of banks like Islami Bank Bangladesh Limited (IBBL), Southeast Asia's first interest-free bank, have also encouraged the growth of Islamic Banking demand and supply (Ahmad and Chowdury, 2020; Hassan et al., 2023).

Despite these factors, certain issues may hinder momentum. Islamic banks face constraints in accessing high-quality liquid assets compared to conventional banks (ICD and LSEG, 2025). Türkiye still lacks a separate "Participation Banking Act," (Islam et al., 2022) and Bangladesh faces issues related to Shariah governance and weak oversight in some full-fledged Islamic banks (ICD and LSEG, 2025). There is also a lack of consistent Shariah regulatory frameworks and standardized accounting norms that link with local norms in both countries (Hassan et al., 2023; Islam et al., 2022).

3 Banking Sector in Türkiye and Bangladesh

3.1 Banking and Islamic Banking Sector Conditions in Türkiye

The banking sector makes up more than 90% of the Turkish financial system (Participation Banks Association of Türkiye (TKBB), 2021). There were 67 banks functioning in the Turkish banking system as of the end of December 2025, of which 37 are deposit banks, 21 are development and investment banks, and 9 are participation banks (TKBB, 2025).

Banking Regulation and Supervision Agency (BRSA) or (BDDK in Turkish) is the regulatory body that "regulates and supervises of activities of all banks, financial holding companies, leasing companies, factoring companies and financing companies." This entity is separate from the Central Bank of the Republic of Türkiye—which is responsible for the "implementation of monetary policy and exchange rate regime to achieve price stability and financial stability, and management and supervision of payment and settlement systems" (Central Bank of the Republic of Türkiye, 2023).

Before the 1980s, Türkiye's banking sector was monopolistic in nature due to dominance of public banks. Early in the 1980s, the economy's liberalization program was put into place, which significantly increased competition in the environment. After 2001, new banking regulations allowed foreign banks and investment banks to participate in Turkish banking industry. In addition, changes in regulations allowed 'Special Finance Houses' to be established in 1983 to provide 'interest-free banking.' In 2005, these 'Special Finance Houses' were rebranded as 'Participation Banks' (?).

The first participation bank in Türkiye (then known as a Private Finance House) was established in 1984 and was named Albaraka Türk. Then, in 1989 and 2005, respectively, Kuveyt Türk and Türkiye Finans were founded. The majority of investors in each of the three participation banks are foreigners.

To enhance the proportion of participation banking in the industry, the government founded Ziraat Katılım, the first public participation bank, in 2015. The same year Vakıf Katılım was founded, it received authorization to run in 2016.

In 2019, a second brand-new public participation bank, Emlak Katılım, entered the sector being created specifically to serve the housing industry. Recently, it was announced that three government-owned participation banks—Ziraat Katılım, Vakif Katılım, and Halk Katılım, which combinedly hold 36 percent in total participation banking assets, will be merged to one bank (Alam, 2026).

3.2 Banking and Islamic Banking Sector Conditions in Bangladesh

Banks in Bangladesh are regulated by Bangladesh Bank (BB)—the Central Bank of Bangladesh. In addition to a number of other non-core tasks, BB carries out all the essential duties of a typical regulator of the financial and monetary systems. Its activities include: "Formulation and implementation of monetary and credit policies, regulation and oversight of banks and non-bank financial institutions, development and promotion of domestic financial markets, management of the nation's foreign reserves, issuance of currency notes, and regulation and oversight of the payment system are among the key functional areas of Bangladesh Bank" (Bangladesh Bank, nd).

Islami Bank Bangladesh Limited was founded in 1983, marking the beginning of Islamic banking in Bangladesh. Al Baraka Bank Ltd., the nation's second Islamic bank, was later founded in 1997. Al-Arafah Islami Bank Ltd. and Social Investment Bank Ltd. received authorization to conduct Islamic Banking business in 1996. Later in May 2001, Shahjalal Islami Bank Limited, then a newly formed bank, started operating. Two conventional banks—Export-Import Bank Ltd. (EXIM Bank) and First Security Bank—were subsequently converted into Islamic financial institutions, and Exim Bank began operating as one in 2004 (Hossan, 2022).

In Bangladesh, there were 10 fully operational Islamic banks functioning with 1659 branches as of the end of December 2025. In addition to full-fledged banks, 17 conventional commercial banks operate Islamic branches (43 total), and 21 conventional banks offer services through Islamic windows (976 total) (Bangladesh Bank, 2025). Although a recent decision to merge 5 full-fledged Islamic Banks (First Security Islami, Social Islami, Union, Global Islami, and EXIM) to one bank will bring the full-fledged Islamic Banks number to 6 (The Daily Star, 2026).

3.3 Banking and Islamic Banking Statistics in Two Countries

3.3.1 Banking and Participation Banking Statistics in Türkiye

Banking Assets The growth of banking and participation banking assets in Türkiye from 2017 to 2025 is presented in Table 1.

As of 2025, Total Banking Sector Assets in Türkiye reached USD 1,097.16 billion (TL 46.95 trillion), up from USD 929.89 billion in 2024, USD 767.88 billion in 2022, and USD 862.75 billion in 2017. Participation Banking assets expanded significantly to USD 101.17 billion (TL 4.33 trillion) in 2025, up from USD 75.70 billion in 2024, USD 63.55 billion in 2022, and USD 42.26 billion in 2017. Consequently, Participation Banking's market share of total banking assets rose to 9.22% in 2025, continuing its upward trajectory from 8.14% in 2024, 8.28% in 2022, and 7.80% in 2021.

Loans (Investments) As of 2025, Total Banking Loans (or Investments in Islamic Banking) in Türkiye reached USD 540.46 billion (TL 23.12 trillion), recovering from USD 405.76 billion in 2022 and expanding relative to the USD 555.81 billion recorded in 2017. Participation Banking Investments grew to USD 42.87 billion (TL 1.83 trillion) in 2025, up from USD 30.97 billion in 2022 and USD 25.76 billion in 2017. In terms of asset composition, Participation Banking accounted for 2.30% of total banking loans/investments in 2025, following 2.80% in 2024, 7.70% in 2023, and 7.60% in 2022. The growth of overall banking and participation banking loans (investments) in Türkiye from 2017 to 2025 is presented in Table 2.

The growth of overall banking and participation banking deposits in Türkiye from 2017 to 2025 is presented in Table 3.

As of 2025, Total Banking Sector Deposits in Türkiye reached USD 636.48 billion (TL 27.23 trillion), expanding from USD 474.41 billion in 2022 and relative to the USD 453.44 billion recorded in 2017. Participation Banking Deposits grew to USD 66.46 billion (TL 2.84 trillion) in 2025, up from USD 47.68 billion in 2022 and USD 27.71 billion in 2017.

In terms of deposit composition, Participation Banking accounted for 10.44% of total banking deposits in 2025, following 9.40% in 2024, 10.18% in 2023, and 10.10% in 2022 (compared to 10.50% in 2021). Participation banking accounts for a higher rate in case of deposits compared to loans or investments.

3.4 Banking and Islamic Banking Statistics in Bangladesh

3.4.1 Loans (Investments)

Overall Banking sector loans (investments for Islamic banking) in Bangladesh have generally been rising over the observed period, despite contractions in dollar terms during 2022 and 2023. By 2025, total Banking sector loans reached USD 147.52 billion, increasing from USD 102.85 billion in 2017. Previously, in 2022, overall loans in USD terms fell 5.1% from the 2021 level, followed by a slight 0.2% dip in 2023, primarily due to the depreciation of the BDT exchange rate, before returning to positive growth in 2024 and 2025. The growth of overall banking sector loans and Islamic banking investments in Bangladesh from 2017 to 2025 is presented in Table 4.

Islamic Banks' contribution to overall sector loans stood at 29.10% in 2025, reflecting a significant long-term rise from 23.80% in 2017, and remaining highly stable near its peak of 29.20% recorded in 2022. Total Islamic Banks' Investment reached USD 42.93 billion in 2025, resuming growth after minor contractions in 2023 and 2024, and up substantially from USD 40.93 billion in 2022 and USD 24.49 billion in 2017.

3.4.2 Deposits

Overall Banking sector deposits in Bangladesh have generally been rising over the observed period, despite consecutive contractions in dol-

Table 1: Assets of Overall Banking and Participation Banking in Türkiye

	Overall Banking				Participation Banking			
Year	**TL**	**Y-o-Y**	**USD**	**Y-o-Y**	**TL**	**Y-o-Y**	**USD**	**Y-o-Y**
2017	3,257.84	19.38	62.75	10.84	160.20	54.26	12.14	4.90%
2018	3,867.43	18.77	34.84	-14.83	207.29	29.13	9.24	-7.15%
2019	4,490.82	16.17	57.99	3.15	284.37	54.47	8.84	226.30%
2020	6,106.44	36.00	826.59	0.04	437.53	53.75	9.26	23.87%
2021	9,215.46	50.96	697.69	-15.59	717.64	64.15	54.42	-8.27%
2022	14,347.39	55.77	767.88	10.06	1,188.00	65.65	63.55	16.88%
2023	23,552.57	64.15	802.14	74.46	2,041.17	71.81	69.35	9.13%
2024	32,667.68	38.70	929.88	615.92	2,659.68	30.30	75.70	9.16%
2025	46,946.80	43.71	1,097.16	17.99	4,327.00	62.69	101.17	33.65%

Note: TL = Turkish Lira billion; USD = US dollar billion; Y-o-Y = year-on-year percentage change. Participation banking share in Türkiye's banking sector was 4.90% in 2017, 5.30% in 2018, 6.30% in 2019, 7.20% in 2020, 7.80% in 2021, 8.28% in 2022, 8.65% in 2023, 8.14% in 2024, and 9.22% in 2025.

Source: TKBB (2021, 2024, 2025); TKBB Bilanço Raporları Arşiv (2026); ICD & LSEG (2025).

Table 2: Loans (Investments) of Overall Banking and Participation Banking in Türkiye

	Overall Banking				Participation Banking			
Year	**TL**	**Y-o-Y**	**USD**	**Y-o-Y**	**TL**	**Y-o-Y**	**USD**	**Y-o-Y**
2017	2,098.79	21.55	55.81	12.49	97.26	28.22	5.76	19.64%
2018	2,395.05	14.14	55.08	-18.11	122.51	15.42	1.33	-17.24%
2019	2,656.74	10.94	48.42	-1.51	135.85	21.22	9.37	5.10%
2020	3,133.55	17.94	424.12	-5.42	222.77	64.30	15.31	57.10%
2021	4,899.70	56.43	370.95	-12.53	336.82	51.22	25.50	-15.46%
2022	7,581.40	54.74	405.76	9.45	578.62	71.83	30.97	21.47%
2023	11,671.70	54.04	397.74	-2.09	905.72	156.53	30.78	80.67%
2024	16,046.50	37.54	457.00	14.91	1,180.53	30.33	33.60	9.22%
2025	23,122.15	44.15	540.46	18.31	1,833.18	55.34	42.87	27.62%

Note: TL = Turkish Lira billion; USD = US dollar billion; Y-o-Y = year-on-year percentage change. Participation banking share in total investments was 4.60% in 2017, 4.70% in 2018, 5.10% in 2019, 7.10% in 2020, 6.90% in 2021, 7.60% in 2022, 7.70% in 2023, 7.80% in 2024, and 8.30% in 2025.

Source: TKBB (2021, 2024, 2025); TKBB Bilanço Raporları Arşiv (2026); ICD & LSEG (2025).

lar terms between 2022 and 2024 (Table 5). By 2025, Banking sector deposits recovered to USD 161.38 billion, increasing from USD 160.43 billion in 2022 and USD 112.81 billion in 2017. Previously, in 2022, overall deposits in USD terms fell 2.3% from the 2021 level (followed by further declines of 0.9% in 2023 and 6.9% in 2024) primarily due to the depreciation of the BDT exchange rate, before rebounding with 9.0% growth in 2025. The growth of overall banking sector deposits and Islamic banking deposits in Bangladesh from 2017 to 2025 is presented in Table 5.

As shown in Table 5, Islamic Banks' contribution to overall deposits stood at 24.38% in 2025, reflecting a long-term rise from 23.10% in 2017, though it has gradually decreased from its peak of 27.90% in 2021 and 25.80% in 2022. Total Islamic Banks' Deposits reached USD 39.34 billion in 2025, resuming positive growth after earlier currency-driven contrac-

Table 3: Deposits of Overall Banking and Participation Banking in Türkiye

	Overall Banking				**Participation Banking**				**Participation**
(lr)2-5(lr)6-9(lr)10-10 **Year**	**TL**	**Y-o-Y**	**USD**	**Y-o-Y**	**TL**	**Y-o-Y**	**USD**	**Y-o-Y**	**Share %**
2017	1,712.23	17.80	453.44	9.40	104.64	28.80	27.71	20.20	6.10
2018	2,037.10	19.00	387.06	-14.60	136.32	30.30	25.90	-6.50	6.70
2019	2,569.13	26.10	433.63	12.00	214.86	57.60	36.27	40.00	8.40
2020	3,456.42	34.50	467.82	7.90	321.89	49.80	43.57	20.10	9.30
2021	5,304.93	53.50	401.63	-14.10	557.38	73.20	42.20	-3.10	10.50
2022	8,861.85	67.10	474.41	18.10	890.89	59.80	47.68	13.00	10.10
2023	14,851.97	67.59	506.13	6.69	1,516.37	70.21	51.53	8.08	10.18
2024	18,903.35	27.28	538.47	6.39	1,778.70	17.30	50.62	-1.77	9.40
2025	27,226.29	44.03	636.48	18.20	2,842.64	59.82	66.46	31.29	10.44

Note: TL = Turkish Lira billion; USD = US dollar billion; Y-o-Y = year-on-year percentage change.
Source: TKBB (2021, 2024, 2025); TKBB Bilanço Raporları Arşiv (2026); ICD & LSEG (2025).

Table 4: Loans (Investments) of Overall Banking and Islamic Banking in Bangladesh

	Overall Banking				**Islamic Banking**				**Islamic**
Year	**BDT**	**Y-o-Y**	**USD**	**Y-o-Y**	**BDT**	**Y-o-Y**	**USD**	**Y-o-Y**	**Share %**
2017	8,444.36	18.40	102.85	15.40	2,011.02	4.12	24.49	16.23	23.80
2018	9,604.62	13.71	113.93	10.80	2,309.07	14.82	27.39	11.82	24.00
2019	10,587.07	10.21	124.99	9.70	2,627.52	13.83	31.02	13.32	24.80
2020	11,449.07	8.11	135.01	8.00	2,940.94	11.91	34.68	11.82	25.70
2021	12,675.61	10.71	147.73	9.40	3,534.48	20.20	41.19	18.82	27.90
2022	13,875.65	9.50	140.16	-5.10	4,052.02	14.60	40.93	-0.62	29.20
2023	15,384.53	10.90	139.86	-0.20	4,449.74	9.80	40.45	-1.20	28.92
2024	17,025.89	10.70	141.88	1.40	4,793.17	7.70	39.94	-1.30	28.15
2025	18,044.23	6.00	147.52	4.00	5,250.71	9.54	42.93	7.52	29.10

Note: BDT = Bangladeshi Taka billion; USD = US dollar billion; Y-o-Y = year-on-year percentage change.
Source: Bangladesh Bank (2025); Islami Bank Bangladesh Limited (2025); ICD & LSEG (2025).

tions, remaining down from USD 41.41 billion in 2022 but up significantly from USD 26.10 billion in 2017. Similar to the broader sector, Islamic deposits had previously decreased in dollar terms from their high of USD 45.82 billion in 2021.

Türkiye's overall banking sector is significantly larger in USD volume than Bangladesh's banking sector, but Bangladesh exhibits a vastly deeper structural penetration of Islamic finance of nearly 30% market share in loans compared to Türkiye's 2.3%. While Türkiye's participation banks capture over 10% of systemic deposits, they only deploy 2.3% of the sector's investments, whereas Bangladesh maintains a balanced 24% and 29% equilibrium between deposit collection and investment deployment.

4 Methodology

4.1 Study Approach

This study adopts a comparative case study approach to examine how institutional environments influence banking practices in the largest Islamic banks in Türkiye and

Table 5: Deposits of Overall Banking and Islamic Banking in Bangladesh

	Overall Banking				Islamic Banking				Islamic
Year	**BDT**	**Y-o-Y**	**USD**	**Y-o-Y**	**BDT**	**Y-o-Y**	**USD**	**Y-o-Y**	**Share %**
2017	9,261.79	10.20	112.81	7.40	2,142.59	5.00	26.10	11.20	23.10
2018	10,099.81	9.00	119.81	6.20	2,373.66	10.80	28.16	7.90	23.50
2019	11,369.80	12.60	134.24	12.00	2,802.28	18.10	33.08	17.50	24.60
2020	12,904.72	13.50	152.18	13.40	3,269.22	16.70	38.55	16.50	25.30
2021	14,093.43	9.20	164.26	7.90	3,931.11	20.20	45.82	18.80	27.90
2022	15,882.54	12.70	160.43	-2.30	4,099.49	4.30	41.41	-9.60	25.80
2023	17,491.91	10.10	159.02	-0.90	4,434.03	8.20	40.31	-2.70	25.35
2024	17,767.52	1.60	148.06	-6.90	4,397.58	-0.80	36.65	-9.10	24.75
2025	19,739.58	11.10	161.38	9.00	4,811.92	9.40	39.34	7.40	24.38

Note: BDT = Bangladeshi Taka billion; USD = US dollar billion; Y-o-Y = year-on-year percentage change.
Source: Bangladesh Bank (2025); Islami Bank Bangladesh Limited (2025); ICD & LSEG (2025).

Table 6: Comparative Analysis of Türkiye and Bangladesh

Indicator	**Türkiye (2017)**	**Türkiye (2025)**	**Bangladesh (2017)**	**Bangladesh (2025)**
Total Sector Deposits (USD Billion)	$453.44	$636.48	$112.81	$161.38
Islamic Bank Deposits (USD Billion)	$27.71	$66.46	$26.10	$39.34
Islamic Bank Share of Total Deposits	6.10%	10.44%	23.10%	24.38%
Total Sector Loans/Invest. (USD Billion)	$555.81	$540.46	$102.85	$147.52

Source: TKBB (2021, 2024, 2025); Bangladesh Bank (2025); ICD & LSEG (2025).

Bangladesh. Case study research designs entail “gathering qualitative (and frequently quantitative) information from a range of sources in order to examine one or more organizations or portions of organizations as well as the features of these contexts” (Baker, 2011; Buchanan et al., 2009). This approach is especially useful to answer questions on how things work in real life scenarios (Baker, 2011).

The comparative case study approach is suitable for this research due to the fact that Islamic banking operations are shaped by Shariah principles, as well as country-specific regulatory frameworks, governance arrangements, market structures, and economic realities. The study is concerned with the largest Islamic bank in each country, therefore providing insights into the effect of these institutional distinctions on banking practices and financial structures.

4.2 Sample Selection

The study will work with two banks, namely:

- **Kuveyt Türk Participation Bank (KT Bank)**, Türkiye
- **Islami Bank Bangladesh PLC (IBBL)**, Bangladesh

The banks were selected because they are the largest and most influential Islamic bank in their respective countries, making them suitable for case study. In the participation banking sector in Türkiye, KT Bank has the largest Investments, having 28.3% (2025) share of investment of the sector (TKBB, 2026). Islami Bank Bangladesh PLC, on the other hand, accounted for 35.92% of the investments among the Islamic banks in Bangladesh (Bangladesh Bank, 2025).

4.3 Data Sources

The study is based on secondary data obtained from publicly available sources. The main sources include the annual reports of KT Bank and IBBL, data from the Banking Regulation and Supervision Agency (BRSA), the Participation Banks Association of Türkiye (TKBB), Bangladesh Bank, ICD & LSEG Islamic Finance Development Indicator (IFDI) report, and other relevant reports. Financial statement information was collected primarily from 2017, 2022, and 2025 annual reports to facilitate comparison over the study period.

4.4 Comparative Analytical Framework

To examine how institutional environments shape banking practices, the comparative analysis is organized into a few analytical dimensions.

Areas that will be compared based on:

- **Ownership Composition:** It will give idea about the owners—especially suggesting composition of local and foreign ownership in the two banks.
- **Shariah Governance:** Shariah governance structure of the countries and banks will be discussed.
- **Characteristics of Assets and Liabilities:** Through analyzing Balance Sheet data, it will be helpful to get idea about different components of Assets and Liabilities and their composition proportion in the balance sheet.
- **Islamic Finance Method Used:** Islamic Finance is based on some transaction contracts approved by Shariah. These are, for example—Murabaha, Ijarah, Musharaka, Mudaraba, etc. The underlying contracts used by the banks will also give idea about operations and risks.
- **Performance Analysis:** Performance analysis comparison will be performed based on Selected Performance Indicators.

5 Analysis and Findings

5.1 Brief Comparison

Table 7 compares the basic information of the two banks. Kuveyt Türk Participation Bank (Turkish: Kuveyt Türk Katılım Bankası) (KT Bank) started operation in March 1989. It currently has 453 branches with total assets of USD 33.4 billion, leading the participation banking sector in Türkiye.

Table 7: Basic Information Regarding Kuveyt Türk and Islami Bank Bangladesh

Feature	Kuveyt Türk Bank	Islami Bank Bangladesh
Established	1989	1983
Headquarters	Istanbul, Türkiye	Dhaka, Bangladesh
Total Assets (2025)	\$33.39 billion	\$19.31 billion
Number of Branches (2025)	453	400
Islamic Finance	Full-fledged Islamic bank	Full-fledged Islamic bank
Shariah Board	Yes	Yes

Source: Kuveyt Türk Participation Bank (2025); Islami Bank Bangladesh PLC (2025).

Islami Bank Bangladesh Limited (IBBL) is Bangladesh's largest commercial bank. Listed in Dhaka Stock Exchange and Chittagong Stock Exchange. The Bank has the largest branch network with 400 branches among Bangladesh's private sector banks.

5.2 Ownership Structure of the Two Banks (2022 and 2025)

Both banks exhibit a combination of domestic and foreign ownership, although their ownership structures differ considerably (Table 8). Kuveyt Türk Participation Bank continues to have a highly concentrated institutional ownership structure, with Kuwait Finance House (KFH) remaining the controlling shareholder (57.81%), followed by the Directorate General of Foundations of Türkiye (24.49%), the Islamic Development Bank (8.36%), and Wafra International Investment Company (8.36%).

Islami Bank Bangladesh PLC's ownership has changed significantly. Public and international institutional ownership has declined, as have local sponsors/directors and foreign directors' shareholdings. The Islamic Development Bank (IsDB), Al-Rajhi Co. for Industry and Trade (Saudi Arabia), Arabsas Travel and Tourist Agency, and other institutional shareholders left the board and the bank's shareholding in 2023 due to ownership restructuring (The Daily Star, 2023). Bangladesh Financial Intelligence Unit (BFIU) reports that S. Alam Group masterminded this transition and forcefully purchased the bank by buying and merging shares through local business fronts and bogus firms (The Business Standard, 2026a). At the reporting date, the Government's registered shareholding was nominal (0.0013%), however the annual report noted that government had sold their portion but not yet reflected in the share register. Thus, the ownership structure in IBBL is undergoing transition.

5.3 Shariah Governance Framework

Both KT Bank and IBBL maintain dedicated Shariah governance structures to ensure compliance with Islamic principles. However, their institutional arrangements differ.

Kuveyt Türk: Operates under a dual-tier framework. At the national level, it complies with the binding rulings of the Participation Banks Association of Türkiye (TKBB) Central Advisory Board (Merkezi Danışma Kurulu) under BDDK/BRSA regulations. At the bank level, its Advisory Board (Danışma Kurulu) reports functionally to the Board Audit Committee and General Assembly. In 2025, KT Bank had 5 members in its advisory board.

In contrast, **IBBL** operates under a bank-level Shariah governance framework governed by Bangladesh Bank's guidelines for Conducting Islamic Banking. Bangladesh does not have a central governance authority for Islamic banks like TKBB of Türkiye. But there is Central Shariah Board for Islamic Banks of Bangladesh (CSBIB), which provides guidance to Islamic banks. So, banks like IBBL mainly depend on its independent Shariah Supervisory Committee (SSC) for Shariah rulings. For IBBL, SSC is composed of 5 members.

5.4 Comparison of Balance Sheet Composition

5.4.1 Balance Sheet of Kuveyt Türk Bank

The consolidated balance sheets (Table **??**) reveal that KT Bank expanded significantly over the study period. Total assets increased from USD 15.19 billion in 2017 to USD 21.61 billion in 2022 and USD 31.57 billion in 2025 at a CAGR of 7.3% and 13.5%, respectively. Despite the growth, asset composition had changed substantially over time. Loans and receivables were the largest asset category, although the ratio decreased from 67.2% in 2017 to 53.76% in 2022 and to 51.36% in 2025.

Table 8: Ownership Structure of Two Banks

Kuveyt Türk	**2022**	**2025**	**Islami Bank Bangladesh**	**2022**	**2025**
Kuwait Finance House (KFH)	62.24%	57.81%	Local Sponsors and Directors	31%	0.18%
General Directorate of Foundations (Türkiye)	18.72%	24.49%	Foreign Directors (Incl: IsDB, Al-Razi Co. (KSA))	22%	0.00%
Wafra International Investment Company, Kuwait	9%	8.36%	Foreign Shareholders	20.2%	17.89%
Islamic Development Bank	9%	8.36%	Local Institutions	17.5%	74.84%
Other shareholders	1.04%	0.98%	Government	0.0013%	0.0013%*
			Public	9.2%	7.25%

Note: * The shares have already been sold by the Government of Bangladesh but no transfer has been made in share register of the Bank.
Source: Annual Reports of Two Banks.

On the other hand, KT Bank's financial assets increased steadily from 29.72% of total assets in 2017 to 44.02% in 2022 and 44.61% in 2025. The financial assets were predominantly cash and cash equivalents, which grew from 21.88% in 2017 to 24.99% in 2022 and 31.96% in 2025. These developments suggest that KT Bank's liquidity position has improved and its portfolio of financial assets has been diversified, with an emphasis on investments. A detailed review of the balance sheet notes reveals the bank has increased its holdings in liquid assets, especially in foreign currency.

The 2017–2025 KT Bank liabilities and capital structure are shown in Table ??. Total liabilities were 92.0%, 92.4%, and 90.0% of total assets in 2017, 2022, and 2025, respectively, funding the bank. The bank's equity position improved in 2025 to 10.0%, from 7.6% of total assets in 2022.

Funds collected or deposits remained the primary source of funding throughout the study period, increasing from USD 10.62 billion in 2017 to USD 21.01 billion in 2025. Their share of total assets also increased from 69.9% in 2017 to 77.3% in 2022 before declining slightly to 66.6% in 2025. Funds borrowed increased from 6.9% to 14.5% of total assets in 2025, diversifying the bank's funding sources. Deeper research of KT Bank's financial filings suggests a higher proportion of demand deposits (61%) and current accounts and short-term participation accounts up to 1 month (30%) in 2025 (Kuveyt Türk Participation Bank, 2025). Such deposits require the bank to hold more liquid assets to cover withdrawals and manage liquidity risk. This funding structure reflects the balance sheet's rising cash and financial asset share between 2017 and 2025.

5.5 Balance Sheet of IBBL

IBBL's 2017–2025 financial sheets are shown in Table ??. Since 2017, the bank's total consolidated assets have grown from USD 10.96 billion to USD 18.57 billion in 2022 and USD 19.31 billion in 2025. The CAGR between 2017 and 2022 was 11.13%, however asset growth slowed in 2022–2025 to CAGR of 1.3%.

Table 11 shows that the majority of assets were investments, accounting for 78.45% in 2017, 79.21% in 2022, and 78.61% in 2025. IBBL consistently had a financing-oriented balance sheet, allocating four-fifths of its assets to Shariah-compliant investments. Cash in hand was the second-largest asset category, rising from 9.29% in 2017 to 6.72% in 2022 and 5.34% in 2025. The bank's investment in shares and securities rose from 4.08% of total

Table 9: Balance Sheet of Kuveyt Türk Bank (USD Million)

2***ASSETS**	**2017**		**2022**		**2025**	
	USD Mn	**%**	**USD Mn**	**%**	**USD Mn**	**%**
I. FINANCIAL ASSETS (Net)	4,514.20	29.72	9,515.40	44.02	14,081.79	44.61
1.1 Cash and cash equivalents	3,323.70	21.88	5,402.10	24.99	10,088.84	31.96
1.2 Financial assets at FVTPL	23.30	0.15	995.80	4.61	856.89	2.71
1.3 Financial assets at FVTOCI	1,167.20	7.68	3,081.10	14.25	2,700.49	8.55
1.4 Derivative financial assets	–	–	36.30	0.17	435.56	1.38
II. LOANS AND RECEIVABLES	10,207.40	67.20	11,620.70	53.76	16,214.22	51.36
III. ASSETS HELD FOR SALE	30.90	0.20	6.30	0.03	46.96	0.15
IV. INVESTMENTS IN ASSOCIATES	11.40	0.07	8.90	0.04	312.41	0.99
V. TANGIBLE ASSETS (Net)	109.80	0.72	88.40	0.41	186.18	0.59
VI. INTANGIBLE ASSETS (Net)	44.60	0.29	28.60	0.13	93.99	0.30
VII. INVESTMENT PROPERTY (Net)	6.70	0.04	8.90	0.04	–	0.00
VIII. CURRENT TAX ASSET	–	–	–	–	–	–
IX. DEFERRED TAX ASSET	36.60	0.24	67.30	0.31	36.25	0.11
X. OTHER ASSETS	227.00	1.49	270.30	1.25	596.40	1.89
TOTAL ASSETS	**15,188.60**	**100.00**	**21,614.80**	**100.00**	**31,568.21**	**100.00**
Exchange Rate: 1 USD						
3.79 TL	**18.69 TL**	**42.83 TL**				

Note: FVTPL = Fair Value Through Profit or Loss; FVTOCI = Fair Value Through Other Comprehensive Income.

Source: Kuveyt Türk Participation Bank Annual Reports (2017, 2022, 2025).

assets in 2017 to 4.97% in 2022 and 8.34% in 2025, diversifying its investment portfolio.

The majority of funding came from total liabilities, comprising 96.96% of total assets in 2025. Customer deposits remained the greatest funding source, rising from USD 9.18 billion in 2017 to USD 14.85 billion in 2025. However, their share of total assets fell from 83.81% in 2017 to 76.92% in 2025. In Bangladesh's Islamic bank business, IBBL held the most deposits. Unlike KT Bank, IBBL depends on longer-term Mudaraba savings and term deposit products, which account for 31% and 40% of total deposits in 2025 (Islami Bank Bangladesh Limited, 2025). The relatively longer term funding base explains the larger proportion of its assets to Investment activities, which accounts for nearly 78% of the total assets.

Another development is the growing use of outside financial institutions. Banks and financial institutions placed 3.25% of total assets in 2017, 10.19% in 2022, and 8.29% in 2025. This shows that IBBL has gradually diversified its liability structure by using interbank placements and other funding sources to expand its balance sheet.

The comparison reveals that funding composition makes the two banks' balance sheets different. KT Bank has more short-term customer funds and diversified wholesale fund-

Table 10: IBBL's Liabilities and Capital (USD Million)

2*LIABILITIES AND CAPITAL	2017		2022		2025	
	USD Mn	**%**	**USD Mn**	**%**	**USD Mn**	**%**
I. FUNDS COLLECTED	10,621.40	69.91	16,707.30	77.32	21,013.32	66.60
II. FUNDS BORROWED	893.70	5.90	1,489.30	6.94	4,566.70	14.50
III. MONEY MARKET BALANCES	198.00	1.30	14.70	0.10	1,097.45	3.50
IV. MARKETABLE SECURITIES ISSUED (Net)	1,491.30	9.80	122.80	0.60	–	–
V. FINANCIAL LIABILITIES AT FVTPL	–	–	–	–	–	–
VI. DERIVATIVE FINANCIAL LIABILITIES	4.00	0.03	9.80	0.05	65.00	0.20
VII. LEASE LIABILITIES	–	–	30.80	0.15	56.27	0.20
VIII. PROVISIONS	209.90	1.40	542.20	2.50	199.64	0.60
IX. CURRENT TAX LIABILITY	14.80	0.10	109.90	0.50	18.66	0.10
X. DEFERRED TAX LIABILITY	–	–	–	–	–	–
XI. LIABILITIES FOR ASSETS HELD FOR SALE	–	–	–	–	–	–
XII. SUBORDINATED DEBTS	358.90	2.40	611.30	2.80	351.35	1.10
XIII. OTHER LIABILITIES	144.00	0.90	330.40	1.50	1,366.66	4.30
TOTAL LIABILITIES	**13,972.00**	**92.00**	**19,968.40**	**92.40**	**28,733.16**	**90.90**
XIV. SHAREHOLDERS' EQUITY	1,216.60	8.00	1,646.40	7.60	2,833.15	9.00
TOTAL LIABILITIES & EQUITY	**15,188.60**	**100.00**	**21,614.80**	**100.00**	**31,568.21**	**100.00**
Exchange Rate: 1 USD						
3.79 TL	**18.69 TL**	**42.83 TL**				

Source: Islami Bank Bangladesh PLC Annual Reports (2017, 2022, 2025).

ing, making its balance sheet more liquidity-oriented. Instead, IBBL invests more customer funds in finance, reflecting a more financial-focused banking model.

5.6 Islamic Finance Modes Used for Investments

Islamic Banking services are based on some underlying contracts from Shariah. Similar contracts can also be found in traditional commercial law with a few deviations in the process. For example, Murabaha is a deferred sale with a specific cost and profit being informed to the buyer. Some relatively traditional contracts based on sale, leasing, and contributory contracts as well as some hybrid contracts build the basis for financing for Islamic banking institutions (Kahf, 2013).

Table 11: IBBL Balance Sheet Composition (USD Million)

2*ASSETS	2017		2022		2025	
	USD Mn	%	USD Mn	%	USD Mn	%
Cash in Hand	1,018	9.29	1,248	6.72	1,032	5.34
Balance with other Banks and FIs	631	5.76	1,164	6.27	927	4.80
Placement with Banks and FIs	–	–	–	–	–	–
Investment in Shares and Securities	447	4.08	923	4.97	1,610	8.34
Investment	8,596	78.45	14,711	79.21	15,177	78.61
Fixed Assets	189	1.72	186	1.00	141	0.73
Other Assets	76	0.70	341	1.84	419	2.17
Non-banking Assets	–	–	–	–	–	–
Total Assets	**10,957**	**100.00**	**18,573**	**100.00**	**19,306**	**100.00**
2*LIABILITIES AND CAPITAL	**2017**		**2022**		**2025**	
	USD Mn	**%**	**USD Mn**	**%**	**USD Mn**	**%**
Placement from Banks and FIs	356	3.25	1,893	10.19	1,600	8.29
Deposits & Other Accounts	9,183	83.81	14,236	76.65	14,851	76.92
Mudaraba Bond	97	0.89	313	1.69	216	1.12
Other Liabilities	682	6.22	1,413	7.61	2,045	10.59
Deferred Tax Liabilities	22	0.20	15	0.08	8	0.04
Total Liabilities	**10,340**	**94.37**	**17,870**	**96.22**	**18,720**	**96.96**
Shareholders' Equity	**617**	**5.63**	**703**	**3.78**	**586**	**3.04**
Total Liabilities & Equity	**10,957**	**100.00**	**18,573**	**100.00**	**19,306**	**100.00**
Exchange Rate: 1 USD						
82.10 BDT	**99.00 BDT 122.31 BDT**					

Source: Islami Bank Bangladesh PLC Annual Reports (2017, 2022, 2025).

5.6.1 Islamic Finance Method of Investments by KT Bank

The distribution of financing by Islamic finance contracts is not disclosed in sufficient detail in Kuveyt Türk Participation Bank's annual reports. Although the bank's Investor Relations Department was contacted, no response was received. Therefore, data published by the Participation Banks Association of Türkiye (TKBB) are used to provide an overview of financing practices within Türkiye's participation banking sector. As Kuveyt Türk is the largest participation bank in the country, accounting for the largest share of financing activities, these sectoral data provide a reasonable indication of the financing practices adopted by the bank.

As shown in Table 12, Murabaha remained the dominant financing contract throughout the study period, accounting for 56.8% of total financing in 2022 and 57.1% in 2025. But the composition of the other financing contracts changed significantly from 2022 to 2025. Wakalah increased from 9.0% to 21.7% in 2025, becoming the second most used mode of financing. Similarly, the share of Ijarah or leasing increased from 7.7% to 13.4%. Mean-

Table 12: Distribution by Islamic Finance Method for Participation Banking Sector (TL Million)

2*Methods	Dec 31, 2022		Dec 31, 2025	
	Investments (TL Million)	**% Proportion**	**Investments (TL Million)**	**% Proportion**
Murabaha	386,364.0	56.8	1,264,509.7	57.1
Musawwamah	48,796.5	7.2	5,515.0	0.2
Salam	291.3	0.0	131.9	0.0
Istijrar	6,697.9	1.0	12,275.4	0.6
Tawarruk	85,436.0	12.6	80,715.2	3.6
Istisna	16,991.6	2.5	44,218.1	2.0
Ijarah	52,159.9	7.7	297,002.5	13.4
Financial Lease	47,899.1	–	267,865.2	–
Operating Lease	516.9	–	1,216.4	–
Service Ijarah	3,743.9	–	27,727.2	–
Misc. Lease	–	–	89.5	–
Partnership	5,692.4	0.8	12,091.9	0.5
Mudarabah	1.1	–	449.1	–
Musharakah	5,194.7	–	11,642.7	–
Venture Capital	496.7	–	–	–
Wakalah	60,909.7	9.0	481,181.1	21.7
Qard e Hasan	16,442.1	2.4	17,822.1	0.8
Total Disbursed Funds	**679,781.3**	**100.0**	**2,215,890.3**	**100.0**

Source: TKBB Online Database.

while, the use of Tawarruq has dropped significantly from 12.6% of total financing in 2022 to 3.6% in 2025. Musawamah, Partnership (Musharakah and Mudarabah), Qard Hasan, and Istisna' continued to account for relatively small proportions of the total financing.

Overall, 2025 data reveal that while Murabaha remains the backbone of participation banking in Türkiye, the sector has gradually diversified its financing portfolio by expanding the use of Wakalah and Ijarah, and reducing the reliance on controversial Tawarruq mode.

5.6.2 Islamic Finance Methods for Investments by IBBL

The table above shows the distribution of Investment by Islamic Finance method by IBBL in 2017, 2022, and 2025 and their proportions. Murabaha is the preferred mode of Investment by IBBL. In 2025, Murabaha accounted for a total of 72.4% (67.7% in 2022 and 60.7% in 2017) of combined investment for local and foreign purposes. The use of Murabaha as a mode of Investment is higher in Bangladesh than Türkiye. The 2nd most preferred mode of Islamic Investment by IBBL is Hire Purchase under Shirkatul Melk (HPSM) (or Musharaka Mutanaqisa)—comprising about 16% of investment in 2025 (19% in 2022 and 25% in 2017).

It is worth mentioning that unlike Türkiye, Islamic banks in Bangladesh do not offer any product based on Tawarruq because most of the Shari'ah scholars in Bangladesh view that Tawarruq is not allowed in the Shari'ah (Abdullah, 2016). Similar to the Islamic Fiqh

Table 13: Distribution of Investment by Islamic Finance Methods by IBBL (BDT)

2*Methods	2017		2022	
	BDT	**%**	**BDT**	**%**
Bai - Murabaha	388,277,723,786	58.1	841,296,289,653	63.4
Bai - Muajjal	46,367,484,501	6.9	90,626,114,176	6.8
Hire Purchase under Shirkatul Melk	153,820,658,414	23.0	238,453,148,471	18.0
Hire Purchase under Shirkatul Melk (HPSM in FC-OBU)	13,508,524,902	2.0	11,288,596,229	0.9
Hire Purchase under Shirkatul Melk (HPSM in FC-GTF)	–	–	2,352,511,331	0.2
Bai-Murabaha Import Bills	3,787,068,477	0.6	14,743,245,102	1.1
Baim- FC Bills	13,230,760,398	2.0	16,511,007,883	1.2
Musharaka	510,659,243	0.1	188,236,382	0.0
Mudaraba	5,000,025,000	0.7	5,000,140,000	0.4
Bai - Salam	10,477,151,297	1.6	19,016,075,613	1.4
Murabaha Foreign Currency Investment	13,597,097,114	2.0	42,741,796,096	3.2
Quard	19,983,396,728	3.0	42,649,571,998	3.2
Investment in Khidmah Card (KC)	171,386,439	0.0	1,776,874,850	0.1
Total	**668,731,936,299**	**100.0**	**1,326,643,607,784**	**100.0**

Source: Islami Bank Bangladesh PLC Annual Reports (2017, 2022).

Academy, some scholars view that only Organised Tawarruq is not allowed.

5.7 Performance Analysis Using Selective Ratios

Table 14 compares selected financial performance and risk indicators of KT Bank and IBBL for 2017, 2022, and 2025.

From the perspective of asset allocation and credit risk, the Investment-to-Asset Ratio indicates that IBBL consistently allocated a larger proportion of its assets to financing activities than KT Bank throughout the study period. The ratio remained relatively stable at around 79% for IBBL, whereas it declined from 63.1% in 2017 to 46.0% in 2022, but recovered slightly to 51.4% in 2025 for KT Bank.

Investment-to-Deposit Ratio (IDR) shows lending strategy disparities. KT Bank's IDR dropped from 90.4% in 2017 to 58.6% in 2022 before rising to 77.2% in 2025, showing a more conservative financing strategy. Conversely, IBBL's IDR rose from 87.8% in 2017 to 102.2% in 2025, indicating excessive investment growth compared to deposit growth, requiring IBBL to depend on other external financing. As such, IBBL had higher credit risk than KT Bank. Resultingly, KT Bank's Non-Performing Investment (NPI) ratio showed stronger asset quality and a more cautious credit risk profile during the study. From 2017 to 2025, KT Bank maintained an NPI ratio of 1.6%–2.2%. Contrastingly, after falling from 3.6% in 2017 to 3.7% in 2022, the NPI ratio of IBBL had a significant increase to reach 49.7% in 2025. It has been reported that a significant number of these assets may have deteriorated

Table 14: Performance Comparison of KT Bank and IBBL

2***Ratios**	**KT Bank**			**IBBL**		
	2017	**2022**	**2025**	**2017**	**2022**	**2025**
Investment to Asset Ratio	63.10%	46.00%	51.36%	78.40%	79.20%	78.61%
Deposit to Asset Ratio	69.80%	78.40%	66.56%	83.80%	76.60%	76.92%
Investment to Deposit Ratio	90.40%	58.60%	77.16%	87.80%	91.60%	102.19%
Return on Assets (ROA)	1.20%	3.70%	2.42%	0.60%	0.30%	0.05%
Return on Equity (ROE)	14.70%	48.90%	27.10%	9.70%	8.90%	1.54%
NPI Ratio	2.20%	1.60%	2.00%	3.60%	3.70%	49.65%

Source: Kuveyt Türk Participation Bank and Islami Bank Bangladesh PLC Annual Reports (2017, 2022, 2025).

earlier, but they were not classified until after additional audits and regulatory scrutiny due to ongoing governance issues, politically induced lending, and weak credit risk management strategies (Sumon, 2025). IBBL made substantial exposure to companies associated with the S. Alam Group. Following changes in ownership and management in 2024, these exposures became a major source of classified investments and provisioning requirements (The Business Standard, 2026b).

KT Bank also performed better than IBBL in profitability. Its Return on Assets (ROA) improved from 1.2% in 2017 to 3.7% in 2022 before moderating to 2.4% in 2025, while Return on Equity (ROE) increased from 14.7% to 48.9% and subsequently adjusted to 27.1% in 2025. In contrast, IBBL experienced a continuous decline in profitability, with ROA decreasing from 0.6% in 2017 to 0.05% in 2025, while ROE fell from 9.7% in 2017 to 1.5% in 2025. The deterioration in profitability for IBBL is consistent with the sharp increase in non-performing investments observed in 2025.

Overall, the comparison indicates that KT Bank maintained a more conservative balance sheet structure with lower financing intensity, stronger liquidity, and better asset quality, resulting in relatively stable profitability. But IBBL allocated a larger share of its resources to financing activities, but the deterioration in asset quality by 2025 adversely affected its profitability and financial performance.

6 Conclusion and Recommendation for Further Research

The study was intended for understanding Islamic Banking scenarios of two upcoming countries through two banking cases, with expected growth in Islamic Banking Assets in coming years. The findings demonstrated that both banks differ considerably in their ownership structure, Shariah governance framework, funding strategy, balance sheet composition, Islamic financing practices, and financial performance.

The analysis demonstrates that KT Bank has a more liquid balance sheet, higher profitability, lower non-performing investment ratios, and a more cautious financing strategy. IBBL nonetheless has a higher proportion of its assets allocated to financing activities, but asset quality and profitability deteriorated significantly by 2025, after governance changes and disclosure of previously impaired investments. The study also points out the institutional contrasts between the two nations, especially in the approach to Shariah governance with Türkiye functioning under a more centralized sectoral structure and Bangladesh depending mostly on the bank-level Shariah governance arrangements.

By integrating ownership structure, Shariah governance, funding strategy, balance sheet composition, Islamic financing practices, and financial performance within a single comparative framework, this study contributes to the literature by providing an updated perspective on how institutional environments shape banking practices in two important Islamic banking markets.

One of the key things will be to ensure proper compliance of Shariah by the institutions. Murabaha remains the dominant financing contract in both countries. In Türkiye, use of impermissible Tawarruq mode has declined between 2022 and 2025 and the use of Wakalah and Ijarah increased, indicating a gradual diversification of financing practices and siding in line with OIC Fiqh Academy fatwa against 'Organized Tawarruq' of banks (Hasan, nd). Alternatively, emulating Türkiye's TKBB model, Bangladesh may establish centralized national Shariah boards. Also, Bangladesh should enforce macroprudential Investment-to-Deposit Ratio (IDR) caps properly and increase liquidity instruments for Islamic banks and develop secondary Islamic liquidity/Sukuk repo facilities.

Drawing experience from IBBL, banks need to act prudently and avoid risky investments in the expected economic slowdown. More liquidity tools and less risky investment may be the way to go along with operation with Shariah compliance and adequate disclosure.

This study focuses on one leading Islamic bank from each country. Although these institutions represent important market participants, the findings should not be interpreted as representative of all Islamic banks operating in Türkiye or Bangladesh. Future studies may include multiple Islamic banks or employ panel data techniques to examine whether the identified institutional differences are consistent across the broader banking sectors. In addition, future study may include corporate governance tools to study the growth of Islamic banking.

Disclosure Statement

Views expressed in this paper are the authors' own and do not necessarily reflect the views of institutions they are affiliated with.

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