QUARTERLY REPORT ON ISLAMIC BANKING IN BANGLADESH

JANUARY-MARCH 2026[1]

Research Department
Islamic Economic Wing
Bangladesh Bank

[1]*Prepared by Research Department (Islamic Economic Wing), Bangladesh Bank (The Central Bank of Bangladesh). Feedbacks/Comments are welcome and can be sent to: Mr. Md. Syedul Islam, Director, (e-mail: syedul.islam@bb.org.bd), Mr. Tarek Aziz, Additional Director (e-mail: tarek.aziz@bb.org.bd), Mr. Shah Md. Sumon, Joint Director (e-mail: sm.sumon@bb.org.bd) and Mr. Md. Alamin, Deputy Director (e-mail: md.alamin962@bb.org.bd).*

QUARTERLY REPORT ON ISLAMIC BANKING IN BANGLADESH

JANUARY-MARCH 2026

Executive Editor

Dr. Md. Sakhawat Hossain

Executive Director (Research)

Editor

Mr. Md. Syedul Islam

Director (Research)

Analysts and Contributors

Mr. Tarek Aziz

Additional Director (Research)

Mr. Shah Md. Sumon

Joint Director (Research)

Mr. Md. Alamin

Deputy Director (Research)

Highlights of the Quarterly Report on Islamic Banking in Bangladesh January-March 2026

Total Deposits	Deposits of Islamic banking system stood at BDT 4799.35 billion at the end of March 2026 with a decrease of BDT 12.56 billion (or 0.26 percent) as compared to BDT 4811.92 billion at the end of December 2025. It was higher by BDT 369.73 billion (or 8.35 percent) as compared to the same quarter of the last year. Islamic banks' deposits share was accounted for 23.62 percent of total deposits of the entire banking sector during the reporting period.
Total Investment	As of end March 2026, Investment (loans & advances) of Islamic banking system stood at BDT 5268.89 billion with an increase of BDT 18.18 billion (or 0.35 percent) as compared to BDT 5250.71 billion at the end of December 2025. It was also higher by BDT 244.17 billion (or 4.86 percent) as compared to the same quarter of the last year. Investment share of Islamic banks was reported 29.09 percent of the whole banking sector as of end March 2026.
Investment-Deposit Ratio	Investment-Deposit Ratio (IDR) of the Islamic banks stood at 0.90 (excluding EDF and refinance) as of end March 2026 which was 0.94 at the end of December 2025.
Excess Liquidity	Excess liquidity in Islamic banks decreased by BDT 1.88 billion and stood at BDT 192.04 billion at the end of March 2026 from BDT 193.92 billion of end December 2025. However, it was higher by BDT 129.98 billion than that of the same period of the last year.
Exports	Export receipts by Islamic banks decreased by 3.84 percent to BDT 303.21 billion during January-March quarter of 2026 as compared to previous quarter.
Imports	Import payments by Islamic banks decreased by 11.51 percent to BDT 415.96 billion during January-March quarter of 2026 as compared to previous quarter.
Total Remittances	Remittances mobilized by Islamic banks stood at BDT 250.11 billion during January-March quarter of 2026 which was lower by 9.18 percent as compared to the previous quarter.
Branches and Windows	Number of branches of Islamic banks including Islamic branches of conventional banks increased to 1749 at the end of March 2026. However, number of Islamic banking windows remained unchanged at 976 as of end March 2026.
Manpower	Total employment in the Islamic banking increased to 48,935 at the end of March 2026 from 47,460 at the end of December 2025, although it remained lower than 52,231 recorded at the end of March 2025.

Contents

List of Figures

Quarterly Report on Islamic Banking in Bangladesh: January-March 2026

Islamic banking has emerged as one of the most rapidly growing sectors of the global financial system, driven by its ethical foundation, risk-sharing principles, and Shariah-compliant financing framework. In Bangladesh, the sector has expanded steadily with strong regulatory support and rising public demand, contributing significantly to deposit mobilization, investment financing, remittance inflows, employment generation, and sustainable finance.

As of March 2026, Islamic banking accounted for a substantial share of the country's banking industry, underscoring its growing importance. Despite facing liquidity and governance challenges, the sector remains resilient, supported by ongoing reforms to strengthen institutional stability and public confidence.

Table-1: Number of Islamic Banks, Branches and Windows

SL	Full-fledged Islamic Banks	No. of Branch	Conventional Banks having Islamic Branches	No. of Branch	Conventional Banks having Islamic Windows	No. of Window
1	Islami Bank Bangladesh PLC	400	Prime Bank PLC	5	NRBC Bank PLC	410
2	Al-Arafah Islami Bank PLC	226	Southeast Bank PLC	5	Agrani Bank PLC	60
3	First Security Islami Bank PLC	206	Bengal Commercial Bank PLC	3	City Bank PLC	60
4	Social Islami Bank PLC	181	Pubali Bank PLC	14	United Commercial Bank PLC	100
5	EXIM Bank PLC	155	Dhaka Bank PLC	2	Sonali Bank PLC	58
6	Shahjalal Islami Bank PLC	142	Premier Bank PLC	2	Mercantile Bank PLC	45
7	Standard Bank PLC	138	Jamuna Bank PLC	2	Trust Bank PLC	30
8	Union Bank PLC	114	One Bank PLC	2	NRB Bank Limited	28
9	Global Islami Bank PLC	105	Bangladesh Commerce Bank Limited	2	Premier Bank PLC	25
10	ICB Islamic Bank Limited	33	City Bank PLC	1	Pubali Bank PLC	22
11			AB Bank PLC	1	Eastern Bank PLC	20
12			Bank Al-Falah Limited	1	Mutual Trust Bank PLC	15
13			NRB Bank Limited	1	One Bank PLC	24
14			United Commercial Bank PLC	1	Meghna Bank PLC	10
15			National Credit & Commerce Bank PLC	4	SBAC Bank PLC	10
16			Mercantile Bank PLC	2	Bank Asia PLC	15
17			IFIC Bank PLC	1	Rupali Bank PLC	2
18					Standard Chartered Bank	1
19					Midland Bank PLC	1
20					AB Bank PLC	8
21					National Credit & Commerce Bank PLC	32
22					Janata Bank PLC*	
Total	**10**	**1700**	**17**	**49**	**21**	**976**

Sources: Respective Banks.
Note: *Janata Bank PLC is permitted to start Islamic banking window operation, but not started yet.

1. Brief Overview

There are 10 full-fledged Islamic banks in Bangladesh operating with 1700 branches amongst total 11422 branches in the whole banking system up to March 2026. In addition to that, 49 Islamic banking branches of 17 conventional commercial banks and 976 Islamic banking windows of 21 conventional commercial banks are also providing Shariah financial services (Table-1). Basic information on Islamic banking sector is provided in Appendix.

1.1: Developments of Islamic Banking in Bangladesh

As of end March 2026, Islamic banking sector represents 23.62 percent share in terms of deposits in the total banking industry while it accounted for 29.09 percent share in terms of investments. During the January-March quarter of 2026, remittance share by Islamic banks among entire banking network was recorded 20.54 percent, and Islamic banking also contributed to the total agricultural credit with a share of 18.74 percent (Table 2).

Table-2: Performances of Islamic Banking Compared to All Banks in Bangladesh

(In Billion BDT)

Items	End March 2026P			End December 2025
	All banks	Islamic banking*	Share of Islamic banking among all banks (percent)	Share of Islamic banking among all banks (percent)
	1	2	3=(2/1×100)	4
Total deposits	20320.37	4799.35	23.62	24.38
Total investment (loans & advances in conventional banking system)	18110.11	5268.89	29.09	29.10
Remittances	1217.37	250.11	20.54	25.97
Total excess liquidity	3859.92	192.04	4.98	6.22
Total number of bank branches	11422	1749&	15.31	15.23
Total agricultural credit	95.91	17.98	18.74	12.25

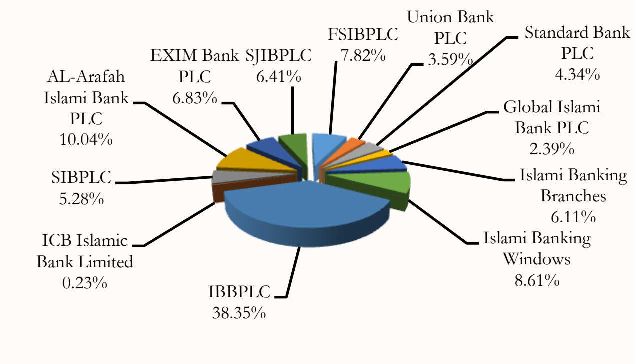
Source: ACD, BRPD, MPD and Statistics Department of Bangladesh Bank.
Note: Stock figures are provided on end period basis; Remittances and Total agricultural credit data reported during the quarter.
*= Islamic banking includes full-fledged Shariah banks, branches and windows of the Conventional banks,
&= Total number of branches include Islamic banking branches of the Conventional banks, P=Provisional.

2. Deposits Mobilization

Total deposits of Islamic banking stood at BDT 4799.35 billion at the end of March 2026 with a decrease of BDT 12.56 billion or 0.26 percent as compared to BDT 4811.92 billion at the end of December 2025. Bangladesh deposit market for Islamic banks is highly concentrated with Islami Bank Bangladesh PLC holding the largest share (38.35%) and playing a dominant role in the sector. Al-Arafah Islami Bank PLC follows with 10.04%, while First Security Islami Bank PLC, EXIM Bank PLC, and Shahjalal Islami Bank PLC maintain moderate shares [Chart-1].

Islamic banking branches and windows of conventional banks also contribute a considerable portion of the deposits, implying growing competition in the market. On the other hand, small-scale banks like Global Islami Bank PLC and ICB Islamic Bank Limited hold trivial shares. Overall, Chart-1 reflects a strong market concentration where depositor trust and institutional scale play a major role in deposit mobilization.

Chart-1: Share of Deposits of all Islamic Banks (End March 2026)

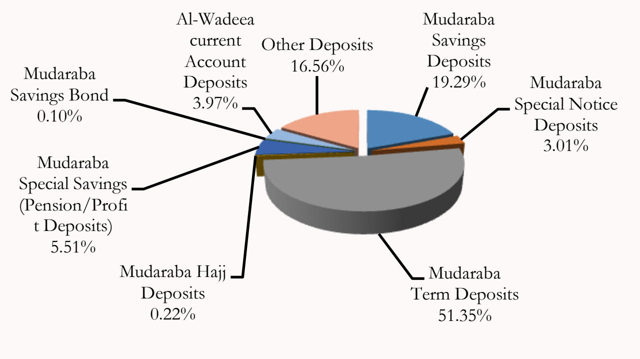


Source: Respective Banks

2.1: Types of Deposits

Mudaraba Term Deposits topped the Islamic deposit structure, representing 51.35% of the total deposits. This indicates a stronger customer preference for relatively higher returns by fixed-term deposits. The trend is followed by Mudaraba Savings Deposits (19.29%) and Other Deposits (16.56%). Overall, the deposit composition suggests that Islamic banking relies heavily on long-term profit-oriented deposits, which may improve fund stability but could also increase withdrawal pressure during liquidity stress [Chart-2].

Chart-2: Types of Deposits (End March 2026)



Source: Respective Banks

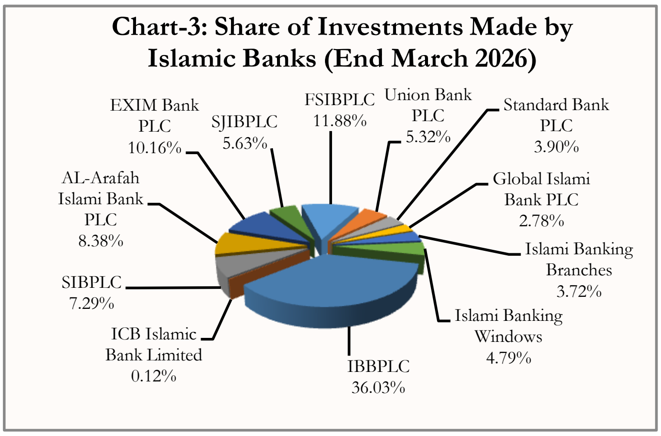
3. Investments

Total investment or financing[2] of Islamic banking system stood at BDT 5268.89 billion at the end of March 2026 which was BDT 5250.71 billion at the end of December 2025 and BDT 5024.72 billion at the end of March 2025. Of total investment amount, 91.49 percent was materialized by 10 full-fledged Islamic banks, 4.79 percent by the Islamic banking windows of conventional banks and the remaining 3.72 percent by the Islamic banking branches of conventional banks.

As per the recent data, IBBPLC holds the dominant position in the market (36.03% share), followed by FSIBPLC (11.88%) and EXIM Bank PLC (10.16%). Al-Arafah Islami Bank PLC and SIBPLC account for (8.38%) and (7.29%) respectively, emerging in the mid-range group, whereas SJIBPLC and Union Bank PLC contribute lower portion (5.63%) and (5.32%) separately.

[2] loans and advances in case of conventional banking.

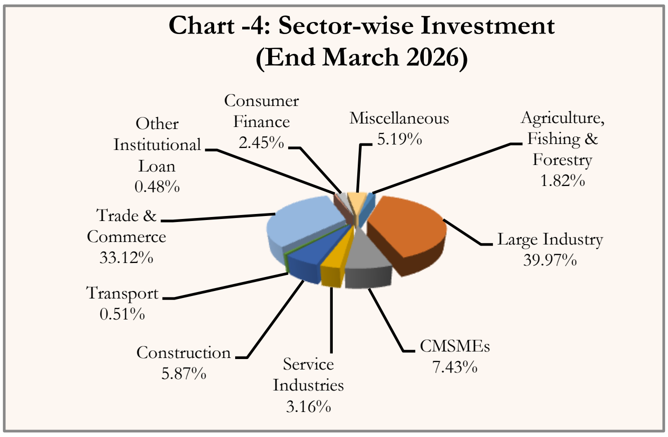
In comparison, Standard Bank PLC (3.90%), Islami Banking Branches (3.72%), Global Islami Bank PLC (2.78%), and Islami Banking Windows (4.79%) represent relatively smaller shares. ICB Islamic Bank Limited has the lowest share at just 0.12%. In summary, the distribution shows a clear concentration of financing among a few leading banks, while the remaining banks contribute comparatively smaller portions [Chart-3].



Source: Respective Banks

3.1: Sector-wise Investment

In terms of sector-wise investment distribution, a substantial concentration is evident in two major sectors: Large Industry holds the highest share at 39.97%, then Trade & Commerce at 33.12% (together 73.09% of the total). The remaining 27% is spread across comparatively smaller sectors, such as CMSMEs at 7.43%, Construction at 5.87%, Miscellaneous investments at 5.19%.



Source: Respective Banks

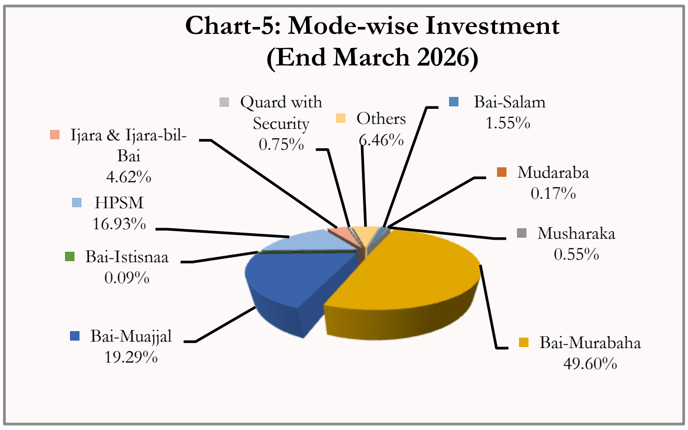
Lower allocations are observed in Service Industries (3.16%), Consumer Finance (2.45%), and Agriculture, Fishing & Forestry (1.82%). Meanwhile, Transport (0.51%) and Other Institutional Loans (0.48%) receive limited investment focus. The distribution reflects a strong preference for industrial and trade finance, while concentrating less on more inclusive and employment generating CMSMEs [Chart-4].

3.2: Mode-wise Investments[3]

In Islamic banking system, the term 'Mode' refers to the various Shariah permissible contracts or arrangements through which Islamic financial transactions are conducted. As of available data up to end March 2026, mode-wise investment analysis revealed that the highest investment was made through Bai-Murabaha mode (49.60%), followed by Bai-Muajjal (19.29%), HPSM (16.93%), Ijara & Ijara-bil Bai (4.62%).

[3] In literature, Islamic financing modes are categorized into four primary functional types: Sale-based Bai modes, Partnership-based PLS modes, Lease ownership Ijara modes, and Qard-based Loan.

Comparatively lower investment was made through Bai-Salam (1.55%), Quard with Security (0.75%), Musharaka (0.55%), Mudaraba (0.17%), Bai-Istisna (0.09%) and Others (6.46%). This distribution reveals a major concern for Islamic banks, which is the persistently low concentration in Shariah-authentic PLS modes (Musharaka and Mudaraba) and likely to adopt more of buy-sale based mechanisms [Chart-5].



Source: Respective Banks

3.3: Investment in the Agricultural Sector

Islamic banking system has made significant contributions in financing different sub-sectors of agriculture and rural credit programs. At the end of the March 2026 quarter, agricultural investment by Islamic banks stood at BDT 17.98 billion which was higher by BDT 2.64 billion and BDT 3.68 billion respectively as comparing with the previous quarter and the corresponding quarter of the last year. A summary of investments in agricultural sector by Islamic banking is shown in Table-3.

Table-3: Summary of Investment in Agricultural Sector

(In Billion BDT)

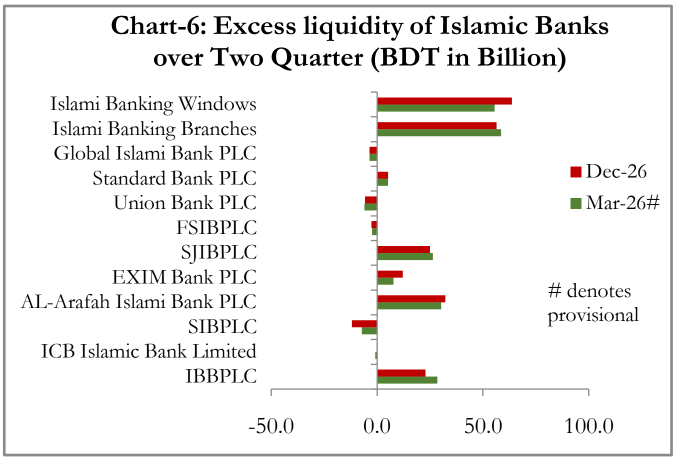
Period	Investment in Agricultural Sector					
	Investment Target	Actual Investment	Target Achieved (%)	Recovery	Outstanding Investment	Overdue Investment
1	2	3	4	5	6	7
End March 2026P	19.25	17.98	93.37	14.77	68.25	6.80
End December 2025	19.44	15.34	78.90	15.63	65.65	6.48
End March 2025	23.75	14.29	60.20	13.48	62.88	4.11
Quarterly Changes	-0.19	2.64	14.46	-0.86	2.60	0.32
Annual Changes	-4.49	3.68	33.17	1.29	5.37	2.69

Source: Islamic banks, branches and windows of conventional banks. P= Provisional.

4. Liquidity Situation

Bangladesh's Islamic banking sector has faced tremendous liquidity pressure, primarily due to declining public trust, weakened asset quality, and limited Shariah-compliant short-term liquidity management instruments. In response to the recent deposit withdrawals pressure in the sector, Bangladesh Bank has provided emergency liquid support to several Islamic banks and has focused on initiative for the establishment of an Islamic interbank money market to attain stability in the financial system.

As per the data, excess liquidity of Islamic banks stood at BDT 192.04 billion at the end of March 2026, of which full-fledged Islamic banks, Islamic banking branches and windows of conventional banks had BDT 77.92 billion, 58.62 billion and 55.50 billion respectively. However, quarter-wise comparisons depict a downward liquidity condition in Islamic banking system [Chart-6].

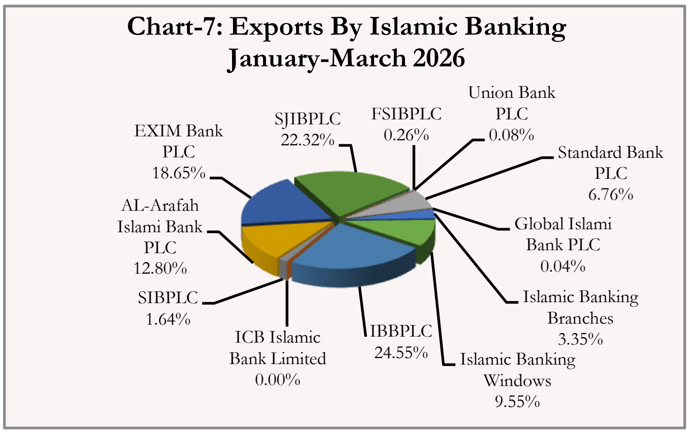


Source: Respective Banks

5. Foreign Trade and Remittance Mobilization

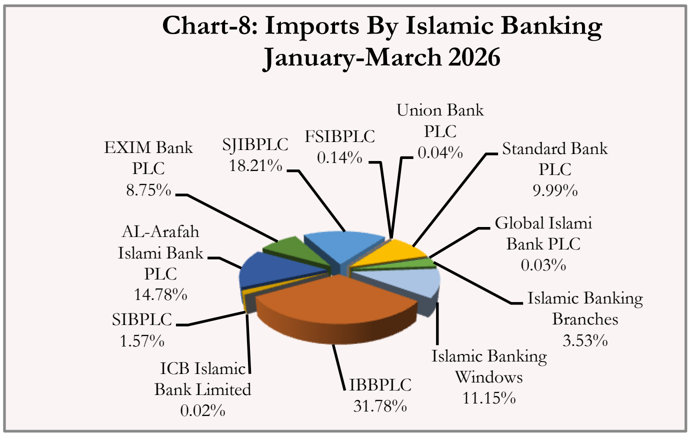
5.1: Exports

Export receipts by Islamic banks stood at BDT 303.21 billion during January-March quarter of 2026, showing concentrated among a few major banks. For instance, IBBPLC had the largest share 24.55 percent, followed by SJIBPLC 22.32 percent, EXIM Bank PLC 18.65 percent, and AL-Arafah Islami Bank PLC 12.80 percent. Mentionable, top four banks collectively contributed more than three-fourths of total exports under the Islamic banking system [Chart-7].



5.2: Imports

Import payments by Islamic banks stood at BDT 415.96 billion during the same period. The distribution reveals significant concentration among a few key institutions. To illustrate, IBBPLC recorded the largest share 31.78 percent, followed by SJIBPLC 18.21 percent, AL-Arafah Islami Bank PLC 14.78 percent. Together, the three banks accounted for almost two-thirds of total imports [Chart-8].

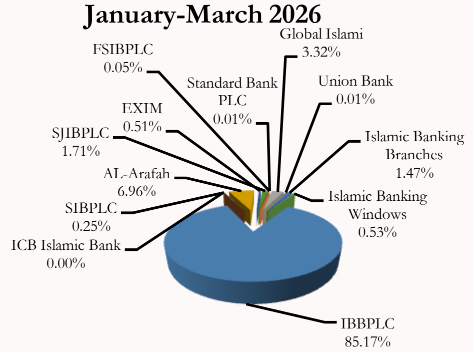


Source: Respective Banks

5.3: Remittance Mobilization

Islamic banks contributes notably in mobilizing remittance inflows' among the beneficiaries, and substantially supporting economic growth and financial inclusion in Bangladesh. During January-March 2026 quarter, total remittance mobilized through Islamic banks stood at BDT 250.11 billion, which reflects 20.54 percent within the entire banking channel.

Chart-9: Remittances mobilization, January-March 2026



Source: Respective Banks

Bankwise data identifies IBBPLC as the leading player, mobilizing 85.17 percent of the total inflows, while mentionable other accumluation was 11.99 percent jointly by AL-Arafah Islami Bank PLC, Global Islami Bank PLC and SJIBPLC [Chart-9].

6. Sustainable Financing

Sustainable Finance aims at introducing environmental, social, and governance standards, as well as risk management of lending practices of banks and finance companies to promote the ability of financial systems in a developing country. This approach facilitates green banking, sustainable agriculture, SME-financing and socially responsible initiatives through the promotion of eco-friendly sustainable projects and the enhancement climate resilience.

The Government of Bangladesh introduced the Green Financing Policy and encouraged banks and finance companies to participate in offering green financing to promote environment-friendly economic activities for sustainable economic development. In line with the efforts, Bangladesh Bank also directed all banks and finance companies to accommodate Environmental, Social and Governance (ESG) issues in their financing portfolio and credit management. Accordingly, Islamic banks in Bangladesh also extend services through Islamic Microfinance and Women Entrepreneurs Financing.

6.1: Green Financing

Alongside conventional banks, Islamic banks also play crucial role in green financing, which refers to financial products and services supporting environmentally sustainable projects and initiatives. During the period under review, green finance under Islamic banking showed a marginal increase to BDT 197.72 billion in March 2026 compared to December 2025. Particularly financing by full-fledged Islamic banks increased marginally to BDT 191.79 billion in March 2026, but through Islamic banking branches declined to BDT 1.65 billion [Table-4].

Table-4: Green Financing by Islamic Banks **(In Billion BDT)**

	End March 26	End December 25	End March 25
Full-fledged Islamic Banks	191.79	186.06	167.30
Conventional Banks having Islamic Branches	1.65	7.62	5.49
Conventional Banks having Islamic Windows	4.28	3.85	1.79
Total	197.72	197.54	174.59

Source: Respective Banks.

6.2: Corporate Social Responsibility (CSR)

The primary sources of Corporate Social Responsibility (CSR) funds include zakat, compensation charges (penal charges from defaulting investment clients), and other Shariah-compliant income sources. These funds are allocated across various sectors such as education, training, healthcare, and charitable organizations, primarily benefiting deprived populations often excluded from conventional banking services due to severe economic constraints. Total expenditure on CSR activities was BDT 0.60 billion during January–March 2026 quarter.

6.3: Financial Inclusion

a) Number of Account Holders (Deposits)

The number of deposit account holders in Islamic banks showed mixed movements across different segments. Depositors in full-fledged Islamic banks declined to 38.47 million in March 2026 from 39.45 million in December 2025, but accounts in Islamic banking branches as well as Islamic windows recorded a rise.

b) Number of Account Holders (Investment)

Total number of investment account holders remained almost unchanged at 1.49 million compared to the previous quarter, but account with full-fledged Islamic banks recorded a slight decline. This suggests a stable trend, with only a marginal variation in customer participation in Islamic investment products.

6.4: Islamic Microfinance

As of end March 2026, microfinance by full-fledged Islamic banks remained largely stable, but Islamic banking branches and windows experienced a marginal decrease [Table-5].

Table-5: Islamic Micro Finance **(In Billion BDT)**

	End March 26	End December 25	End March 25
Full-fledged Islamic Banks	76.44	75.61	75.99
Conventional Banks having Islamic Branches	0.09	0.11	0.27
Conventional Banks having Islamic Windows	0.01	0.02	0.02
Total	76.55	75.74	76.29

Source: Respective Banks.

6.5: Women Entrepreneurs Finance

Financing by full-fledged Islamic banks increased to BDT 55.68 billion in March 2026. However, financing through Islamic banking branches declined from BDT 0.08 billion to BDT 0.02 billion. The upward trend reflects continued institutional commitment of Islamic banks to fostering women-led enterprises and promoting inclusive economic growth, as presented in Table-6.

Table-6: Women Entrepreneurs Finance **(In Billion BDT)**

	End March 26	End December 25	End March 25
Full-fledged Islamic Banks	55.68	53.55	43.64
Conventional Banks having Islamic Branches	0.02	0.08	0.02
Conventional Banks having Islamic Windows	0.003	0.003	0.005
Total	55.71	53.63	43.66

Source: Respective Banks.

7. Islamic Securities

7.1: Sovereign Investment Sukuk

Sukuk, a Shariah-compliant financial instrument, represents ownership in an underlying asset, project, or investment and generates returns based on profit-sharing or rental income rather than interest, in line with the Islamic principles of prohibition of riba. Bangladesh formally entered the sovereign Sukuk market in December 2020 when Bangladesh Bank, on behalf of the Government of Bangladesh, issued the first government investment Sukuk to finance large-scale infrastructure development. This marked a significant milestone in diversifying government financing sources while strengthening the country's Islamic financial ecosystem.

Since its introduction, multiple Sukuk issuances have been undertaken to finance various development projects, especially in infrastructure such as roads, bridges, water supply, and rural development. These Sukuk are mainly structured under Shariah contracts such as Ijarah (leasing) and Istisna (construction/manufacturing), with designed payments on semi-annual basis. Due to their sovereign backing and relatively stable returns, Sukuk have attracted strong participation from banks, financial institutions, corporate, and individual investors. Outstanding amount of Sukuk issued stood at BDT 320.00 billion as of end of March 2026.

During the January–March 2026 quarter, two Sukuk auctions were conducted, whereas first was the 10-year 'Bangladesh Government Special Sukuk-1' worth BDT 100.00 billion, issued on 14 January 2026 with a 9.75 percent annual profit rate, backed by government employee housing projects and specified railway services. The second was the 7-year 'IRIDPNFL Socio-Economic Development Sukuk' worth BDT 25.00 billion, issued on 9 February 2026 with a 9.60 percent annual rental rate against the Important Rural Infrastructure Development Project in Noakhali, Feni & Lakshmipur Districts (IRIDPNFL). Both auctions being oversubscribed, reflect strong market demand for the

Sukuk instruments. With continued Sukuk market development is expected to expand infrastructure financing and strengthen the Islamic financial ecosystem.

7.2: Bangladesh Government Islamic Investment Bond (BGIIB)

Introduced in 2004, Bangladesh Government Islamic Investment Bond (BGIIB) has been widely used by Islamic banks to meet their SLR requirements. However, due to the absence of Shariah-compliant government projects, the government cannot directly utilize BGIIB funds. Instead, the fund serves as a liquidity support mechanism, allowing Islamic banks to borrow against Mudarabah-based BGIIB securities during liquidity shortages. Table-7 shows the trend of sale, financing and net balance of BGIIB from FY10 to FY25.

Table-7: Bangladesh Government Islamic Investment Bond

(In Billion BDT)

Year	Sale	Financing	Net Balance
FY25	174.18	138.68	35.50
FY24	126.72	125.89	0.83
FY23	81.36	72.04	9.32
FY22	86.64	33.49	53.15
FY21	170.21	12.74	157.47
FY20	131.88	67.82	64.06
FY19	107.11	84.80	22.31
FY18	92.95	81.20	11.75
FY17	84.01	54.70	29.31
FY16	122.94	37.80	85.14
FY15	135.84	25.40	110.44
FY14	121.34	24.37	96.97
FY13	107.13	67.78	39.35
FY12	31.48	31.26	0.22
FY11	25.30	22.80	2.50
FY10	23.40	15.40	8.00

Source: Annual Report, Bangladesh Bank various issues; Monetary Policy Department, Bangladesh Bank.

8. Recent Initiatives by Bangladesh Bank for Islamic Banks, January-March 2026

- **Guidelines for Open Market Operations (OMOs),** was notified to strengthen the effective implementation of monetary policy and enhance liquidity management. Accordingly, Shariah-based banks and finance companies were instructed to comply while conducting OMO-related activities (**Source:** DMD Circular-02, dated 26/02/2026, feb262026dmd02e.pdf).
- Under the revised 'Refinance Scheme against financing to Cottage, Micro, Small and Medium (CMSME) Enterprises', for Shariah-based financing, the profit rate charged to customers must be determined in accordance with the bank's approved Shariah-compliant investment policy, provided that such rate does not exceed 7% **(Source:** SMESPD Circular No. 01, dated 05/02/2026, feb052026smespd01.pdf).

9. Recommendations

Islamic banking sector and the other segments under Islamic finance such as Islamic capital market, Islamic insurance (Takaful) and microfinance sector could flourish systematically if supportive policies are adopted.

- As the number of rural branches of full-fledged Islamic banks has not grown in line with demand, they may focus more on expanding their outreach into rural areas.
- Islamic banks may invest more in socially beneficial industries, particularly in agriculture and small businesses. In addition, microfinance projects, women entrepreneurs and the financial needs of government agencies should be explored for better growth.
- Investment distribution in authentic PLS modes (Musharaka and Mudaraba) are still at a minimal level. In view of this, Islamic banks should prioritize on facilitating investments under genuine PLS modes. Besides, introducing innovative and newer financing modes may extend the coverage by including unbanked population.
- Enhancement of employees' skills and knowledge through scientific research, capacity building and training arrangements are essential for Islamic finance development.
- Islamic banks may enhance CSR activities for socio-economic development aiming to serve humanity through prioritizing sectors like health, education, disaster management, rehabilitation, and poverty alleviation.
- To regain public trust amid the liquidity pressure, Islamic banking sector may focus on good governance, accountability and better asset management.

10. Conclusion

The Islamic banking system remains a vital part of Bangladesh's financial sector. During January–March 2026, it continued to serve the economy well despite some pressure on liquidity. Deposits and investments stayed broadly stable, and the sector kept its strong share of the market, holding 23.62 percent of total deposits and 29.09 percent of total investments. Islamic banks also stayed active in remittances, agricultural credit, green finance, microfinance, and support for women entrepreneurs, showing their continued commitment to inclusive growth.

Bangladesh Bank has taken timely steps to support the sector, including liquidity assistance and clearer rules for Shariah-based operations and these efforts are helping build a stronger foundation for the future. Going forward, wider use of genuine profit-and-loss sharing modes, better rural outreach, and continued improvements in governance and risk management can help the sector grow even further. With this steady support from the regulator and the sector's own resilience, Islamic banking in Bangladesh is well placed to keep contributing to financial stability and inclusive economic development in the years ahead.

Appendix

Table-1: Basic information on Islamic Banking: End March 2026

(In Billion BDT)

Indicators of Islamic Banking	End Mar 2026P	End Dec 2025	End Mar 2025	Changes		Changes (%)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
1. Total Deposits*(Outstanding)	4799.35	4811.92	4429.62	-12.56	369.73	-0.26	8.35
a) Full-fledged Islamic Banks	4092.68	4112.80	3871.66	-20.12	221.02	-0.49	5.71
b) Islamic Banking Branches of CB	293.46	296.81	244.61	-3.35	48.85	-1.13	19.97
c) Islamic Banking Windows of CB	413.21	402.31	313.35	10.90	99.86	2.71	31.87
2. Total Investment (Outstanding)**	5268.89	5250.71	5024.72	18.18	244.17	0.35	4.86
a) Full-fledged Islamic Banks	4820.51	4815.40	4644.83	5.11	175.68	0.11	3.78
b) Islamic Banking Branches of CB	195.96	195.37	180.62	0.60	15.34	0.30	8.49
c) Islamic Banking Windows of CB	252.41	239.94	199.27	12.47	53.15	5.20	26.67
3. Investment-Deposit ratio#	0.90	0.94	0.99	-0.05	-0.10	-4.80	-9.64
a) Full-fledged Islamic Banks	0.95	1.01	1.05	-0.06	-0.10	-5.48	-9.25
b) Islamic Banking Branches of CB	0.56	0.59	0.68	-0.03	-0.13	-5.22	-18.43
c) Islamic Banking Windows of CB	0.57	0.56	0.58	0.01	-0.01	2.43	-1.07
4. Liquidity (Excess(+) / Shortfall (-)	192.04	193.92	62.06	-1.88	129.98	-0.97	209.44
a) Full-fledged Islamic Banks	77.92	73.75	22.04	4.17	55.87	5.65	253.47
b) Islamic Banking Branches of CB	58.62	56.39	21.83	2.23	36.79	3.95	168.54
c) Islamic Banking Windows of CB	55.50	63.78	18.19	-8.28	37.32	-12.98	205.18
5. Total Exports	303.21	315.31	369.00	-12.10	-65.79	-3.84	-17.83
a) Full-fledged Islamic Banks	264.09	272.95	320.68	-8.86	-56.59	-3.25	-17.65
b) Islamic Banking Branches of CB	10.17	14.17	23.46	-4.01	-13.29	-28.26	-56.66
c) Islamic Banking Windows of CB	28.95	28.18	24.86	0.77	4.09	2.73	16.47
6. Total Imports	415.96	470.07	535.11	-54.10	-119.14	-11.51	-22.27
a) Full-fledged Islamic Banks	354.92	360.84	454.28	-5.92	-99.35	-1.64	-21.87
b) Islamic Banking Branches of CB	14.66	48.67	23.13	-34.01	-8.47	-69.87	-36.61
c) Islamic Banking Windows of CB	46.38	60.56	57.70	-14.18	-11.32	-23.41	-19.62
7. Total Remittances	250.11	275.38	227.61	-25.27	22.50	-9.18	9.89
a) Full-fledged Islamic Banks	245.10	272.99	217.40	-27.89	27.69	-10.22	12.74
b) Islamic Banking Branches of CB	3.68	0.58	1.09	3.11	2.59	536.64	236.62
c) Islamic Banking Windows of CB	1.33	1.81	9.11	-0.49	-7.78	-26.91	-85.44
8. Total Number of Branches	1749	1743	1736	6	13	0.34	0.75
a) Full-fledged Islamic Banks	1700	1700	1699	0	1	0.00	0.06
b) Islamic Banking Branches of CB	49	43	37	6	12	13.95	32.43
9. Islamic Banking Windows of CB	976	976	830	0	146	0.00	17.59
10. Total Number of Manpower	48935	47460	52231	1475	-3296	3.11	-6.31
a) Full-fledged Islamic Banks	46405	45080	50538	1325	-4133	2.94	-8.18
b) Islamic Banking Branches of CB	861	838	596	23	265	2.74	44.46
c) Islamic Banking Windows of CB	1669	1542	1097	127	572	8.24	52.14

Source: Respective Banks.

Note: Exports, Imports, and Remittances are reported during the quarter. * = Excluding interbank items, P= Provisional, CB= Conventional Banks, #= excluding EDF and Refinance, *=excluding bonds and securities and interbank items.