

Quarterly Report on Islamic Banking in Bangladesh¹

April-June 2025



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Quarterly Report on Islamic Banking in Bangladesh

April-June 2025

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Highlights: Quarterly Report on Islamic Banking in Bangladesh

April-June 2025

Total Deposits	Total deposits of Islamic banking system stood at BDT 4572.07 billion at the end of June 2025 with an increase of BDT 142.45 billion or 3.22 percent as compared to BDT 4429.62 billion at the end of March 2025. It was higher by BDT 118.98 billion or 2.67 percent as compared to the same quarter of the last year. The share of total deposits of Islamic banks accounted for 24.35 percent of total deposits of the entire banking sector during the period under report.
Total Investment	At the end of June 2025, total Investment (loans & advances) of Islamic banking system increased by BDT 122.35 billion or 2.43 percent compared to the end of March 2025 and reached to BDT 5147.06 billion. It was also higher by BDT 462.38 billion or 9.87 percent as compared to the same quarter of the last year. The share of total investment of Islamic banks accounted for 29.18 percent of total loans & advances of the whole banking sector at the end of June 2025.
Investment-Deposit Ratio	Investment-Deposit Ratio (IDR) of the Islamic banks stood at 0.99 (excluding EDF and refinance) at the end of June 2025 which was 0.99 and 1.05 at both the end of March 2025 and June 2024.
Excess Liquidity	Excess liquidity of Islamic banks increased by BDT 57.84 billion and stood at BDT 119.90 billion at the end of June 2025 from BDT 62.06 billion of end March 2025. It was higher by BDT 15.99 billion or 15.39 percent than that of the same period of the last year.
Exports	Total export receipts by the Islamic banks increased by BDT 35.67 billion or 9.67 percent to BDT 404.67 billion during April-June 2025 from BDT 369.00 billion during January-March 2025. It was higher by BDT 122.63 billion or 43.48 percent compared to the corresponding quarter of the preceding year.
Imports	Total Import payments by the Islamic banking system decreased by 2.88 percent to BDT 519.69 billion during April-June 2025 as compared to previous quarter and which was lower by BDT 99.08 billion or 23.56 percent than that of the same quarter of 2024.
Total Remittances	Total remittances mobilized by the Islamic banks stood at BDT 265.57 billion at the end of June 2025 which was higher by 16.68 percent as compared to the previous quarter. It was lower by 4.56 percent as compared to the same quarter of last year respectively.
Branches and Windows	The number of branches of Islamic banks including Islamic branches of conventional commercial banks extended to 1740 at the end of June 2025. It was 1736 and 1711 at the end of March 2025 and June 2024 respectively. At the same time, the number of Islamic banking windows increased to 905 at the end of June 2025 from 830 of end March 2025. It was 688 at the end of June 2024.
Manpower	Total employment in the Islamic banks stood at 51760 in number at the end of June 2025. It was 52231 and 53933 at the end of previous quarter and corresponding quarter of the preceding year respectively.

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Islamic banking has experienced rapid growth in global financial system due to its unique features of asset-backed transactions, risk sharing, inclusiveness and ethical values. In line with global trends, Islamic banking has also witnessed a notable growth in Bangladesh following strong public demand and policy supports from the government as well as Bangladesh Bank.

1. Brief Overview

There were 10 full-fledged Islamic banks in Bangladesh operating with 1699 branches amongst total 11,372 branches in the whole banking system up to June 2025. In addition, 41 Islamic banking branches of 17 conventional commercial banks and 905 Islamic banking windows of 21 conventional commercial banks are also providing Islamic financial services in Bangladesh (Table-1). Basic information on Islamic banking is mentioned in Appendix.

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

SL	Full-fledged Islamic Banks	No. of Branches	Conventional Banks having Islamic Branches	No. of Branches	Conventional Banks having Islamic Windows	No. of Windows
1	Islami Bank Bangladesh PLC	400	Prime Bank PLC	5	NRBC Bank PLC	359
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	4	City Bank PLC	60
4	Social Islami Bank PLC	181	Pubali Bank PLC	8	United Commercial Bank PLC	100
5	EXIM Bank PLC	155	Dhaka Bank PLC	2	Sonali Bank PLC	58
6	Shahjalal Islami Bank PLC	141	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	14
14			United Commercial Bank PLC	1	Meghna Bank PLC	10
15			National Credit & Commerce Bank PLC	2	SBAC Bank PLC	10
16			Mercantile Bank PLC	1	Bank Asia PLC	5
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	1699	17	41	21	905

Sources: Respective Banks. *Janata Bank PLC has obtained permission for starting Islamic Banking window from Bangladesh Bank, but not yet started operation.

1.1: Developments of Islamic Banking in Bangladesh

Islamic Banking system (IBS) has significant contributions in terms of deposits, investment, exports, imports, remittances mobilization and employment generation in Bangladesh.

At the end of June 2025, Islamic banking system represents 24.35 percent share in terms of deposits in the total banking industry while it accounted for 29.18 percent share in terms of investments. The share of remittance of Islamic banking system among entire banking industry recorded 25.39 percent at the end of June 2025. IBS have contributed 17.41 percent share of agricultural credit of the entire banking industry at the end of June 2025 (Table 2).

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

(In Billion BDT)

Items	End June 2025 ^P			End March 2025
	All banks	Islamic banks	Share of Islamic banks among all banks (percent)	Share of Islamic banks among all banks (percent)
	1	2	3=(2/1x100)	4
Total deposits	18775.65	4572.07	24.35	24.36
Total investment (loans & advances in conventional banking system)	17641.13	5147.06	29.18	28.93
Remittances	1045.88	265.57	25.39	23.40
Total excess liquidity	2836.40	119.90	4.23	2.65
Total number of bank branches	11372	1740 [*]	15.30	15.28
Total agricultural credit	92.27	16.06	17.41	12.07

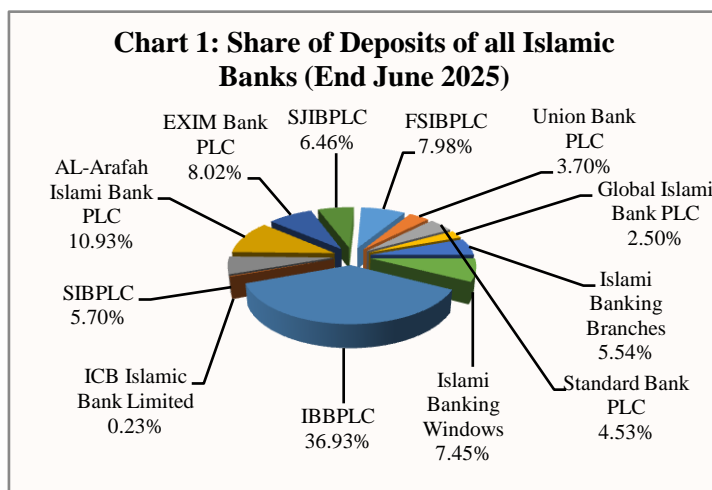
Source: Statistics Department, MPD, BRPD and ACD, Bangladesh Bank. Note: Stock figures are provided on end period basis.*= Including Islamic Banking branches of Conventional Banks, P=Provisional, Note: Remittances are reported during the quarter.

2. Deposits Mobilization

Total deposits of Islamic banking system stood at BDT 4572.07 billion at the end of June 2025 with an increase of BDT 142.45 billion or 3.22 percent as compared to BDT 4429.62 billion at the end of March 2025.

Deposits of 10 full-fledged Islamic banks stood at BDT 3977.91

billion, branches of conventional banks BDT 253.33 billion and windows of conventional banks BDT 340.83 billion at the end of June 2025. Out of total deposits of the Islamic banking system 10 full-fledged Islamic banks represented 87.00 percent of deposits where Islamic banking branches and windows represented 5.54 and 7.45 percent respectively. Among all Islamic banks, Islami Bank Bangladesh PLC received the highest amount of deposits (36.93%) followed by Al-Arafah Islami Bank PLC (10.93%), Exim Bank PLC (8.02%), First Security Islami Bank PLC (7.98%), Social Islami Bank PLC (5.70%), Shahjalal Islami Bank PLC (6.46%), Standard Bank PLC (4.53%), Union Bank PLC (3.70%), Global Islami Bank PLC (2.50%) and ICB Islamic Bank Ltd. (0.23%) [Chart-1].

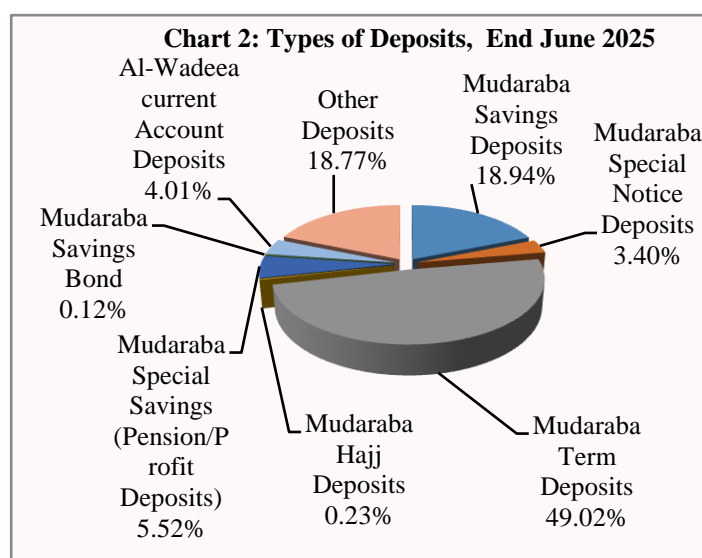


Source: Respective Banks

2.1: Types of Deposits

Among different types of deposits of the Islamic banking system, Mudaraba Term Deposits (MTD) secured the highest position (49.02%) followed by Mudaraba Savings Deposits (MSD) (18.94%), Other Deposits (18.77%), Mudaraba Special Savings (pension/profit) Deposits (5.52%), Al-Wadeeah Current Account Deposits (4.01%),

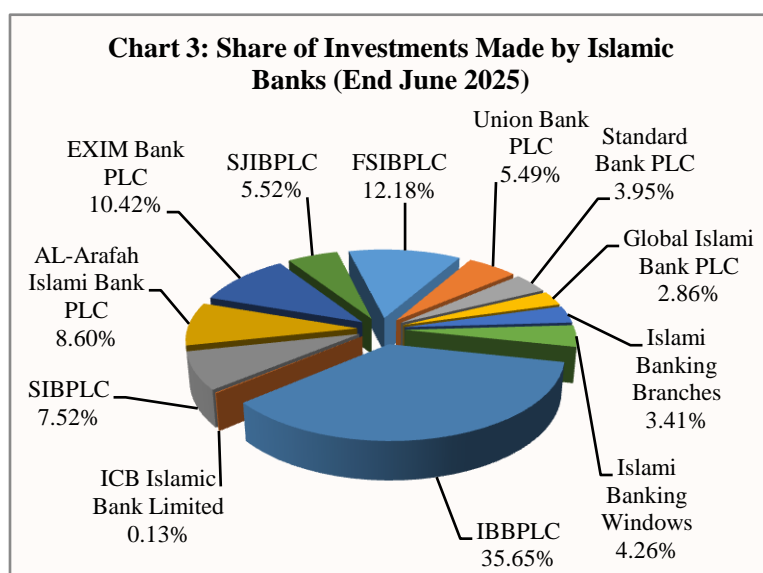
Mudaraba Special Notice Deposits (3.40%), Mudaraba Hajj Deposits (0.23%) and Mudaraba Savings Bond (0.12%) during April-June 2025 [Chart-2].



Source: Respective Banks

3. Investments

Total investment or financing* of Islamic banking system stood at BDT 5147.06 billion at the end of June 2025 which was BDT 5024.72 billion at the end of March 2025 and BDT 4684.68 billion at the end of June 2024. Out of total investment of Islamic banking system, 92.32 percent was materialized by 10 full-fledged

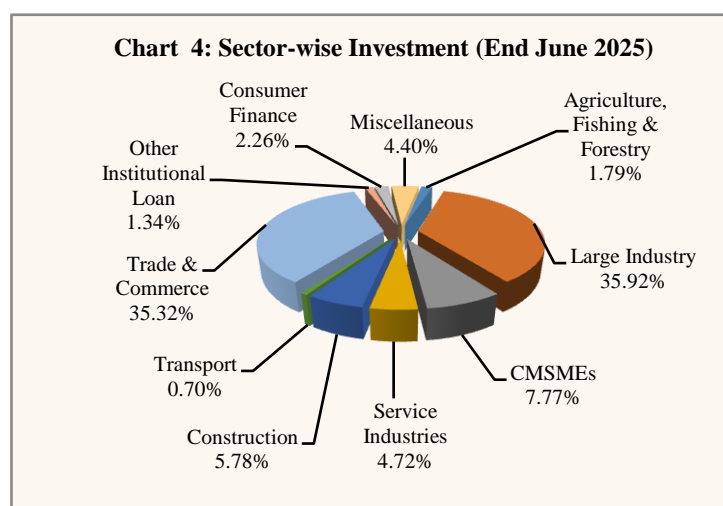


Source: Respective Banks

Islamic banks, 4.26 percent by the Islamic banking windows of conventional banks and the rest 3.41 percent by the Islamic banking branches of conventional banks. Among the 10 full-fledged Islamic banks, Islami Bank Bangladesh PLC accounted for highest investment (35.65%) during April-June 2025 quarter followed by First Security Islami Bank PLC. (12.18%), EXIM Bank PLC (10.42%), Al-Arafah Islami Bank PLC (8.60%), Social Islami Bank PLC (7.52%), Shahjalal Islami Bank PLC (5.52%), Union Bank PLC (5.49%), Standard Bank PLC (3.95%), Global Islami Bank PLC (2.86%) and ICB Islamic Bank Ltd. (0.13%) [Chart-3].

3.1: Sector-wise Investment

In case of the sector-wise investment, Large Industry sector secured the highest position (35.92%) among all sectors at the end of June 2025. Followed by Trade & Commerce (35.32%), CMSMEs (Cottage, Micro, Small and Medium Enterprises (7.77%), Construction (5.78%), Services



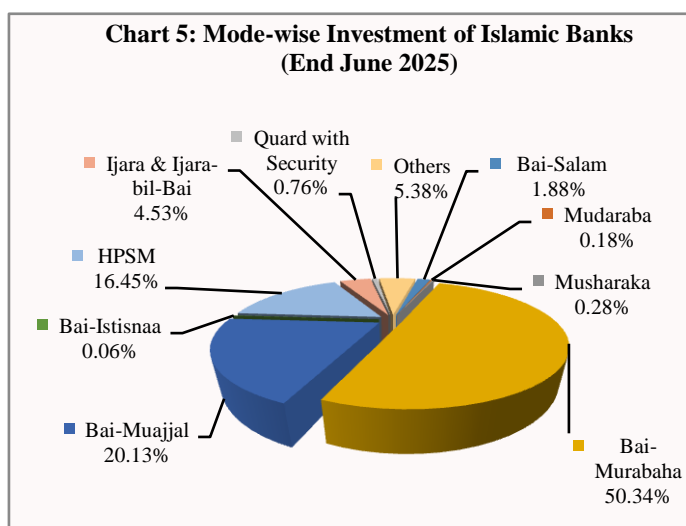
Source: Respective Banks

Industry (4.72%), Miscellaneous (4.40%), Consumer Finance (2.26%), Agriculture, Fishing and Forestry (1.79%), Transport (0.70%) and Other Institutional Loan (1.34%), [Chart-4].

* loans and advances in case of conventional banking.

3.2: Mode*-wise Investments

The analysis of mode-wise investment revealed that the highest investment was made through Bai-Murabaha mode (50.34%) at the end of June 2025 followed by Bai-Muajjal (20.13%), HPSM (16.45%), Ijara & Ijara-bil Bai (4.53%), Bai-Salam (1.88%), Quard with Security (0.76%), Musharaka (0.28%), Mudaraba (0.18%), Bai-Istisnaa (0.06%) and Others (5.38%) [Chart-5].



Source: Respective Banks

3.3: Investment in the Agricultural Sector

Islamic banking system has made significant contributions to financing different sub-sectors of agricultural and rural credit programs. At the end of the quarter under review, investment in agricultural sector financed by the Islamic banking system stood at BDT 16.06 billion which was higher by BDT 1.77 billion and lower by BDT 2.13 billion at the end of previous quarter and at the end of corresponding quarter of the last year respectively. The share of total agricultural credit of Islamic banks accounted for 17.41 percent among all banks during the quarter April-June 2025. Summary of investments in agricultural sector under the Islamic banking framework is provided 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	Classified Investment
1	2	3	4	5	6	7	8
End June 2025 ^P	24.48	16.06	65.60	16.45	61.77	4.38	34.41
End March 2025	23.75	14.29	60.20	13.48	62.88	4.11	34.38
End June 2024	24.05	18.19	75.66	15.54	79.89	2.62	35.77
Quarterly Changes	0.74	1.77	5.40	2.97	-1.11	0.27	0.03
Annual Changes	0.44	-2.13	-10.06	0.91	-18.12	1.76	-1.36

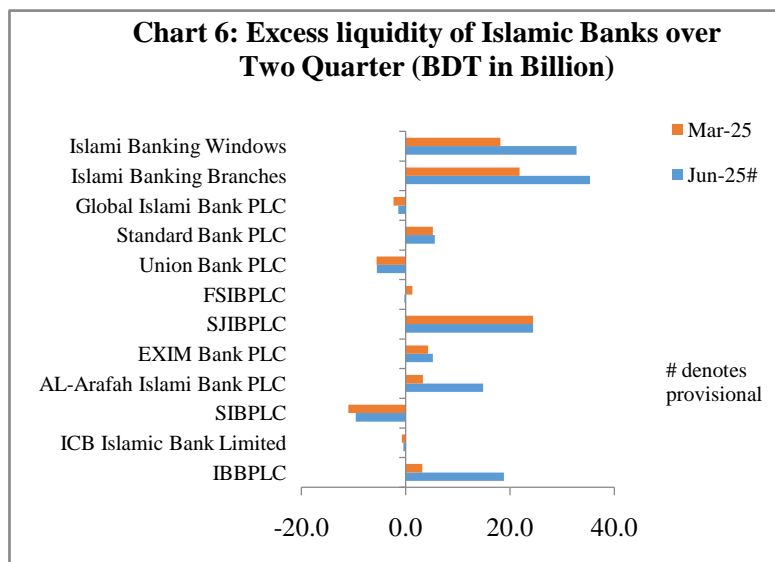
Source: Islamic banks, branches and windows of conventional banks.

P= Provisional.

* In Islamic banking, the term "mode" refers to the various Islamic Shariah permissible contracts or arrangements through which Islamic financial transactions are conducted.

4. Liquidity Situation

Excess liquidity of Islamic banking system stood at BDT 119.90 billion at the end of June 2025. The excess liquidity of full-fledged Islamic banks, Islamic banking branches and windows of conventional banks stood at BDT 51.78 billion, 35.36 billion and



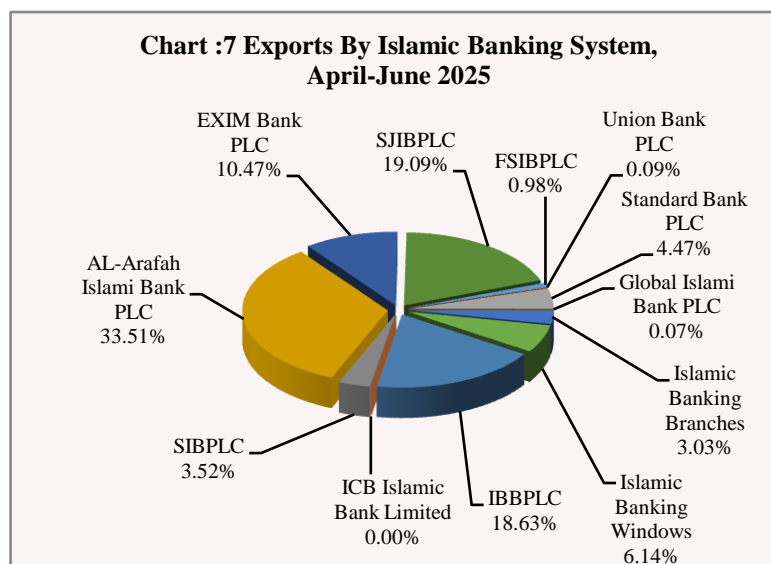
Source: Respective Banks

32.76 billion respectively. Summary of liquidity situation of Islamic banking system is shown in chart-6.

5. Foreign Trade and Remittance Mobilizations

5.1: Exports

Total export receipts by the Islamic banks stood at BDT 404.67 billion during April-June 2025. Among the Islamic banking system, AL-Arafah Islami Bank PLC secured the top position (35.51%) in export earnings during April-June 2025,

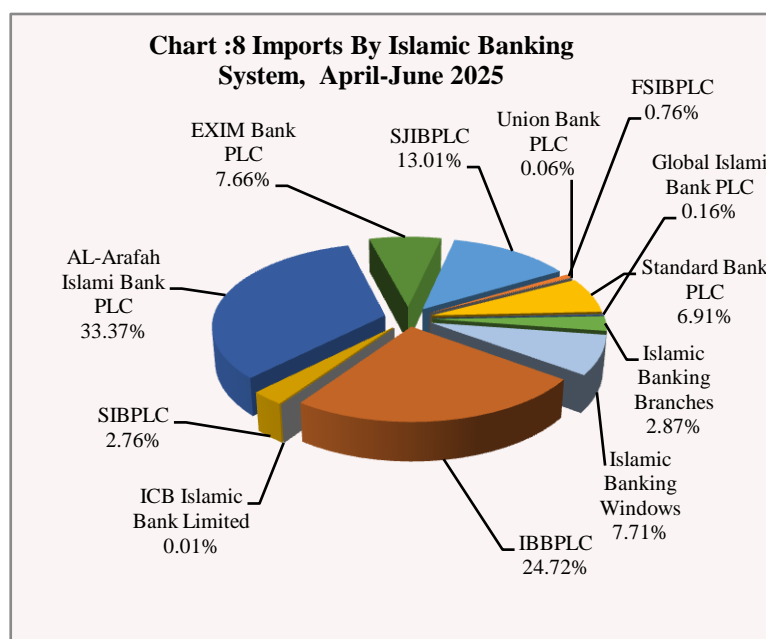


Source: Respective Banks

followed by Shahjalal Islami Bank PLC (19.09%), Islami Bank Bangladesh PLC (18.63%), EXIM bank PLC (10.47%), Standard Bank PLC (4.47%), Social Islami Bank PLC (3.52%), Islamic banking windows (6.14%), Islamic banking branches of conventional banks (3.03%), First Security Islami Bank PLC (0.98%), Union Bank PLC (0.09%) and Global Islami Bank PLC (0.07%). ICB Islamic Bank Ltd. has no export earnings during this quarter [Chart-7].

5.2: Imports

Total Import payments by the Islamic banking system stood at BDT 519.69 billion during April-June quarter of 2025. Among the Islamic banking system, AL-Arafah Islami Bank PLC secured the top position (33.37%) in Import payments during April-June 2025, followed by Islami Bank Bangladesh PLC (24.72%), Shahjalal Islami

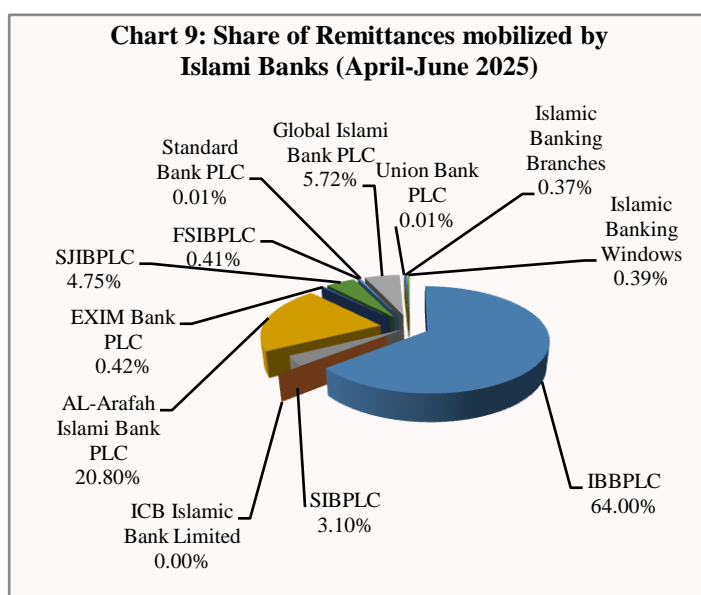


Source: Respective Banks

Bank PLC (13.01%), EXIM Bank PLC (7.66%), Standard Bank PLC (6.91%), Social Islami Bank PLC (2.76%), Islamic banking windows (7.71%), Islamic banking branches of conventional banks (2.87%), First Security Islami Bank PLC (0.76%), Global Islami Bank PLC (0.16%), Union Bank PLC (0.06%) and ICB Islamic Bank Ltd. (0.01%) during this quarter[Chart-8].

5.3: Remittance Mobilizations

Islamic banking sector is playing a vital role in collecting foreign remittances and distributing it among beneficiaries across the country. Total remittances mobilized by the Islamic banks stood at BDT 265.57 billion during April-June 2025 which was BDT 227.61 billion during the previous quarter. Among the Islamic banking system, Islami Bank Bangladesh PLC secured the top



Source: Respective Banks

position (64.00%) in remittance mobilization during April-June 2025, followed by Al-Arafah

Islami Bank PLC (20.80%), Global Islami Bank PLC (5.72%), Shahjalal Islami Bank PLC (4.74%), Social Islami Bank PLC (3.10%), Islamic banking windows of conventional banks (0.39%), Islamic banking branches of conventional banks (0.37%), First Security Islami Bank PLC (0.41%), Union Bank PLC (0.01%) and Standard Bank PLC (0.01%). No remittance has been collected by ICB Islamic Bank Ltd. during this quarter [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 ability of financial systems in developing country. This approach supports green banking, sustainable agriculture, SME-financing and social responsible activity by providing eco-friendly projects and climate resilience.

The Government of Bangladesh introduced the Green Financing Policy and encouraged banks and FIs to participate in offering green financing to promote environment-friendly economic activities for sustainable economic development in Bangladesh. In line with government's efforts BB has also been directed all banks and FIs to accommodate Environmental, Social and Governance (ESG) issues in their financing portfolio and credit/investment management through its policies and regulations. Islamic banking in Bangladesh also extends its services through Islamic Microfinance and Women Entrepreneurs Financing.

6.1: Green Financing

Along with conventional banks, Islamic banks in Bangladesh are also playing crucial role in green financing, which refers to financial products and services to support environmentally sustainable projects and initiatives. Green finance under Islamic banking recorded a notable rise in June 2025 compared to March 2025. Full-fledged Islamic banks' financing grew from BDT 167.30 billion to BDT 181.39 billion, while branches made a significant leap from BDT 5.49 billion to BDT 21.21 billion. In contrast, windows experienced a slight fall from BDT 1.79 billion to BDT 1.70 billion. Consequently, the total amount of green finance increased substantially from BDT 174.59 billion in March to BDT 204.29 billion in June, showing the growing emphasis on environmentally sustainable financing which are shown in Table-4.

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

	End June 25	End March 25	End June 24
Full-fledged Islamic Banks	181.39	167.30	172.64
Conventional Banks having Islamic Branches	21.21	5.49	0.60
Conventional Banks having Islamic Windows	1.70	1.79	1.16
Total	204.29	174.59	174.39

Source: Respective Banks.

6.2: Corporate Social Responsibility (CSR)

Islamic banks undertake and implement various types of social programs under its Corporate Social Responsibility (CSR) activities. Sources of funds of Islamic banks available for CSR activities include *Zakat*, compensation charges (penal charges from defaulting investment clients), and Shariah-permitted other sources of earnings. These funds are spent among different types of education, training, health, and charity-based organizations in Bangladesh. Islamic banks serve the deprived and disadvantaged people those who are remain outside the purview of the conventional banking system due to extreme poverty. Islamic banks always try to make financial transactions based on human necessities and embark upon productivity-oriented projects or activities to reduce the incidence of poverty. Expenditure on CSR activities during April-June 2025 stood at BDT 0.51 billion which was BDT 0.49 billion in January-March 2025 and BDT 0.80 billion in April-June 2024.

6.3: Financial Inclusion

a) Number of Account Holders (Deposits)

The number of deposit account holders expanded strongly across Islamic banking. Full-fledged Islamic banks' depositors increased to 38.02 million in June 2025 from 35.21 million in March 2025. Number of accounts in Islamic banking branches also increased to 0.63 million from 0.59 million. In the same way Islamic windows increase to the account number to 0.69 million from 0.61 million during the same period. Overall, the total number of deposit accounts climbed from 36.41 million to 39.33 million, reflecting sustained confidence of customers in Islamic banking services.

b) Number of Account Holders (Investment)

In contrast to deposits, the number of investment account holders showed a slight decline. Full-fledged Islamic banks' accounts fell from 1.47 million in March 2025 to 1.45 million in June 2025. However, branch accounts rose modestly from 0.03 million to 0.04 million. The

overall number of investment accounts decreased slightly from 1.54 million to 1.52 million, suggesting a minor slowdown in investment-side participation.

c) Agent Banking

Agent banking experienced remarkable growth within Islamic banks. Financing through full-fledged Islamic banks surged from BDT 206.21 billion in March 2025 to BDT 681.93 billion in June 2025. Branch-based agent banking also expanded from BDT 2.08 billion to BDT 7.59 billion, and windows increased from BDT 13.75 billion to BDT 20.09 billion. This remarkable expansion raised the total volume from BDT 222.04 billion to BDT 709.61 billion, highlighting the fast adoption of agent banking as a key delivery channel for financial inclusion.

6.4: Islamic Microfinance

Islamic microfinance activities also recorded significant improvement in the second quarter of 2025. Full-fledged Islamic banks maintained a relatively stable figure, moving from BDT 75.99 billion in March to BDT 76.62 billion in June. However, branches demonstrated a sharp increase from only BDT 0.27 billion to BDT 13.77 billion, contributing most to the sector's expansion. Islamic Banking Windows showed only a marginal increase from BDT 0.020 billion to BDT 0.022 billion. Altogether, the total Islamic microfinance volume rose from BDT 76.29 billion in March to BDT 90.42 billion in June, reflecting enhanced outreach of small-scale financing which are shown in Table-5.

Table-5: Islamic Micro Finance

(In Billion BDT)

	End June 25	End March 25	End June 24
Full-fledged Islamic Banks	76.62	75.99	76.80
Conventional Banks having Islamic Branches	13.77	0.27	0.11
Conventional Banks having Islamic Windows	0.022	0.020	0.03
Total	90.42	76.29	76.93

Source: Respective Banks.

6.5: Women Entrepreneurs Finance

Financing for women entrepreneurs gained momentum in June 2025. Full-fledged Islamic banks raised their financing from BDT 43.64 billion to BDT 49.14 billion. Branches recorded a major jump from only BDT 0.02 billion in March to BDT 1.12 billion in June, while windows decreased slightly from BDT 0.005 billion to BDT 0.004 billion. Consequently, the

total amount of financing for women entrepreneurs grew from BDT 43.66 billion to BDT 50.27 billion, demonstrating increasing institutional support for female-led businesses and inclusive growth which are shown in Table-6.

Table-6: Women Entrepreneurs Finance

(In Billion BDT)

	End June 25	End March 25	End June 24
Full-fledged Islamic Banks	49.14	43.64	48.13
Conventional Banks having Islamic Branches	1.12	0.02	0.05
Conventional Banks having Islamic Windows	0.004	0.005	0.01
Total	50.27	43.66	48.18

Source: Respective Banks.

7. Islamic Securities

This section focuses on Bangladesh Government Islamic Securities comprise of Sovereign Investment Sukuk and Bangladesh Government Islamic Investment Bond (BGIIB).

7.1: Sovereign Investment Sukuk

Bangladesh Bank on behalf of the Government has issued maiden sovereign investment Sukuk on 28 December, 2020 to raise BDT 80.00 billion for the implementation of the safe water supply project across the country. The overall cost of the project was estimated at BDT 88.51 billion of which BDT 8.51 billion has been provided by the Government². The Ministry of Finance and Bangladesh Bank are playing the role of originator and the Special Purpose Vehicle (SPV) respectively for the Sukuk. In first phase, the Government collected BDT 40.00 billion for the projects through the auction held on 28 December, 2020 at 4.69 percent profit rate. The second Sukuk auction raised BDT 40.00 billion at 4.69 percent profit rate. The third raised BDT 50.00 billion at 4.65 percent profit rate, and the fourth raised BDT 50.00 billion at 4.75 percent profit rate. Gradually, the fifth auction of Sukuk was held in 5th June, 2024 to raise BDT 10.00 billion for “CDWSP Social Impact Sukuk” based on Istisna mode for the project named “Chattogram Division Upazila & Union Road Widening & Strengthening Project (CDWSP) at 10.40 percent profit rate. For financing the ‘Construction of Important Bridges on Rural Roads (Phase-II) (CIBRR-2)’ project, the 7 Year Socio Economic Sukuk auction was held in 12th March, 2025 to raise BDT 30 billion at 9.25 percent profit rate. Besides, for financing the ‘Rajshahi Division Important Upazila & Union

²https://www.bb.org.bd/mediaroom/notice/sukuk_prospectus.pdf

Road Widening & Strengthening Project (RDIRWSP)', the 7 Year Socio-Economic Development Sukuk auction was held on 20th May, 2025 to raise BDT 20 billion at a 10.50 percent profit rate.

The total amount of Sukuk issued stood at BDT 240.00 billion till end of June 2025.

Profits of the Sukuk are paid to the investors on half-yearly basis. An investor needs to invest a minimum of BDT 10,000 in this security and there is no upper limit. Banks, corporate institutions and individuals are permitted to invest in the Sukuk which is matured in five years.

7.2: Bangladesh Government Islamic Investment Bond (BGIIB)

Bangladesh Government Islamic Investment Bond (BGIIB) was introduced in 2004. It was the only approved Shariah compliant securities other than the Sukuk to maintain the SLR by the Islamic banks. However, the limitation of the BGIIB is that, Government cannot borrow from BGIIB fund due to absence of Shariah compliant projects. Given this, only Islamic banks can borrow from this fund in case of liquidity shortage which is mobilized through selling of the BGIIB securities based on mudarabah principle. Islamic banks avail this fund at a provisional rate of profit based on its mudarabah short notice deposit accounts which are adjusted after finalization of accounts and rate of profit of the concerned Islamic banks. 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	33.76
FY24	126.72	125.89	0.82
FY23	81.36	72.04	9.32
FY22	86.64	33.49	53.14
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	85.95
FY15	135.84	25.40	110.44
FY14	121.34	24.37	96.96
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.

10. Recommendations

Islamic banking system has been playing significant role in mobilizing deposits and financing in various economic activities in Bangladesh since its inception. At present, Islamic banking system has been representing more than 24 percent share of deposit and 29 percent share of investment of the whole banking sector. The other systems of Islamic financial sector such as Islamic capital market, Islamic insurance (Takaful) and microfinance sector may also flourish systematically if supportive policies are adopted and implemented.

- Although Islamic banking activities are growing in Bangladesh, the number of rural branches of full-fledged Islamic banks has not kept pace 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. The investments made by Islamic banks in ideal Islamic modes like Mudaraba and Musharaka are still at a minimal level. Given this, Islamic banks need to focus more attention to develop proper guidelines and policies to promote investments under Mudaraba and Musharaka modes.
- Islamic banks may also explore new customers in microfinance projects, supporting woman entrepreneurs and meeting the financial needs for government agencies, which may give Islamic banks a great advantage to flourish.
- To make efficient use of liquidity of the Islamic banking sector, more innovative Islamic money market and capital market products are introduced. The introduction of Sukuk and its huge responses from the investors indicate that it will facilitate smooth liquidity management of Islamic banks which may also help deficit financing of the government budget and promote Islamic capital market in the long run.
- Islamic banks can play more effective role in financial markets and can deepen financial inclusion by offering new modes of finance and attracting unbanked populations that has not yet been participated in the financial system.
- The needs for creating new Islamic financial instruments and modes, and developing the current ones can only be met by amelioration of employee's skills and knowledge through scientific research and training. Efforts also need to be intensified professionally to further enhance its competitiveness to occupy larger share in the local as well as global financial markets.
- The amount of green financing of Islamic banking system is not significant relative to their total financing. In order to contribute in green financing efficiently, Islamic banks

in Bangladesh may align their strategies and operations with environmental sustainability goals of the government and properly follow the guidelines of BB as well.

- Islamic banks may enhance their CSR activities for socio-economic development aiming to serve humanity through different philanthropic activities giving emphasis on health, education, disaster management, rehabilitation, poverty eradication and so on.
- It is observed that, some full-fledged Islamic banks have been facing severe liquidity crisis due to lack of some sort of irregularities and good governance in recent past. So it is essential to established good governance in Islamic banking system, as good governance and accountability are key to navigating the current crisis and ensuring sustainable growth of this sector.

11. Conclusion

Islamic banking system has already been able to establish itself as an alternative funding source in economic development of Bangladesh. Over the period it has been gaining increasing market share among total banking industry. Presently, the contribution of this system in terms of deposits and investment is 24.35 percent and 29.18 percent respectively. In recent past the investment growth has surpassed the deposits growth due mainly to fund mismanagement by some banks. It has caused a fall in the excess liquidity of the IBS and created liquidity problem. To address the situation, BB has provided liquidity support to the Islamic banks through Islamic Banks Liquidity Facility (IBLF), Mudarabah Liquidity Support (MLS) and Special Liquidity Support (SLS). Apart from these, recently BB has introduced Liquidity Support Guarantee (LSG) through which strong banks can provide liquidity support to the weak banks including Islamic banks. Besides, recently BB has also dissolved governing bodies of major Islamic banks and re-structured those bodies to bring back public confidence in the aftermath of regime change. It is expected that, these pragmatic steps will help the Islamic banks attain the public confidence and lead the sector to operate on a sound footing.

Appendix

Table-1: Basic information on Islamic Banking: End June 2025

(In Billion BDT)

Indicators of Islamic Banking	End Jun 2025 ^p	End Mar 2025	End Jun 2024	Changes		Changes (%)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
1. Total Deposits*(Outstanding)^p	4572.07	4429.62	4453.09	142.45	118.98	3.22	2.67
a) Full-fledged Islamic Banks	3977.91	3871.66	4025.41	106.26	-47.50	2.74	-1.18
b) Islamic Banking Branches of CB	253.33	244.61	199.86	8.72	53.47	3.56	26.75
c) Islamic Banking Windows of CB	340.83	313.35	4453.09	142.45	118.98	3.22	2.67
2. Total Investment** (Outstanding)	5147.06	5024.72	4684.68	122.35	462.38	2.43	9.87
a) Full-fledged Islamic Banks	4751.91	4644.83	4368.79	107.08	383.12	2.31	8.77
b) Islamic Banking Branches of CB	175.65	180.62	151.05	-4.98	24.60	-2.75	16.29
c) Islamic Banking Windows of CB	219.51	199.27	164.85	20.24	54.66	10.16	33.16
3. Investment-Deposit ratio[#]	0.99	0.99	1.05	0.00	-0.06	-0.38	-5.89
a) Full-fledged Islamic Banks	1.04	1.05	1.09	-0.01	-0.04	-0.79	-4.09
b) Islamic Banking Branches of CB	0.69	0.68	0.76	0.01	-0.06	1.22	-8.26
c) Islamic Banking Windows of CB	0.59	0.58	0.72	0.01	-0.13	1.62	-18.46
4. Liquidity (Excess(+) / Shortfall (-))	119.90	62.06	103.90	57.84	15.99	93.19	15.39
a) Full-fledged Islamic Banks	51.78	22.04	78.66	29.73	-26.88	134.87	-34.18
b) Islamic Banking Branches of CB	35.36	21.83	18.59	13.53	16.77	61.98	90.24
c) Islamic Banking Windows of CB	32.76	18.19	6.65	14.57	26.11	80.14	392.36
5. Total Exports	404.67	369.00	282.04	35.67	122.63	9.67	43.48
a) Full-fledged Islamic Banks	367.58	320.68	255.16	46.90	112.43	14.63	44.06
b) Islamic Banking Branches of CB	12.25	23.46	11.60	-11.21	0.64	-47.80	5.56
c) Islamic Banking Windows of CB	24.84	24.86	15.28	-0.02	9.56	-0.06	62.57
6. Total Imports	519.69	535.11	420.61	-15.42	99.08	-2.88	23.56
a) Full-fledged Islamic Banks	464.73	454.28	372.87	10.45	91.86	2.30	24.64
b) Islamic Banking Branches of CB	14.91	23.13	18.11	-8.22	-3.20	-35.52	-17.67
c) Islamic Banking Windows of CB	40.05	57.70	29.63	-17.65	10.42	-30.59	35.18
7. Total Remittances	265.57	227.61	278.26	37.97	-12.68	16.68	-4.56
a) Full-fledged Islamic Banks	263.55	217.40	275.89	46.15	-12.34	21.23	-4.47
b) Islamic Banking Branches of CB	0.99	1.09	1.49	-0.11	-0.50	-9.69	-33.65
c) Islamic Banking Windows of CB	1.03	9.11	0.87	-8.07	0.16	-88.66	18.20
8. Total Number of Branches	1740	1736	1711	4	29	0.23	1.69
a) Full-fledged Islamic Banks	1699	1699	1678	0	21	0.00	1.25
b) Islamic Banking Branches of CB	41	37	33	4	8	10.81	24.24
9. Islamic Banking Windows of CB	905	830	688	75	217	9.04	31.54
10. Total Number of Manpower	51760	52231	53933	-471	-2173	-0.90	-4.03
a) Full-fledged Islamic Banks	49661	50538	52360	-877	-2699	-1.74	-5.15
b) Islamic Banking Branches of CB	675	596	611	79	64	13.26	10.47
c) Islamic Banking Windows of CB	1424	1097	962	327	462	29.81	48.02

Source: Respective Banks, * = Excluding interbank items, P= Provisional, CB= Conventional banks, ** = Excluding EDF and Refinance,

**Excluding bonds and securities and interbank items. Note: Exports, Imports, and Remittances are reported during the quarter.