

Quarterly Report on Islamic Banking in Bangladesh¹

January-March 2025



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Highlights: Quarterly Report on Islamic Banking in Bangladesh

January-March 2025

Total Deposits	Total deposits of Islamic banking system stood at BDT 4,429.62 billion at the end of March 2025 with an increase of BDT 32.04 billion or 0.73 percent as compared to BDT 4,397.58 billion at the end of December 2024. It was higher by BDT 34.97 billion or 0.80 percent as compared to the same quarter of the last year. The share of total deposits of Islamic banks accounted for 24.36 percent of total deposits of the entire banking sector during the period under report.
Total Investment	At the end of March 2025, total Investment (loans & advances) of Islamic banking system increased by BDT 231.62 billion or 4.83 percent compared to the end of December 2024 and reached to BDT 5024.72 billion. It was also higher by BDT 454.78 billion or 9.95 percent as compared to the same quarter of the last year. The share of total investment of Islamic banks accounted for 28.93 percent of total loans & advances of the whole banking sector at the end of March 2025.
Investment-Deposit Ratio	Investment-Deposit Ratio (IDR) of the Islamic banks stood at 0.99 (excluding EDF and refinance) at the end of March 2025 which was 0.97 at both the end of December 2024 and March 2024.
Excess Liquidity	Excess liquidity of Islamic banks decreased by BDT 32.29 billion and stood at BDT 62.06 billion at the end of March 2025 from BDT 94.35 billion of end December 2024. It was lower by BDT 100.23 billion or 61.76 percent than that of the same period of the last year.
Exports	Total export receipts by the Islamic banks increased by BDT 45.41 billion or 14.03 percent to BDT 369.00 billion during January-March 2025 from BDT 323.59 billion during October-December 2024. It was higher by BDT 47.69 billion or 14.84 percent compared to the corresponding quarter of the preceding year.
Imports	Total Import payments by the Islamic banking system increased by 19.39 percent to BDT 535.11 billion during January-March 2025 as compared to previous quarter which was higher by BDT 30.75 billion or 6.10 percent than that of the same quarter of 2024.
Total Remittances	Total remittances mobilized by the Islamic banks stood at BDT 227.61 billion at the end of March 2025 which was higher by 21.05 percent as compared to the previous quarter. It was lower by 16.26 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 1,736 at the end of March 2025. It was 1,731 and 1,703 at the end of December 2024 and March 2024 respectively. At the same time, the number of Islamic banking windows increased to 830 at the end of March 2025 from 825 of end December 2024. It was 646 at the end of March 2024.
Manpower	Total employment in the Islamic banks stood at 52,231 in number at the end of March 2025. It was 52,565 and 51,272 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 11,362 branches in the whole banking system up to March 2025. In addition, 37 Islamic banking branches of 17 conventional commercial banks and 830 Islamic banking windows of 20 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	The City Bank PLC	60
4	Social Islami Bank PLC	181	Pubali Bank PLC	3	United Commercial Bank PLC	61
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	The City Bank PLC	1	Pubali Bank PLC	25
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	3	South Bangla Agriculture & Commerce 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	1
21					Janata Bank PLC *	
Total	10	1699	17	37	20	830

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 has significant contributions in terms of deposits, investment, exports, imports, remittances mobilization and employment generation in Bangladesh.

1.2: The Market Share

At the end of March 2025, Islamic banking system represents 24.36 percent share in terms of deposits in the total banking industry while it accounted for 28.93 percent share in terms of investments. The share of remittance of Islamic banking system among entire banking industry recorded 23.40 percent at the end of March 2025. IBS have contributed 12.07 percent share of agricultural credit of the entire banking industry at the end of March 2025 (Table 3).

Table-3: Performances of Islamic Banks Compared to All Banks in Bangladesh

(In Billion BDT)

Items	January-March 2025 ^P			October-December 2024 ^R
	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	18181.44	4429.62	24.36	24.75
Total investment (loans & advances in conventional banking system)	17371.00	5024.72	28.93	28.15
Remittances	972.67	227.61	23.40	21.66
Total excess liquidity	2343.85	62.06	2.65	4.40
Total number of bank branches	11362	1736*	15.28	15.24
Total agricultural credit	118.41	14.29	12.07	17.46

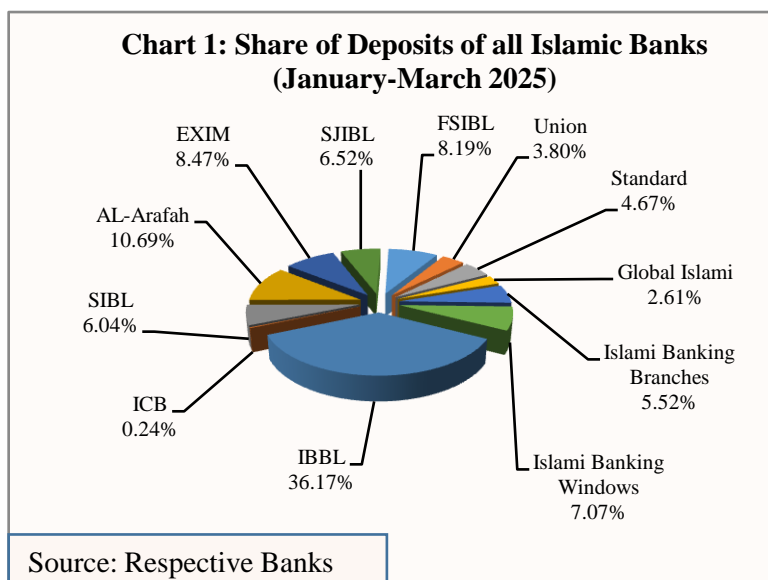
Source: Statistics Department, MPD, BRPD and ACD, Bangladesh Bank. Note: Stock figures are provided on end period basis. *⁼ Including Islamic Banking branches of Conventional Banks, P=Provisional, R=Revised.

2. Deposits Mobilization

Total deposits in Islamic banking system stood at BDT 4429.62 billion at the end of March 2025 with an increase of BDT 32.04 billion or 0.73 percent as compared to the end of December 2024.

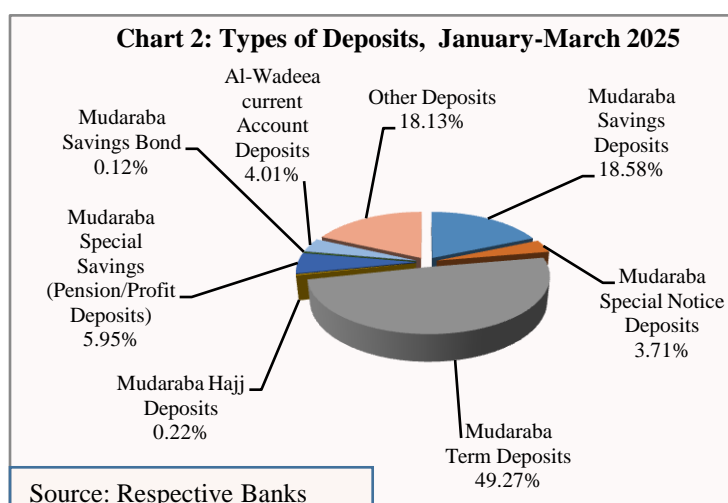
Deposits of 10 full-fledged Islamic banks stood at BDT 3871.66 billion, branches of conventional banks BDT 224.61 billion and windows of conventional banks BDT 313.35 billion

at the end of March 2025. Out of total deposits of the Islamic banking system 10 full-fledged Islamic banks represented 87.41 percent of deposits where Islamic banking branches and windows represented 5.52 and 7.07 percent respectively. Among all Islamic banks, Islami Bank Bangladesh PLC received the highest amount of deposits (36.17%) followed by Al-Arafah Islami Bank PLC (10.69%), Exim Bank PLC (8.47%), First Security Islami Bank PLC (8.19%), Social Islami Bank PLC (6.04%), Shahjalal Islami Bank PLC (6.52%), Standard Bank PLC (4.67%), Union Bank PLC (3.80%), Global Islami Bank PLC (2.61%) and ICB Islamic Bank Ltd. (0.24%) [Chart-1].



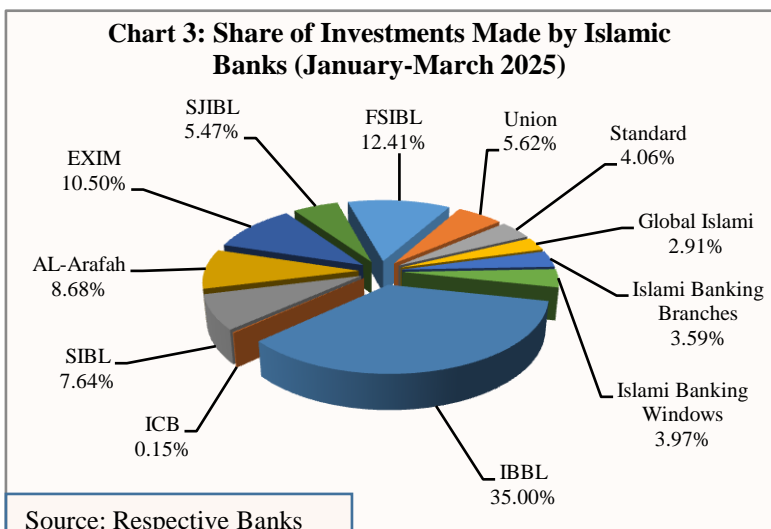
2.1: Types of Deposits

Among different types of deposits of the Islamic banking system, Mudaraba Term Deposits (MTD) secured the highest position (49.27%) followed by Mudaraba Savings Deposits (MSD) (18.58%), Other Deposits (18.13%), Mudaraba Special Savings (pension/profit) Deposits (5.95%), Mudaraba Special Notice Deposits (3.71%), Al-Wadeeah Current Account Deposits (4.01%), Mudaraba Hajj Deposits (0.22%) and Mudaraba Savings Bond (0.12%) during January-March 2025 [Chart-2].



3. Investments

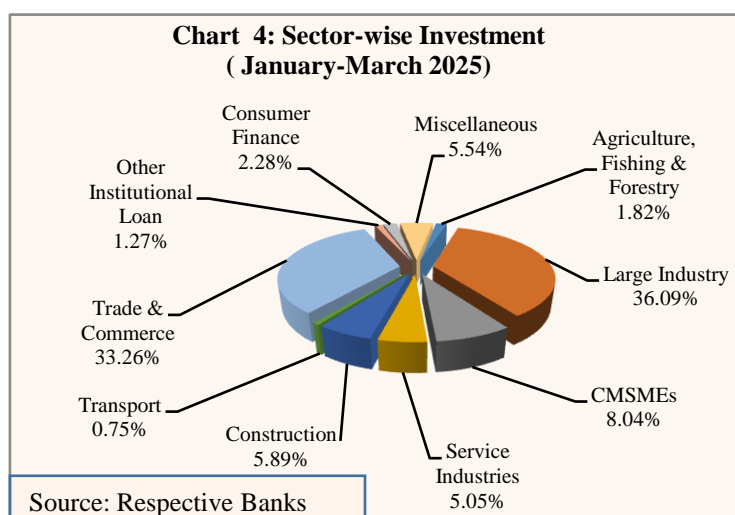
Total investment or financing* of Islamic banking system stood at BDT 5024.72 billion at the end of March 2025 which was BDT 4793.10 billion at the end of December 2024 and BDT 4569.94 billion at the end of March 2024. Out of total investment of Islamic banking system, 92.44 percent was materialized by 10 full-fledged



Islamic banks, 3.97 percent by the Islamic banking windows of conventional banks and the rest 3.59 percent by the Islamic banking branches of conventional banks. Among the 10 full-fledged Islamic banks, Islami Bank Bangladesh PLC accounted for highest investment (35.00%) during January-March 2025 quarter followed by First Security Islami Bank PLC. (12.41%), EXIM Bank PLC (10.50%), Al-Arafah Islami Bank PLC (8.68%), Social Islami Bank PLC (7.64%), Union Bank PLC (5.62%), Shahjalal Islami Bank PLC (5.47%), Standard Bank PLC (4.06%), Global Islami Bank PLC (2.91%) and ICB Islamic Bank Ltd. (0.15%) [Chart-3].

3.1: Sector-wise Investment

In case of the sector-wise investment, Large Industry sector secured the highest position (36.09%) among all sectors at the end of March 2025. Followed by Trade & Commerce (33.26%), CMSMEs (Cottage, Micro, Small and Medium Enterprises (8.04%), Construction (5.89%), Services Industry (5.05%), Miscellaneous (5.54%), Consumer

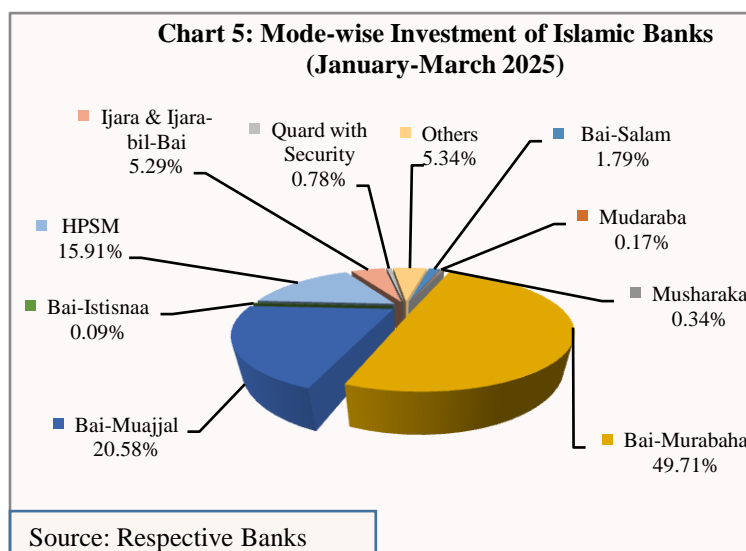


Finance (2.28%), Agriculture, Fishing and Forestry (1.82%), Transport (0.75%) and Other Institutional Loan (1.27%), [Chart-4].

* 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 (49.71%) at the end of March 2025 followed by Bai-Muajjal (20.58%), HPSM (15.91%), Ijara & Ijara-bil Bai (5.29%), Bai-Salam (1.79%), Quard with Security (0.78%), Musharaka (0.34%), Mudaraba (0.17%), Bai-Istisna (0.09%) and Others (5.34%) [Chart-5].



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 14.29 billion which was lower by BDT 2.82 billion and BDT 2.59 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 12.07 percent among all banks during the quarter January-March 2025. Summary of investments in agricultural sector under the Islamic banking framework is provided in Table-4.

Table-4: 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
January-March 2025 ^P	23.75	14.29	60.20	13.48	62.88	4.11	34.38
October-December 2024	24.49	17.11	69.86	16.27	62.47	3.87	33.74
January-March 2024	21.15	16.88	79.84	14.66	59.85	2.58	4.76
Quarterly Changes	-0.75	-2.82	-	-2.79	0.41	0.24	0.64
Annual Changes	2.60	-2.59	-	-1.18	3.03	1.54	29.62

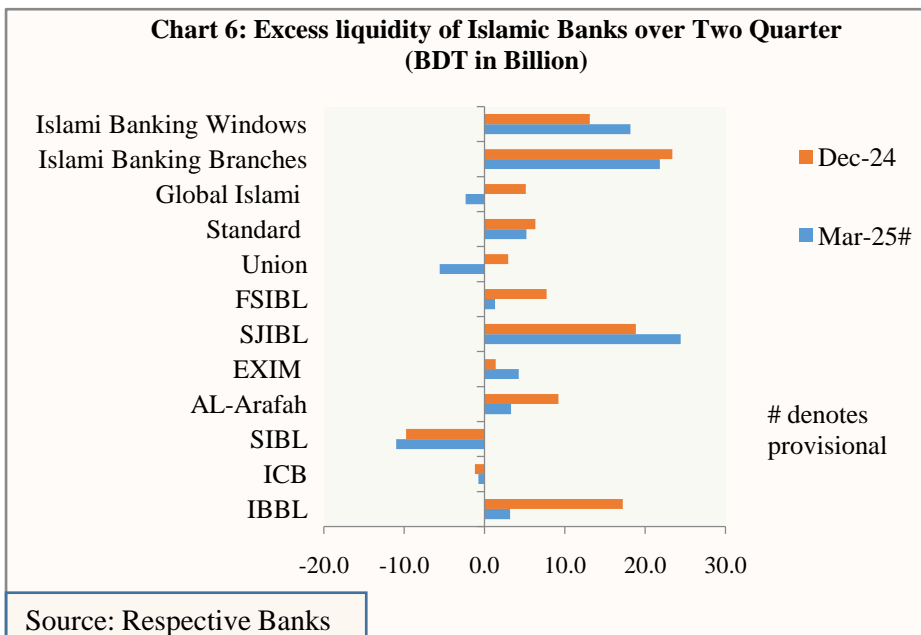
Source: Islamic banks, branches and windows of conventional banks.

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 62.06 billion at the end of March 2025. The excess liquidity of full-fledged Islamic banks, Islamic banking branches and windows of conventional banks stood at BDT 22.04 billion, 21.83 billion and 18.19 billion

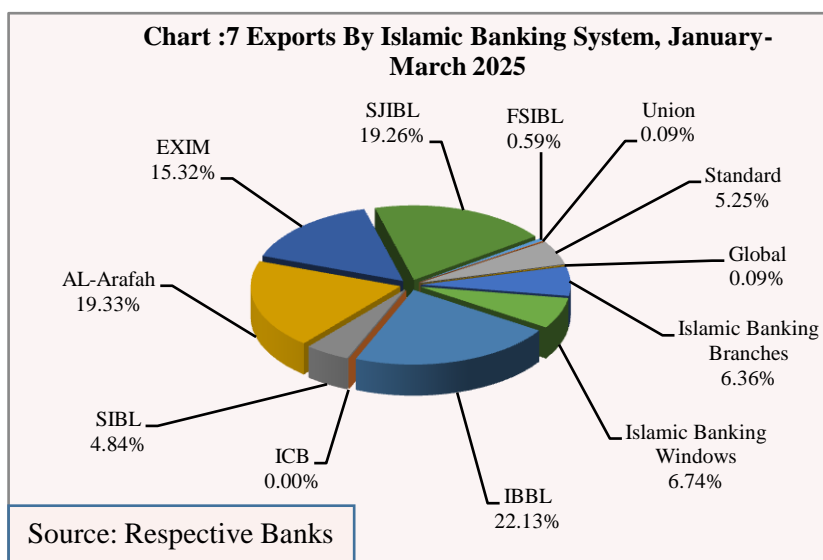


respectively. Summary of liquidity situation of Islamic banking system is shown in chart-6.

5. Foreign Trade and Remittance Mobilizations

5.1: Exports

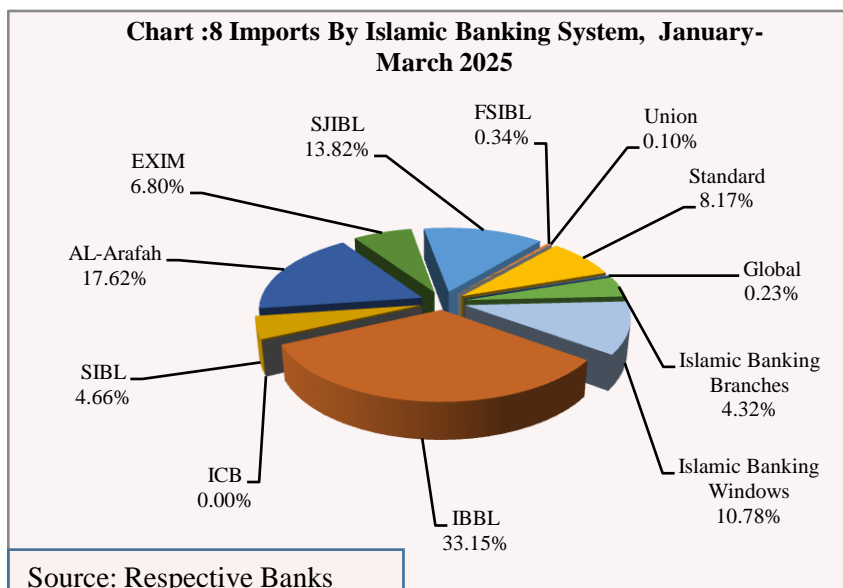
Total export receipts by the Islamic banks stood at BDT 369.00 billion during January-March 2025. Among the Islamic banking system, Islami Bank Bangladesh PLC secured the top position (22.13%) in export earnings during January-March 2025, followed by, AL-Arafah Islami Bank PLC (19.33%), Shahjalal Islami Bank PLC



(19.26%), EXIM bank PLC (15.32%), Standard Bank PLC (5.25%), Social Islami Bank PLC (4.84%), Islamic banking windows (6.74%), Islamic banking branches of conventional banks (6.36%), First Security Islami Bank PLC (0.59%), Union Bank PLC (0.09%) and Global Islami Bank PLC (0.09%). ICB Islamic Bank Ltd. has no export earnings during this quarter [Chart-7].

5.2: Imports

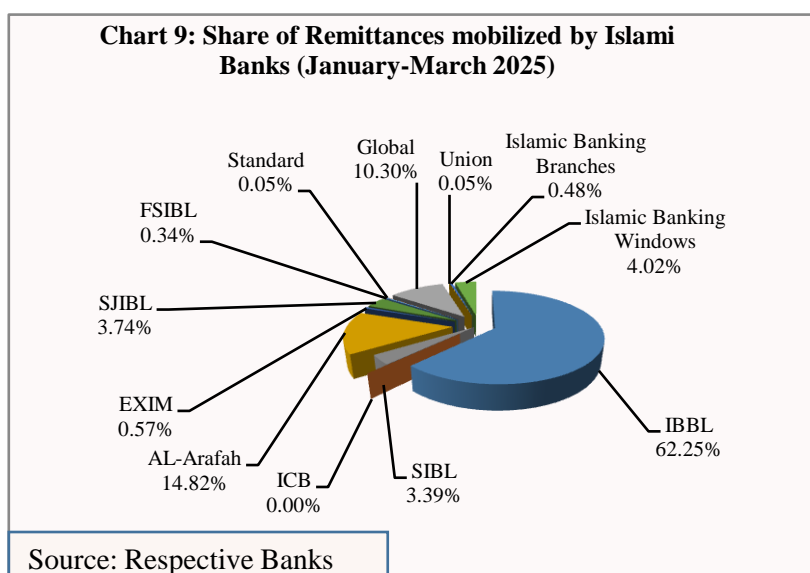
Total Import payments by the Islamic banking system stood at BDT 535.11 billion during January-March quarter of 2025. Among the Islamic banking system, Islami Bank Bangladesh PLC secured the top position (33.15%) in Import payments during January-March 2025, followed by AL-Arafah Islami Bank PLC (17.62%), Shahjalal



Islami Bank PLC (13.82%), Standard Bank PLC (8.17%), EXIM Bank PLC (6.80%), Social Islami Bank PLC (4.66%), Islamic banking windows (10.78%), Islamic banking branches of conventional banks (4.32%), First Security Islami Bank PLC (0.34%), Global Islami Bank PLC (0.23%), Union Bank PLC (0.10%) and ICB Islamic Bank Ltd. has no Import payments 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 227.61 billion during January-March 2025 which was BDT 188.03 billion during the previous quarter. Among the Islamic banking



system, Islami Bank Bangladesh PLC secured the top position (62.25%) in remittance mobilization during January-March 2025, followed by Al-Arafah Islami Bank PLC (14.82%), Global Islami Bank PLC (10.30%), Islamic banking windows of conventional banks (4.02%), Shahjalal Islami Bank PLC (3.74%), Social Islami Bank PLC (3.39%), Islamic banking branches of conventional banks (0.48%),

First security Islami Bank PLC (0.34%), Union Bank PLC (0.05%) and Standard Bank PLC (0.05%). No remittance has been collected by ICB Islamic Bank Ltd. during this quarter [Chart-9].

6. 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 January-March 2025 stood at BDT 0.49 billion which was BDT 0.78 billion in October-December 2024 and BDT 0.85 billion in January-March 2024.

7. Sustainable and Green Financing

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.

Along with conventional banks, Islamic banks in Bangladesh are also playing the crucial role in promoting green financing, which refers to financial products and services to support environmentally sustainable projects and initiatives. Total Sustainable financing of the Islamic banking system stood at BDT 373.73 billion during January-March 2025 while number of beneficiaries were 1, 15,158. Among the total sustainable finance, green finance was BDT 35.19 billion and sustainable-linked finance was BDT 338.54 billion. The number of beneficiaries of green finance and sustainable-linked finance were 1,815 and 1, 15,158 respectively which are shown in Table -5.

Table-5: Sustainable and Green Financing by Islamic Banks during January-March 2025
(In Billion BDT)

Green Finance		Sustainable Linked Finance		Total Sustainable Finance	
1	2	3	4	5=(1+3)	6=(2+4)
Number of Beneficiaries	Total Amount	Number of Beneficiaries	Total Amount	Total Number of Beneficiaries	Total Amount
1,815	35.19	1,13,343	338.54	1,15,158	373.73

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

8. Islamic Securities

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

8.1: 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 auction was held in 9 June, 2021 to raise the remaining amount of the fund worth BDT 40.00 billion at 4.69 percent profit rate.

For implementation of the “Need Based Infrastructure Development of Government Primary Schools Project (1st Phase)” the third auction of Sukuk was held in 29 December, 2021 to raise BDT 50.00 billion at 4.65 percent profit rate. The forth auction of Sukuk was held in 20 April, 2022 to raise BDT 50.00 billion for “Important Rural Infrastructure Development Project on Priority Basis (IRIDP-3)” at 4.75 percent profit rate . 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.

The total amount of Sukuk issued stood at BDT 220.00 billion till end of March 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.

8.2: Bangladesh Government Islamic Investment Bond (BGIIB)

Bangladesh Government Islamic Investment Bond (BGIIB) 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

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

accounts which are adjusted after finalization of accounts and rate of profit of the concerned Islamic banks. Table-6 shows the trend of sale, financing and net balance of BGIIB from FY10 to FY24.

Table-6: Bangladesh Government Islamic Investment Bond

(In Billion BDT)

Year	Sale	Financing	Net Balance
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.

9. Major Initiatives Taken by Bangladesh Bank for Development of Islamic Banks (during January-March 2025).

- To formulate regulations and policies related to Islamic Banking following international standards, BB has formed a new department named ‘Islamic Banking Regulation and Policy Department’ at the head office of Bangladesh Bank (Source: BRPD Circular Letter No.06, Date: 13/03/2025)³.
- Bangladesh Bank issued a circular regarding the change in Cash Reserve Ratio (CRR), where previously all scheduled banks including Shariah-based Islamic banks, had to follow MPD circular No. 01, dated April 9, 2020. Now, with a view to bringing greater excellence in the monetary policy framework and further strengthening liquidity management, BB decided that the minimum cash deposit reserve ratio would be 3.0 percent on a daily basis and would remain unchanged at 4.0 percent on a biweekly average basis (Source: MPD Circular Letter No.01, Date: 04/03/2025)³.
- BB issued a circular letter regarding the allocation of Sukuk in favor of investors, where all scheduled banks including Islamic banks instructed to draw attention to DMD circular letter no. 06 dated August 27, 2023. According to that circular, Sukuk allocation would be made in favor of investors as follows:
 - Shariah compliant banks/finance companies/insurance companies (70% of the Sukuk to be issued)
 - Islamic branches and windows of conventional banks (10% of the Sukuk to be issued)
 - Individual investors, provident funds, deposit insurance, etc. (20% of the Sukuk to be issued)
 (Source: DMD Circular Letter No.05, Date: 22/01/2025)³.

- BB has decided to provide an incentive facility at the rate of 1% each to banks and financial institutions as well as to customers, with the aim of ensuring the proper utilization of loans/investments disbursed at a maximum interest/profit rate of 5% at the client level under the **"Refinance Scheme for Women Entrepreneurs in the Small Enterprise Sector,"** and to encourage timely adjustment, recovery, and repayment. All scheduled banks including Shariah-based Islamic banks have to follow the instructions (Source: SMESPD Circular Letter No.01, Date: 08/01/2025)³.

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 28 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.

³ For details: https://www.bb.org.bd/mediaroom/circulars/circular_letters.pdf

- 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 24.36 percent and 28.93 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-2: Basic information on Islamic Banking: January-March 2025

(In Billion BDT)

Indicators of Islamic Banking	Jan-Mar 2025 ^p	Oct-Dec 2024	Jan-Mar 2024	Changes		Changes (%)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
1. Total Deposits*(Outstanding)^p	4429.62	4397.58	4394.65	32.04	34.97	0.73	0.80
a) Full-fledged Islamic Banks	3871.66	3885.07	3995.49	-13.41	-123.84	-0.35	-3.10
b) Islamic Banking Branches of CB	244.61	226.33	183.71	18.29	60.91	8.08	33.16
c) Islamic Banking Windows of CB	313.35	286.19	215.45	27.16	97.89	9.49	45.44
2. Total Investment** (Outstanding)	5024.72	4793.10	4569.94	231.62	454.78	4.83	9.95
a) Full-fledged Islamic Banks	4644.83	4430.23	4254.32	214.60	390.51	4.84	9.18
b) Islamic Banking Branches of CB	180.62	168.05	149.92	12.57	30.71	7.48	20.48
c) Islamic Banking Windows of CB	199.27	194.82	165.71	4.45	33.56	2.28	20.25
3. Investment-Deposit ratio[#]	0.99	0.97	0.97	0.02	0.02	1.96	2.45
a) Full-fledged Islamic Banks	1.05	1.01	0.99	0.04	0.06	3.50	5.98
b) Islamic Banking Branches of CB	0.68	0.69	0.74	-0.01	-0.05	-1.23	-7.12
c) Islamic Banking Windows of CB	0.58	0.63	0.73	-0.05	-0.15	-7.90	-20.33
4. Liquidity (Excess(+) / Shortfall (-))	62.06	94.35	162.29	-32.29	-100.23	-34.22	-61.76
a) Full-fledged Islamic Banks	22.04	57.83	121.71	-35.78	-99.67	-61.88	-81.89
b) Islamic Banking Branches of CB	21.83	23.40	4.26	-1.57	17.57	-6.70	412.01
c) Islamic Banking Windows of CB	18.19	13.13	36.31	5.06	-18.13	38.54	-49.92
5. Total Exports	369.00	323.59	321.31	45.41	47.69	14.03	14.84
a) Full-fledged Islamic Banks	320.68	281.37	291.97	39.31	28.71	13.97	9.83
b) Islamic Banking Branches of CB	23.46	20.88	12.89	2.58	10.57	12.36	82.00
c) Islamic Banking Windows of CB	24.86	21.34	16.45	3.52	8.41	16.49	51.15
6. Total Imports	535.11	448.19	504.36	86.92	30.75	19.39	6.10
a) Full-fledged Islamic Banks	454.28	364.34	458.28	89.94	-4.00	24.68	-0.87
b) Islamic Banking Branches of CB	23.13	35.87	15.31	-12.74	7.83	-35.51	51.13
c) Islamic Banking Windows of CB	57.70	47.98	30.77	9.72	26.93	20.26	87.53
7. Total Remittances	227.61	188.03	271.80	39.58	-44.19	21.05	-16.26
a) Full-fledged Islamic Banks	217.40	184.39	270.17	33.01	-52.76	17.90	-19.53
b) Islamic Banking Branches of CB	1.09	2.68	0.82	-1.58	0.27	-59.11	32.97
c) Islamic Banking Windows of CB	9.11	0.95	0.81	8.15	8.30	853.72	1026.58
8. Total Number of Branches	1736	1731	1703	5	33	0.29	1.94
a) Full-fledged Islamic Banks	1699	1697	1672	2	27	0.12	1.61
b) Islamic Banking Branches of CB	37	34	31	3	6	8.82	19.35
9. Islamic Banking Windows of CB	830	825	646	5	184	0.61	28.48
10. Total Number of Manpower	52231	52565	51272	-334	959	-0.64	1.87
a) Full-fledged Islamic Banks	50538	50700	49742	-162	796	-0.32	1.60
b) Islamic Banking Branches of CB	596	644	630	-48	-34	-7.45	-5.40
c) Islamic Banking Windows of CB	1097	1221	900	-124	197	-10.16	21.89

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