

Quarterly Report on Islamic Banking in Bangladesh¹

October-December 2024



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Highlights: Quarterly Report on Islamic Banking in Bangladesh

October-December 2024

Total Deposits

Total deposits of Islamic banking system stood at BDT 4,397.58 billion at the end of December 2024 with an increase of BDT 30.91 billion or 0.71 percent as compared to BDT 4,366.67 billion at the end of September 2024. But it was lower by BDT 36.45 billion or 0.82 percent as compared to the same quarter of the last year. The share of total deposits of Islamic banks accounted for 24.75 percent of total deposits of the entire banking sector during the period under report.

Total Investment

At the end of December 2024, total Investment (loans & advances) of Islamic banking system increased by BDT 88.67 billion or 1.88 percent compared to the end of September 2024 and reached to BDT 4,793.10 billion. It was also higher by BDT 343.36 billion or 7.72 percent as compared to the same quarter of the last year. The share of total investment of Islamic banks accounted for 28.15 percent of total loans & advances of the whole banking sector at the end of December 2024.

Investment-Deposit Ratio

Investment-Deposit Ratio (IDR) of the Islamic banks stood at 0.97 (excluding EDF and refinance) at the end of December 2024 which was 0.96 and 0.93 at the end of September 2024 and at the end of December 2023 respectively.

Excess Liquidity

Excess liquidity of Islamic banks increased by BDT 92.72 billion and stood at BDT 94.35 billion at the end of December 2024 from BDT 1.63 billion of end September 2024 due mainly to provide BDT 240 billion liquidity support to 6 Islamic banks as overdraft/demand loan facilities by BB during the quarter under review. It was lower by BDT 16.72 billion or 15.05 percent than that of the same period of the last year.

Exports

Total export receipts by the Islamic banks increased by BDT 35.08 billion or 9.93 percent to BDT 388.22 billion during October-December 2024 from BDT 353.15 billion during July-September 2024. It was higher by BDT 17.62 billion or 4.75 percent compared to the corresponding quarter of the preceding year.

Imports

Total Import payments by the Islamic banking system increased by 14.39 percent to BDT 533.35 billion during October-December 2024 as compared to previous quarter which was lower by BDT 4.01 billion or 0.75 percent than that of the same quarter of 2023.

Total Remittances

Total remittances mobilized by the Islamic banks stood at BDT 319.14 billion at the end of December 2024 which was higher by 3.30 percent as compared to the previous quarter. It also higher by 31.52 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 1,731 at the end of December 2024. It was 1,719 and 1,700 at the end of September 2024 and December 2023 respectively. At the same time, the number of Islamic banking windows extended to 825 at the end of December 2024 from 750 of end September 2024. It was 624 at the end of December 2023.

Manpower

Total employment in the Islamic banks stood at 52,565 in number at the end of December 2024. It was 54,169 and 50,306 at the end of previous quarter and corresponding quarter of the preceding year respectively.

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Islamic banking has grown rapidly in value and geographical reach and has become an important and integral part of the global financial system. The sector is continuously growing globally based on its risk sharing optimism, inclusiveness and real asset backed transaction features. In line with global trends Islamic banking in Bangladesh has also been witnessing a notable growth due to its strong public demand and policy supports from the government as well as Bangladesh Bank.

1. Brief overview on Islamic Banking

There were 10 full-fledged Islamic banks in Bangladesh operating with 1697 branches amongst total 11,361 branches in the whole banking system up to December 2024. In addition to this, 34 Islamic banking branches of 16 conventional commercial banks and 825 Islamic banking windows of 20 conventional commercial banks are also providing Islamic financial services in Bangladesh which has been shown in Table-1.

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	354
2	Al-Arafah Islami Bank PLC	226	Southeast Bank PLC	5	Agrani Bank PLC	61
3	First Security Islami Bank PLC	206	Bengal Commercial Bank PLC	4	The City Bank PLC	60
4	Social Islami Bank PLC	180	Pubali Bank PLC	3	United Commercial Bank PLC	60
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	104	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	1	South Bangla Agriculture & Commerce Bank PLC	10
16			Mercantile Bank PLC	1	Bank Asia PLC	5
17					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	1697	16	34	20	825

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

1.1: Activities of Islamic Banking system in Bangladesh: October-December 2024

Islamic Banking system has significant contributions in terms of deposits, investment, exports, imports, remittances mobilization and employment generation in the banking sector of Bangladesh. The system seems progressively attractive and profitable compare to conventional banks for their lower Statutory Liquidity Ratio (SLR) and higher Investment-Deposit Ratio (IDR). It is evident that, the system has experienced phenomenal growth and expansion in the country as the deposits and investments have increased significantly over the time. But in the backdrop of current global uncertainty, high inflationary pressure and persistent geopolitical tensions banking industry including Islamic banking system has been facing huge challenges. During the period under review especially Islamic banking sector in Bangladesh has been experienced consecutive challenges like liquidity constraints. Basic information on Islamic banking has been given in Table-2 (Appendix).

1.2: The Market Share of Islamic Banks

During the quarter under review it is observed that, the market share of Islamic banks decreased slightly by all major indicators compared to the previous quarter. At the end of December 2024, Islamic banking system represents 24.75 percent share in terms of deposits in the total banking industry while it accounted for 28.15 percent share in terms of investments. The share of remittance of Islamic banking system among entire banking industry recorded 36.76 percent at the end of December 2024. IBS have contributed 17.46 percent share of agricultural credit of the entire banking industry at the end of December 2024 (Table 3).

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

(In Billion BDT)

Items	October-December 2024 ^P			July-September 2024
	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	17767.52	4397.58	24.75	25.08
Total investment (loans & advances in conventional banking system)	17025.89	4793.10	28.15	28.18
Remittances	868.06	319.14	36.76	39.70
Total excess liquidity	2142.86	94.35	4.40	0.09
Total number of bank branches	11361	1731 [*]	15.24	15.21
Total agricultural credit	98.01	17.11	17.46	22.69

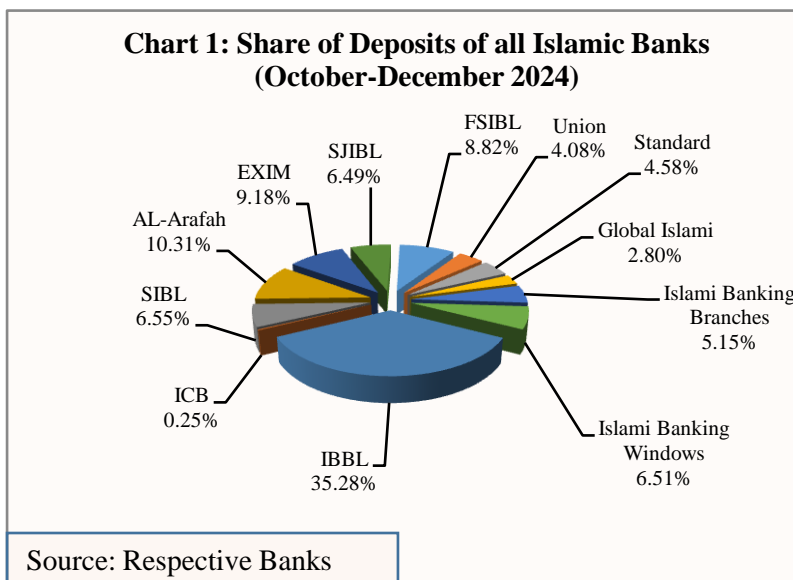
Source: Statistics Department, MPD, BRPD and ACD, Bangladesh Bank. Note: Stock figures are provided on end period basis. ^{*}= Including Islamic Banking branches of Conventional Banks, P=Provisional.

2. Deposits Mobilization by Islamic Banking System

Total deposits in Islamic banking system stood at BDT 4397.58 billion at the end of December 2024 with an increase of BDT 30.91 billion or 0.71 percent as compared to the end of September 2024.

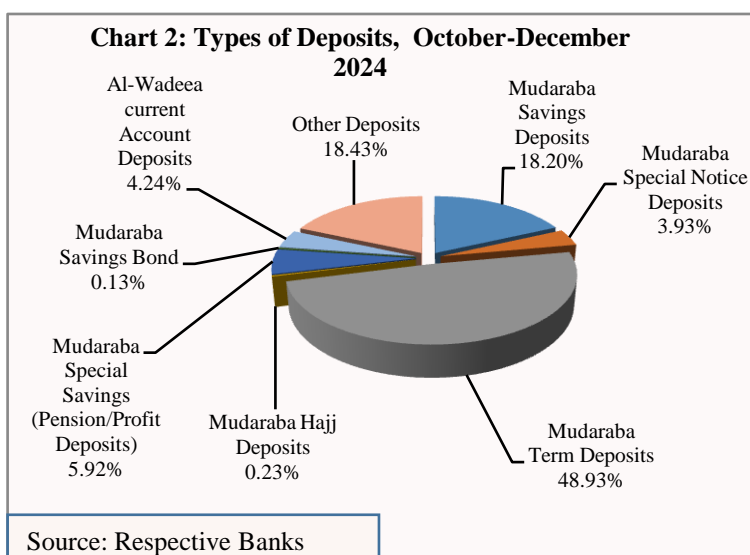
Deposits of 10 full-fledged Islamic banks stood at BDT 3885.07 billion, branches of conventional banks BDT 226.33 billion and windows of conventional banks BDT 286.19

billion at the end of December 2024. Out of total deposits of the Islamic banking system 10 full-fledged Islamic banks represented 88.34 percent of deposits where Islamic banking branches and windows represented 5.15 and 6.51 percent respectively. Among all Islamic banks, Islami Bank Bangladesh PLC received the highest amount of deposits (35.28%) followed by Al-Arafah Islami Bank PLC (10.31%), Exim Bank PLC (9.18%), First Security Islami Bank PLC (8.82%), Social Islami Bank PLC (6.55%), Shahjalal Islami Bank PLC (6.49%), Standard Bank PLC (4.58%), Union Bank PLC (4.08%), Global Islami Bank PLC (2.80%) and ICB Islamic Bank Ltd. (0.25%) [Chart-1].



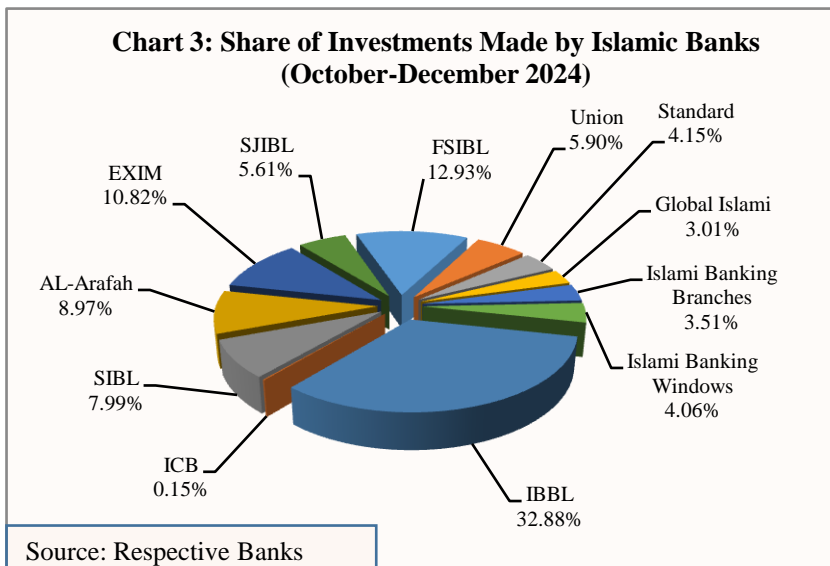
2.1: Types of Deposits

Among different types of deposits of the Islamic banking system, Mudaraba Term Deposits (MTD) secured the highest position (48.93%) followed by Mudaraba Savings Deposits (MSD) (18.20%), Other Deposits (18.43%), Mudaraba Special Savings (pension/profit) Deposits (5.92%), Mudaraba Special Notice Deposits (3.93%), Al-Wadeeah Current Account Deposits (4.24%), Mudaraba Hajj Deposits (0.23%) and Mudaraba Savings Bond (0.13%) during October-December 2024 [Chart-2].



3. Investments of Islamic Banking System

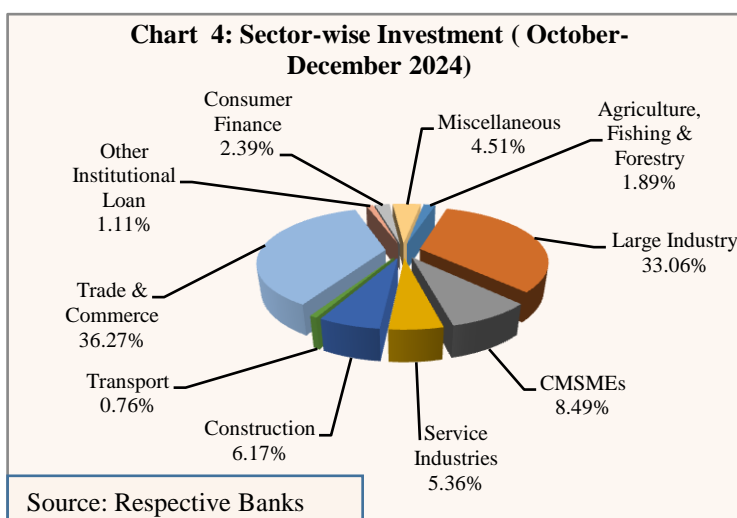
Total investment (loans & advances) of Islamic banking system stood at BDT 4,793.10 billion at the end of December 2024 which was BDT 4,704.43 billion at the end of September 2024 and BDT 4,449.74 billion at the end of December 2023. Out of total investment of Islamic banking system, 92.43 percent was materialized by 10 full-fledged



Islamic banks, 4.06 percent by the Islamic banking windows of conventional banks and the rest 3.51 percent by the Islamic banking branches of conventional banks. Among the 10 full-fledged Islamic banks, Islami Bank Bangladesh PLC affixed the highest investment (32.88%) during October-December 2024 quarter followed by First Security Islami Bank PLC. (12.93%), EXIM Bank PLC (10.82%), Al-Arafah Islami Bank PLC (8.97%), Social Islami Bank PLC (7.99%), Union Bank PLC (5.90%), Shahjalal Islami Bank PLC (5.61%), Standard Bank PLC (4.15%), Global Islami Bank PLC (3.01%) and ICB Islamic Bank Ltd. (0.15%) [Chart-3].

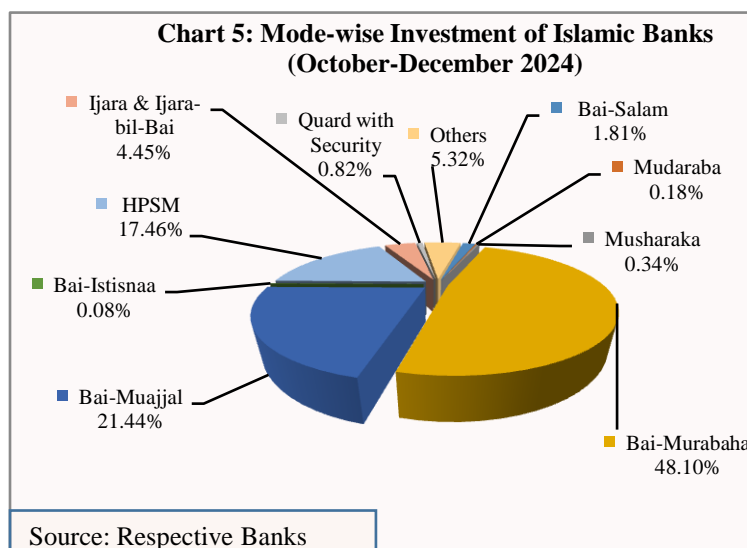
3.1: Sector-wise Investment

In case of the sector-wise investment, Trade and Commerce sector secured the highest position (36.27%) among all sectors at the end of December 2024. Followed by Large Industry (33.06%), CMSMEs (Cottage, Micro, Small and Medium Enterprises (8.49%), Construction (6.17%), Services Industry (5.36%), Miscellaneous (4.51%), Consumer Finance (2.39%), Agriculture, Fishing and Forestry (1.89%), Transport (0.76%) and Other Institutional Loan (1.11%), [Chart-4].



3.2: Mode* -wise Investments

The analysis of mode-wise investment revealed that the highest investment was materialized through Bai-Murabaha mode (48.10%) at the end of December 2024 followed by Bai-Muajjal (21.44%), HPSM (17.46%), Ijara & Ijara-bil Bai (4.45%), Bai-Salam (1.81%), Quard with Security (0.82%), Musharaka (0.34%), Mudaraba (0.18%), Bai-Istisnaa (0.08%) and Others (5.32%) [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 17.11 billion which was higher by BDT 2.46 billion and lower by BDT 5.72 billion at the end of previous quarter and at the end of preceding quarter of the last year respectively.

The share of total agricultural credit of Islamic banks accounted for 17.46 percent among all banks during the quarter October-December 2024. 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)

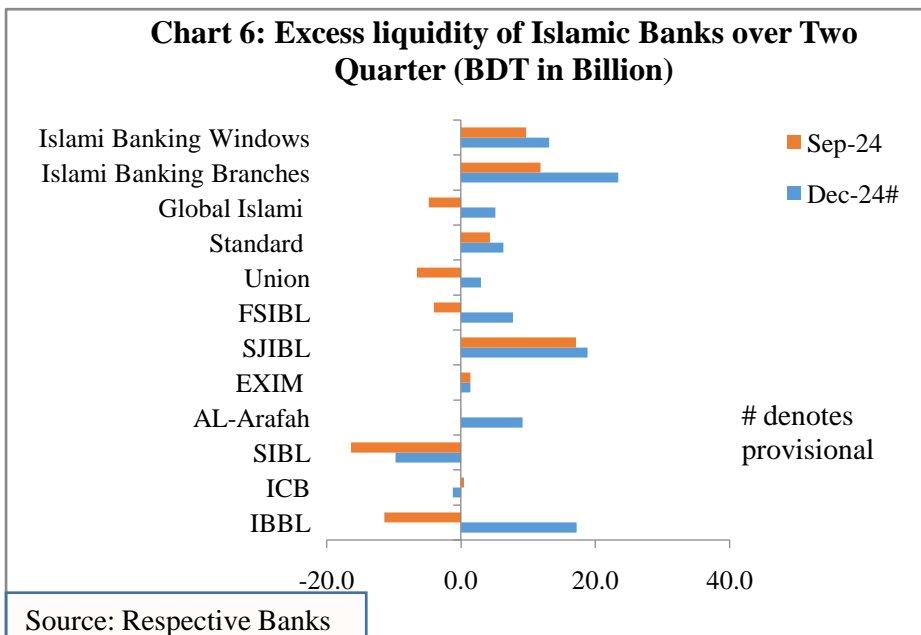
Period	Investment in Agricultural Sector						
	Investment Target	Actual Investment	Target Achieved (%)	Recovery	Outstanding Investment	Overdue Investment	Classified Investment
1	2	3	4	5	6	7	8
October-December 2024 ^P	24.49	17.11	69.86	16.27	62.47	3.87	33.74
July-September 2024	24.47	14.65	59.89	17.81	65.52	2.89	36.87
October-December 2023	23.88	22.83	95.63	13.86	58.28	24.03	32.09
Quarterly Changes	0.02	2.46	-	-1.54	-3.04	0.98	-3.13
Annual Changes	0.62	-5.72	-	2.41	4.19	-20.16	1.65

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

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

4. Liquidity Situation of Islamic Banking System

Excess liquidity of Islamic banking system stood at BDT 94.35 billion at the end of December 2024. The excess liquidity of full-fledged Islamic banks, Islamic banking branches and windows of conventional banks stood at BDT 57.83 billion, 23.40 billion and

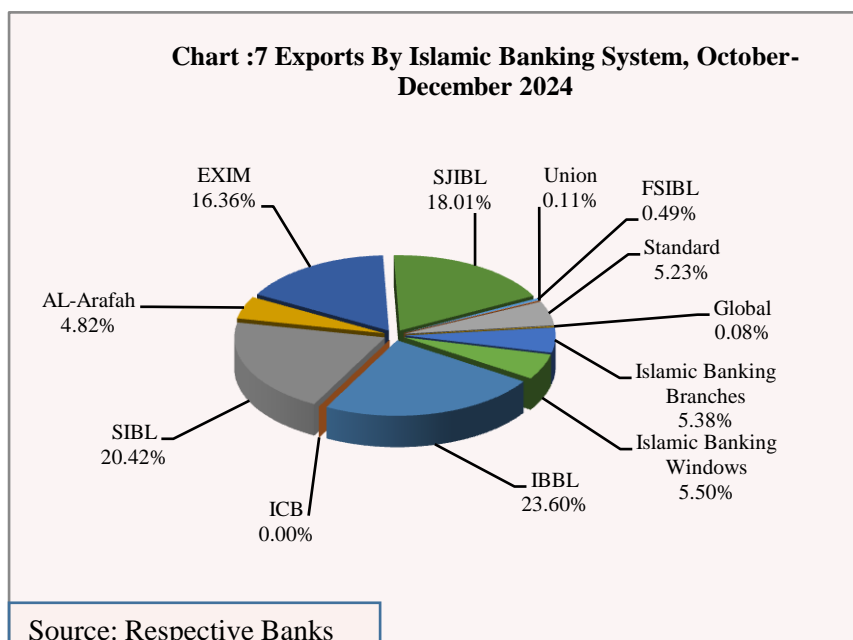


13.13 billion respectively. Liquidity position of full-fledged Islamic banks increased significantly during the quarter under report compared to previous quarter due mainly to provide BDT 240 billion liquidity support to 6 Islamic banks as overdraft/demand loan facilities by BB. Summary of liquidity situation of Islamic banking system is shown in chart-6.

5. Foreign Exchange Dealings and Remittance Mobilizations by Islamic Banking

5.1: Exports

Total export receipts by the Islamic banks stood at BDT 388.22 billion during October-December 2024. Among the Islamic banking system, Islami Bank Bangladesh PLC secured the top position (23.60%) in export earnings during October-December 2024, followed by, Social Islami Bank PLC (20.42%), Shahjalal Islami Bank PLC (18.01%), EXIM bank PLC (16.36%), Islamic banking windows (5.50%), Islamic banking branches of conventional

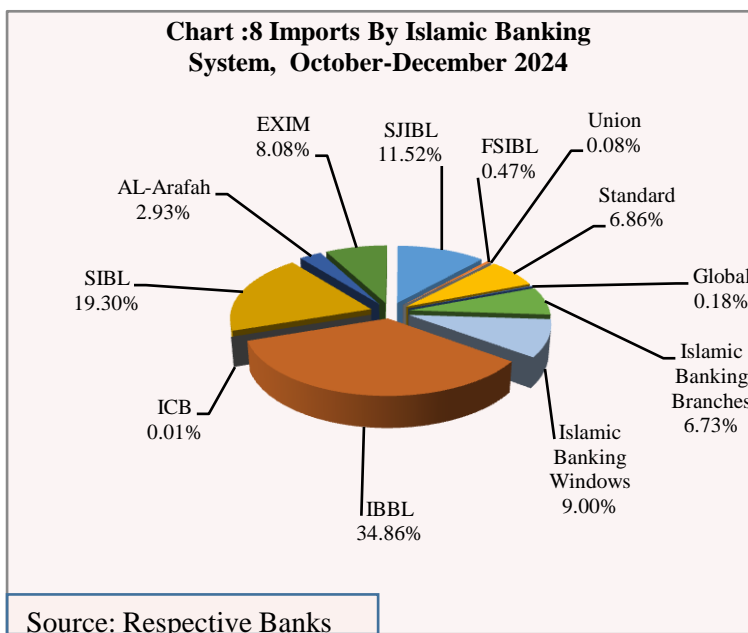


bank PLC (16.36%), Islamic banking windows (5.50%), Islamic banking branches of conventional

banks (5.38%), Standard Bank PLC (5.23%), AL-Arafah Islami Bank PLC (4.82%), First Security Islami Bank PLC (0.49%), Union Bank PLC (0.11%) and Global Islami Bank PLC (0.08%). ICB Islamic Bank Ltd. has no export earnings during this quarter [Chart-7].

5.2: Imports

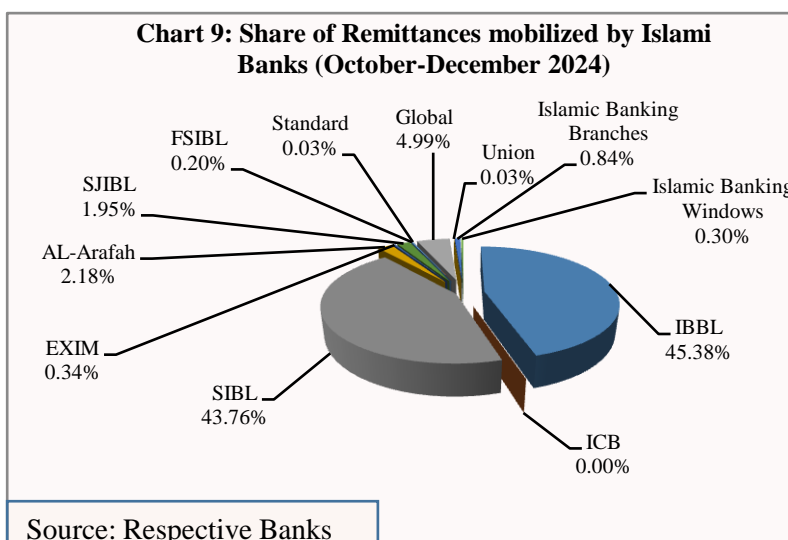
Total Import payments by the Islamic banking system stood at BDT 533.35 billion during October-December quarter of 2024. Among the Islamic banking system, Islami Bank Bangladesh PLC secured the top position (34.86%) in Import payments during October-December 2024, followed by Social Islami Bank PLC (19.30%), Shahjalal Islami Bank PLC (11.52%), Islamic banking windows (9.00%), EXIM Bank PLC (8.08%), Standard Bank PLC



(6.86%), Islamic banking branches of conventional banks (6.73%), AL-Arafah Islami Bank PLC (2.93%), First Security Islami Bank PLC (0.47%), Global Islami Bank PLC (0.18%), Union Bank PLC (0.08%) and ICB Islamic Bank Ltd. (0.01%) [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 319.14 billion during October-December 2024. Among the Islamic banking system, Islami Bank Bangladesh PLC secured the top position (45.38%) in remittance mobilization during October-December 2024, followed by Social Islami Bank PLC (43.76%), Global Islami Bank PLC (4.99%), Al-Arafah Islami Bank PLC. (2.18%), Shahjalal



Islami Bank PLC (1.95%), First security Islami Bank PLC (0.20%), Islamic banking branches of conventional banks (0.84%), Islamic banking windows of conventional banks (0.30%), Union Bank PLC (0.03%) and Standard Bank PLC (0.03%). No remittance has been collected by ICB Islamic Bank Ltd. during this quarter [Chart-9].

6. Corporate Social Responsibility (CSR) of Islamic Banking

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 October-December 2024 stood at BDT 0.78 billion which was BDT 0.58 billion in July-September 2024 and BDT 1.29 billion in October-December 2023.

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 442.38 billion during October-December 2024 while number of beneficiaries were 1,12,497. Among the total sustainable finance, green finance was BDT 37.17 billion and sustainable-linked finance was BDT 405.21 billion. The number of beneficiaries of green finance and sustainable-linked finance were 605 and 1,11,892 respectively which are shown in Table -5.

Table-5: Sustainable and Green Financing by Islamic Banks during October-December 2024

(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
605	37.17	1,11,892	405.21	1,12,497	442.38

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 fourth 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.

The total amount of Sukuk issued stood at BDT 190.00 billion till end of December 2024.

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 October-December 2024.

- In order to sound credit risk management aligning with policy rates and the raising funding cost of banks, Bangladesh Bank (BB) has set a maximum 25% interest rate for credit cards. Banks are instructed to set interest rates on their credit card within this range by taking into account the demand of loan and the availability of loanable funds. Islamic Shariah-based banks also adhere to this directive and will take necessary measures to set profit rates on their investments in accordance with this guideline (BRPD Circular Letter 52, Date: 01/12/2024)³.
- As part of the continuous efforts to enhance risk management capabilities of banks and strengthen the transparency of the financial reporting, Bangladesh Bank plans to implement Expected Credit Loss (ECL) methodology-based provisioning system for banks in accordance with International Financial Reporting Standard (IFRS 9) by 2027. The ECL Model under IFRS 9 enables banks to manage credit risk more effectively by considering past events, current conditions, and future forecast. Against this backdrop, to make advancement of the implementation of IFRS 9 standards and align with international best practices for loan classification and provisioning requirements, BB has provided some policy implementations to all scheduled bank. Islamic banks must adhere to this loan classification and provisioning policy for their investments. This circular will come into force from 01 April 2025. (Source: BRPD Circular No: 15, Date: 27/11/2024)³.

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

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.
- 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 24.75 percent and 28.15 percent respectively. In recent past the investment growth has surpassed the deposits growth due mainly to fund mismanagement by some banks and lack of public confidence which lead to decline the excess liquidity of the IBS and the sector has been facing consecutive liquidity pressure. To overcome 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 reformed the governing bodies of major Islamic banks to bring back public confidence in the aftermath of regime change. It is expected that, these pragmatic steps taken by BB will help the Islamic banks to overcome from this worse situation and lead the sector to operate on a sound footing.

Table-2: Basic information on Islamic Banking: October-December 2024

(In Billion BDT)

Indicators of Islamic Banking	Oct-Dec 2024 ^P	July-Sep 2024	Oct-Dec 2023	Changes		Changes (%)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
1. Total Deposits*(Outstanding)	4397.58	4366.67	4434.03	30.91	-36.45	0.71	-0.82
a) Full-fledged Islamic Banks	3885.07	3907.60	4038.50	-22.54	-153.43	-0.58	-3.80
b) Islamic Banking Branches of CB	226.33	205.82	191.21	20.51	35.11	9.96	18.36
c) Islamic Banking Windows of CB	286.19	253.25	204.33	32.94	81.86	13.01	40.06
2. Total Investment** (Outstanding)	4793.10	4704.43	4449.74	88.67	343.36	1.88	7.72
a) Full-fledged Islamic Banks	4430.23	4368.07	4146.80	62.16	283.43	1.42	6.83
b) Islamic Banking Branches of CB	168.05	160.51	146.92	7.54	21.13	4.70	14.38
c) Islamic Banking Windows of CB	194.82	175.85	156.02	18.97	38.80	10.79	24.87
3. Investment-Deposit ratio[#]	0.97	0.96	0.93	0.01	0.04	1.09	4.80
a) Full-fledged Islamic Banks	1.01	1.00	0.96	0.01	0.05	1.14	5.15
b) Islamic Banking Branches of CB	0.69	0.57	0.69	0.12	0.00	21.68	-0.13
c) Islamic Banking Windows of CB	0.63	0.67	0.73	-0.04	-0.10	-5.62	-13.49
4. Liquidity (Excess (+) / Shortfall (-))	94.35	1.63	111.07	92.72	-16.72	5698.41	-15.05
a) Full-fledged Islamic Banks	57.83	-19.90	73.13	77.73	-15.31	390.61	-20.93
b) Islamic Banking Branches of CB	23.40	11.84	10.24	11.55	13.16	97.55	128.53
c) Islamic Banking Windows of CB	13.13	9.68	27.70	3.45	-14.57	35.58	-52.61
5. Total Exports	388.22	353.15	370.61	35.08	17.62	9.93	4.75
a) Full-fledged Islamic Banks	346.00	313.47	303.90	32.53	42.10	10.38	13.85
b) Islamic Banking Branches of CB	20.88	21.46	35.40	-0.58	-14.52	-2.71	-41.01
c) Islamic Banking Windows of CB	21.34	18.21	31.31	3.13	-9.97	17.18	-31.84
6. Total Imports	533.35	466.27	537.36	67.07	-4.01	14.39	-0.75
a) Full-fledged Islamic Banks	449.50	401.03	423.19	48.47	26.31	12.09	6.22
b) Islamic Banking Branches of CB	35.87	30.37	56.60	5.50	-20.73	18.12	-36.62
c) Islamic Banking Windows of CB	47.98	34.88	57.57	13.10	-9.59	37.57	-16.66
7. Total Remittances	319.14	308.93	242.66	10.21	76.49	3.30	31.52
a) Full-fledged Islamic Banks	315.51	306.07	239.32	9.44	76.19	3.08	31.83
b) Islamic Banking Branches of CB	2.68	1.90	1.98	0.78	0.70	40.96	35.33
c) Islamic Banking Windows of CB	0.95	0.97	1.35	-0.01	-0.40	-1.24	-29.49
8. Total Number of Branches	1731	1719	1700	12	31	0.70	1.82
a) Full-fledged Islamic Banks	1697	1686	1670	11	27	0.65	1.62
b) Islamic Banking Branches of CB	34	33	30	1	4	3.03	13.33
9. Islamic Banking Windows of CB	825	750	624	75	201	10.00	32.21
10. Total Number of Manpower	52565	54169	50306	-1604	2259	-2.96	4.49
a) Full-fledged Islamic Banks	50700	52409	48883	-1709	1817	-3.26	3.72
b) Islamic Banking Branches of CB	644	616	561	28	83	4.55	14.80
c) Islamic Banking Windows of CB	1221	1144	862	77	359	6.73	41.65

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