

Developments of Islamic Banking in Bangladesh¹

January-March 2022



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Highlights: Islamic Banking Sector in Bangladesh, January-March 2022

Total Deposits	Total deposits of Islamic banking sector reached to BDT 3996.79 billion at the end of March 2022 with an increase of BDT 65.68 billion or 1.67% as compared to the end of December 2021 and BDT 418.87 billion or 11.71 % as compared to the same quarter of the last year. The share of total deposits of Islamic banks accounted for 28.21% of total deposits of the entire banking sector during the period under report.
Total Investment	Total Investment (loans & advances) of Islamic banking sector stood at BDT 3606.49 billion at the end of March 2022 which went up by BDT 72.01 billion or 2.04% and by BDT 382.51 billion or 11.86% as compared to the end of December 2021 and the end of same quarter of the last year respectively. The share of total investment of Islamic banks accounted for 27.78% of total loans & advances of the whole banking sector.
Investment-Deposit Ratio	At the end of March 2022, Investment-Deposit ratio stood at 0.90 which was same as at the end of December 2021 and at the end of March 2021.
Excess Liquidity	Excess liquidity of Islamic banking sector stood at BDT 299.99 billion at the end of March 2022 which was lower by BDT 36.26 billion (9.90%) and by BDT 4.10 billion (1.35%) than that of the end of December 2021 and the same period of the last year respectively.
Total Remittances	Total remittances mobilized by the Islamic banking sector stood at BDT 134.70 billion during January-March 2022, which was lower by BDT 68.98 billion or by (33.87%) and lower by BDT 22.64 billion or (14.39%) than that of the previous quarter and the same quarter of 2021 respectively. Islamic banks have accounted for 30.96% share of remittances mobilized by the entire banking sector during January-March 2022.
Branches	The number of branches of Islamic banking sector including Islamic branches/windows of conventional commercial banks reached to 2154 at the end of March 2022 which was 2080 at the end of December 2021 and 1755 at the end March of last year.
Manpower	Total employment in the Islamic banking sector stood at 47927 at the end of March 2022 which was 45260 at the end of December 2021 and 43288 at the end of March 2021.

Developments of Islamic Banking in Bangladesh January-March 2022

Islamic financial sector is now considered as a global industry in terms of its assets like Islamic banks, Islamic bonds, Islamic mutual fund and Islamic insurance etc. The sector is growing globally based on its risk sharing, optimism, inclusiveness and real asset backed transaction features. In line with global trends, Islamic banking sector in Bangladesh has also been witnessing robust growth due to policy supports from the Bangladesh Bank and strong public demand.

Overview of Islamic Banking sector in Bangladesh

At present, 10 full-fledged Islamic banks have been operating with 1679 branches out of total 10942 branches of the whole banking sector. In addition, 41 Islamic banking branches of 9 conventional commercial banks and 434 Islamic banking windows of 13 conventional commercial banks are also providing Islamic financial services in Bangladesh.

Table 1: Number of Islamic Banks, Branches and Windows

Bank Name Branches	Full-fledged Islamic Banks	Islamic Banking Branches in Conventional Banks	Islamic Banking Windows in Conventional Banks
1.	Islami Bank Bangladesh Limited (384)	The City Bank Limited (1)	Sonali Bank Limited (58)
2.	ICB Islamic Bank Limited (33)	AB Bank Limited (1)	Janata Bank Limited**
3.	Social Islami Bank Limited (172)	Dhaka Bank Limited (2)	Agrani Bank Limited (31)
4.	Al-Arafah Islami Bank Limited (201)	Premier Bank Limited (22)	Pubali Bank Limited (17)
5.	EXIM Bank Limited (140)	Prime Bank Limited (5)	Trust Bank Limited (15)
6	Shahjalal Islami Bank Limited (132)	Southeast Bank Limited (6)	Bank Asia Limited (5)
7.	First Security Islami Bank Limited(201)	Jamuna Bank Limited (2)	Standard Chartered Bank (1)
8.	Union Bank Limited (104)	Bank Alfalah Limited (1)	Mercantile Bank Limited (45)
9.	Standard Bank Limited (138)	NRB Bank Limited (1)	Midland Bank Limited (2)
10.	Global Islami Bank Limited (174)		NRBC Bank Limited (231)
11.			One Bank Limited (2)
12.			United Commercial Bank (11)
13.			Meghna Bank Limited (1)
14			Mutual Trust Bank Limited(15)

Sources: Data of respective banks. Note: Figure in parentheses shows branches and windows of Islamic banks.

**Janata Bank Limited has obtained permission for starting Islamic Banking window from Bangladesh Bank, but not yet started operation.

1.1 Activities of Islamic Banking Sector in Bangladesh, January-March 2022

Islamic Banking sector has significant contributions towards the growth and economic development of Bangladesh. The sector seems progressively attractive and profitable to conventional banks for their lower Statutory Liquidity Ratio (SLR) and higher Loan-Deposit Ratio (LDR). It is evident that, the sector has experienced phenomenal growth and expansion in the country as the deposits and investments both grew over the time. The activities of the sector are provided in Table 1.1 and briefly discussed below:

Total deposits in Islamic banking sector reached to BDT 3996.79 billion at the end of March 2022 with an increase of BDT 65.68 billion or 1.67% as compared to the end of December 2021 and BDT 418.87 billion or 11.71 % as compared to the same quarter of the last year.

Total Investment (loans & advances in conventional banking system) of Islamic banking sector stood at BDT 3606.49 billion at the end of March 2022 which went up by BDT 72.01 billion or 2.04% and by BDT 382.51 billion or 11.86% as compared to the end of December 2021 and the end of same quarter of the last year respectively.

Investment-Deposit ratio (Credit-Deposit ratio in conventional sense) stood at 0.90 which was same as at the end of December 2021 and at the end of March 2021.

Excess liquidity of Islamic banking stood at BDT 299.99 billion at the end of March 2022 which was lower by BDT 36.26 billion (9.90%) and lower by BDT 4.10 billion (1.35%) than that of the end of December 2021 and the same period of the last year respectively.

Total remittances mobilized by the Islamic banking sector stood at BDT 134.70 billion during January-March 2022, which was lower by BDT 68.98 billion or by (33.87%) and lower by BDT 22.64 billion or (14.39%) than that of the previous quarter and the same quarter of 2021 respectively.

The number of branches of Islamic banking sector including Islamic branches/windows of conventional commercial banks reached to 2154 at the end of March 2022 which was 2080 at the end December 2021 and 1755 at the end March of last year.

Total employment in the Islamic banking sector stood at 47927 at the end of March 2022 which was 45260 at the end of December 2021 and 43288 at the end of March 2021.

Table 1.1 Activities of Islamic Banking Sector in Bangladesh, January-March 2022

(In Billion BDT)

Indicators of Islamic Banking Sector	January-March 2022 ^P	October-December 2021	January-March 2021	Changes		% Changes	
				Quarterly	Annual	Quarterly	Annual
1. Total Deposits* (outstanding)	3996.79	3931.11	3577.92	65.68	418.87	1.67	11.71
a) Full-fledged Islamic Banks	3743.54	3703.84	3375.10	39.70	368.44	1.07	10.92
b) Islamic Banking Branches of Conventional Banks	123.51	110.25	103.89	13.26	19.62	12.03	18.88
c) Islamic Banking Windows of Conventional Banks	129.74	117.02	98.93	12.72	30.81	10.87	31.14
2. Total Investment* (outstanding)	3606.49	3534.48	3223.98	72.01	382.51	2.04	11.86
a) Full-fledged Islamic Banks	3420.90	3376.68	3076.90	44.22	344	1.31	11.18
b) Islamic Banking Branches of Conventional Banks	103.90	82.42	86.40	21.48	17.50	26.06	20.25
c) Islamic Banking Windows of Conventional Banks	81.69	75.38	60.68	6.31	21.01	8.37	34.62
3. Investment-Deposit ratio	0.90	0.90	0.90	0.00	0.00	0.00	0.00
a) Full-fledged Islamic Banks	0.91	0.91	0.91	0.00	0.00	0.00	0.00
b) Islamic Banking Branches of Conventional Banks	0.84	0.75	0.83	0.09	0.01	12.00	1.20
c) Islamic Banking Windows of Conventional Banks	0.63	0.64	0.57	-0.01	0.06	-1.56	10.53
4. Liquidity(Excess(+)/Shortfall (-))	299.99	336.25	304.09	-36.26	-4.10	-9.90	-1.35
a) Full-fledged Islamic Banks	251.37	288.35	262.16	-36.98	-10.79	-12.82	-4.12
b) Islamic Banking Branches of Conventional Banks	18.57	20.85	16.05	-2.28	2.52	-10.94	15.70
c) Islamic Banking Windows of Conventional Banks	30.05	27.05	25.88	3.00	4.17	11.09	16.12
5. Total Remittances	134.70	203.68	157.34	-68.98	-22.64	-33.87	-14.39
a) Full-fledged Islamic Banks	132.88	201.16	156.06	-68.27	-23.18	-33.94	-14.85
b) Islamic Banking Branches of Conventional Banks	1.05	1.58	0.90	-0.53	0.15	-33.54	16.28
c) Islamic Banking Windows of Conventional Banks	0.77	0.94	0.38	-0.17	0.39	-18.14	105.10
6. Total Number of Branches	2154	2080	1755	74	399	3.56	22.74
a) Full-fledged Islamic Banks	1679	1671	1558	8	121	0.48	7.77
b) Islamic Banking Branches of Conventional Banks	41	41	19	0	22	0.00	115.79
c) Islamic Banking Windows of Conventional Banks	434	368	178	66	256	17.93	143.82
7. Total Number of Manpower	47927	45260	43288	2667	4639	5.89	10.72
a) Full-fledged Islamic Banks	46777	44223	42367	2554	4410	5.78	10.41
b) Islamic Banking Branches of Conventional Banks	418	411	372	7	46	1.70	12.37
c) Islamic Banking Windows of Conventional Banks	732	626	549	106	183	16.93	33.33

Source: Respective Banks, * = Excluding inter-bank items, P= Provisional.

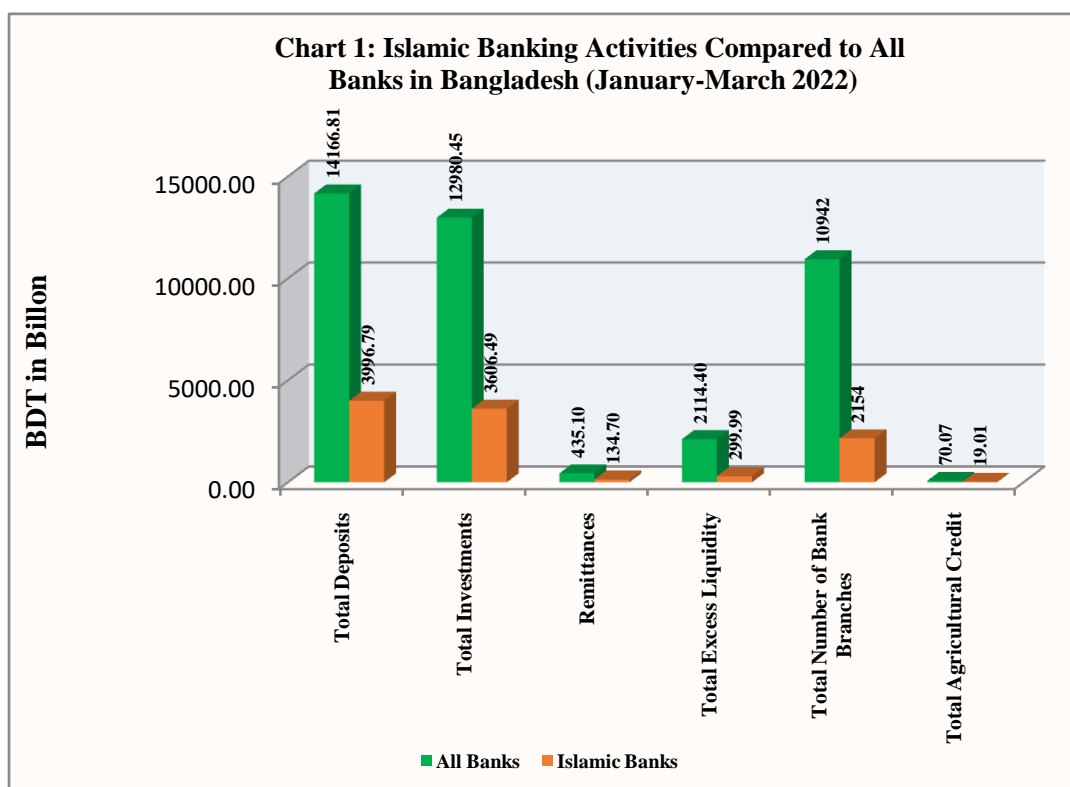
1.2 The Market Share of Islamic Banks

The market share of Islamic banks in the total banking sector stood at 28.21 percent in terms of deposits and 27.78 percent in terms of investments at the end of March, 2022.

Table 1.2 Performances of Islamic Banks Compared to All Banks in Bangladesh
(In Billion BDT)

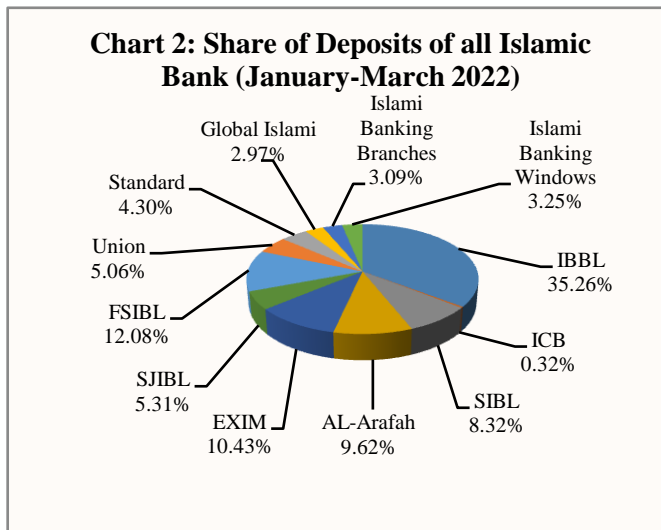
Items	January-March 2022 ^P			October-December 2021
	All banks	Islamic banks	Share of Islamic banks among all banks (%)	Share of Islamic banks among all banks (%)
	1	2	3=(2/1*100)	4
Total deposits	14166.81	3996.79	28.21	27.89
Total investment (loans & advances in conventional banking system)	12980.45	3606.49	27.78	27.88
Remittances	435.10	134.70	30.96	49.18
Total excess liquidity	2114.40	299.99	14.19	15.42
Total number of bank branches	10942	2154	19.69	19.02
Total agricultural credit	70.07	19.01	27.13	21.74

Source: Statistics Department, MPD and ACD, Bangladesh Bank.
P=Provisional.



2. Mobilization of Deposits by Islamic Banking Sector

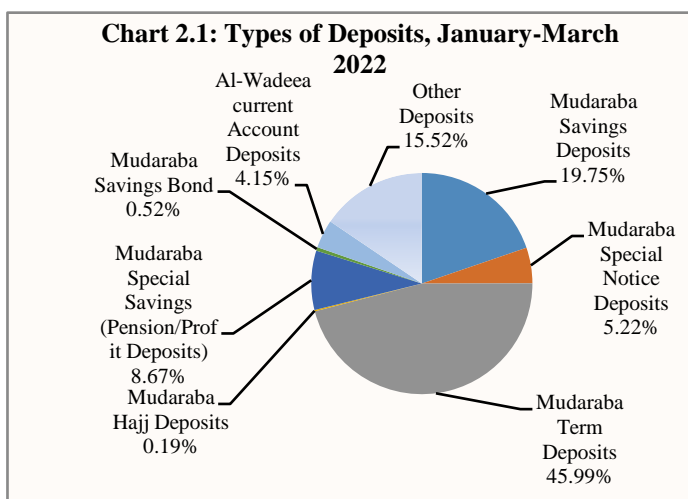
Total deposits in Islamic banking sector reached at BDT 3996.79 billion at the end of March 2022 with an increase of BDT 65.68 billion or 1.67% as compared to the end of December 2021 and BDT 418.87 billion or 11.71 % as compared to the same quarter of the last year. Among the total deposits, demand deposit was BDT 451.05 billion and time deposit was BDT 3545.74 billion. The share of total deposits of Islamic banks accounted for 28.21% among whole banking sector at the end of March 2022.



Deposits of 10 full-fledged Islamic banks stood at BDT 3743.54 billion, branches of conventional banks 123.51 billion and windows of conventional banks 129.74 billion at the end of March 2022. Total deposits of the 10 full-fledged Islamic banks accounted for 93.66% of deposits of the Islamic banking sector. Among all Islamic banks, Islami Bank Bangladesh Limited accounted for the highest share of deposits (35.26%) followed by First Security Islami Bank Ltd. (12.08%), EXIM Bank Ltd. (10.43%), AL-Arafah Islami Bank Ltd. (9.62%), Social Islami Bank Ltd. (8.32%), Shahjalal Islami Bank Ltd. (5.31%), Union Bank Limited (5.06%), Standard Bank Ltd. (4.30%), Islamic banking windows (3.25%), Islamic banking branches (3.09%), Global Islami Bank (2.97%) and ICB Islamic Bank Limited (0.32%) [Chart-2].

2.1 Types of Deposits

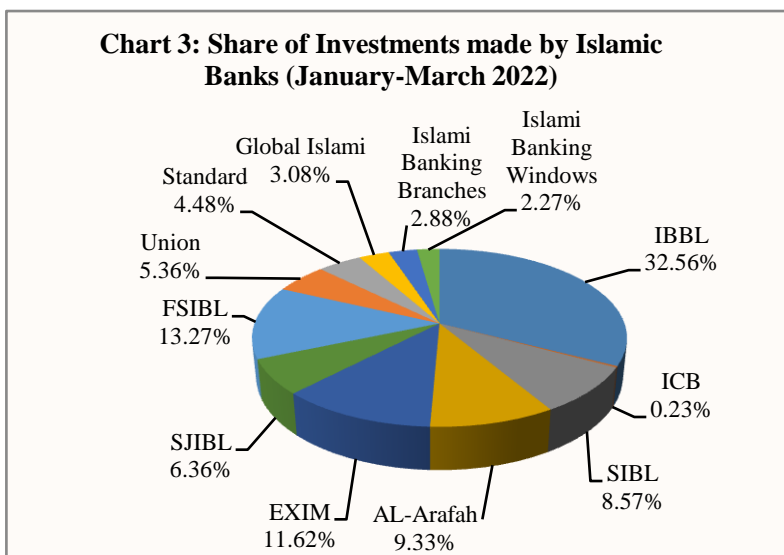
Among different types of deposits of the Islamic banking industry, Mudaraba Term Deposits (MTD) secured the highest position (45.99%) followed by Mudaraba Savings Deposits (MSD) (19.75%), Other Deposits (15.52%), Mudaraba Special Savings (pension/profit) Deposits (8.67%), Mudaraba Special Notice Deposits (5.22%), Al-Wadeeah Current Account Deposits (4.15%), Mudaraba Savings Bond (0.52%) and Mudaraba Hajj Deposits (0.19%) during January-



March 2022 [Chart-2.1].

3. Investments by Islamic Banking Sector

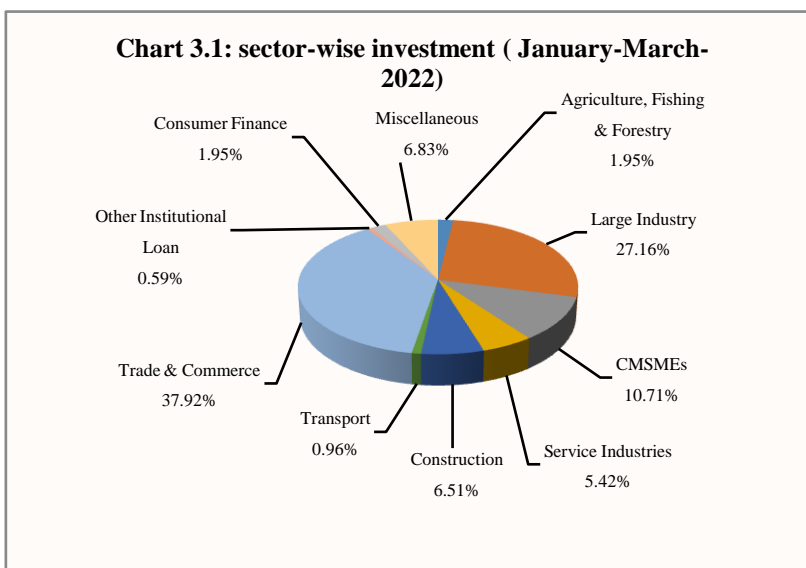
Total investment (loans & advances) in Islamic banking sector stood at BDT 3606.49 billion at the end of March 2022 which went up by BDT 72.01 billion or 2.04% and by BDT 382.51 billion or 11.86% as compared to the end of December 2021 and end of the same period of the preceding year respectively. The share of total investment of Islamic banks accounted for 27.78% among total banking sector loans & advances.



Out of total investment of Islamic banks, 94.85% was made by 10 full-fledged Islamic banks, 2.88% by the Islamic banking branches of conventional banks and the rest 2.27% by the Islamic banking windows of conventional banks. Among the 10 full-fledged Islamic banks, Islami Bank Bangladesh Ltd. made the highest investment (32.56%) at the end of March 2022 followed by First Security Islami Bank Ltd. (13.27%), EXIM Bank Ltd. (11.62%), Al-Arafah Islami Bank Ltd. (9.33%), Social Islami Bank Ltd. (8.57%), Shahjalal Islami Bank Ltd. (6.36%), Union Bank Ltd. (5.36%), Standard Bank Ltd. (4.48%), Global Islami Bank (3.08%) and ICB Islamic Bank Ltd. (0.23%) [Chart-3].

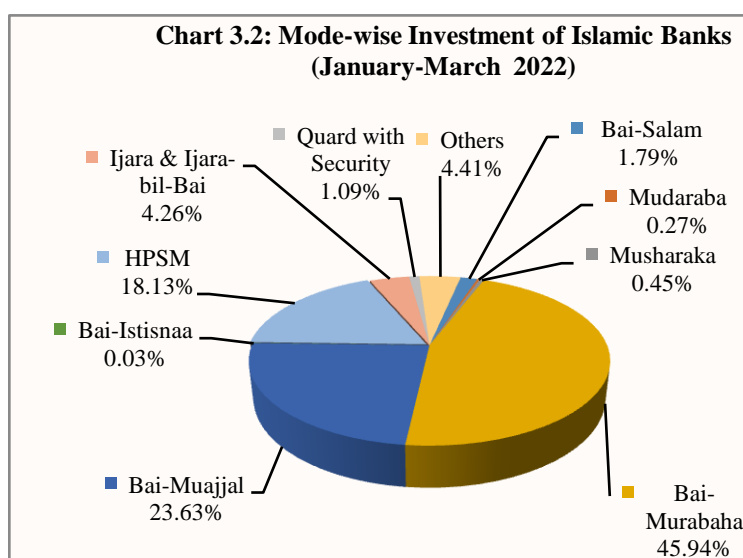
3.1 Sector-wise Investment

In case of the sector-wise investment, Trade and Commerce sector was secured the highest position (37.92%) among all sectors at the end of March 2022 followed by Large Industry (27.16%), CMSMEs (Cottage, Micro, Small and Medium Enterprises (10.71%), Construction (6.51%), Services Industry (5.42%), Miscellaneous (6.83%), Agriculture, Fishing and Forestry (1.95%), Consumer Finance (1.95%), Transport (0.96%), and Other Institutional Loan (0.59%), [Chart-3.1].



3.2 Mode-wise Investments

The analysis of mode-wise investment revealed that the highest investment was made through Bai-Murabaha (45.94%) at the end of March 2022 followed by Bai-Muajjal (23.63%), HPSM (18.13%), Ijara & Ijara-bil Bai (4.26%), Others (4.41%), Bai-Salam (1.79%), Quard with Security (1.09%), Musharaka (0.45%), Mudaraba (0.27%), and Bai-Istisnaa (0.03%) [Chart-3.2].



3.3 Investment in the Agricultural Sector

Islamic banking sector has made significant contributions in different sub-sectors of agricultural and rural credit programs. During January-March 2022, investment in agricultural sector made by Islamic banking sector reached at BDT 19.01 billion which was lower by BDT 1.17 billion and higher by BDT 7.18 billion than that of the end of previous quarter and the same quarter of the preceding year respectively. The share of total agricultural credit of Islamic banks accounted for 27.13% among all banks during the quarter under report (Table-1.2). 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)

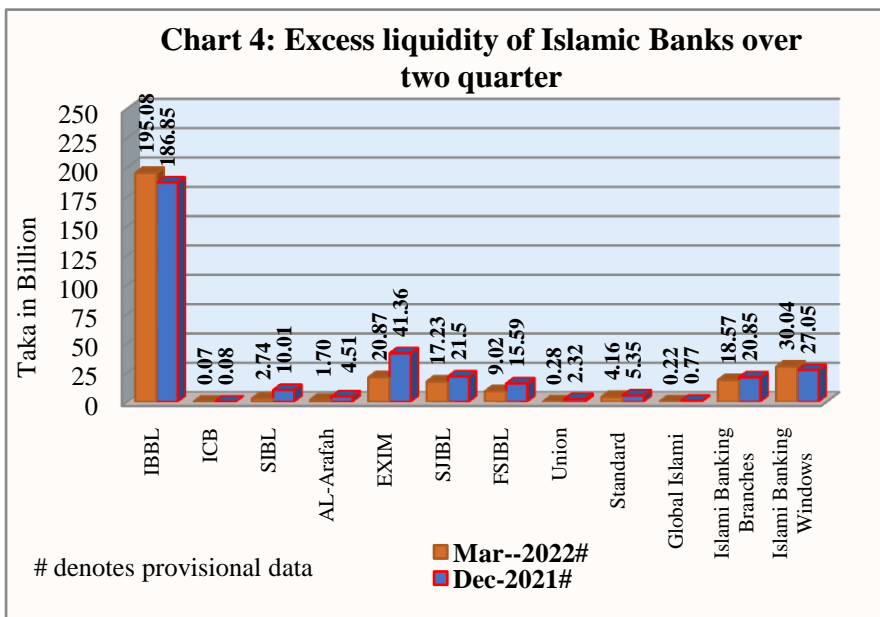
Period	Investment in agricultural sector						
	Investment target	Actual Investment disbursement	Target achieved (%)	Recovery	Outstanding Investment	Overdue Investment	Classified Investment
1	2	3	4	5	6	7	8
January-March 2022 ^P	18.55	19.01	102.49	16.04	49.90	7.08	17.60
October-December 2021	18.19	20.19	110.99	16.72	44.87	6.69	14.44
January-March 2021	11.80	11.83	100.28	13.07	42.29	2.73	13.85
Quarterly Changes	0.36	-1.17	-	-0.68	5.04	0.39	3.15
Annual Changes	6.75	7.18	-	2.97	7.61	4.35	3.74

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

P= Provisional.

4. Liquidity Situation of Islamic Banking Sector

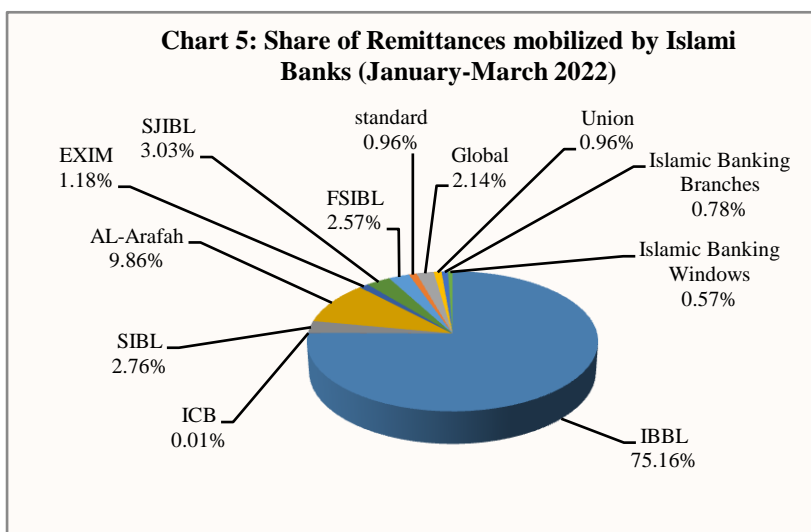
Excess liquidity of Islamic banking sector stood at BDT 299.99 billion at the end of March 2022 which was lower by BDT 36.26 billion (9.90%) and lower by BDT 4.10 billion (1.35%) than that of the end of December 2021 and the end of same period of the last year respectively. The excess liquidity of 10 Islamic banks, Islamic banking



branches and Islamic banking windows of conventional banks stood at BDT 251.37 billion, 18.57 billion and 30.05 billion respectively. Summary of liquidity situation of Islamic banking sector is shown in chart-4.

5. Remittances Mobilized by the Islamic Banking Sector

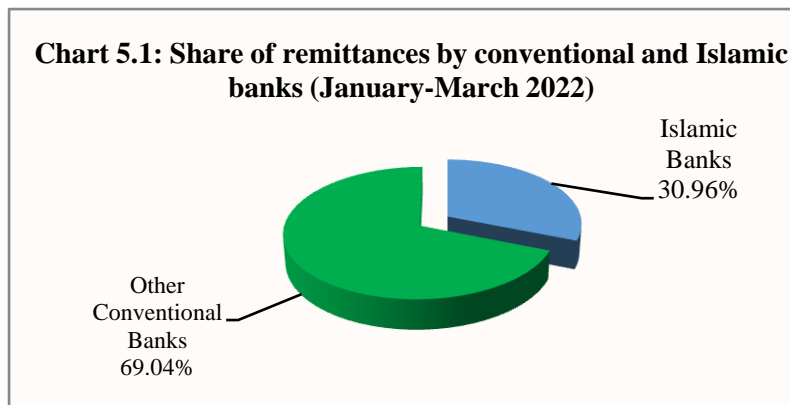
Islamic banking industry of the country is playing a vital role in collecting foreign remittances and distributing it among beneficiaries across the country. Total remittances mobilized by the Islamic banking sector stood at BDT 134.70 billion during January-March 2022, which were lower by BDT 68.98 billion or 33.87% and BDT 22.64 billion or 14.39% than that of previous quarter and the same quarter of the previous year respectively.



Among the Islamic banking sector, Islami Bank Bangladesh Ltd. secured top position (75.16%) in remittance mobilization during January-March 2022, followed by Al-Arafah Islami Bank Ltd. (9.86%), Shahjalal Islami Bank (3.03%), Social Islami Bank Ltd (2.76%), First Security Islami Bank

Ltd (2.57%), Global Islami Bank (2.14%), Union Bank Ltd (0.96%), Standard Bank Ltd. (0.96%), Islamic banking branches of conventional banks (0.78%), EXIM Bank Ltd. (0.76%), Islamic banking windows (0.57%) and ICB Islamic Bank (0.01%) [Chart-5].

The Islamic banking sector accounted for 30.96% share of total remittances mobilized by the whole banking sector during the quarter under report. Shares of remittance mobilizations of conventional scheduled banks and Islamic banks are shown in [chart-5.1].



6. Corporate Social Responsibility of Islamic Banking Sector

Islamic banks undertake and implement various types of social programs under 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. The 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 2022 has been reached at BDT 0.89 billion which was BDT 1.28 billion in October-December 2021 and BDT 1.54 billion in January-March 2021.

7. Islamic Securities

This section focuses on Bangladesh Government Islamic Securities which comprise 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 December 28, 2020 to raise BDT 80.00 billion for the implementation of a safe water supply project across the nation. The overall cost of the project is estimated at BDT 88.51 billion of which BDT 8.51 billion will be provided by the Government according to the prospectus². The Ministry of

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

Finance and Bangladesh Bank will act as the originator and a special purpose vehicle (SPV) respectively. In first phase, the Government collected BDT 40.00 billion for the projects through the auction held on December 28, 2020. Investors submitted bids worth BDT 151.53 billion during the auction. The issue has been oversubscribed about four times. The second auction was held in June 9, 2021 to raise remaining amount of fund worth BDT 40.00 billion which was also oversubscribed by 8 times.

For implementation of the “Need Based Infrastructure Development of Government Primary Schools Project (1st Phase)” the third auction of sukuk was held in December 29, 2021 to raise BDT 50.00 billion. It was oversubscribed by 5 times. The huge oversubscription indicates vivid prospect of sukuk market in Bangladesh.

The total amount of sukuk issued stood at BDT 130.00 billion till end of March 2022.

The sukuk holders would receive a profit of 4.69 percent on their aggregate investment. Profits are paid to investors on a half-yearly basis. An investor will have 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. The sukuk will mature in five years.

7.2 Bangladesh Government Islamic Investment Bond (BGIIB)

Bangladesh Government Islamic Investment Bond (BGIIB) introduced in 2004. It was the only approved Shariah compliant security other than the newly issued 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 over the periods of FY10-FY21.

Table 7: Bangladesh Government Islamic Investment Bond

(In Billion BDT)

Year	Sale	Financing	Net Balance
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

8. Initiatives taken by Bangladesh Bank for development of Islamic banks and institutions during January-March 2022

- The Government of Bangladesh (GoB) has signed a Framework Agreement with Islamic Development Bank (IsDB) to support its CMSMEs under a project titled as “Line of Finance to Support SMEs Project under the IsDB SPRP for Covid-19, Restore Track (LFSSP)”. The project contributes to the economic stimulus packages launched by the GoB for combating COVID-19 crisis. In accordance with the Agency Agreement signed between IsDB and GoB. Bangladesh Bank (BB) is designated as ‘Executing Agency (EA)’ for implementing this project. The project component includes a line of financing for US\$ 47.00 million (approx. BDT 3.98 billion) of which an eligible amount (approx. BDT 3.98 billion) would be disbursed in a Shariah Compliant method to eligible Financial Institutions (Banks and NBFIs) for supporting CMSME sector. (SMESPD (LFSSP) circular no: 03, date: on 27/03/2022) ³

9. Concluding Remarks and Recommendations

Islamic banking sector has been playing significant role in mobilizing deposits and financing in various economic activities in Bangladesh since its inception. Among different segments of Bangladesh’s Islamic financial sector, Islamic banking sector dominates with more than 28% share of deposit and 27% share of investment of the total banking sector. The other segments 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.

Islamic banks should invest more in socially beneficial industries, particularly agriculture and small businesses. The investments made by Islamic banks in ideal Islamic modes like Mudaraba and Musharaka are still at a minimal level (below 2% of total investments). Given this, Islamic banks should pay more attention to develop proper guidelines and policies to promote investments under Mudaraba and Musharaka modes. Islamic banks may also explore new sectors of customers in micro finance projects, women financing, investing in the privatized projects, and meeting the financial needs for government agencies, which are not currently served by conventional banks .This will give Islamic banks a great advantage to flourish this sector.

To make use of Islamic banks' excess liquidity, more money market and capital market products must be introduced. As Islam prohibits usury, Islamic banks cannot invest in interest-bearing government treasury bills and bonds currently existing in the market. So, the recent introduction of Sukuk and its huge response from the investors indicate that it will facilitate smooth liquidity management of Islamic banks, help budget deficit administration and promote Islamic capital market in the long run.

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

Although Islamic banking activities are growing in Bangladesh, the number of rural branches of full-fledged Islamic banks has not kept pace with demand and Islamic banking branches/windows of conventional banks have not yet been expanded countrywide. They should also focus more on expanding their outreach into rural areas.

To address Shariah compliance issues of Islamic financial industry properly, adoption of Shariah standards according to international accounting and auditing organizations will be useful. In this regard, Islamic banks and conventional banks having Islamic banking branches and windows may undertake necessary action to be the member of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The performance of the Islamic banks could be further improved by upgrading the quality of human resources by enhanced spending on research and training and prepare the manpower of this sector as Islamic bank professionals to capture Shariah compliance issues of Islamic financial industry properly. The need 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. So, Islamic banks should strongly focus on these issues. Efforts also need to be intensified professionally to further enhance its competitiveness to occupy larger share in the local as well as global financial market. In addition, Bangladesh's Islamic banking sector also needs to increase the application of Shariah-compliant fintech to carry out financial transactions more efficiently.

Islamic banks have to adopt a customer- oriented strategy instead of product oriented one, because the current trends in bank marketing focuses essentially on the customer. The availability of the range of Islamic banking services is not enough alone. Such challenge requires reviewing the current marketing strategies of Islamic banks and dissemination it to targeted sectors of customers in a better way. Islamic banks should also focus on support for the poor and destitute through enhanced investments in small and micro enterprises and increased expenditures in CSR activities.

The outbreak of Covid-19 has created challenges for Islamic banking sector as like as conventional banking sector. Islamic banking sector needs to properly implement stimulus packages to mitigate adverse impacts of the pandemic and maintain its developmental roles in the national economy by promoting saving-investment processes and facilitating business activities further.

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