

Developments of Islamic Banking in Bangladesh¹

July-September 2021



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Highlights: Islamic Banking Sector in Bangladesh, July- September 2021

Total Deposits	Total deposits of Islamic banking sector reached at BDT 3765.78 billion at the end of September 2021 with an increase of BDT 84.15 billion or 2.29% as compared to the end of June 2021 and by BDT 569.53 billion or 17.82 % as compared to the same quarter of the last year. The share of total deposits of Islamic banks accounted for 25.75% 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 3368.20 billion at the end of September 2021 which went up by BDT 88.77 billion or 2.71% and by BDT 528.10 billion or 15.47% as compared to the end of June 2021 and the end of same quarter of the last year respectively. The share of total investment of Islamic banks accounted for 28.37% of total loans & advances of the whole banking sector.
Investment Deposit Ratio	At the end of September 2021, Investment-Deposit ratio stood at 0.89 which was remained same at 0.89 at the end of June 2021 and at the end of September 2020.
Excess Liquidity	Excess liquidity of Islamic banking sector stood at BDT 351.86 billion at the end of September 2021 which was lower by BDT 11.78 billion (3.24%) and by BDT 169.32 billion (92.76%) than that of the end of June 2021 and the same period of the last year respectively.
Total Remittances	Total remittances mobilized by the Islamic banking sector stood at BDT 197.92 billion during July-September 2021, which was lower by BDT 2.48 billion or by 1.24% and higher by BDT 18.36 billion or 10.23% than that of the June quarter 2021 and the September quarter 2020 respectively. Islamic banks have accounted for 43.06% share of remittances mobilized by the entire banking sector during July-September 2021.
Branches	The number of branches of Islamic banking sector including Islamic branches/windows of conventional commercial banks reached at 1853 at the end of September 2021 which was 1802 at the end June 2021 and 1464 at end September of last year.
Manpower	Total employment in the Islamic banking sector stood at 44453 at the end of September 2021 which was 43909 at the end of June 2021 and 38125 at end September 2020.

Developments of Islamic Banking in Bangladesh July-September 2021

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 insurances etc. The sector is growing globally based on its risk sharing, optimism, inclusiveness and real asset backed transactions features. In line with global trends, Bangladesh Islamic banking sector has also witnessed robust growth due to policy supports from Bangladesh Bank and strong public demand. Recently Bangladesh Bank on behalf of the Government has issued sovereign investment sukuk which will facilitate smooth liquidity management of Islamic banks, financing budget deficit and promote Islamic capital markets to raise funds for infrastructure and industrial projects towards achieving higher GDP growth including sustainable development goals (SDGs).

1. Overview of Islamic Banking sector in Bangladesh

At present 10 full-fledged Islamic banks have been operating with 1619 branches out of total 10803 branches of the whole banking sector. In addition, 40 Islamic banking branches of 9 conventional commercial banks and 194 Islamic banking windows of 13 conventional commercial banks are also providing Islamic financial services in Bangladesh. It may be mentioned here that NRB Bank Limited has started offering Islamic financial services since September 2021 through dedicated branch.

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 (374)	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 (168)	Dhaka Bank Limited (2)	Agrani Bank Limited (15)
4.	Al-Arafah Islami Bank Limited (191)	Premier Bank Limited (22)	Pubali Bank Limited (17)
5.	EXIM Bank Limited (132)	Prime Bank Limited (5)	Trust Bank Limited (15)
6.	Shahjalal Islami Bank Limited (132)	Southeast Bank Limited (5)	Bank Asia Limited (5)
7.	First Security Islami Bank Limited (195)	Jamuna Bank Limited (2)	Standard Chartered Bank (1)
8.	Union Bank Limited (98)	Bank Alfalah Limited (1)	Mercantile Bank (45)
9.	Standard Bank Limited (138)	NRB Bank Limited (1)	Midland Bank (2)
10.	Global Islami Bank Limited (158)		NRBC Bank (8)
11.			One Bank Limited (2)
12.			United Commercial Bank (10)
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

1.1 Activities of Islamic Banking Sector in Bangladesh, July-September 2021

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 enlightened in Table 1.1 which in brief are as follows:

Total deposits in Islamic banking sector reached at BDT 3765.78 billion at the end of September 2021 which increased by BDT 84.15 billion or 2.29% as compared to the end of June 2021 and by BDT 569.53 billion or 17.82 % 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 3368.20 billion at the end of September 2021 which went up by BDT 88.77 billion or 2.71% and by BDT 528.10 billion or 15.47% as compared to the end of June 2021 and the end of same quarter of the last year respectively.

At the end of September 2021, **Investment-Deposit ratio** (Credit-Deposit ratio in conventional sense) stood also same at 0.89 at the end of June 2021 and at the end of September 2020.

Excess liquidity of Islamic banking sector stood at BDT 351.86 billion at the end of September 2021 which was lower by BDT 11.78 billion (3.24%) and by BDT 169.32 billion (92.76%) than that of the end of June 2021 and the same period of the last year respectively.

Total remittances mobilized by the Islamic banking sector stood at BDT 197.92 billion during July-September 2021, which was lower by BDT 2.48 billion or by 1.24% and higher by BDT 18.36 billion or 10.23% than that of the June quarter 2021 and the September quarter 2020 respectively.

The number of branches of Islamic banking sector including Islamic branches/windows of conventional commercial banks reached at 1853 at the end of September 2021 which was 1802 at the end June 2021 and 1464 at end September of last year.

Total employment in the Islamic banking sector stood at 44453 at the end of September 2021 which was 43909 at the end of June 2021 and 38125 at end of September 2020.

Table 1.1 Activities of Islamic Banking Sector in Bangladesh, July-September 2021

(In Billion BDT)

Indicators of Islamic banking Sector	July-September 2021 ^P	April-June 2021	July-September 2020	Changes		% Changes	
				Quarterly	Annual	Quarterly	Annual
1. Total deposits* (outstanding)	3765.78	3681.63	3196.25	84.15	569.53	2.29	17.82
a) Full-fledged Islamic banks	3551.00	3470.14	2906.07	80.86	644.93	2.33	22.19
b) Islamic banking branches of Conventional banks	101.26	104.70	104.66	-3.44	-3.40	-3.29	-3.25
c) Islamic banking windows of Conventional banks	113.52	106.79	185.52	6.73	-72.00	6.30	-42.43
2. Total Investment* (outstanding)	3368.20	3279.43	2840.10	88.77	528.10	2.71	15.47
a) Full-fledged Islamic Banks	3210.36	3130.67	2696.36	79.69	514.00	2.55	16.11
b) Islamic banking branches of Conventional banks	86.11	81.27	77.26	4.85	8.86	5.96	5.19
c) Islamic banking windows of Conventional banks	71.73	67.49	66.48	4.23	5.24	6.28	1.51
3. Investment-Deposit ratio	0.89	0.89	0.89	0.00	0.00	0.00	0.00
a) Full-fledged Islamic Banks	0.90	0.90	0.93	0.00	-0.02	0.21	-2.56
b) Islamic banking branches of Conventional banks	0.85	0.78	0.74	0.07	0.11	9.51	15.16
c) Islamic banking windows of Conventional banks	0.75	0.76	0.65	-0.01	0.10	-1.40	15.04
4. Liquidity excess(+)/shortfall(-)	351.86	363.65	182.54	-11.78	169.32	-3.24	92.76
a) Full-fledged Islamic Banks	308.12	316.55	136.04	-8.43	172.08	-2.66	126.50
b) Islamic banking branches of Conventional banks	15.12	21.01	19.38	-5.89	-4.26	-28.01	-22.00
c) Islamic banking windows of Conventional banks	28.62	26.09	27.12	2.53	1.50	9.70	5.55
5. Total remittances	197.92	200.39	179.55	-2.48	18.36	-1.24	10.23
a) Full-fledged Islamic banks	195.75	198.57	177.15	-2.82	18.60	-1.42	10.50
b) Islamic banking branches of Conventional banks	1.43	1.15	2.00	0.27	-.57	23.71	-28.66
c) Islamic banking windows of Conventional banks	0.74	0.67	0.40	0.07	0.34	10.46	84.27
6. Total number of branches	1853	1802	1464	51	389	2.83	26.57
a) Full-fledged Islamic Banks	1619	1569	1279	50	340	3.19	26.58
b) Islamic banking branches of Conventional banks	40	39	19	1	21	2.56	110.53
c) Islamic banking windows of Conventional banks	194	194	166	0	28	0.00	16.87
7. Total number of manpower	44453	43909	38125	544	6328	1.24	16.60
a) Full-fledged Islamic Banks	43483	42974	37183	509	6300	1.18	16.94
b) Islamic banking branches of Conventional banks	414	375	377	39	37	10.40	9.81
c) Islamic banking windows of Conventional banks	556	560	565	-4	-9	-0.71	-1.59

Source: Data of 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 25.75 percent in terms of deposits and 28.37 percent in terms of investments at the end of September, 2021.

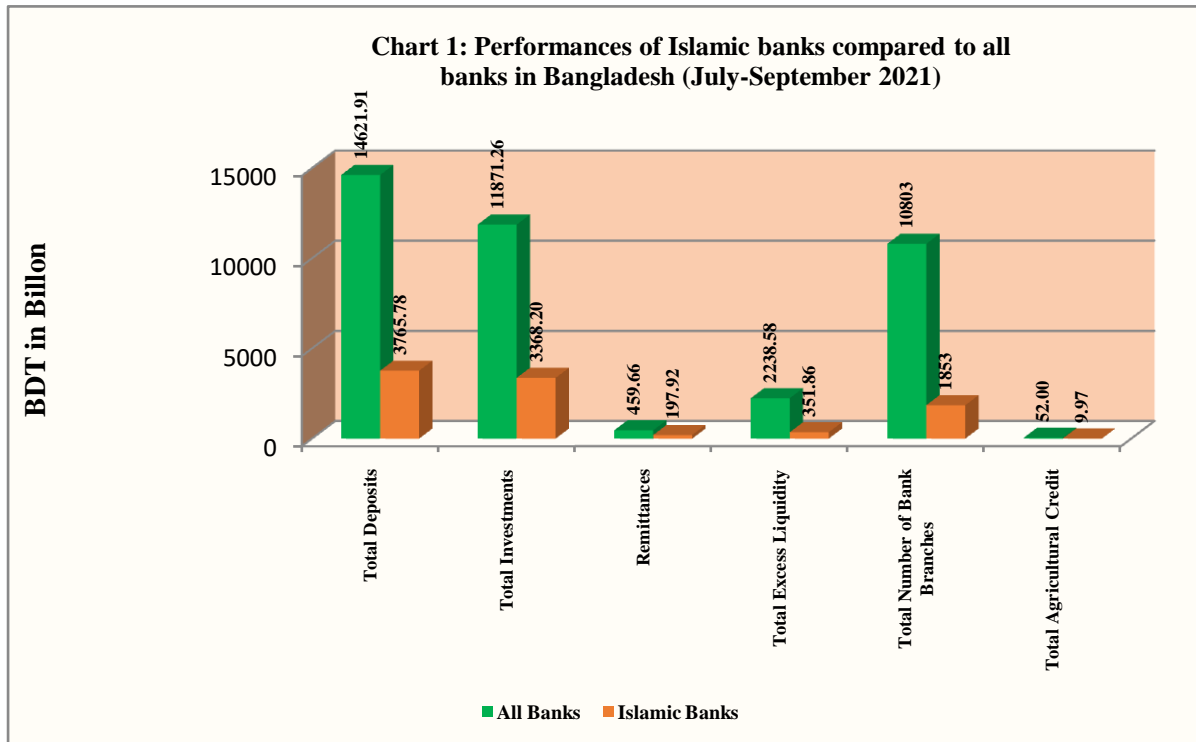
Table 1.2 Performances of Islamic banks compared to all banks in Bangladesh

(In Billion BDT)

Items	July-September 2021 ^P			April-June 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	14621.91	3765.78	25.75	27.26
Total investment (loans & advances in conventional banking system)	11871.26	3368.20	28.37	27.55
Remittances	459.66	197.92	43.06	38.24
Total excess liquidity	2238.58	351.86	15.72	21.44
Total number of bank branches	10803	1853	17.15	16.70
Total agricultural credit	52.00	9.97	19.13	16.40

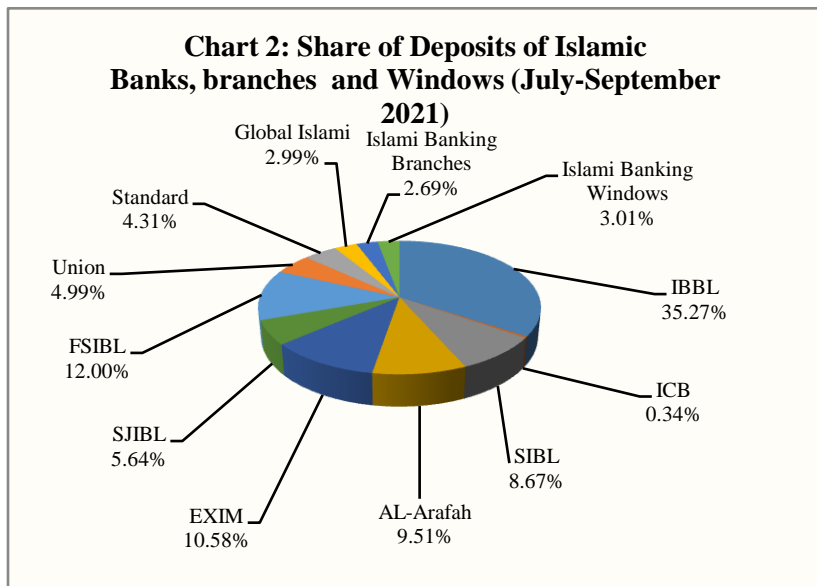
Source: Statistics Department, MPD and ACD, Bangladesh Bank.

^P = Provisional



2. Mobilization of Deposits by Islamic Banking Sector

Total deposits in Islamic banking sector reached at BDT 3765.78 billion at the end of September 2021, which increased by BDT 84.15 billion or 2.29% as compared to that of the end of June 2021 and by BDT 569.53 billion or 17.82% as compared to the same quarter of last year. Among the total deposits, demand deposit was BDT 417.38 billion and time deposit was BDT

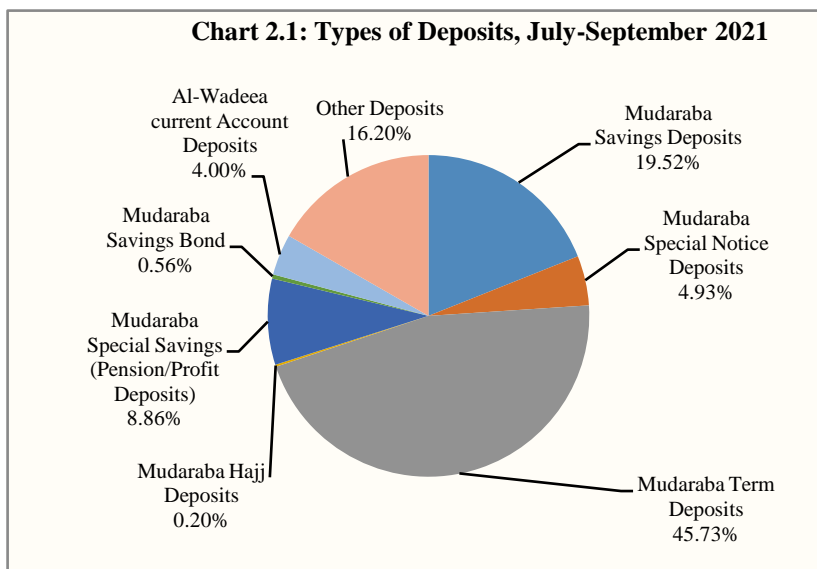


3348.40 billion. The share of total deposits of Islamic banks accounted for 25.75% among whole banking sector at the end of September 2021.

Deposits of 10 full-fledged Islamic banks stood at BDT 3551.00 billion at the end of September 2021. Total deposits of the 10 full-fledged Islamic banks accounted for 94.30% of deposits of the Islamic banking sector. Among all Islamic banks, Islami Bank Bangladesh Limited accounted for the highest share of deposits (35.27%) followed by First Security Islami Bank Ltd. (12.00%), EXIM Bank Ltd. (10.58%), Al-Arafah Islami Bank Ltd. (9.51%), Social Islami Bank Ltd. (8.67%), Shahjalal Islami Bank Ltd. (5.64%), Union Bank Limited (4.99%), Standard Bank Ltd. (4.31%), Global Islami Bank (2.99%), Islamic banking branches (2.69%), Islamic banking windows (3.01%), and ICB Islamic Bank Limited (0.34%) [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 (45.73%) followed by Mudaraba Savings Deposits (MSD) (19.52%), Other Deposits (16.20%), Mudaraba

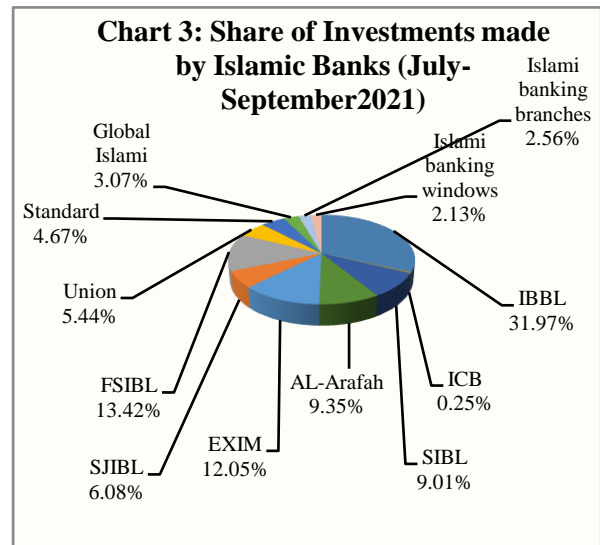


Special Savings (pension/profit) Deposits (8.86%), Mudaraba Special Notice Deposits (4.93%), Al-Wadeeah Current Account Deposits (4.00%), Mudaraba Savings Bond (0.56%) and Mudaraba Hajj Deposits (0.20%) during July-September 2021. [Chart-2.1].

3. Investments by Islamic Banking Sector

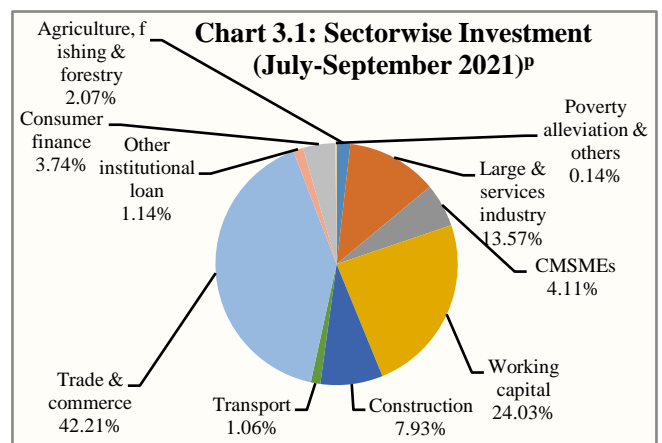
Total investment (loans & advances) in Islamic banking sector stood at BDT 3368.20 billion at the end of September 2021, which went up by BDT 88.77 billion or 2.71% and by BDT 528.10 billion or 15.47% as compared than that of the end of June 2021 and end of the same period of preceding year respectively. The share of total investment of Islamic banks accounted for 28.37% among total banking sectors loans & advances.

Out of total investment of Islamic banks, 95.31% was made by 10 full-fledged Islamic banks, 2.56% by the Islamic banking branches of conventional banks and the rest 2.13% by the Islamic banking windows of conventional banks. Among the 10 full-fledged Islamic banks, Islami Bank Bangladesh Ltd. made the highest investment (31.97%) at the end of September 2021 followed by First Security Islami Bank Ltd. (13.42%), EXIM Bank Ltd. (12.05%), Al-Arafah Islami Bank Ltd. (9.35%), Social Islami Bank Ltd. (9.01%), Shahjalal Islami Bank Ltd. (6.08%), Union Bank Ltd. (5.44%), Standard Bank Ltd. (4.67%), Global Islami Bank (3.07%) and ICB Islamic Bank Ltd. (0.25%) [Chart-3].



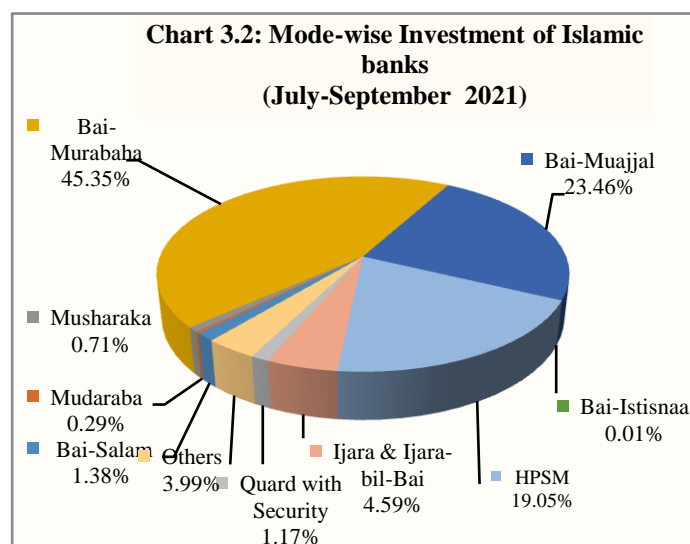
3.1 Sector-wise Investment

In case of the sector-wise investment, Trade and Commerce sector (42.21%) was secured the highest position among all sectors at the end of September 2021 followed by Industrial Working Capital Financing (24.03%), Large & Services Industry (13.57%), Construction (7.93%), CMSM (Cottage, Micro, Small and Medium Industries) (4.11%), Consumer Finance (3.74%), Agriculture, Fishing and Forestry (2.07%), Other Institutional Loan (1.14%), Transport (1.06%) and Poverty Alleviation & Others (0.14%) [Chart-3.1].



3.2 Mode-wise Investments

The analysis of mode-wise investment revealed that the highest investment was made through Bai-Murabaha mode (45.35%) at the end September 2021 followed by Bai-Muajjal (23.46%), HPSM (19.05%), Ijara & Ijara-bil Bai (4.59%), Others (3.99%), Bai-Salam (1.38%), Quard with Security (1.17%), Musharaka (0.71%), Mudaraba (0.29%), and Bai-Istisnaa (0.01%) [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 July-September 2021, investment in agricultural sector made by Islamic banking sector reached at BDT 12.53 billion which was lower by BDT 1.85 billion and BDT 6.01 billion than that of the end of previous quarter the same quarter of the preceding year respectively. The share of total agricultural credit of Islamic banks accounted for 19.13% 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

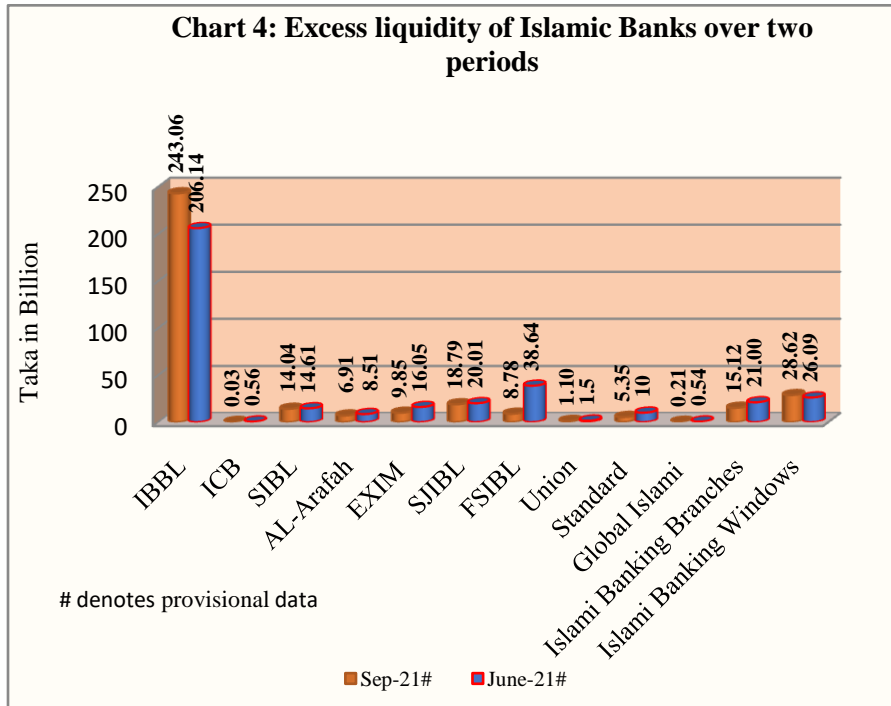
(In Billion BDT)

Period	Investment in agricultural sector during the quarter						
	Investment target	Actual Investment disbursement	Target achieved (%)	Recovery	Outstanding Investment	Overdue Investment	Classified Investment
1	4	5	6	7	8	9	10
July-September 2021 ^P	12.87	12.53	97.36	10.73	41.87	6.54	13.92
April-June 2021	12.22	14.39	117.72	14.03	43.19	6.56	13.84
July-September 2020	8.82	18.54	210.13	15.88	39.02	12.00	11.03
Quarterly Changes	0.65	-1.85	-20.36	-3.30	-1.32	-0.02	0.07
Annual Changes	4.05	-6.01	-112.77	-5.15	2.85	-5.46	2.89

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

4. Liquidity Situation of Islamic Banking Sector

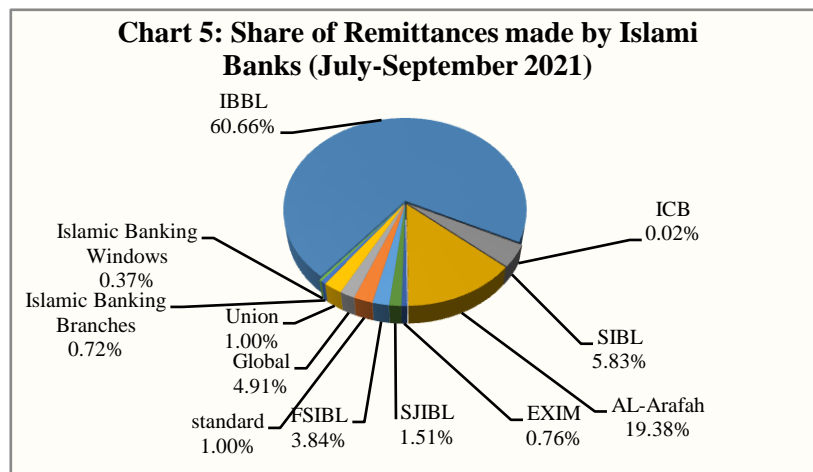
Excess liquidity of Islamic banking sector stood at BDT 351.86 billion at the end of September 2021, which was lower by BDT 11.78 billion (3.24%) and higher by BDT 169.32 billion (92.76%) than that of the end of June 2021 and the end of same period of the last year respectively. The excess liquidity of 10 Islamic banks, Islamic banking branches and Islamic banking



windows of conventional banks stood at BDT 308.12 billion, 15.12 billion and 28.63 billion respectively. Summary of liquidity situation of Islamic banking sector is shown in chart-4.

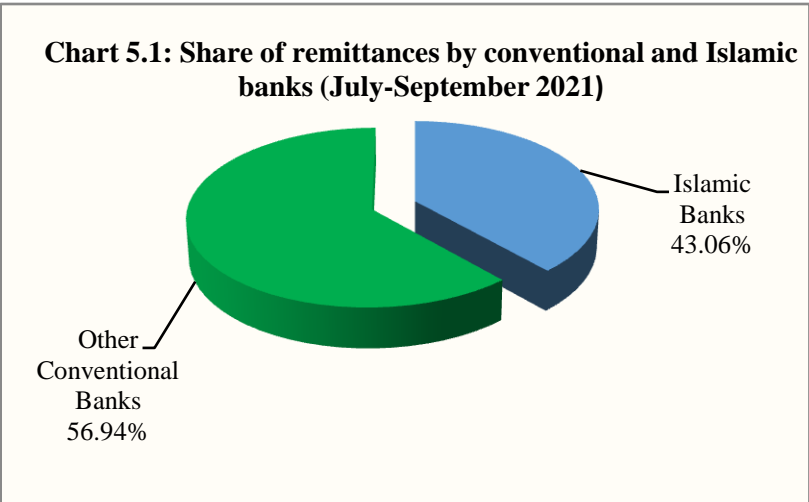
5. Remittances Mobilized by the Islamic Banking Sector:

Islamic banking industry of the country is playing a vital role in collecting foreign remittances and distributing at among beneficiaries across the country. Total remittances mobilized by the Islamic banking sector stood at BDT 197.92 billion during July-September 2021, which was lower by BDT 2.48 billion or 1.24% and higher by BDT 18.36 billion or 10.23% 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 (60.66%) in case of remittance collection during July-September 2021, followed by Al-Arafah Islami Bank Ltd. (19.38%), Social Islami Bank Ltd (5.83%), Global Islami Bank (4.91%), First Security Islami Bank Ltd (3.84%), Shahjalal Islami Bank (1.51%), Union Bank Ltd (1.00%), Standard Bank Ltd. (1.00%), EXIM Bank Ltd. (0.76%), Islamic banking branches of conventional banks (0.72%), Islamic banking windows (0.37%) and ICB Islamic Bank (0.02%) [Chart-5].

The Islamic banking sector accounted for 43.06% 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 segments of 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 July-September 2021 has been recorded at BDT 1.45 billion which was BDT 0.45 billion in April-June 2021 and BDT 0.95 billion in July-September 2020.

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 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 15.15 billion during the auction. The issue has been oversubscribed nearly 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 nearly by 8 times. The huge oversubscription indicates vivid prospect of sukuk market in Bangladesh

The sukuk holders would receive a profit of 4.69 percent on their aggregate investment in the Islamic sukuk. Profits will be 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 will be 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.

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

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 July-September 2021

- A special fund amounting BDT 2.00 billion has been set up for investment in capital market in purpose of investment in 100% Asset backed green sukuk and renewable energy sector like solar power, wind power, hydropower and biomass etc. In case of investment in green sukuk by private investors, the nature of investible sukuk should be: Istisna sukuk, Salam sukuk, Ijarah sukuk and Hybrids sukuk.[DOS circular no-39, date: 27/09/2021]³
- In case of money transfer, Islami shariah based financial institutions could transfer money to investor's bank account approved by the board of directors. Before that documentation must be keep in book. [DFID circular no-07, date: 17/08/2021]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 25% share in deposit and 28% in 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.

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

As Islam prohibits usury, Islamic banks cannot invest in interest-bearing Government treasury bills and bonds 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.

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 triumph this sector.

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.

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.

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 development roles in the national economy by promoting saving-investment process and trade activities further.

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