

INTERNSHIP REPORT



Shahjalal Islami Bank

L I M I T E D

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Internship Report

On

“Effect of Liquidity Risk on the Profitability of Islamic Banks Listed in Dhaka Stock Exchange: A Comparative Study between Shahjalal Islami Bank Limited and Other Listed Banks”

BUS 400 (Spring 2019)

Submitted to:

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30th April, 2019

LETTER OF TRANSMITTAL

30th April, 2019

Md. Hasan Maksud Chowdhury

Assistant Professor

BRAC Business School

BRAC University

Subject: Submission of the internship report for completion of course.

Dear Sir,

It is a pleasure of mine to submit the internship report on “Liquidity risk of Shahjalal Islami Bank Limited and its effect on the profitability” which is one of the main requirements of my Bus400 course.

As a part of the completion of the BBA program of the Department of Business Administration, BRAC University, Bangladesh it is a privilege to work at Shahjalal Islami Bank Limited for the period of three months. I was posted on General Division at 13th January, 2019. The experience will help me to develop professionalism and have positive attitude towards business world.

I have tried my best to accumulate information that I believe relevant and insightful. I genuinely hope that my work will come up to the level of your desire. Any recommendations or inquiries are constantly welcome. I will be grateful to you if you acknowledge the report and oblige thereby.

Sincerely

Bushra Binte Rashid

ID- 14104051

LETTER OF ENDORSEMENT

The Internship Report entitled “Liquidity risk of Shahjalal Islami Bank Limited and its effect on the profitability” has been submitted to BRAC Business School, with an intention to complete the degree of Bachelor of Business Administration, by Bushra Binte Rashid, ID-141040501, and concentration in Finance from BRAC University. The report has been accepted and will be presented to the Internship Defense Committee for evaluation.

I wish every success and prosperity of his career and life.

Md. Hasan Maksud Chowdhury

Assistant Professor

BRAC Business School

BRAC University



ACKNOWLEDGEMENT

At the earliest reference point I might want to pay my most profound appreciation to the omnipotent Allah for giving me the capacity to buckle down.

I might want to express my earnest appreciation to my respected supervisor Md. Hasan Maksud Chowdhury, Assistant Professor, BRAC University. Without his direction and profitable recommendation it would have been particularly troublesome for me to finish the report.

A great deal of thanks additionally goes to Mr. Akhter Hossain (Deputy Managing Director, SJIBL), Mr. Md. Enamul Haque (Manager, Motijheel Branch, SJIBL). I might want to express my appreciations to the whole crew of Shahjalal Islami Bank Limited, for their phenomenal co-operation and well-disposed support to gather information and revealing.

At last I am likewise appreciative to every one of my companions and relatives for their co-operation and well-disposed support in finishing my BBA.

Executive Summary

Banks are very crucial financial institutions of any economy. In their business cycle they face many ups and downs because of various systematic and unsystematic risks. One of the most important unsystematic risks is liquidity risk. From the year of 2017 after having excess liquidity for a certain time period, our country started facing liquidity crisis. Demand for loan from private sector is facing an upward trend. Both the conventional private commercial banks and Islami Shariah based private banks are in the list. This paper only focuses on Islami shariah based banks. Of eight Islamic banks, five had lent breaching the authorized ceiling of 90%. In this quarter, the loan to ratio surged upto 97% and the excess liquidity of this industry shrank to 19.54% in the 3rd quarter of 2018 because of aggressive investment. As a result Bangladesh Bank has reduced the loan to deposit ratio to 89%. So, liquidity crisis is rising. This report gives a glance to the relationship between liquidity risk and the profitability of Islami Shariah based banks listed in Dhaka Stock Exchange. It also includes a comparative study between Shahjalal Islami Bank Limited and other Islamic Banks. Moreover, some parts of the report give an overview of SJIBL as well as different division of the Motijheel Branch.

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1. INTRODUCTION

The simple definition of bank can be, a financial institution which is responsible for borrowing, lending and safeguarding money owned by individuals and entities in exchange of profit. However, as time flies by, the activities of banking business now cover a wide and vast amount of facilities and other services. Today's banking services include debit and credit card issuance, giving safe custody of valuable items, ATM facilities, lockers and online transfer of money in different part of the world. Banking business has done crucial activities for the world economy. The simple method of taking money from depositors and then lending the money to borrowers encourages the flow of money in the economy. Thus economy of a country grows. In our country banking industry has brought many positive changes in forms of expansion, modernization, asset's quality, application of international standards and regulations, technology development, sustainable financing, capacity development. However, this development is not uniform in case of all banks. Various risks are creating barriers in their way of operation. For example: systematic risk and unsystematic risk, this study is focusing on one of the unsystematic risks that is liquidity risk and its effect on the profitability.

In the period of 2007 to 2009 this sector faced financial crisis. At that time, a deep concern among the bank regulators raised. So, they introduced Basel 3 accord that aim to keep more reserves in form of liquid assets for banks to face future financial crisis (BCBS, 2009). Basel Committee made various new rules regarding different type of risks. Liquidity risk is one of them (Simone, 2011). Recently, our banking sector is facing liquidity crisis as demand for loan from private sector is facing an upward trend. Both conventional private commercial banks and Islami Shariah based private banks are in the list. This paper only focuses on Islami shariah based banks. Of eight Islami banks, five had lent breaching the authorized ceiling of 90%. In this quarter, the loan to ratio surged upto 97% and the excess liquidity of this industry shrank to 19.54% in the 3rd quarter of 2018 because of aggressive investment. As a result Bangladesh Bank has reduced the loan to deposit ratio to 89%. So it can be said that liquidity crisis is rising. Since liquidity has direct impact in the survival of the bank, bankers as well as regulators are becoming more concern regarding this factor.



As mentioned above, this paper is related to liquidity risk which refers to the risk faced by a bank when the banks cannot meet the customer obligation for money at short notice (Jenkinson, 2008). Excess liquidity is bad for a company whereas liquidity crisis is more dangerous. If banks fail to meet customers obligation it will create negative impression on the overall reputation as well as sometimes bank can be declared as insolvent. There are various reasons for occurring liquidity risk. For example, bank sometimes become inefficient to cope up with decrease liabilities and increase asset. Another reason could be the imbalance between cash inflows and outflows. Moreover, sudden liquidity can be needed for contingency conditions. Finally lending and funding off balance sheet items can also increase liquidity risk. Liquidity risk has both positive and negative relationship in banking industry. Both developed and developing countries are concern about liquidity crisis. Bearing all this things in mind, the study is done to see if liquidity risk has effect on the profitability of the Islamic banks in Bangladesh

1.1 ORIGIN OF THE REPORT

BRAC University requires students to do internship program in their undergraduation phase. This study is a partial part of the program for BBA curriculum. It has different purposes. Some of the purposes are mentioned below:

- To get introduced with vast business world
- To know about job responsibilities in a broader perspective
- To apply academic learning in practical world
- To complete the BBA program requirement

In order to fulfill the requirement of BBA program and getting better real world idea, this report is written on Shahjalal Islami Bank Limited. It gives idea about general banking operation and focuses on liquidity factors of Islamic banking sector.



1.2 OBJECTIVE OF THE REPORT

The objectives of this report can be considered from two basic perspectives:

- Primary Objective
- Specific objective

Primary Objective:

The primary objective of this report is the completion of Bachelor of Business Administration Degree requirement under the BRAC Business School, BRAC University.

Specific objective:

- To provide an overview of SJIBL.
- To find the work structure, general procedures and activities of the bank.
- To test values based on different independent variables relevant to liquidity risk.
- To analyze and find out relationship between liquidity risk and profitability of SJIBL.

1.3. STATEMENT OF THE PROBLEM

This study attempts to analyze and evaluate factors that are relevant to liquidity risk of SJIBL. It helps to find out the differences as well as the relativity that exists between independent variable (cash, deposit and non performing loan), dependent variable (profit before tax) and liquidity risk.

1.4. SCOPE OF THE REPORT

The report is focusing on liquidity risk of the banking sector mainly. From the Seven Islamic Shariah based banks of our country, information is taken as sample for the research. Here, the research type is considered as exploratory research. Exploratory research is mainly aimed to explore or to gain a new or deeper understanding about particular problem. It also helps to determine best research design and to improve final design. Cash, deposit and non-performing



loan are taken as independent variable whereas, profit before tax is taken as dependent variable which are then calculated to find out the effects in liquidity risk.

1.5 RESEARCH METHODOLOGY

A systematic procedure has been followed from selection of the topic to final presentation. Data was collected from both primary and secondary sources to get overall clear idea and understanding on important aspects of the topic. In our country there are 58 scheduled banks which can be categorized into 4 types- State owned commercial bank, private commercial banks, specialized banks and foreign commercial banks. Private commercial banks are of 2 types. One is conventional private commercial bank and another one is Islami Shariah based private commercial bank. Since my topic is based on Islamic shariah based banking so I choose 7 banks listed in the Dhaka Stock Exchange which operates maintaining Shaiah procedures. Those banks are:

1. Al-Arafah Islami Bank Ltd
2. First Security Islami Bank Limited
3. ICB Islamic Bank Limited
4. Islami Bank Bangladesh Limited
5. Shahjalal Islami Bank Ltd
6. Social Islami Bank Limited
7. EXIM Bank

The further explanation regarding the methodology is given below:

- **Selection of the topic:**

Topic selection was done with the guidance and help of my respected faculty supervisor.



- **Sources of data:**

Primary: the primary Data was collected during the deskwork at SJIBL

Secondary: different documents and files provided by my supervisor and other employees. Moreover some websites has also been used to gather information about the Banking sector and related works.

- **Analysis and presentation of data**

The analysis and presentation of the information is mostly done by the help of “E views” software which includes some descriptive statistics that are: mean, median, mode, minimum, standard deviation. A hypothesis was also developed to get idea about liquidity risk and its effect on profitability. To find out the relationship between different variables regression and correlation analysis was done.

- **Final report preparation**

With the guidance and valuable suggestions from my supervisor and respected advisor the final report is prepared.

1.6. LIMITATION OF THE STUDY

Limitations are known as short-comings or influences that give impact in the result of any research. While doing my internship program I faced some of the limitations. Firstly, there was a time constraint factor. My internship period was only three months which is not enough to gather in-depth knowledge about the vast banking sector and to prepare a perfect research paper. Moreover the sample I had to choose was small in size, only from year 2013 to 2017 which in an important consideration while doing any research because results may vary base on sample data. Finally, as per wish of the concerned official I was placed in several sector for a very short time, so I faced a little inconveniency to concentrate on any particular sector for the study. Inspite of having different limitations I tried my best to furnish this report.



2. LITERATURE REVIEW

From 2008-2010 Alzorqan (2014) studied the relationship of liquidity risk and profitability of 2 banks situated in Jordan. In the study the focus was on ROA, ROI, Current Ratio and Loan to Deposit ratio. First two were related to bank performance and the other two were related to liquidity measures. To find out the relationship regression and correlation analysis was done which gives the result that a positive relationship does exist between liquidity and bank performance while considering loan to deposit ratio with ROA and ROI.

Bourke, P. (1989) did a research to find out the determinants of international bank profitability and the relevancy of expense preference behavior theories in that context. The sample of the research was 90 banks from twelve countries (California, Massachusetts, New York, Australia, Canada, Ireland, England, Wales, Holland, Belgium, Norway, Spain, and Denmark) from the year of 1972 to 1981. Data were taken from the annual reports of the banks and these banks fall in the list of top 500 banks of 1980. This research also showed positive relationship between liquidity and profitability.

From year 2001 to 2011, Cuong Ly (2015) investigated the relationship between liquidity risk and bank performance of the European banks. The result shows inverse relationship.

For the period 2006 to 2016, Musiega, Olweny, Mukanzi and Mutua (2017) analyze the impact of liquidity risk on 30 commercial banks of Kenya. Correlation analysis, Regression analysis was done. The study showed that there is positive relationship between liquid risky assets to total asset positive and bank performance.

From 2009 to 2013, Umar, Muhammad, Asad and Mazhar (2015) did a study on 2 Pakistan Conventional Banks regarding liquidity risk and it was found that bank performance has negative correlation with current ratio.

Arif, A., & Anees, A. N. (2012) analyze liquidity risk in Pakistani banks and tried to find out the effect on the profitability of bank. From the year of 2004 to 2009 data had been collected for 22 banks and applied multiple regressions assessment. The findings of the study said that liquidity risk affects bank's profitability very significantly. Here, liquidity gap and NPL are the two factors that enhance the liquidity risk.



Greuning & Iqbal (2008) showed that either excess liquidity or shortage of liquidity is responsible for liquidity risk.. In cases some factors like: difficulty in trading an asset, difficulty in terms of obtaining fund at a reasonable cost, and less access to liquid assets to meet liabilities may increase the chance of liquid risk. A higher liquidity is needed if the asset portfolio consists of mainly large long-term loans and the deposit has a high concentration with less diversity. In addition, a bank will need high amount of liquidity if there is a chance of withdrawal of deposits of large corporate depositors or of small deposits, as well as of borrowers who use large funds that are already committed by the bank.

3. COMPANY OVERVIEW

Shahjalal Islami Bank is one of the leading Islami Shariah based banks in Bangladesh. It was established in 1st April 2001 as a private commercial bank under companies Act 1994. The bank named of a saint Hazrat Shahjalal who decided to dedicate his whole life for the cause of practicing Islam in the east north of this subcontinent (Wikipedia, 2018). They started their banking operation on the following year 10th May with its first branch, obtaining the license from Bangladesh bank.

SJIBL's corporate head office is situated at Gulshan, "Shahjalal Islami Bank Tower" Dhaka-1212. Currently they have 113 branches in total where in Dhaka division, they have 60 branches, in Chittagong division 25 branches, in Khulna division 7 branches, another 7 branches in Sylhet division, in Rajshahi division 11 branches, in Barisal division 3 branches, and lastly it has 2 branches for priority banking which is situated in Dhanmondi, in Dhaka division and in the Head office of Shahjalal Islami Bank Ltd.

Shahjalal Islami Bank Limited is a top ranking bank in Bangladesh and they provide its customers all kind of banking facility which includes loan facilities, deposit, and money transfer facility and so on. All these activities have become possible under the guidance and help of strong board of directors, management committee and executives that is lead by prominent banker Mr. Akkas Uddin Mollah.



3.1 OVERVIEW OF MOTJHEEL BRANCH

This branch is located in the heart of Dhaka city holding the address no. 1/C Rajuk Avenue, Danik Bangla Moor, Motijheel C/A, Dhaka 1000. The branch provides services and facilities to investors and depositors residing or operating their business in Motijheel area. Currently, it has 40 employees and 4 office staffs along with 3 security guards. All of them are working under highly skillful supervision of Mr. Enamul Haque. The workforce is skillful to run the branch efficiently and also helpful to the clients to provide a congenial banking experience.

3.2 VISSION

The Vision of a SJIBL is to be one of the most desirable brand of Shariah banking and investment of our country by ensuring sustainable value for their stakeholders as well as developing human resource within the range of morality & ethics.

3.3 MISSION

SJIBL's mission is to ensure exceptional quality service which creates the opportunity of standard customer care, extensive & innovative banking, and sustainable growth of business, creates maximization of shareholders growth, continuous development and up gradation of system which helps them to face the challenges and overcome problems.

3.4 MOTTO OF SJIBL

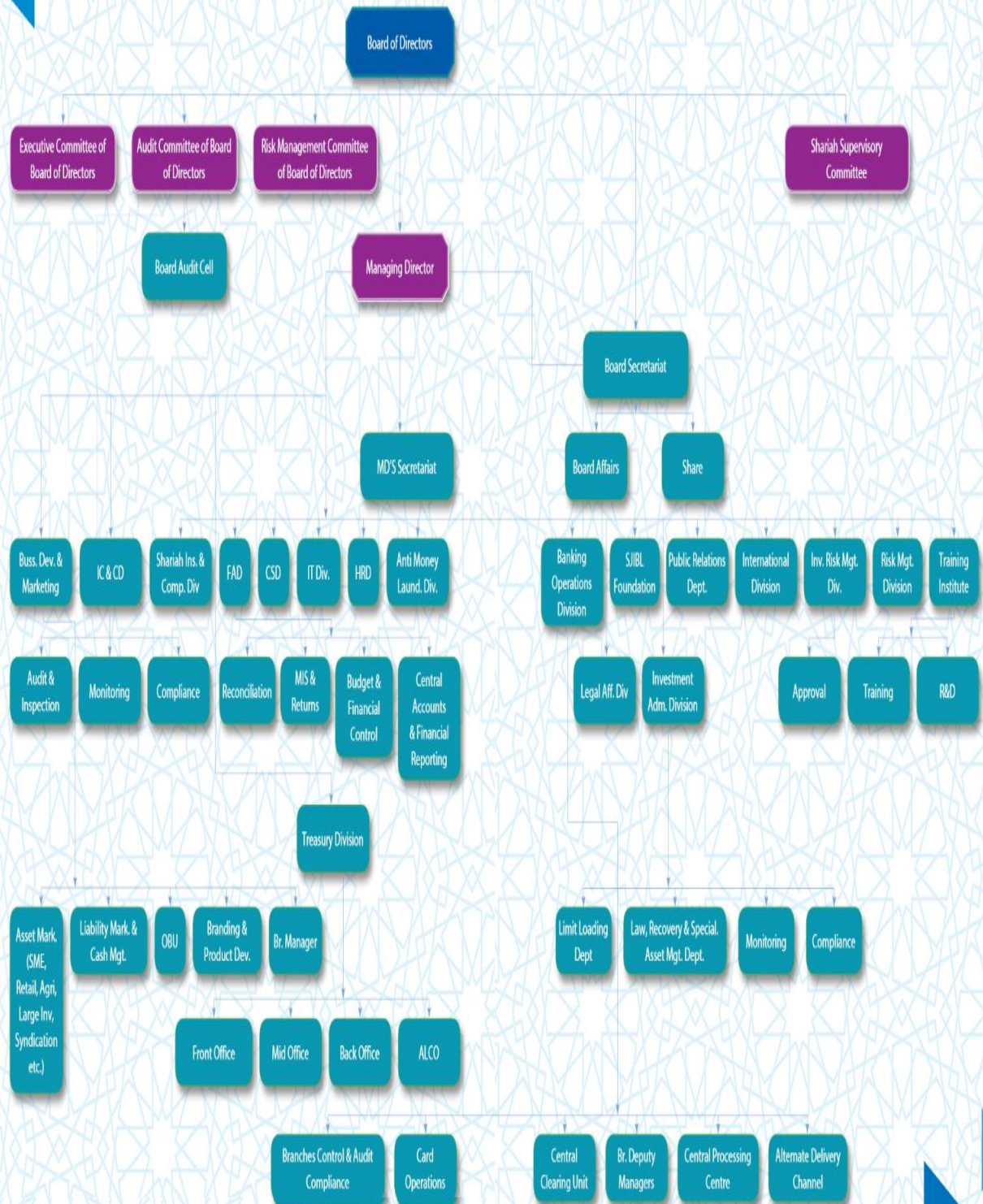
Ethical bondage to aim.....

Committed to Cordial Service & Welfare Banking

3.5 ORGANIZATIONAL STRUCTURE

The organogram of SJIBL is given below:

Organogram of Shahjalal Islami Bank Limited





3.6 FINANCIAL PERFORMANCE

In 2014, the profit after tax of Shahjalal Islami Bank decreased from 1,305 million taka from 747 million taka after that it followed an upward trend which finally became 1,196 million taka in year 2017. Return on assets & return on equity decreased from 12.67% (2013) to 9.14% (2017). However, earning per share followed 1.78 taka, 1.02 taka, 1.76 taka, 2.02 taka, & 1.55 taka. Along with these net assets value per share increased from 2013 to 2017 which is 16.40 million taka to 17.26 million taka & cost of fund decreased from 11.65% to 7.83%.

	2017	2016	2015	2014	2013
Profit After Tax	1,196	1,557	1,290	747	1,305
Return on Assets	0.64	1.02	0.98	0.59	1.00
Return on Equity	9.14	12.40	10.78	6.60	12.67
Earnings Per Share ((Taka)	1.55	2.02	1.76	1.02	1.78
Net Assets Value Per Share (Taka)	17.26	16,67	16.68	15.92	16.40
Cost of Fund	7.83	8.08	9.53	10.34	11.65

Table 1: Financial performance

3.7 CAPITAL MEASURE

From 2013 to 2017 risk weighted assets, core capital (tier-1), supplementary capital (tier-2) & total capital followed the increased trend whereas capital to risk weighted assets ratio (CRAR)-solo (regulatory capital/RWA) also increased from the previous year & tier-1 capital ratio decreased compared to the past years.



	2017	2016	2015	2014	2013
Risk Weighted Assets	158,937	124,704	98,790	93,820	88,702
Core Capital (Tier-	13,318	12,470	9,879	9,382	8,870
Supplementary Capital (Tier-2)	6,058	1,529	1,101	1,075	1,189
Total/Regulatory Capital	19,376	14,386	13,355	12,773	11,140
Capital to Risk weighted Assets Ratio (CRAR)-solo (regulatory capital/RWA)	12.19	11.54	13.52	13.61	12.56
Tier-1 Capital Ratio	8.38	10.31	12.40	12.47	11.22

Table 2: Capital measures

3.8 OVERVIEW OF BRANCH OPERATIONS

Three important divisions work consistently together in order to manage day to day operation of SJIBL. A brief glance of all three divisions are given below:

General banking:

One of the most crucial departments of a bank is general banking department. A bank mainly starts its initial function with the activities of general banking. GB activities include-

Account opening: Opening an account creates the opportunity to build up primary relationship between the customers and the company. In SJIBL there are different types of account available for customers to work conveniently. Some of them are- AL-Wadeah Current Deposit (ACD), Mudarabah Savings Deposit (MSD), Mudarabah Term deposit (MTD), Mudarabah Short notice Deposit (MSND).



Account transfer: For the transfer of one account from a particular branch to another particular branch no charge is taken. Client has to go through some formalities to take this facility.

Closure of account: Under some certain circumstances respective officer of the bank can close an account. For example:

- If the client gives advance notice to close his/her account
- If the client dies
- If the client becomes insolvent or insane
- If court gives order

By keeping minimum 500 taka in saving account and 900 taka in current account client can close his/her account

Remittance maintenance: In order to lessen the risk of cash handling, bank remits funds to help their customers. Two most common form used in remitting fund is: Pay Order and Demand Draft

Investment Division:

Islamic Mode of Investment:

Bai Mechanism: It is a Arabic word where “Bai” means purchase & mechanism means process which indicates the process of selling goods in cash or credit or in advance at an agreed upon profit which sometimes disclose to their clients or sometimes not. However, most of the investments of Islamic banks in Bangladesh are done by following this process.

Bai Murabaha: It is also taken from Arabic word where “Bai” means purchase and sale and “Murabaha” means in cash. Bai Murabaha can be described as an agreement where the seller sales the goods to the buyer at a cost and approved profit which remuneration is in cash on any fixed date.

Bai-Muajjal: “Bai” and “Muajjal” have been taken from Arabic words “Bai” and “Ajal”. The word “Bai” means for purchase and sale and the word “Ajal” means fixed time. Bai-Muajjal is similar to a Bai Murabaha but this transaction has installment facilities for payment with fixed



date. The client have to go to the bank to made these deal & also have to show some security guarantee for later installment payment.

Bai Salam: “Bai” and “Salam” is also taken from Arabic word where “Bai” means sale and purchase and the word “Salam” means advance. Basically this agreement is made with advance payment contrary to purchase of product. This contract will be performed after making investment time, price, products etc. Negotiation works while profit is to be determined and the payments are paid on spot. It also ensures the equal security for both buyer and seller.

Foreign Trade:

Foreign Exchange department is considered as an international department of a SJIBL. Basically this department deals globally. By its several modes activities they naturalized international trade. It is issued as a scheduled bank by Bangladesh Bank in order to trade internationally. These types of banks are considered as authorized dealers. Several activities are done by this department for example: To issuing letter of credit, to issuing letter of Guarantee, purchasing Inland and foreign bills and trading foreign currencies. Some important documents of international trade are: Invoice, Bill of Lading, Bill of Exchange, insurance certificate, Certificate of origin etc. Methods of payment in international trade could be: Payment for international trade can be done in various ways e.g. in advance, under a documentary L/C. Foreign Exchange department operates mainly operates in two sectors. One is L/C operation other one is Foreign remittance section.

Letter of credit (L/C) operation: Letter of credit (L/C) is a known term especially for international trade. It is also known as a banker’s commercial credit. Basically it is a letter from a bank which is used as a guarantee of a certain buyer. It works as an agreement between international buyer and seller where buyer banks send a letter of credit to a seller. There are several types of L/C like: at sight L/C, deferred L/C, Back to back L/C etc. Some L/C parties are: Issuing bank, Confirming bank, Negotiating Bank, Accepting Bank, Reimbursing Bank. Under L/C operation there are two other operations. One is export another one is import.

- **Export Business:** When goods and services are sold by Bangladeshi companies to foreign countries we called it an export business. There are number of formalities which



are followed by exporter before and after shipment of goods since bank is the negotiator in terms of international trade. So, it negotiates the bills on favor of the exporters. It also collects proceeds of Export Bill and credits exporter's account.

- **Import Business:** In case of import business bank is responsible for presentation of relevant document as well as giving payments on behalf of importer. According to import and export control Act (1950), for being a qualified importer the person has to obtain the registration number and has to secure L/C authorization from BB. An importer needs to submit an application to the respective department of the bank for further action.

Foreign Remittance: SJIBL is an authorized dealer to do a foreign exchange business. It provides some services to facilitate foreign exchange activities. These activities include outward and inward remittance from one country to another. So it sells and buys foreign currencies.

4. CONCEPTUAL FRAMEWORK

For making this report, different factors are considered which are directly related to the liquidity ability of a bank. For this study, only 3 factors are considered as independent variables. Those factors are given below-

1. Cash
2. Deposit
3. Non-performing loan

Profit before tax is taken as dependent variable because different banks have different tax structures.

A balance sheet consists of two sides. On the asset side there are: cash, balance with other bank and financial institution, loans, advances and miscellaneous assets. On the other side there are; deposit, borrowing from other banks and financial institutions, share holder's equity

Cash is considered as the most liquid asset of a bank and in order to manage liquidity risk banks keep cash and other type of liquid asset (Cornett, McNutt, Strahan, & Tehranian, 2011). So cash is taken as independent variable. It can be divided into two classes:



- Cash in hand
- Balance with central bank and it's agent banks

Deposit of Islamic shariah based bank can mainly be divided into 4 classes:

- Mudarabah Savings Deposits
- Mudarabah Term Deposits
- Al-Wadeeah Current & Other Deposit Accounts
- Other Mudarabah Deposits

Here, deposit is also taken as an independent variable. Banks raise their funds by increasing deposit. If depositors withdraw their money in an odd time it can result in sale of asset at discounted price or price lower than the intrinsic value (Diamond and Rajan, 2001).

Less inward cash flow of NPL results in the liquidity risk (Dermine, 1986). In other words, when a loan becomes default it will give positive impact in liquidity gap. So it is also taken as independent variable to evaluate liquidity risk's effect. This can be divided into 3 categories:

- Substandard
- Doubtful
- Bad or loss

The only dependent variable in this study is Profit before tax. Here, after tax profit is not considered because, tax system varies bank to bank (Arif, A., & Anees, A. N, 2018). The following Hypothesis is considered based on the empirical study:

H0: Liquidity risk does not affect the profitability of the banks

H1: Liquidity risk affects the profitability of the banks



5. DATA PRESENTATION

	CASH	DEPOSIT	NON PERFORMING LOAN	PROFIT BEFORE TAX
MEAN	22,800,000,000	220,000,000,000	8,460,000,000	5,400,000,000
MEDIAN	17,900,000,000	170,000,000,000	6,720,000,000	3,480,000,000
MAXIMUM	83,600,000,000	755,000,000,000	25,500,000,000	52,000,000,000
MINIMUM	856,000,000	10,900,000,000	314,000,000	139,000,000
STANDARD DEVIATION	19,500,000,000	186,000,000,000	6,300,000,000	8,670,000,000
SKEWNESS	1.329889	1.460032	1.513363	4.622729
KURTOSIS	4.711754	4.55765	4.472304	25.29613
JARQUE-BERA	14.58993	15.97319	16.52109	849.6188
PROBABILITY	0.000679	0.00034	0.000259	0
OBSERVATIONS	35	35	35	35

Table 3: Descriptive statistics (Industry)

This table shows the descriptive statistical analysis of the Islamic banks listed at Dhaka Stock Exchange. The mean value of profit before tax is significantly positive. Therefore it can be said that Islamic banks listed at Dhaka Stock Exchange are enjoying a good profitability. The average amount of Cash holding by the Islamic banks listed at Dhaka Stock Exchange is 22,800,000,000 tk. The average amount of Deposit collected by Islamic banks listed at Dhaka Stock Exchange is 220,000,000,000 tk. The average amount of Non-Performing Loan of Islamic banks listed at Dhaka Stock Exchange stands at 8,460,000,000 tk. Normality of the data is within the acceptable ranges because the value of skewness and kurtosis is not high enough to affect the normality of the data.

VARIABLE	COEFFICIENT	STD. ERROR	T-STATISTIC	PROBABILITY
C	1870000000.00	1860000000.00	1.01	0.3221
CASH	-0.726661	0.162424	-4.473849	0.0001
DEPOSIT	0.083211	0.020774	4.005475	0.0004
NON PERFORMING LOAN	0.212908	0.339553	0.627025	0.5352

Table 4: Regression analysis (Industry)



From the result of regression analysis it is found that keeping all other variables constant, increase in deposit by 1 tk. will increase the profit before tax by 0.083211 tk. Following that, increase in cash by 1 tk. will decrease the profit before tax by 0.726661 tk. keeping all other variables constant. Furthermore, increase in non-performing loan by 1tk. will increase the profitability by 0.212908 tk. considering all other variables constant.

R-SQUARED	0.500194	MEAN DEPENDENT VAR	5400000000
ADJUSTED R-SQUARED	0.451825	S.D. DEPENDENT VAR	8670000000
S.E. OF REGRESSION	6420000000	AKAIKE INFO CRITERION	48.11035
SUM SQUARED RESID	1.28E+21	SCHWARZ CRITERION	48.28811
LOG LIKELIHOOD	-837.9312	HANNAN-QUINN CRITER.	48.17171
F-STATISTIC	10.34134	DURBIN-WATSON STAT	0.758499
PROB(F-STATISTIC)	0.000071		

Table 5: Regression analysis (Industry)

It is also found that 50.0194% of the change in profitability is explained by cash, deposit and non-performing loan. After that, the probability of F statistics is found 0.000071. The significant value, denoted by alpha, is considered as 0.05 in this study, the probability of F statistics is lower than the significant value. So it can be said as statistically insignificant. Therefore, it can be interpreted that the independent variables jointly affect the dependent variable which is profitability in this study. The null hypothesis considered in this study was no effect of liquidity risk on the profitability of the Islamic banks listed on Dhaka Stock Exchange while the alternative hypothesis was the effect of liquidity risk on the profitability of the Islamic banks listed on Dhaka Stock Exchange. As the null hypothesis is rejected, it can be said that liquidity risk can affect the profitability of the Islamic banks listed in Dhaka Stock Exchange.

	CASH	DEPOSIT	NON PERFORMING LOAN	PROFIT BEFORE TAX
MEAN	10,100,000,000	115,000,000,000	6,100,000,000	1,860,000,000
MEDIAN	9,580,000,000	109,000,000,000	6,260,000,000	2,080,000,000
MAXIMUM	13,200,000,000	145,000,000,000	6,610,000,000	2,380,000,000
MINIMUM	8,470,000,000	96,500,000,000	5,540,000,000	776,000,000
STD. DEV.	1,810,000,000	20,300,000,000	430,000,000	653,000,000
SKEWNESS	1.0643940	0.6233080	-0.2042860	-1.0379710
KURTOSIS	2.7325310	1.9386430	1.6208380	2.5755730
JARQUE-	0.9590170	0.5584440	0.4310450	0.9353490



BERA				
PROBABILITY	0.6190880	0.7563720	0.8061200	0.6264570

Table 6: Descriptive statistics (SJIBL)

This table shows the descriptive statistical analysis of Shahjalal Islami Bank Ltd. The mean value of profit before tax is positive but it is lower than that of other Islamic Banks listed at Dhaka Stock Exchange. The average amount of Cash holding by Shahjalal Islami Bank is lower than that of the other listed Islamic banks of Dhaka Stock Exchange. The average amount of Deposit collected by Shahjalal Islami Bank is also lower than that of other Islamic banks listed at Dhaka Stock Exchange. But the average amount of Non-Performing Loan of Shahjalal Islami Bank is lower than that of other listed Islamic Banks of Dhaka Stock Exchange which is a positive sign. Normality of the data is also within the acceptable ranges as skewness and kurtosis is not high enough to affect the normality of the data.

VARIABLE	COEFFICIENT	STD. ERROR	T-STATISTIC	PROB.
C	8,240,000,000	2,100,000,000	3.922903	0.1589
CASH	0.050499	0.127367	0.396482	0.7597
DEPOSIT	0.011509	0.011389	1.010531	0.4967
NON PERFORMING LOAN	-1.346057	0.322358	-4.175664	0.1496

Table 7: Regression analysis (SJIBL)

The result of regression analysis shows that keeping all other variables constant, increase in deposit by 1 tk. will increase the profit before tax by 0.011509 tk. After that, increase in cash by 1 tk. will increase the profit before tax by 0.050499 tk. holding all other variables constant. Finally, increase in non-performing loan by 1tk. will increase the profitability by 0.212908 tk. considering all other variables constant.

R-SQUARED	0.959247	MEAN DEPENDENT VAR	1.86E+09
ADJUSTED R-SQUARED	0.836988	S.D. DEPENDENT VAR	6.53E+08
S.E. OF REGRESSION	2.64E+08	AKAIKE INFO CRITERION	41.60866
SUM SQUARED RESID	6.95E+16	SCHWARZ CRITERION	41.29622
LOG LIKELIHOOD	-100.0217	HANNAN-QUINN CRITER.	40.77008
F-STATISTIC	7.84602	DURBIN-WATSON STAT	3.092763
PROB(F-STATISTIC)	0.255277		



Table 8: Regression analysis (SJIBL)

In addition that it is found 95.9247% of the change in profitability of Shahjalal Islami Bank is explained by cash, deposit and non-performing loan. The probability of F statistics, which is the main focus of the analysis, is found 0.255277. So, it can be seen that the probability of F statistics is higher than the significant value. As a result, it can be said as statistically insignificant. As a result, it can be interpreted that cash, deposit and non-performing loan do not jointly affect the profitability of Shahjalal Islami Bank in this study. Therefore, profitability of Shahjalal Islami Bank will not be affected by the liquidity risk.

6. FINDINGS and RECOMMENDTION

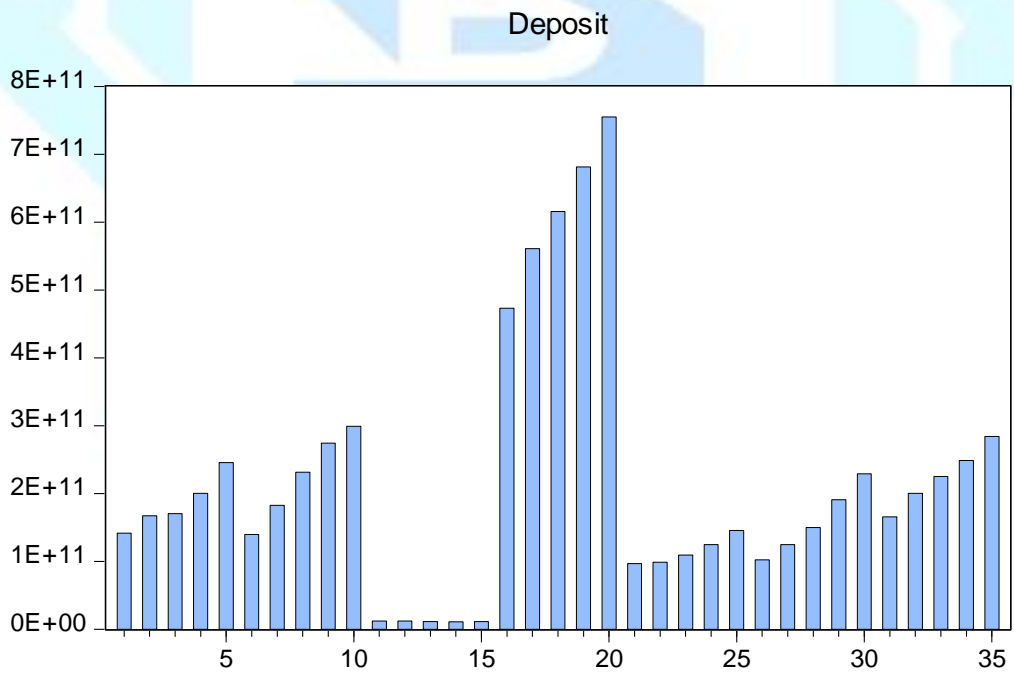
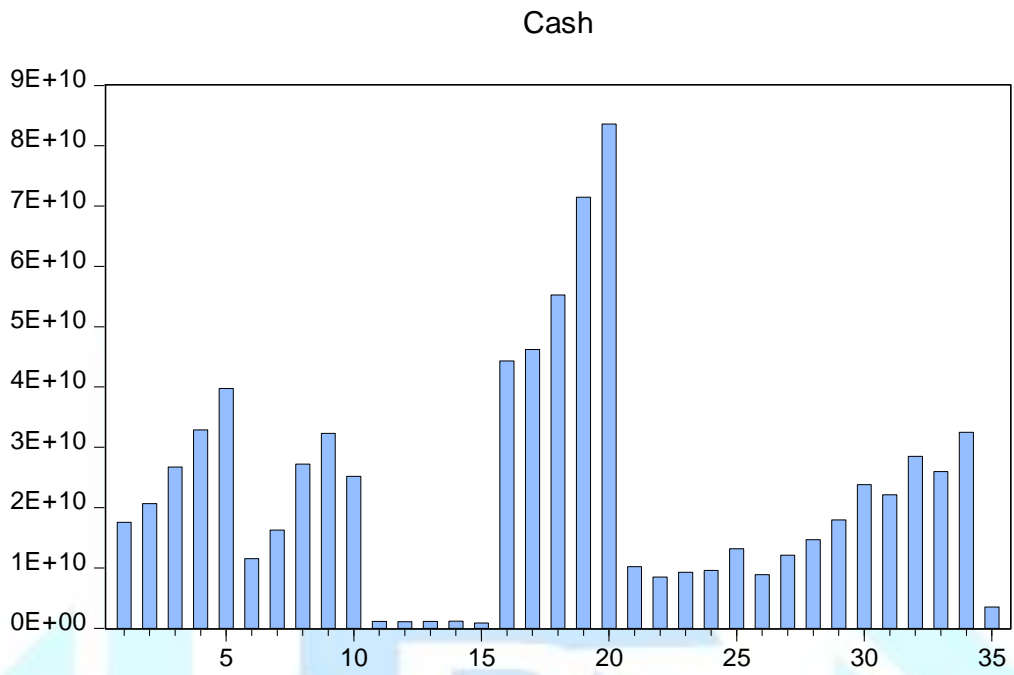
This study shows that profitability of Islamic banking industry is affected by liquidity risk, However, in case of Shahjalal Islami Bank Limited the result is opposite. This bank is not affected by liquidity risk because of two reasons. First reason behind it is, the average amount of deposit SJIBL is lower than the industry which means they have to less amount of liability compared to the other listed Islamic banks. The other reason is the lower amount of non-performing loan compared to the industry. But SJIBL can keep higher amount of cash for any unforeseen situation so that they can response more in case of inconvenient liquidity response. This study has some limitations also. In this study, only five year's data is taken as sample for the study. In addition to that, only 3 month was found for completing the study. Future researchers can increase length of data as sample and can take more time for the study.

7. CONCLUSION

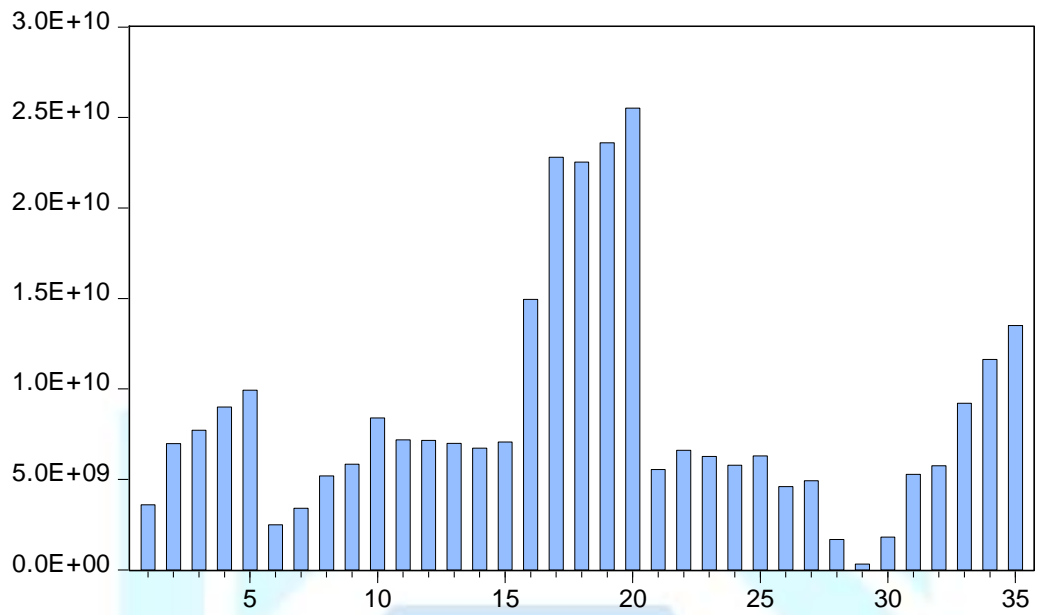
In Bangladesh liquidity risk is rising from the year of 2017 so both bankers and regulators are becoming concerned about the matter. Various types of financial and non-financial facilities for customers can bring differences in such situation. customers should be provided with new types of products based on their comfortability, flexibility, safety. More customer segment should be reached out. Moreover, overall customer service should be developed to cope up with such situation.



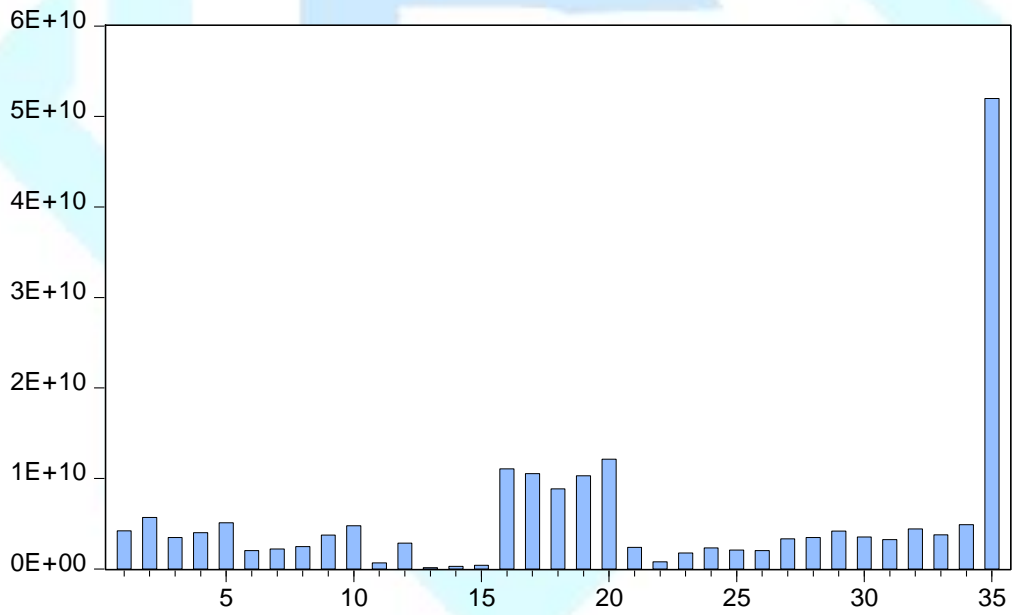
7. APPENDIX



Non Performing Loan



Profit Before Tax





8. REFERENCE

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