

Report On  
Operational Efficiency of Islami Bank Bangladesh Limited and comparison with  
other fully shariah based Islami Banks in Bangladesh

By  
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An internship report submitted to the BRAC Business School in partial fulfillment  
of the requirements for the degree of Bachelor of Business Administration (BBA)

BRAC Business School  
BRAC University  
June 8,2021

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## Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Sheikh Abu Hanif**  
Student ID: 17304069

**Supervisor's Full Name & Signature:**

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**Mohammad Mujibul Haque, PhD**  
Professor and associate dean, Brac Business School  
Brac University

## LETTER OF TRANSMITTAL

Date: June 8, 2021

Mohammad Mujibul Haque, PhD

Professor and Associate Dean

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Respected Sir,

I am submitting my internship report which is the mandatory part of the BBA program. It is a huge blessing for me to work under your supervision.

Basically, this report is based on “Operational efficiency of Islami Bank Bangladesh Limited” I have got the opportunity in Islami Bank Training and research Academy and they have sent me to work in Islami Bank Bangladesh Limited on Gulshan Circle 1 branch. Here I have worked for 90 days under Kayum Sikdar (AVP) Islami Bank Bangladesh Limited (Gulshan circle 1) and Hosne Ara (VP) Islami Bank Training and Research Academy.

This internship has given me the practical knowledge and make my academic knowledge complete. Firstly, I have learnt the banking environment and organization culture of Islami Bank Bangladesh Limited. Secondly, this report has given me the guidelines of analyzing practically by working with the organization.

I therefore pray and hope that you would be kind enough to grant my internship report and give your precious judgement. It would be a great achievement for me if you find any important and eye-catching information.

Sincerely yours

Sheikh Abu Hanif

BRAC Business School

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BRAC University

## Non-Disclosure Agreement

This agreement is created and entered into by and between Islami Bank Training and research academy and the undersigned student at BRAC University Sheikh Abu Hanif (ID-17304069)

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**Islami Bank Training and Research Academy**

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**Sheikh Abu Hanif**

## ACKNOWLEDGEMENT

Firstly, I am very much thankful to Almighty Allah for proving me the potency to carry through my responsibilities as an intern in this pandemic situation and finish the report within a short time.

I am very much grateful to make my advisor Mohammad Mujibul Haque, PhD who is the professor and associate dean of BRAC business school, BRAC University. Moreover, I am very much thankful to Hosena Ara vice president Islami Bank Training and Research Academy and Kaum Shikdar operational manager IBBL for being my organizational supervisor. This would be really difficult for me to complete this report without their supervision.

Lastly, I am very much in debt to OCSAR, BRAC University for organizing the internship program and giving us the opportunity to impose our knowledge in practical life.

## EXECUTIVE SUMMARY

Internship is mandatory for completing graduation from BRAC University for BBS students. So, I have completed my internship from Islami Bank Bangladesh limited which is one of the renowned banks in Bangladesh. In this report the operational efficiency of Islami Bank Bangladesh limited and the comparison with all eight fully shariah based banks has been pointed out. For the betterment of analysis, the whole report has been divided into three chapters.

In chapter one, the overview of internship has been discussed. In this chapter, the internship information has been defined. Moreover, in the section of this chapter, the outcome of doing my internship has been discussed. The benefits I have provided to my organization and how I was benefited working as an intern has been reflected in this part. At the last part of this chapter, some suggestions have been recommended for future internship program of IBBL.

In chapter two, the overview, operations and a strategic audit of IBBL has been analyzed. At the first part of this chapter objective, methodology, scope and significance of analyzing this chapter has been discussed. The methods that have been used for analyzing this chapter is ratio analysis, secondary data collection, primary data collection, SWOT analysis and porters five forces. Furthermore, the management practices like risk management, human resource management has been recapitulated on this chapter. IBBL uses different promotional activities like sponsoring on sports, digital marketing and press conference which are the marketing practices. Moreover, they follow international accounting standards as well as the Bangladesh accounting standard which has been discussed on the accounting practices section. The financial information analysis is also done in this chapter for five years though deposit amount, investment, assets amount has been discussed. Moreover, the financial performance of IBBL before and after covid has been mentioned here. The comparative and industry analysis for five of years of all shariah based banks has been discussed by using SWOT analysis, porters five forces and with different graphs. At the last part of this chapter, some suggestions have been provided for IBBL in the light of this chapter.

In chapter three, the operational efficiency of IBBL and comparison with all the Islami Shariah based banks have been discussed. For doing this analysis the methods that has been used are- Ratio analysis, hypothesis testing. Moreover, for collecting the data primary and secondary sources has been used. For ratio analysis, different ratios have been taken which is related to consider the operational efficiency of the bank and all the data has been taken for five years. For comparative analysis, the average of five years ratios has been taken. In addition, in hypothesis testing multiple regression has been used for five years data and considering all other shariah based banks. In this hypothesis testing independent variable was common which is efficiency ratio. However, the dependent variables are ROA, operating expense ratio and net profit margin. Three hypothesis tests have run and found that they have significant relationship. At the last part of this chapter, recommendation for IBBL has been proved by analyzing this chapter.

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## List of Acronyms:

IBBL = Islami Bank Bangladesh Limited

ROI = Return on investment

NPI = Non performing investment

ROA = Return on asset

NPM = Net profit margin

EPS = Earnings per share

RWA = Return on weighted assets

BB = Bangladesh Bank

IFSSs = International Financial standards

IASs = International accounting Standards

BASs = Bangladesh accounting standards

BATCH = Bangladesh Bank automated clearing house

MSD = Management Information Department

## CHAPTER 1: OVERVIEW OF INTERNSHIP

### 1.1 Student Information

**Name:** Sheikh Abu Hanif

**ID:** 17304069

**Program:** BBA

**Major:** Finance

### 1.2 Internship Information

#### 1.2.1 Period, Company name, Department, Address

**Period:** 90 days

**Company Name:** Islami Bank Limited (under Islami Bank Training and Research Academy)

**Department:** General Banking and Investment

**Address:** Islami Bank Bangladesh Limited, Gulshan Circle 1 branch, Dhaka & Online.

#### 1.2.2 Internship Company Supervisor's Information: Name and Position

1. Name: Md. Kayum Shikder

Position: Assistant Vice President & Operation Manager, IBBL Gulshan circle -1

2. Name: Hosne Ara

Position: Vice president, Islami Bank Training and research Academy.

#### 1.2.3 Job Scope – Job Description/Duties/Responsibilities

❖ Assist the officers in opening the account

- ❖ Helping the superior on issuing debit card, credit card, issuing cheques, salary payment of different companies through bank.
- ❖ Supporting the officers on Real Time gross settlement (RTGs), Check clearing and contact with the clients if needed.
- ❖ Analyzing the papers and securities submitted by the loan seekers along with the concerned officer
- ❖ Analyzing the papers and sites where Bank is going to invest
- ❖ Helping the officers on calculating daily performance of the Bank and making the monthly report of the bank.

So, these are the responsibilities I need to perform as an intern.

## 1.3 Internship Outcome

### 1.3.1 Contribution to my bank (Islami Bank Bangladesh limited):

I have numerous contributions to Islami Bank Bangladesh limited. Firstly, per employee efficiency of the bank increased because they got an assistance. The number of clients they can serve increased after my arrival. Moreover, with my foot step on Islami Bank Bangladesh Limited as an intern I have helped a number of customers on filling up the form for opening an account. This also helped the officers for opening the highest number of accounts in that 3 days. Because I was in the account opening section for 3 days. Not only that, I also helped them on calculating the daily accounts like how many deposits has been collected, the amount of money withdrawal from the bank, the number of cheques has been ordered or issued. So, the time to calculate all those things has been reduced when I started to help the officers on this regard. Secondly, in the investment department I have checked the documents of the loan seekers and the papers of the mortgages they provided against the seeking loan amount. So, the process has become faster when I started to assist the officers regarding this. When Islami Bank wants to invest they visit the place or industry for the verification. They always took me to the site as they will get extra assistance from someone. So, these are the contributions of mine to Islami Bank Bangladesh Limited.

### 1.3.2 Benefits to the student (Myself):

By serving in Islami Bank Bangladesh Limited as an intern, I was benefited in various ways. Firstly, I have learned the corporate behavior. They have taught me the formalities maintained by an organization or a company. Moreover, I have gained the basic knowledge about banking practically. Here, I have learned issuing cheque book, issuing debit card, credit card, RTGs (Real Time gross settlement), clearing cheque, salary of different company through bank, checking the investment documents and loan seeking mortgage documents. These are the knowledge that I have gained practically. Not only that, I have also learned to work under pressure. For example- a lot of clients want to make their work done within a short time. However, sometimes it becomes difficult to handle a lot of customers and do work accordingly. This internship has taught me how to handle

the situation and satisfy a lot of customers through working fast. Furthermore, this internship has added an experience which will help to grow my career. Internship has made me confident and increases the ability to interact with different officials. It also helped me to develop and accelerate my skills. Lastly, I have got 7 thousand takas for the internship per month which helped me to pay the transportation cost. So, these are the benefits that I have got by doing the internship.

### 1.3.3 Problems and difficulties faced during Internship:

My internship has gone very well. However, I have gone through with some difficulties during the Internship period. Those are given below:

1. During internship the main problem was computer work. IBBL provides different tasks which I need to complete from home. However, if there is a question regarding the assigned work, it was difficult to communicate with them.

### 1.3.4 Suggestion for my bank on future internship program:

There are some suggestions for Islami Bank Bangladesh Limited for hiring and handling the future intern. These are given below:

- 1) They don't allocate a specific computer for intern. So, the task given to the inter, they had to do those at home. If they could allocate a computer for the intern then the inters could learn more and ask supervisors for help instantly.
- 2) Sometimes it is seen that the customers could not recognize the intern. So, the intern's Identity card could be just like the officials so that the customers could understand.
- 3) They can recruit the intern directly through the bank rather going to the training center of them. Most of the bank does except Islami Bank Bangladesh Limited.

So, these are the recommendation for Islami Bank Bangladesh Limited on future internship program.

## STRATEGIC AUDIT

### 2.1 Introduction

#### 2.1.1 Objective

The objective of analyzing the overview, operational description and the strategic unit practices are given below:

- ❖ Analyzing the management, marketing, accounting practices is to provide clear idea about activities of IBBL to the readers or future researchers.
- ❖ After analyzing the different types of practices, readers will also get the areas of improvement that IBBL needs to look after.
- ❖ The readers will be acknowledged about the position of IBBL comparing with the other fully shariah based banks in Bangladesh.

So, these are the objectives of analyzing the overview operation and strategic audit (Chapter 2)

#### 2.1.2 Methodology

For providing the overview of my bank, I have gathered different types of sources from different reliable areas. The resources I have got can be divided into two types. The description of them is given below:

##### 1) **Primary Resources:**

- ❖ The officials of Islami Bank Bangladesh Limited as well as the officials of Islami Bank training and research academy
- ❖ Real life experience by working under the direct supervision of operation manager and the vice president of the training center
- ❖ Real life experience on the operation management practices
- ❖ They have provided me some documents which is also one of my primary resources of collecting these information



## 2) Secondary Resources:

- ❖ Website of Islami Bank Bangladesh Limited
- ❖ Annual report of IBBL
- ❖ Bangladesh Bank website
- ❖ Different news and events organized by IBBL from online newspapers
- ❖ Different research papers based on IBBL

**Ratio Analysis-** Ratio analysis has been done by taking five years of data (2015-2019). Here, 2020 has not been used because many banks have not published their annual report yet.

**SWOT analysis-** SWOT analysis technique is used to measure the strength, weakness, opportunities for IBBL.

**Porters five forces-** This technique is used for musing the competitive intensity in the industry.

### 2.1.3 Scope

This analysis will help the research in finding out the management practice, marketing practice, accounting practices and operational practices. This will create the opportunity to analyze more on the banking operations and management.

### 2.1.4 Limitations

IBBL has many limitations of analyzing my assigned bank (IBBL). The limitations are given below:

- ❖ Every bank runs with a model. However, it is very tough to find a suitable model which is followed Islamic shariah. So, IBBL has limitation for analyzing the organization.
- ❖ There are very less scholars in our country who has sufficient knowledge on the banking sector as well as the Islami Shariah. That is why collecting the resources was the limitation of analyzing.

So, these are the limitations of analyzing my assigned bank.

### 2.1.5 Significance

There are some significances of analyzing the organization. By analyzing the marketing, management and accounting practices, it will show the real scenario of IBBL and how they can improve them. Moreover, the comparative and the industry average will show the position of IBBL and how they can improve accordingly. So, these are the significance of analyzing the organization.

## 2.2 Overview of the company

Islami Bank Bangladesh Limited is the first interest or riba free bank in Southeast Asia. It was founded on 13<sup>th</sup> March, 1983 as a public company with limited liability under the company act 1913. However, the bank has started its operation on 30-03-1983. Moreover, Islami Bank Bangladesh Limited is a joint venture public limited company involved in the commercial banking business established on Islami Shariah with 63.09% foreign shareholding and have large branch network.

### 2.2.1 Organization information

Chairman, Board of Directors	Prof Md. Nazmul Hassan. Ph D
Managing Director and CEO	Mohammad Monirul Alam Moula
Company secretary	J.Q.M Habibullah, FCS
Number of zones	17
Number of branches	552
Number of AD branches	59
Number of ATM booth	1131
Number of shareholders	33686
Number of manpower	11381

Table 1 Organization Information of IBBL

The above information is based on the up to 31<sup>st</sup> December 2019

### 2.2.2 CSR activity of Islami Bank Bangladesh Limited

IBBL has contributed a lot on social welfare of the people. IBBL has created “Sadaqah Tahbil” where they are doing their charitable activities. This is also done through Islami Bank foundation (IBF). Moreover, they have corporate social affair division for making welfare of the people. They also established the sustainable finance division in 2017. Sustainable finance is very important for continuing the banks in the long run. Furthermore, they also collect “Zakat “from the people and distribute those to the people. The total amount spent for CSR activity is 430,358 million. So, IBBL is very active on CSR activities.

### 2.2.3 Achievements of IBBL

IBBL has achieved many awards from home and abroad. The main achievements of them are given below:

- ❖ IBBL has been nominated as the solo Bank from Bangladesh in top 1000 banks in the world which is made by UK based financial magazine (The banker).

- ❖ The exchange of United Arab Emirates has awarded IBBL for mobilizing 30% of total remittance of the country.
- ❖ Institute of Chartered Accountants of Bangladesh (ICAB) has awarded IBBL the first prize of SARRC Anniversary Award for Corporate Governance.

So, these are the major achievements of IBBL.

## 2.3 Management Practices:

The top management body made up of 12 members in the committee which is the “management committee” of IBBL. This management committee analyzes the issues before placing those to the board of directors, audit committee, executive body and risk management. IBBL has great management systems and practices which has helped them to be the number one bank in Bangladesh. The main management practices that the management does are given below:

- ❖ They always give priority on the efficient fund management because if the inflow and the out flow of liquid money is maintained properly then the bank will improve day by day. For this reason, IBBL management goes for the priority-based investment policy.
- ❖ The management ensures the competitive pricing of the products and services.
- ❖ IBBL management maintains 100% compliance both on-site and off-site supervision
- ❖ They mobilize the lower cost deposit when the investment is more focused on the service and infrastructure sectors
- ❖ For managing their employee’s quality IBBL has established Islami Bank training and research academy.

### 2.3.1 Risk management practices

IBBL manages its risk through the stress testing. Periodical stress testing and assesses stress on the capital both giving individual and combined shocks on different areas are conducted by Islami Bank Bangladesh Limited. The factors that are considered on stress testing is given below:

1. Investment risk of my assigned bank
  - a) Dilate of Non performing Investment (overall)
  - b) Default of top large browser leads to amplify of NPI

- c) Reduction of forced sale value of mortgage collateral
- d) When there is a downward shift of NPI categories
- 2. Profit rate risk of my assigned bank
  - a) Simple sensitivity analysis of IBBL
  - b) Duration GAP analysis of IBBL
- 3. Exchange rate risk of my assigned bank
- 4. Equity price risk of my assigned bank
- 5. Liquidity risk of my assigned bank
- 6. Value risk of my assigned bank

Assuming the 3 different hypothetical scenarios risks of stress testing is carried out. These are given below:

- 1) Minor level of shock
- 2) Moderate level of shocks
- 3) Major level of shocks

### 2.3.2 Human Resource Management Practices

Human resource management wing is one of the vital wings of IBBL. The total number of employees are 11831 which is huge. For training this huge number of people they have established “Islami Bank Training and Research Academy”. The training and the internship program are held by their direct supervision. IBTRA has held 188 programs during the year 2019. However, the total number of programs they held in 2019 was 524. Moreover, many exams are held for improving their employee. The promotion system is based on the experience and the performance of those exams. IBBL always hire the employee according to their merit. They usually prefer talented person in various workforce and groom them through training. The board approve the recruitment policy so that the right person is hired for the right position. It is seen the 70% of the man power is below 40 years of age. So, IBBL is empowering the youth.

### 2.3.3 Green Banking management of my assigned bank

In the green banking management section, IBBL always try to invest on the sectors which is environmentally helpful and reduces the carbon emission. The sectors that IBBL invest is given below:

- 1) Energy which is renewable
- 2) Energy which can be efficiently used
- 3) Waste management
- 4) Recycle and the products made from recycling
- 5) Environment friendly products

They have run 14,328 projects in 2019 where they have invested 291,120 million Tk for running those projects through the environment and social risk management. Moreover, they have climate risk fund. IBBL is investing 10% of the total disbursed funded investment in the green investment.

So, these are the management practices followed by IBBL.

## 2.4 Marketing practices:

Islami Bank Bangladesh Limited focus marketing for newly lounge products and services. However, they are now focusing more on the marketing of the digital services they are providing to the people. For marketing Islami Bank Bangladesh Limited uses different media. However, as they are based on Islami Shariah, so they do not release any advertisement that goes against the law of Islam. So, the medias they use for their marketing are given below:

### 2.4.1 4P

4P consists of product, price, place and promotion:

**Product:** IBBL offers different types of products. The products are given below:

**Deposit product:** In deposit product people can open different types of accounts basically there are two types of deposit products in IBBL. One is Al- Wadeah Account and another is mudaraba account. In Al-Wadeah account there will be no profit disbursement and account holder need not to bear any loses. On the other hand, in Mudaraba account there are different types of accounts. These are given below:

Al-Wadeah Current Account (AWCA)  
Mudaraba Savings Account (MSA)  
Mudaraba Term Deposit Account (MTDR)  
Mudaraba Special Notice Account (MSNA)  
Mudaraba Hajj Savings Account (MHSA)|  
Mudaraba Special Savings (Pension) Account (MSSA)  
Mudaraba Savings Bond (MSB)  
Mudaraba Monthly Profit Deposit Account (MMPDA)  
Mudaraba Muhor Savings Account (MMSA)  
Mudaraba Waqf Cash Deposit Account (MWCDA)  
Mudaraba NRB Savings Bond (MNSB) Account  
Mudaraba Foreign Currency Deposit Account (MFCD)  
Students Mudaraba Savings Account (SMSA)  
Mudaraba Farmers Savings Account (MFSA)

**Investment Product:** There are three modes used for the investment. Moreover, there are many investment schemes. The three modes of investment are given below:

- BAI-MODES
- SHARE-MODES
- IJARA-MODES

Besides these are more investment schemes. These are given below:

House Hold Investment Scheme

Investment Scheme for Doctors (ISD)

Transport Investment Scheme (TIS)

Car Investment Scheme (CIS)

Small Business Investment Scheme (SBIS)

Micro Industries Investment Scheme (MIIS)

Agricultural Implement Investment Scheme (AIIS)

Real Estate Investment Program (REIP)

Real Estate Investment (Commercial & Working Capital)

Agricultural Investment of IBBL

NRB (Non-Resident Bangladeshi) Entrepreneurs Investment Scheme (NEIS)

Women Entrepreneurs Investment Scheme (WEIS)

**Rural development schemes:** Rural development scheme has been introduced for the development of the rural people.

The service provided by IBBL is given below:

IBBL provides different types of services. The name of the services is given below:

- ❖ NRB service
- ❖ SME service
- ❖ SMS service
- ❖ Foreign exchange business service
- ❖ Locker service
- ❖ Off shore banking service
- ❖ I-banking service
- ❖ SWIFT service
- ❖ M cash
- ❖ Credit card and debit card
- ❖ Remittance card

So, these are the services provided by IBBL.

**Price:** IBBL does not have interest charges. However, they earn profit against the service they profit and the profit rate varies every day. Some charges against their service are constant those are given below:

SL No.	Types of deposit	Final rate of profit
1	<b>Mudaraba Hajj Savings</b>	
a)	11 to 25 years	8.71%
b)	1 to 10 years	8.38%
2	<b>Mudaraba special savings account</b>	
a)	10 years term	8.38%
b)	5 years term	7.37%
c)	3 years term	7.24%
3	<b>Mudaraba savings bond</b>	
a)	8 years term	8.38%
	5 years term	7.51%
4	<b>Mudaraba Term deposit account</b>	
	36 months	7.37%
	24 months	7.17%
	12 months	7.04%
	06 months	6.90%
	03 months	6.71%

**Table 2 Charges**

The charges of some other service are given below:

- ❖ For ATM service they charge 300 Taka yearly
- ❖ For locker service IBBL charges the small locker for 2000 Taka yearly, medium locker 3000 Taka yearly and 5000 Taka yearly.

So, these are the charges for service they provide.

**Place:** IBBL has 552 Branches all over Bangladesh. All the branches have been divided into 17 zones. Moreover, the number of AD branches are 59. For the digital transaction IBBL has placed ATM across the country. The number of ATM booths of IBBL is 1131. So, the numbers are huge and they are serving the people in every districts.

**Promotions:** IBBL uses different promotional methods for reaching the mass people. The promotional activities they do are given below:

**Free of cost media casting:** The press release and the good news about Islami Bank Bangladesh Limited published on different print media and television are cost free media casting. During 2019 Islami Bank Bangladesh Limited has obtained a big cost-free media coverage which covers almost 8070 spots on print, electronic and online media. It carries a news value of Tk. 56.83 crore and PR value of Tk 170.50.



**Main area of branding the products and services:** Islami Bank Bangladesh Limited make it's branding through using different types of media. However, IBBL has shifted to digital marketing because the world is improving on technology and people are becoming more dependent on it. On 2019, IBBL has posted about 412 static and video on their Facebook page. Apart from the online advertising through social media, IBBL also make its advertisement through television and radio. Moreover, IBBL also publishes their advertisement on newspaper. Not only that, IBBL has different billboards beside the road which is also another way of reaching to the people. So, these are the main areas where they practice their marketing.

**Branding through Games involvement:** Bangladesh cricket board arranges BCL (Bangladesh cricket league) where IBBL has a team named "Islami Bank East Zone". They are performing really well in the sports and achieved runners up last year. So, they are also having a practice on investing on the sports area which is very much promising because most of the people of our country follow cricket.

So, these are the marketing practices that IBBL is having to reach to the mass people.

## 2.5 Financial Performance and Accounting practices:

The financial performance is very good for IBBL. They have maintained a very health financial condition from the beginning of their establishment and some of the statistics will show that how are growing bigger.

### 2.5.1 Financial Information and performance analysis

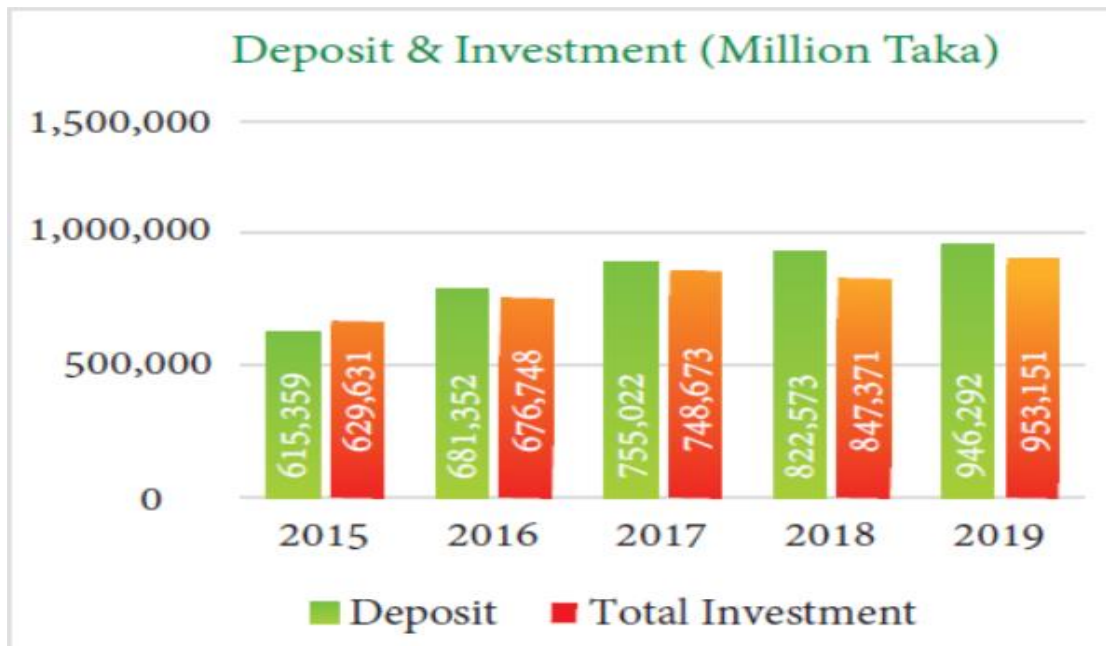


Figure 1 Deposit and investment

From the above figure, we can see that the deposit of IBBL has consistently increased which show that inflow of the bank is regularly maintained. Moreover, this bank has consistently increased their total number of investments. This performance shows that IBBL is growing bigger and bigger.

Operating Performance	2019	2018	2017	2016	2015
Total revenue	88,131 million	77596 million	66939 million	61557 million	56552 million
Operating profit	21914 million	20240 million	16805 million	14525 million	14248 million
Profit before tax	14100 million	13701 million	12113 million	10299 million	9117 million
Profit after tax	5328 million	6075 million	4693 million	4465 million	3291 million
EPS	3.31	3.77	2.91	2.77	2.04

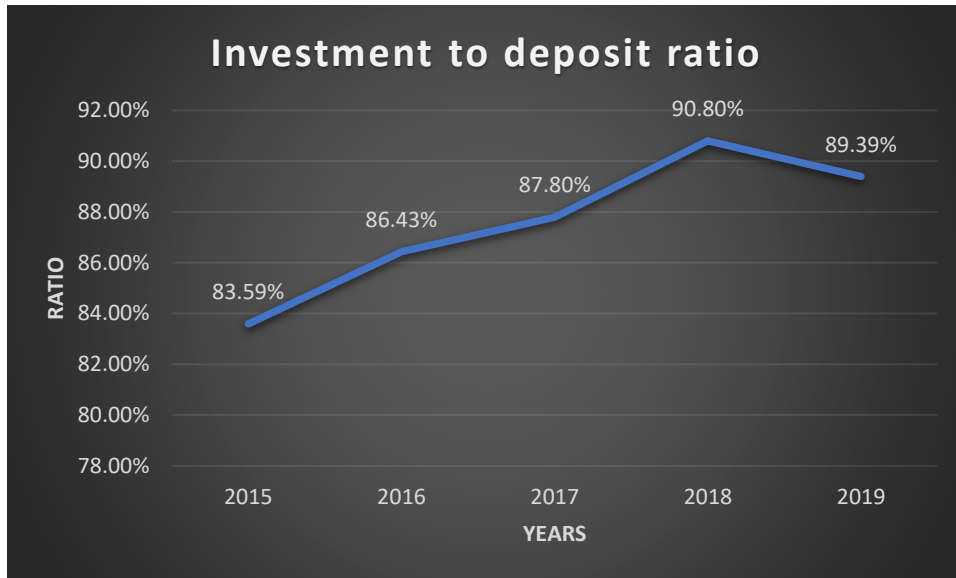
**Table 3: Operating performance of last 5 years in IBBL**

From the above table we can see that, the revenue of IBBL is consistently increasing from 2015 to 2019. However, their profit has gone down in 2019 compared to 2018. This has made the earning per share (EPS) to go down. So, we can say that the probability has decreased in 2019 and the probable cause they have shown is the Covid situation.

Years	2019	2018	2017	2016	2015
Amount	79,079.70	69,618.58	57,958.08	50,556.47	47,845.33

**Table 4: Equity amount of IBBL for last 5 years**

From the above table, it is observed that the equity of IBBL is increasing which is really good form them.



**Figure 2 Investment to deposit ratio (IBBL)**

From the above graph, we can see that in 2019 IBBL has used their deposits more in investment (90.80%). However, the amount has decreased in 2019 and has become 89.39%. So, IBBL has decreased their investment from return in 2019 compared to 2018. This is one of their operational strategy on investment.



**Figure 3 Figure Operating profit (IBBL)**

From the above graph, we can see that the operating profit for IBBL is increasing continuously. The trend of Islami Bangladesh Limited is upward. So, they are always earning an extra bit of money from their operations from the last 5 years. This shows that IBBL is operating their business very well.

So, we can say that the financial performance of IBBL is overall good. However, the bank also needs to focus on some sections to make themselves better.

Some of the key ratios of IBBL has been given below for five years:

Ratios	Years				
	2015	2016	2017	2018	2019
ROA	0.44%	0.59%	0.55%	0.64%	0.50%
ROE	7%	9.28%	9.32%	11.07%	9.39%
CRR	7.12%	8.38%	9.20%	6.19%	6.17%
NPM	7.03%	9.04%	8.64%	8.49%	6.83%
ROI	8.20%	8.29%	8.14%	8.60%	8.59%
NPI	4.25%	3.83%	3.59%	4.12%	3.82%

**Table 5 Key Ratios of IBBL**

From the above table, we can see that Islami Bank Bangladesh Limited is in the sixth position in terms of return on asset (0.54%) among the eight fully shariah based banks for five years average. However, if we compare with the Social Islami Bank then we can see that IBBL is far behind in terms of making the return from their assets (1.31%).

From the above table, we can see that the return on equity is not consistent. In 2018, the return on equity is very high (11.07%). However, it has gone down in 2019 has become 9.39%. This shows that bank's profitability in comparison with stock holder's equity has gone down which is not a good sign. So, IBBL has the scope to do better in this sector.

From the above table, we can see that the cash reserve ratio of IBBL is highest on 2017. So, the performance of them decreases in 2018 and 2019 which is bad for IBBL.

From the above table, we can see that from 2016 net profit margin of Islami Bank Bangladesh limited has decreased and the rate of decreasing from 2018 to 2019 is very high. Net profit with comparison to revenue is not in good situation for IBBL. The graph goes downward trend from 2016 to 2019 which shows bad sign for IBBL.

From the above table, we can see the return on investment of IBBL has gone up from 2015 to 2018. However, the return on investment has decreased in 2019 to some extent. Here, we can say that, IBBL was getting much return from the amounts they were investing except 2019.

From the above table, we can see that the IBBL is inconsistent in non-performing investment during the five years (2015 to 2019). However, they have reduced the non-performing investment in 2019 in comparison to 2018. So, the money collected by IBBL from the investment has gone

high in 2019 with comparison to 2018. In conventional bank this ratio is known as the non-performing loan.

## 2.5.2 Accounting practices

For making the accounting practices transparent, Islami Bank Bangladesh Limited is very serious. Firstly, the calculation is done by every single branch individually and then they daily report to Bangladesh bank and Islami Bank head office. However, some calculations are done after the end of the month and sent those reports to the head office. For the calculation of Islami Bank Bangladesh Limited follow two process. These are given below:

- 1) **Manual accounting system:** Islami Bank Bangladesh limited has not started the computer-based accounting process fully. They still do some of their calculations through book keeping. They maintain proper books and accounts for the transparency. However, the number of doing the manual calculations are very less and this is decreasing day by day.
- 2) **Computerized accounting system:** They use computerized software for making the financial report. They use the suitable and correct accounting policies including International Accounting Standards (IASs)/ international financial standards (IFSS) which helps them to make the financial statements. Moreover, Islami Bank Bangladesh Limited also maintain the Bangladesh accounting standards (BAS).

More precisely, Islami Bank Bangladesh Limited takes a proper care on the software they use for their internal control and maintaining the accounting record.

**Accrual basis of accounting:** Islami Bank Bangladesh Limited has prepares its financial statements using the accrual basis of accounting except the cash flow statement. Islami Bank identifies items as assets, liabilities, equity, income and expenses when they satisfy the definitions and recognition criteria for those elements in the Framework.

However, statement of cash flow is made in accordance to the international accounting standard 7 “Statement of cash flow” under indirect method.

The accounting standard maintained by the IBBL is given below:

IAS - 1 Presentation of Financial Statements  
IAS - 7 Statements of Cash Flows  
IAS - 8 Accounting Policies, Changes in Accounting Estimates and Errors  
IFRS - 9 Financial Instruments  
IAS - 12 Income Taxes  
IFRS - 15 Revenue from Contracts with Customers  
IAS - 24 Related Party Disclosures  
IAS - 37 Provisions, Contingent Liabilities and Contingent Assets

So, these are the accounting practices made by IBBL.

## 2.6 Operation management and Information system practice

Islami Bank Bangladesh Limited maintains a healthy operation management and information system. Moreover, IBBL has operation wing and internal compliance wing to look after the operational management. There is also ICT management where the data and information are stored on a computerized way.

### 2.6.1 Operation Management practices

The main practice of operational management is maintaining 100% shariah in daily operations. Every branch has an operation manager who looks after the operational side of the bank. Moreover, IBBL maintains a good ethics on their daily operations. In every branch the operational manager looks the daily deposits and others to see how the operation of that particular branch is doing. All the branches of IBBL sent their report to the IBBL head office and the operational wing looks after the management of each of the branch. The largest operational unit of IBBL is Nawabpur Road corporate branch and the local office branch. They mainly focus on the operational strategies that IBBL needs to take to maintain a healthy operational management and increase the operational efficiency of the banks. The main operation practices are given below:

- ❖ Focus on Maqasid-al-Shariah
- ❖ Versatile banking
- ❖ Mass banking
- ❖ Need based banking

So, these are the core management practices of IBBL. However, IBBL has some core banking operations. Basically, IBBL focuses more on the core banking operations because the core operations are very important to run the operation of the bank. The core banking practices are given below:

- ❖ Deposit: The operation of IBBL is mainly centered on the deposit. The daily deposit and the daily withdrawal amount are always monitored by them.

- ❖ **Operational result:** Every day the operational results are observed very attentively. Mainly, they focus on the ROA, ROE, EPS and other profit indicators. IBBL maintains its capital adequacy in the line with Base -III recommendations

So, these are the operation practices made by IBBL.

## 2.6.2 Information system practices

A data or information is very much needed to analyze the position of the bank. Islami Bank Bangladesh Limited maintains data and information very safely. For this reason, IBBL needs to maintain some actions regularly. These are given below:

- ❖ **Management information system:** IBBL has established a very well MIS. Now, this MIS has been set up on every branch of Islami Bank Bangladesh Limited. The management observes the business trend, growth and the other performance indicators of the bank. Moreover, they easily get the information from the Bangladesh bank, world bank, ministries, IMF IFC and ADB through the central MIS.
- ❖ **On-line data center and Disaster recovery site:** IBBL has the country's biggest Data Centre in the Banking sector running on ORACLE Exadata solution in data center, HOT DR &DR site. IBBL has also finished setting up of Disaster Recovery Site (DRS) as per the instructions of Bangladesh Bank as a replication of the existing Data Center.
- ❖ **Bangladesh Bank Automated Clearing house (BATCH):** The information that is not needed as well instruments which are not need are being cleared through BATCH. IBBL has introduced this BATCH and maintain a large number of data and information set.

Islami Bank Bangladesh Limited has Management information department (MISD) to look after the information and stored those within a system.

So, these are the information system Practices maintained by IBBL.

## 2.7 Industry and competitive analysis

Islami Bank Bangladesh Limited is doing great in the banking sector of Bangladesh. Some of key financial indicators will show that how Islami Bank Bangladesh limited is doing comparing to the industry.

### SWOT Analysis:

The full form SWOT is S= Strength, W=Weakness, O= Opportunities, T= Threat.

The SWOT analysis of IBBL is given below:

<p><b>S= Strength</b></p> <ul style="list-style-type: none"> <li>❖ IBBL is in very good position financially. They have enough liquidity and they need not to take money from Bangladesh Bank or others</li> <li>❖ IBBL has established a good will in the banking sector of Bangladesh.</li> <li>❖ IBBL has a research division where the research of different financial aspects is done. The name of the institution is Islami bank training and research academy.</li> <li>❖ IBBL is based on the religious belief and most of the people in our country admires this bank. So, this is a strength of IBBL</li> </ul>	<p><b>W= Weakness</b></p> <ul style="list-style-type: none"> <li>❖ The main weakness of IBBL is the lack of advertising. On television or any video platform IBBL do not telecast attractive advertisement</li> <li>❖ In terms of using the advance technology IBBL is still lagging behind compared to the other banks.</li> <li>❖ The process of credit facility of IBBL is very lengthy. Moreover, the account opening takes a lot of time.</li> </ul>
<p><b>O= Opportunities</b></p> <ul style="list-style-type: none"> <li>❖ IBBL has great opportunity to improve themselves on E-banking</li> <li>❖ IBBL has a promising opportunity to increase the customer service in a digital and modern way</li> <li>❖ IBBL can increase the number of branches more as they have many customers</li> <li>❖ IBBL has the opportunity to recruit more experienced customer for the betterment of their future</li> </ul>	<p><b>T= Threat</b></p> <ul style="list-style-type: none"> <li>❖ Few conventional banking has already started their Islamic branch which is a threat for IBBL</li> <li>❖ The rules and regulations of islami baking system is different and sometimes Bangladesh Bank's rules create problem for Islamic based banking</li> </ul>

So, these are the SWOT analysis of IBBL.

### Porter's five forces:

Porte's five forces is the technique of analyzing among the competitors. These are given below:

- 1) **Competitive Rivalry:** There are many banks in Bangladesh. So, competition is very high. At first Islami Bank Bangladesh Limited was the first Shariah based bank in Bangladesh. However, at present there are eight fully shariah based banks and many



banks has started to open shariah based Islami Banking wing. So, the competitive rivalry is very high in this industry.

- 2) **Power of supplier:** The investors are the power of the bank. They are the key factors of maintaining the cash flow of the bank. If the investor's does not investment in Islami Bank then the bank will suffer. Moreover, the investors can go for another bank because there are lots of banks in Bangladesh who are looking for investment. So, the power of supplier is supplier is high in this sector.
- 3) **Power of buyer:** The buyers are usually the mass people. The people always look for high interest rate. Different banks offer different interest rate. So, people are always searching for the banks that offers high interest rate. So, they can switch to other banks for taking their services. So, we can say that the power of buyers is also high here.
- 4) **Threat of substitutions:** People and the investors have many substitutions as the number of banks are high in Bangladesh. People can switch to other banks if the services are not satisfactory. So, there is a threat of substitutions.
- 5) **Threat of new entrant:** The reality of Bangladesh reflects that a group of company can easily open a bank. Though a high amount of money is needed for opening a bank but different organizations in Bangladesh are expanding their business in the banking sector. So, there is threat of new entrants.

So, these are the discussion about the porter's five forces.

## 2.8 Summary and conclusion

Islami Bank Bangladesh Limited is at the apex of banking industry in Bangladesh. They have a very good reputation among the Bangladeshi people. The Islamic practices they always continue in their banking systems always attracts the people as most of the people in our country is Muslim. They have some drawbacks on launching a product. In spite of this, they have created a better position in the banking industry of Bangladesh. IBBL has a very good operational management practices and risk management. However, they have be more cautious on the marketing and the accounting practices. Involvement of more new technologies will help them to become all square bank. They have more Strength and opportunities than weakness and threats. Islami Bank is achieving different milestones and placing themselves a position in the banking industry around the world.

## 2.9 Recommendations

- ❖ IBBL should use the modern technology more to keep pace with the modern banking sector.
- ❖ The process of taking credits from IBBL is not that much customer friendly. So, IBBL should make the process faster and easier for the customers.
- ❖ IBBL needs to increase the area of their investment because they investment to some selective area. If that area falls down then this might cause damage to the bank.
- ❖ IBBL need to make the investment scheme more attractive so that the investors get attracted by the investment scheme they provide.
- ❖ IBBL need to make the employees more efficient on technologies through their research center which is named as Islami Bank Training and research academy.
- ❖ IBBL needs to increase the profit sharing deposits because many of their deposit schemes are not profit oriented and customers need to bear loses
- ❖ IBBL should introduce more attractive investment scheme for the women entrepreneurs so that they could develop themselves.
- ❖ They need to be aggressive on advertisement because still many people do not have enough knowledge on Islamic banking system

## CHAPTER 3: OPERATIONAL EFFICIENCY OF IBBL AND COMPARISON WITH OTHER SHARIAH BASED ISLAMI BANK

### 3.1 INTRODUCTION:

#### 3.1.1 BACKGROUND:

Operational efficiency is very much needed for a bank to sustain in the banking industry of a country. Assessing Operational efficiency plays an important role in finding out the financial performance and making important decision for banks (Lu and Hung, 2011). For sustaining in the banking industry, banks always need to look after the inputs and efficiency of the banks for financial conditions (Jelodar, 2016). The inputs and outputs of the banks are very important because it maintains the cash flow of the banks. The inputs of the banks are the incomes and the outputs are the expenses. Efficiency is the relationship between the inputs of the banks and their outputs considering the financial factors (Bartuseviciene and Sakalyte, 2013). Operational efficiency is the relationship between the operating income of the bank and the operating expense of them. A bank is said to be more efficient, when they are maximizing the output at a given amount of input (Alrafadi *et al.*, 2016). In the recent time a lot of banks are being incorporated in the banking industry. That is why, the competition has risen and a good efficient bank will survive in this industry. A well operational efficiency will help to retain customers and could make the customers satisfied. Moreover, Operational efficiency helps to identify the costs the banks are incurring more and make a solution out of it. Not only that, banks could easily know that the operating income sectors need to be improved after analyzing the operational efficiency of that particular bank. Getting the high operational efficiency means the bank is satisfying the customer and improving the bank simultaneously. The technological development in the banking sector has increased the operational efficiency and this also forces the technologically downtrodden banks to become vulnerable (Kadir *et al.*, 2011). The governments, investors and the other stakeholders are very much curious about the operational efficiency of the banks because this is one of the most important indicators form them (Uddin and Bristy, 2014).

### 3.1.2 Objective:

The main objectives of my project have given below:

- 1) To analyze the operational efficiency of Islami Bank Bangladesh Limited
- 2) To compare Islami Bank Bangladesh limited with all the Shariah based banks in Bangladesh.
- 3) To evaluate the effects of operational efficiency on different financial indicators of my assigned bank

### 3.1.3 Significance:

The main significance of this project is this will highlight the operational efficiency and the banks stability on operational management. As, operational efficiency one of the main indicators of a bank for analyzing the financial performance. So, this project will help to know about the financial performance of IBBL compared to other fully shariah based banks in Bangladesh to some extent.

## 3.2 Methodology:

Two sources have been used for doing the project. These are given below:

### Primary sources:

- ❖ Real life experience by working with the officials of my assigned bank
- ❖ Different types of documents given by the officials
- ❖ Help from the operational manager of my assigned bank especially

### Secondary sources:

- ❖ Website of Islami Bank Bangladesh Limited
- ❖ Website of Bangladesh bank
- ❖ Annual report of all the shariah based banks
- ❖ Events and news of Islami Bank Bangladesh limited from different newspaper articles

Moreover, for doing this project two methods have been used for the analysis of my assigned bank. These are given below:

- 1) **Ratio analysis:** Ratio analysis has been done to find out the operational efficiency of my bank and comparing it with other fully Shariah based banks on an average of five years. (2015-2019).
- 2) **Hypothesis testing:** For making hypothesis dependent variable and independent variable has been taken. The data of eight fully shariah based banks for five years has been taken because it will show the Islami banking scenario of Bangladesh. The total number of observations is 40.

**Hypothesis 1:****Dependent variable:** ROA**Independent variable:** Efficiency ratio**H<sub>0</sub>** = Efficiency Ratio has no significant relationship on Return on asset**H<sub>1</sub>** = Efficiency Ratio has significant relationship on Return on asset**Hypothesis 2:****Dependent variable:** Efficiency ratio**Independent Variable:** Operating expense ratio**H<sub>0</sub>** = Efficiency Ratio has no significant relationship on Return on asset**H<sub>1</sub>** = Efficiency Ratio has significant relationship on Return on asset**Hypothesis 3:****Dependent variable:** Efficiency ratio**Independent Variable:** Net Profit Margin

### 3.3 Findings and analysis:

#### 3.3.1 Ratio analysis:

For the betterment of analyzing ratio, at first the trend analysis of Islami Bank Bangladesh has been done for five years. Then, the position of IBBL has been analyzed with all the eight fully Shariah based bank in Bangladesh. Series graph shows the five years trend of IBBL. Another graph has been made by taking the five years average of each bank. The ratios that have been taken are ROA, ROE, Net profit margin, earnings per share, capital adequacy ratio, non-performing investment (loan), Net asset value per share, return on investment. All the ratios that have been mentioned are connected to operational efficiency.

## Return on asset:



Figure 4 Return on asset (IBBL)

From the above graph, we can see that the return on asset of IBBL is not consistent. Here we can see over the last five years IBBL is inconsistent in converting the returns from their asset. When there is a down trend (2017 and 2019), IBBL failed to generate return in comparison with the asset. On the other hand, IBBL generates more return in comparison to assets in 2016 and 2018.

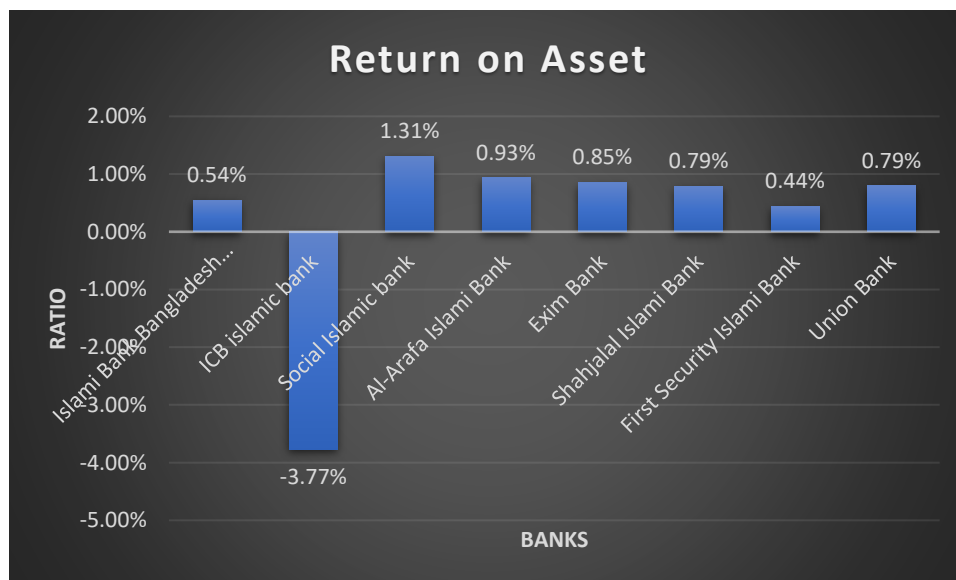


Figure 5 Return on asset (Shariah based banks)

From the above graph, we can see that Islami Bank Bangladesh Limited is in the sixth position in terms of return on asset (0.54%) among the eight fully shariah based banks for five years average. However, if we compare with the Social Islami Bank then we can see that IBBL is far behind in terms of making the return from their assets (1.31%).

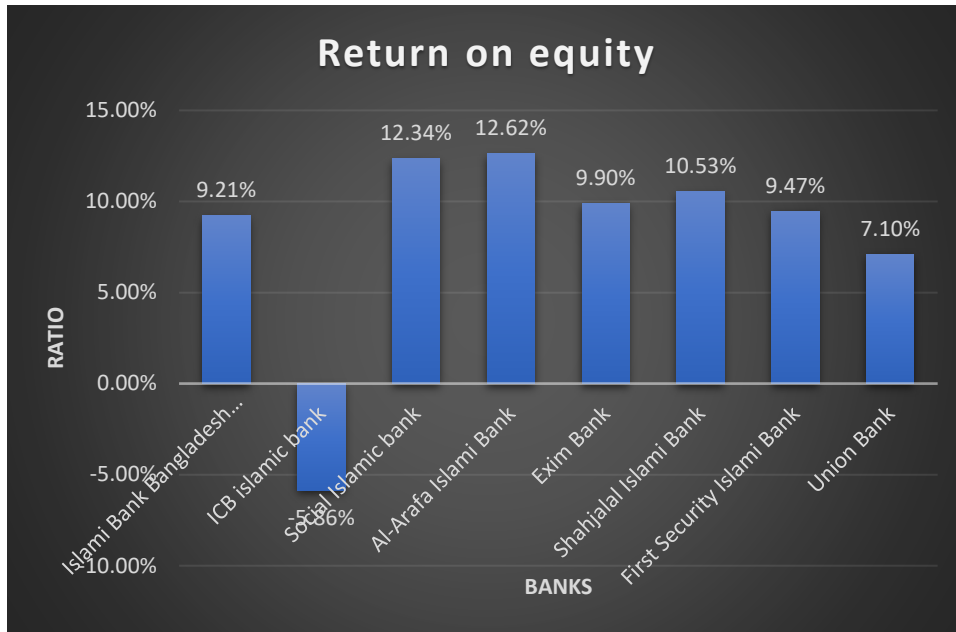
So, the operational efficiency of IBBL is not satisfactory because it shows that they are not doing well in terms of getting a good amount of return from the assets compared to other banks on an average five years.

### Return on equity:



**Figure 6 Figure Return on equity**

From the above graph we can see that the return on equity is not consistent. In 2018, the return on equity is very high (11.07%). However, it has gone down in 2018 has become 9.39%. This shows that bank's profitability in comparison with stock holder's equity has gone down which is not a good sign. So, IBBL has the scope to do better in this sector.

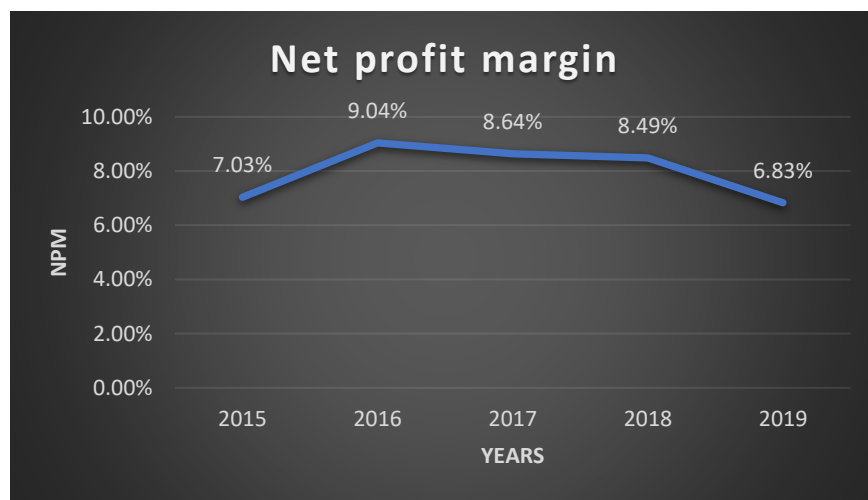


**Figure 7 Figure Return on equity (shariah based banks)**

From the above figure we can see that, IBBL is in 6<sup>th</sup> position in term ROE among all the shariah based banks on an average of five years. Here, Al-Arafa bank is doing really well. This shows that Al-Arafa bank's profitability comparing with shareholder's equity is far better than IBBL.

This ratio is related to operational efficiency because handling the equity is one of the operational managements of IBBL. So, the higher return of equity shows high operational efficiency.

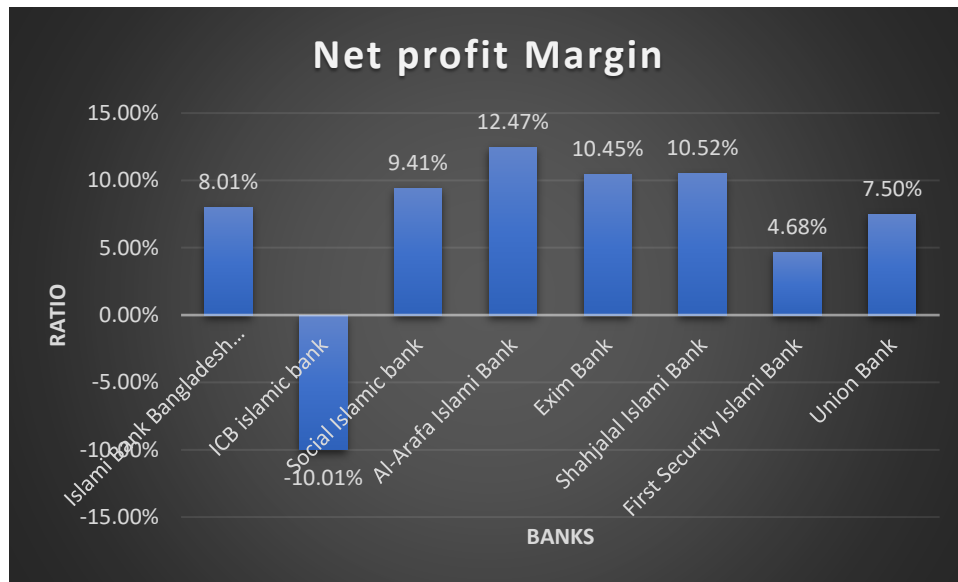
**Net Profit Margin:**



**Figure 8 Net profit margin (IBBL)**



From the above graph, we can see that from 2016 net profit margin of Islami Bank Bangladesh limited has decreased and the rate of decreasing from 2018 to 2019 is very high. Net profit with comparison to revenue is not in good situation for IBBL. The graph goes downward trend from 2106 to 2019 which shows bad sign for IBBL.



**Figure 9 Net profit margin (Shariah based banks)**

From the above graph, it is observed that IBBL is in the 5<sup>th</sup> position in terms of net profit margin (8.01%) in comparison with the seven others fully shariah based bank on an average of five years. Al-Arafa has the high net profit margin among the islami shariah based banks. So, here IBBL is not doing well compared with Al-Arafa Bank.

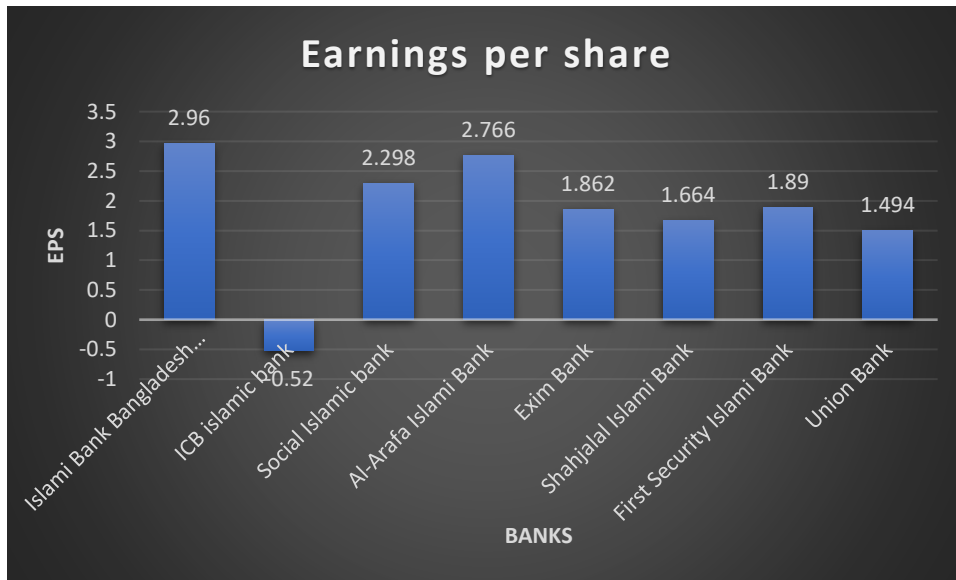
As the operational efficiency also indicates the profitability, so low profitability indicates that the operational efficiency is not good. So, here we can say that the operational efficiency is not satisfactory compared with Al-Arafa Bank.

**Earnings per share:**



**Figure 10 EPS (IBBL)**

From the above graph we can see that in five years IBBL has an upward trend from 2015 to 2018. However, the earnings per share of IBBL has decreased from 2018 to 2019. So, we can say that IBBL has generated much money from each share of their stock from 2015-2018. However, the amount has decreased in 2019.

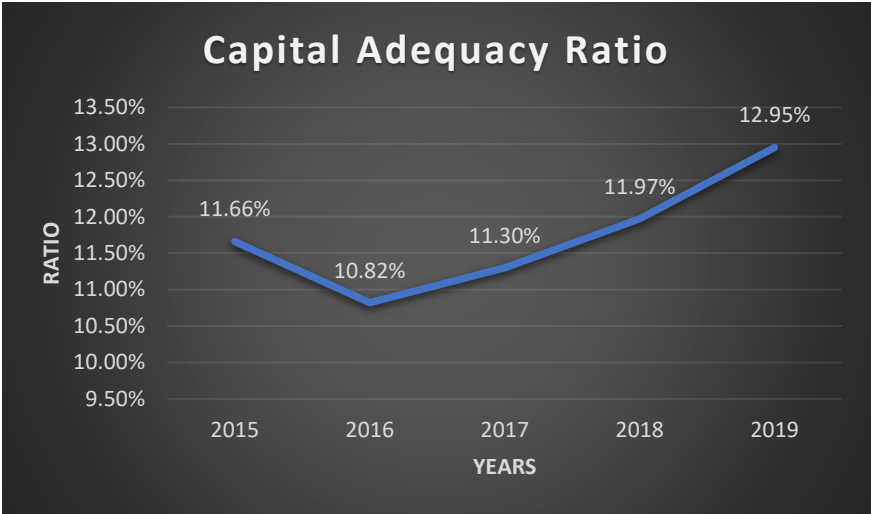


**Figure 11 EPS (Shariah based banks)**

From the above graph, we can see that IBBL is in the 1<sup>st</sup> position in earning per share (2.96) among all the shariah based banks on an average of five years. In the second position there is Al-Arafa Islami Bank (2.76). The difference between them is huge. So, IBBL has done really great in terms of making money from each share of stocks.

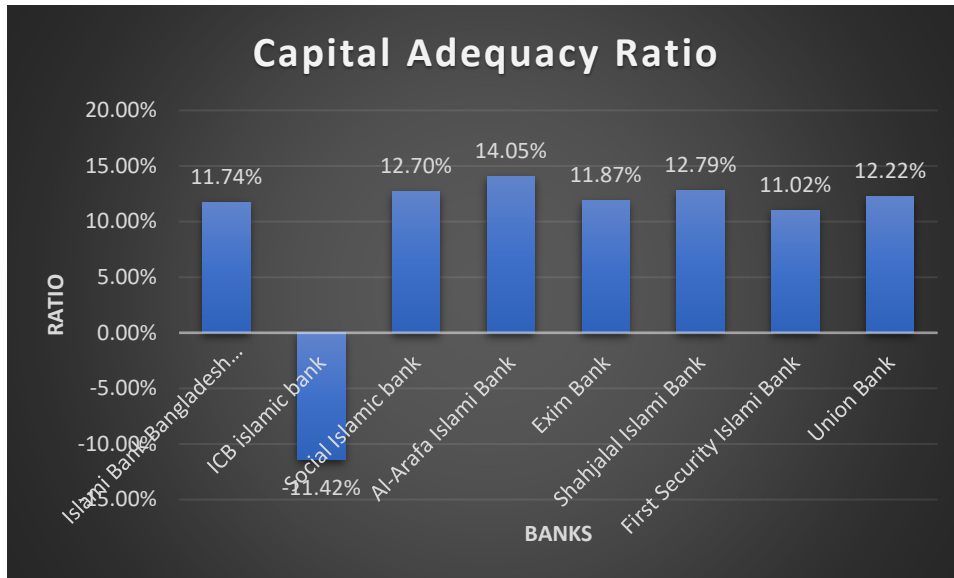
Operational efficiency is related to EPS because it also shows the earnings of a banks per share. So, in this case the operations are doing better than other banks on an average five years.

**Capital Adequacy Ratio:**



**Figure 12 CAR (IBBL)**

From the above graph, we can see that the capital adequacy ratio of IBBL has increased from 2017 to 2019. However, in 2016 the capital adequacy ratio of IBBL was low at that time comparing with the five years. The graph shows that IBBL’s is now continuously growing higher capital adequacy which shows that they are minimizing the credit risk.

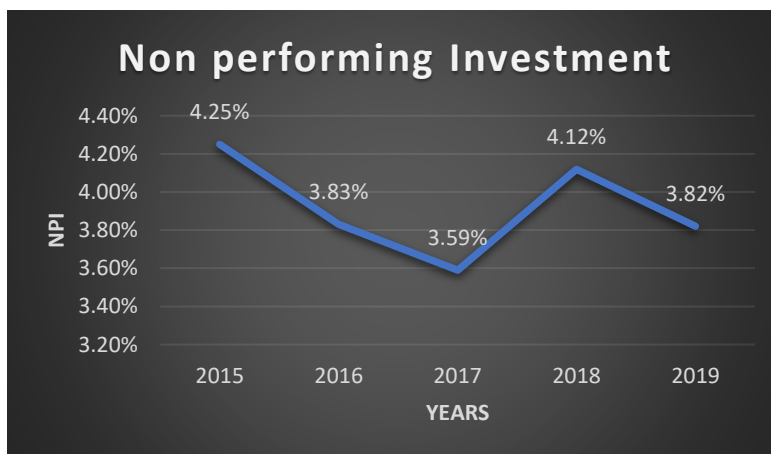


**Figure 13 CAR (Shariah based banks)**

From the above graph we can see that IBBL is in the 6<sup>th</sup> position among the eight fully shariah based banks on an average five years (11.74%). Al-Arafa Bank has the highest capital adequacy ratio (14.05%). Comparing with Al-Arafa Bank we can say that the capital adequacy is not satisfactory. So, IBBL could have done better in terms of capital adequacy ratio.

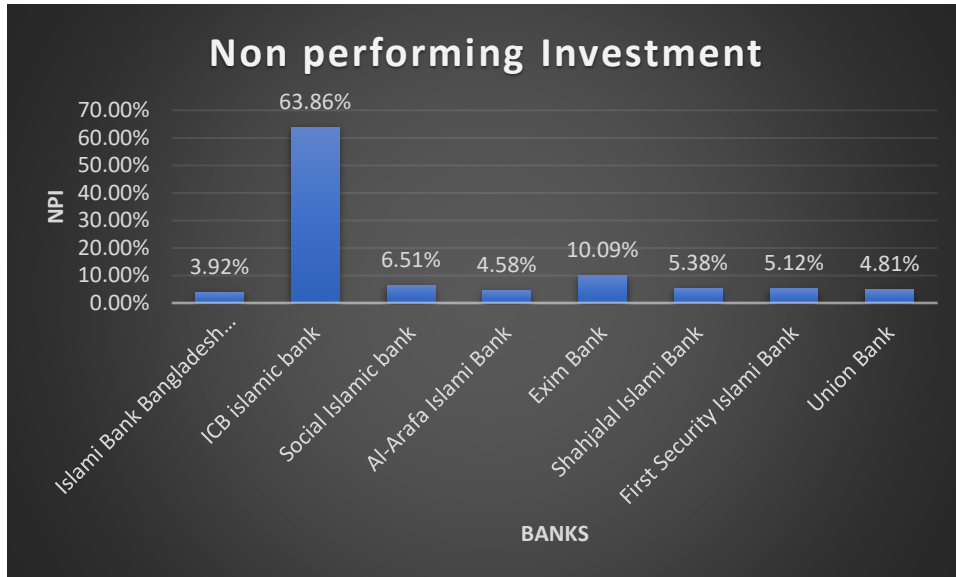
CAR is associated with operational efficiency because it shows the riskiness of a bank. The riskier a bank is, the operational efficiency will not be satisfactory. So, IBBL is not doing well in this operation.

**Non-Performing Investment:**



**Figure 14 NPI (IBBL)**

From the above graph, we can see that the IBBL is inconsistent in non-performing investment during the five years (2015 to 2019). However, they have reduced the non-performing investment in 2019 in comparison to 2018. So, the money collected by IBBL from the investment has gone high in 2019 with comparison to 2018. In conventional bank this ratio is known as the non-performing loan.

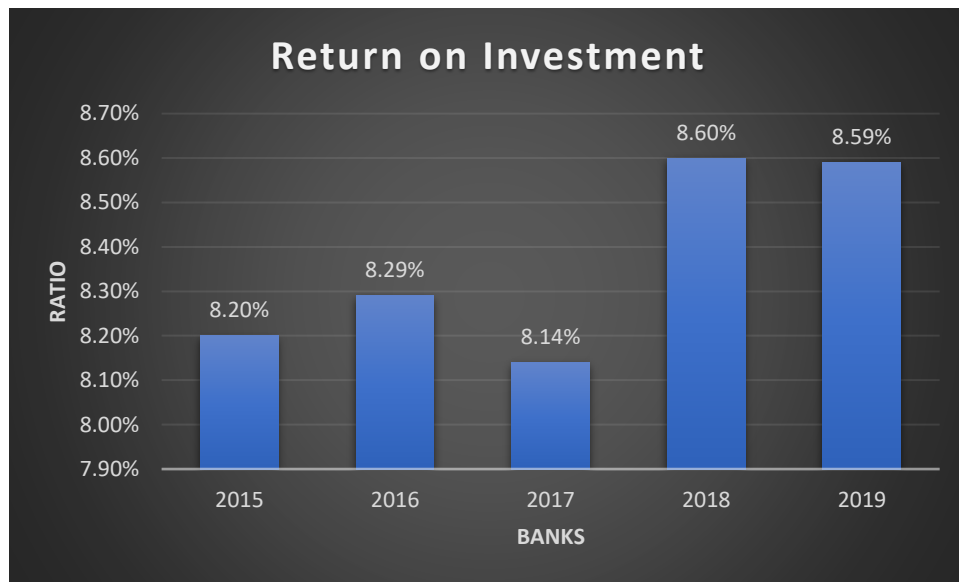


**Figure 15 NPI (Shariah based banks)**

Above graph shows the position of non-performing investment among the eight fully shariah based banks on an average of five years. Here we can see that Islami bank was in very good position in because the NPI is very less (3.92%). ICB islami bank is in the worst position (63.86%). So, we can say that Islami Bank is doing really great in terms of collecting their investment. That is why NPI is low.

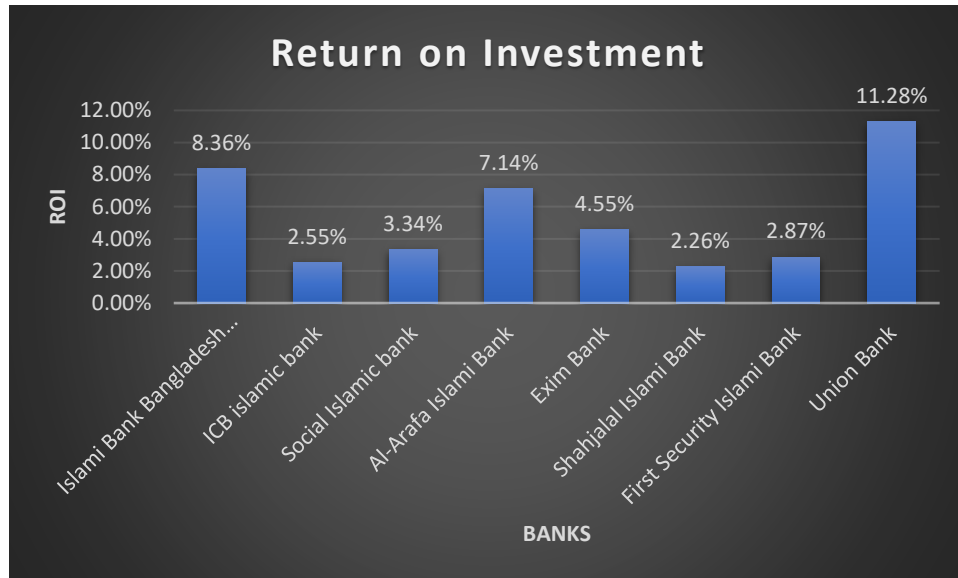
This shows that IBBL's default of Investment is low because they have a very good operational management and investment policy. So, the better NPI indicates a better operational efficiency and IBBL is doing great here.

### Return on Investment:



**Figure 16 ROI (IBBL)**

From the above graph, we can see the return on investment of IBBL has gone up from 2015 to 2018. However, the return on investment has decreased in 2019 to some extent. Here, we can say that, IBBL was getting much return form the amounts they were investing except 2019.



**Figure 17 ROI (Shariah based banks)**

From the above graph we can see that, IBBL is in the 3<sup>rd</sup> position among the eight fully islami Shariah based banks on an average of five years (8.36%). Union bank has a very good return on investment among shariah based banks (11.28%). They have gained a high return from their investment. So, IBBL has a scope of improvement on their ROI.

Return on investment also reflects the operation efficiency because handling the investment is also the main operational activities of a bank. The high return on investment is the high profitability and this means that high operational efficiency.

### 3.3.2 Impact of Covid 19

Covid 19 has a great impact on the banking sector of Bangladesh. IBBL has changed some of their operations during covid 19. The changes are given below:

- ❖ They have recently lounged ADC (Alternative delivery channel) department for digital banking of the customers from home due to covid.
- ❖ The board meeting is held virtually due to the covid situation.
- ❖ According to the government instruction, IBBL follows the roaster schedule of the employees.

IBBL is focusing on the technology-rich services like cellfin, mcash, ibanking due to covid situation.

IBBL's situation before and after covid 19 will be discussed comparing with 1<sup>st</sup> quarter of 2020 (ended at 31<sup>st</sup> march, 2020) and 3<sup>rd</sup> quarter of 2020 (ended at 30<sup>th</sup> September, 2020) because covid patient was first found in march 8, 2020 in Bangladesh and started to effect on this sector from April.

Criteria	ended at 31 March, 2020	ended at 30 September, 2020
Operating profit	8950642395	12369312654

**Table 6 Operating profit (IBBL)**

Table: Operating profit (Covid analysis)

As the report is based on operational efficiency, for this reason operating profit has been taken. The operating profit has been increased by 38.19%. So, covid has not negatively impacted on the operating profit. Rather, it has increased double.

Operating profit of all shariah based banks in Bangladesh is given below: ‘

Banks	ended at 31 march, 2020	ended at 30 September, 2020	Growth
Islami Bank Bangladesh Limited	8950642395	12369312654	38.19%
ICB islami bank	-594668975	158795848	-126.70%
Social Islamic bank	1706592852	2220482254	30.11%
Al-Arafa Islami Bank	3,471,873,355	2676506500	-22.91%
Exim Bank	483557964	454785824	-5.95%
Shahjalal Islami Bank	1252915475	1476778972	17.87%
First Security Islami Bank	7508263323	8363648234	11.39%

**Table 7 Operating profit (Shariah based banks)**

From the above table we can see that Covid 19 has not affected IBBL because their operating profit has increased by 38.19%. However, ICB bank and Al-Arafa bank has been negatively affected by covid 19. Their operating profit has been decreased. So, we can say that in covid 19 IBBL is operating very well.

So, we can say that comparing to other banks IBBL has done better during covid 19.



### 3.3.3 Descriptive statistics:

**I have taken all the eight fully shariah based islami banks in Bangladesh along with my assigned organization from 2015 to 2019. So, the total number of observations has become  $8*5= 40$ . Basically, this will show the situation of all the fully shariah based islami banks in Bangladesh.**

**The fully shariah based islami banks are:**

Islami Bank Bangladesh limited, ICB islami bank, Social Islamic bank, Al-Arafa Islami Bank, Exim Bank, Shahjalal Islami Bank, First security islami bank, Union bank.

Items	Efficiency ratio	Return on asset	Net profit margin	Operational expense ratio
Mean	41.08%	0.99%	6.24%	78.61%
Median	46.97%	0.64%	8.34%	64.30%
Maximum	60.25%	2.08%	10.25%	117%
Minimum	34.75%	-3.77%	-10.01%	30.07%
Standard deviation.	5.24%	7.23%	9.15%	35.32%
Total number of observations	40	40	40	40

**Table 8 Descriptive statistics**

From the above table, we can see that the mean efficiency ratio of eight fully islami shariah based bank is 41.08% which is below 50%. So, overall, it is satisfactory. The median of efficiency ratio for all the selected banks is 46.97%. The maximum efficiency ratio is 60.25% and the minimum is 34.75%. However, the standard deviation is high which is 5.24% and it is because ICB islami bank is doing really bad. Moreover, if we look at the return on asset then we can see that the mean and median is 0.99% and 0.64% respectively. The maximum return on asset in the Islamic banking industry is 10.25% and minimum is -3.77%. The standard deviation is 7.23% which is very high just because of the ICB islami Bank. Furthermore, if we observe the net profit margin then we can see that the mean and median is 6.24% and 8.34% respectively. The maximum net profit margin is 10.25% and the minimum net profit margin is -10.01%. The standard deviation in net profit margin is 9.15% which is huge. This happens because ICB islami bank is also doing bad. Lastly, if we look at the operational expense ratio then the mean and median is 78.61% and 64.30% respectively. The maximum operational expense ratio is 117% and the minimum is 30.32%. The standard deviation is 35.32% which is really high. This happens because ICB islami bank is spending more than their revenues and they are in loss for continuously three years.

### 3.3.3 Hypothesis testing:

I have taken all the eight fully shariah based islami banks in Bangladesh along with my assigned organization from 2015 to 2019. So, the total number of observations has become  $8*5= 40$ . Basically, this will show the situation of all the fully shariah based islami banks in Bangladesh.

Here the dependent variable= ROA

Independent variable= Efficiency ratio

$H_0$  = Efficiency ratio has no significant influence on ROA

$H_1$  = Efficiency ratio has no significant influence on ROA

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.789085846							
R Square	0.622656473							
Adjusted R Square	0.61272638							
Standard Error	0.051508462							
Observations	40							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	0.166361322	0.166361322	62.70399321	1.45784E-09			
Residual	38	0.100818623	0.002653122					
Total	39	0.267179945						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-0.065661689	0.018172073	-3.613329518	0.000872705	-0.102449129	-0.02887	-0.102449129	-0.02887425
X Variable 1	0.313142164	0.039545216	7.918585304	1.45784E-09	0.23308706	0.393197	0.23308706	0.393197268

**Table 9 Regression analysis (ROA-Efficiency ratio)**

In the above table, we can see that the multiple R is 0.7890 and R square is 0.622. So, the value is significant. Again, the coefficient is 0.313 and the P value is 1.46E-09 which is less than 0.05. So, we can say that the relationship is significant.

Now, we can accept the alternate hypothesis which is efficiency ratio has significant relationship with ROA

#### Hypothesis 2:

**Dependent variable:** Operating expense

**Independent variable:** Efficiency ratio

**H<sub>0</sub>** = Efficiency ratio has no significant influence on operating expense ratio

**H<sub>1</sub>** = Efficiency ratio has no significant influence on operating expense ratio

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.444071593							
R Square	0.197199579							
Adjusted R Square	0.176073253							
Standard Error	0.534064008							
Observations	40							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	2.662371225	2.662371225	9.334305047	0.004098656			
Residual	38	10.83852585	0.285224364					
Total	39	13.50089708						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1.300773789	0.188416621	6.903710417	3.32052E-08	0.919344281	1.682203	0.919344281	1.682203
X Variable 1	-1.252707484	0.410023433	-3.055209493	0.004098656	-2.082756528	-0.42266	-2.082756528	-0.42266

Table 10 Regression Analysis (Operating expense ratio- Efficiency ratio)

From the above table, we can see that the multiple R is 0.44 and the R square is 0.19 which shows that the relationship is significant. The coefficient is -1.25 which shows that there is a negative relationship between operating expense ratio and the efficiency ratio. P value is 0.004 which is less than 0.05. So, the relationship is significant. So, we can accept the alternate hypothesis.

Now, we can say that operating expense ratio has significant relationship with efficiency ratio.

Hypothesis 3:

Dependent variable: Net profit margin

Independent variable: Efficiency ratio

**H<sub>0</sub>** = Efficiency ratio has no significant influence on net profit margin

**H<sub>1</sub>** = Efficiency ratio has no significant influence on net profit margin

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.788101788							
R Square	0.621104429							
Adjusted R Square	0.611133493							
Standard Error	0.037117034							
Observations	40							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	0.085817372	0.085817	62.29149	1.5779E-09			
Residual	38	0.052351619	0.001378					
Total	39	0.138168991						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-0.102255135	0.013094809	-7.80883	2.03E-09	-0.128764189	-0.07575	-0.128764189	-0.07574608
X Variable 1	0.224907	0.02849631	7.892496	1.58E-09	0.167219236	0.282595	0.167219236	0.282594764

*Table 11 Regression analysis (NPM- Efficiency ratio)*

From the above table, we can see that the Multiple R is 0.78 and R square is 0.62. So, the relationship is significant here. Again, the coefficient is 0.22 and the P value 1.58E-09 which is below 0.05. So, the relationship is significant

Now, we can accept the alternate hypothesis and efficiency ratio has significant relationship on net profit margin.

### 3.4 Summary and conclusion:

The operational efficiency depends on different financial indicators. IBBL has been doing great or average in most of the sectors. They are not in bad position in any of the financial indicators. However, IBBL can improve themselves as well in return on asset and return on investment. Because the bank doesn't be the best among all the eight Islamic shariah based banks. In ROA they are in 5<sup>th</sup> position among the eight banks in 2019 and 3<sup>rd</sup> position on return on investment in 2019. However, the bank has brilliant performance in non-performing investment (In conventional banking it is known as non-performing loan). Moreover, the bank has a great earnings per share. The capital adequacy ratio of IBBL is growing since 2016 to till now. So, they have a good management system to minimize the credit risk and it is improving. That is why, we can say that the operational efficiency of IBBL is very well prior to some financial indicators to improve.

### 3.5 Recommendation:

- ❖ Need to focus on return on investment. Though IBBL are in good position on NPI but IBBL need to concentrate on return from their investment in comparison with the investment cost.
- ❖ IBBL also need to emphasis on the return on asset because they are not utilizing their assets properly in comparison to other shariah based banks.

So, these are the recommendations for IBBL.

### 3.6 Reference:

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- 2) Jelodar, M.F. 2016. Prioritization of the Factors Affecting Bank Efficiency Using Combined Data Envelopment Analysis and Analytical Hierarchy Process Methods. *Journal of Optimization*, 1-8. doi: 10.1155/2016/5259817 Retrieved from <https://www.hindawi.com/journals/jopti/2016/5259817/>
- 3) Bartuseviciene, I. and E. Sakalyte. 2013. Organizational Assessment: Effectiveness vs. Efficiency. *Social Transformations in Contemporary Society* 1: 45-53. Retrieved from <http://stics.mruni.eu/wp-content/uploads/2013/06/45-53.pdf>
- 4) Alrafadi1, K.M.S., M.M., Yusuf and B.H. Kamaruddin. 2016. Measuring Efficiency in Banks: A Brief Survey on Non-Parametric technique (Data Envelopment Analysis). *International Journal of Business, Economics and Management*, 3(5): 52-68. Retrieved from <https://www.semanticscholar.org/paper/Measuring-Efficiency-in-Banks%3A-A-Brief-Survey-on-%E2%80%93Alrafadi-Yusuf/7edd3444fdd0cd8dc76f077e2de9ed256a0d563a>
- 5) Kadir, H.A., R. Masinaei, and N. Rahmani. 2011. Long-term Effect of Bank Consolidation Program in a Developing Economy. *Journal of Asia Pacific Business Innovation and Technology Management*, 1(1): 20-30. Retrieved from [https://journal.mbstu.ac.bd/journal\\_assets/journal/v-7\\_j-8.pdf](https://journal.mbstu.ac.bd/journal_assets/journal/v-7_j-8.pdf)
- 6) Uddin, M. R. and J. F. Bristy. 2014. Evaluation of Some Private Commercial Banks in Bangladesh from Performance Perspectives. *International Journal of Managing Value and Supply Chains (IJMVSC)*, 5(4): 1-17. Retrieved from <https://www.semanticscholar.org/paper/Evaluation-of-Some-Private-Commercial-Banks-in-from-Uddin-Bristy/3153cebbdeadf92e7099603e092cc143ae81a294>

#### Important websites:

- 1) [https://www.islamibankbd.com/annual\\_report.php](https://www.islamibankbd.com/annual_report.php)
- 2) [https://www.icbislamic-bd.com/pages/financial\\_statements.php](https://www.icbislamic-bd.com/pages/financial_statements.php)
- 3) <https://www.fsiblb.com/category/annual-report/>
- 4) <https://www.al-arafahbank.com/Financial-Statement-final.php>
- 5) [https://www.sjiblb.com/Financial\\_Statements.php](https://www.sjiblb.com/Financial_Statements.php)
- 6) [https://www.eximbankbd.com/report/Annual\\_Reports](https://www.eximbankbd.com/report/Annual_Reports)
- 7) <https://www.siblb.com/about/financialreports>

- 8) <https://www.unionbank.com.bd/annual-reports.php>
- 9) [https://www.bb.org.bd/aboutus/regulationguideline/brpd/icc\\_sep2016.pdf](https://www.bb.org.bd/aboutus/regulationguideline/brpd/icc_sep2016.pdf)

### 3.7 APPENDIX

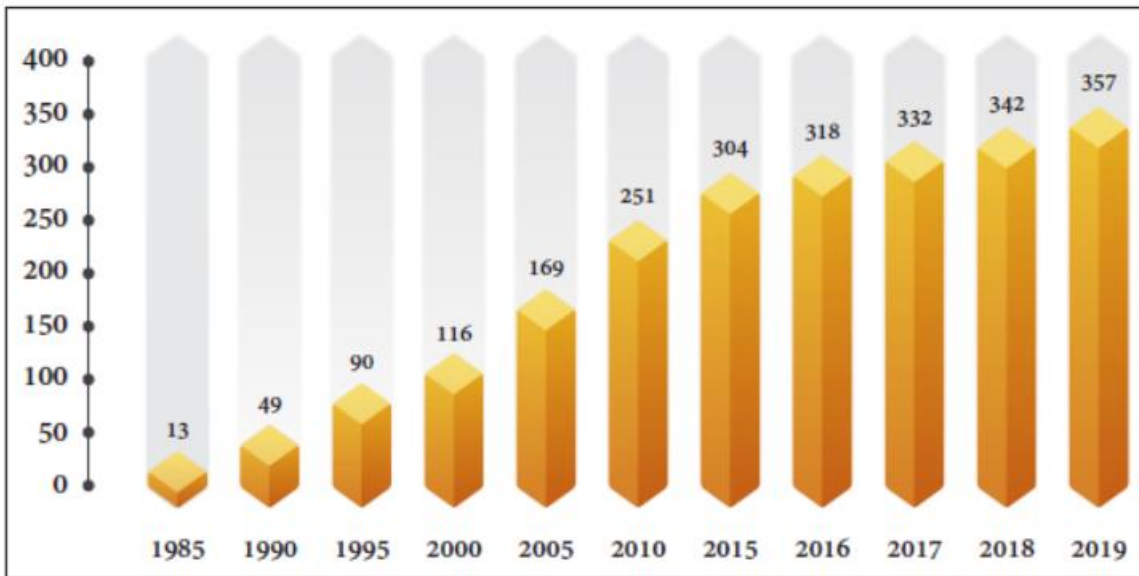


Fig: Expansion of branch Network

#### Import, Export & Remittance (Million Taka)

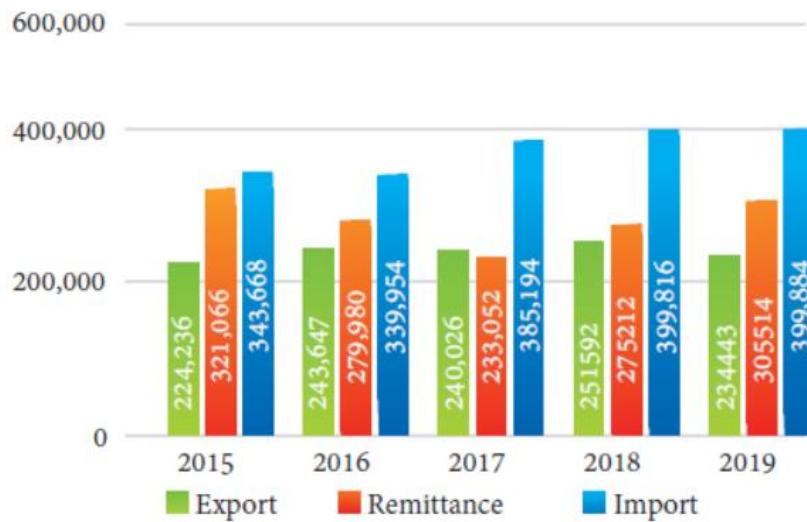


Fig: Export, Import and remittance



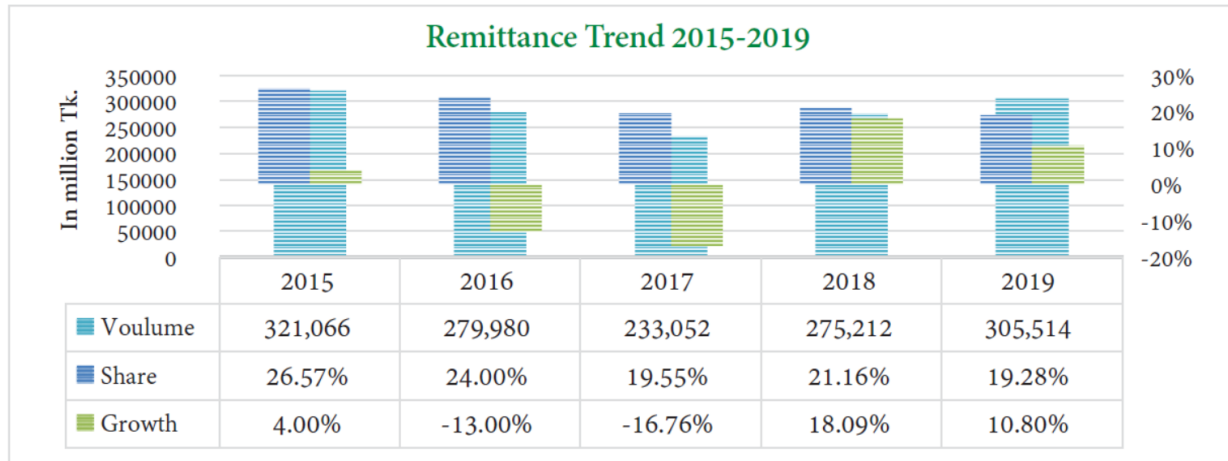


Fig: Remittance Trend

#### Locker Service Available @

- ✓ Head Office Complex Branch
- ✓ Farmgate Branch
- ✓ New market Branch
- ✓ Kawran Bazar Branch
- ✓ Sylhet Branch
- ✓ Rajshai Branch
- ✓ Elephant Road
- ✓ Cox's Bazar
- ✓ Anderkilla Branch
- ✓ Chiringa Branch
- ✓ Gulshan Branch
- ✓ Dhanmondi Branch
- ✓ Uttara Branch
- ✓ VIP Road Branch
- ✓ Khulna Branch
- ✓ Agrabad Branch
- ✓ Chawkbazar
- ✓ Mouchak
- ✓ CDA Avenue Branch
- ✓ Feni Branch

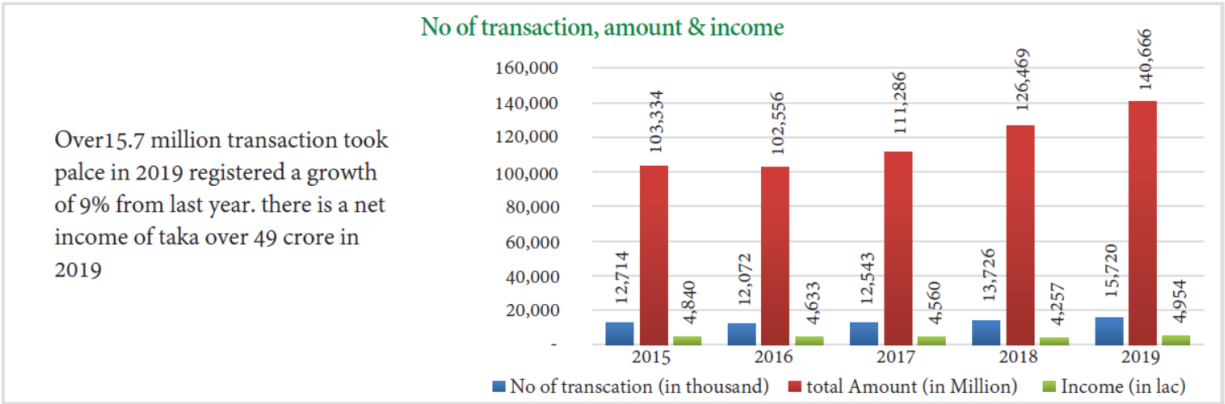


Fig: No. of transaction, amount and income

Date	Amount of TAKA (million)
31/12/2019	16,099.91 Million
31/12/2018	16,099.91 million
31/12/2017	16,099.91 million
31/12/2016	16,099.91 Million
30/06/2016	Tk.16,099.91 million
31/12/2015	16,099,906,680
31/12/2014	Tk.16,099.91 million
30/09/2014	Tk.16,099.90 million
30/06/2014	Tk.16,099.9 million
31/12/2013	Tk.14,636.28 Million
31/12/2012	Tk.12,509.64 Million (US \$ 156.66 Million)
30/09/2012	12,509.64 Million
30/06/2011	10,007.71 million
31/12/2010	7,413.12 million
31/12/2009	6,177.60 million
31/12/2008	4,752.00 million
31/12/2007	3,801.60 million
31/12/2006	3,456.00 million
31/12/2005	2,764.80 million
31/12/2004	2,304.00 million
31/12/2003	1,920.00 million
31/12/2002	640.00 million
31/12/2001	640.00 million
31/12/2000	320.00 million

Fig: Paid up capital and reserve

Performance of RDS & UPDS					
Sl	Particulars	2018	2019	Increase/ Decrease	Growth
1	Designated Branches	272	295	23	8%
2	Village	21,992	24,626	2,634	12%
3	Member	11,08,283	1,253,512	145,229	13%
4	Pre member	--	1,652,385	1,652,385	--
5	Client	6,25,532	687,234	61,702	10%
6	Cumulative Disbursement	236,423.80	278,660.02	42,236.22	18%
7	Investment Outstanding	29,436.27	32,722.02	3,285.75	10%
8	Amount of Overdue	166.84	209.75	42.91	(26%)
9	Amount of Classified	224.79	221.35	(3.44)	2%
10	% of recovery	99.43%	99.36%	(0.07%)	--
11	Savings	10,464.90	11,852.25	1,387.35	13%
12	No. Of RDS Employees	2,479	2,795	316	13%

Fig: Performance under scheme

SL.	Particulars	Decisions
-----	-------------	-----------

This is for kind information of the honourable Shareholders and MPB (IBBLPBOND) of Islami Bank Bangladesh Limited and others that the Board of Directors of the Bank in its 299th Meeting held on 27th April, 2021 took the following Price Sensitive decisions

SL.	Particulars	Decisions
1	Rate of profit for MPB (IBBLPBOND) for the year 2020.	(i). Final rate of Annual profit of MSB (8 years term) 06.88% (ii). 10% of the rate of declared dividend 1.00% (iii). Annual Profit Rate for MPB (IBBLPBOND) (i+ii) 7.88%
2	Venue of 38th AGM	Meeting to be arranged through digital platform.
3	Date & Time of 38th Annual General Meeting (AGM).	27 June, 2021 at 11.30 A.M.
4	Record Date for entitlement of profit of MPB.	20 May, 2021
5	Record date for entitlement of Dividend.	20 May, 2021
6	Earnings Per Share (EPS) (Tk.)	Tk. 2.98
7	Date of Dividend distribution to Shareholders and Profit distribution to MPB (IBBLPBOND) holders.	Within 30 (Thirty) days from holding of Annual General Meeting of IBBL which is scheduled to be held on 27 June, 2021.
8	Net Operating Cash Flow Per Share (NOCFPS) (Tk.)	Tk. 82.44
9	Net Asset Value (NAV)	Total NAV Tk. 62,609.94 Million NAV Per Share Tk. 38.89
10	Proposal for Declaration of Dividend for the Year 2020 (Cash/Stock)	The Board of Directors recommended 10% Cash Dividend.

Price Sensitivity exposure

## Industrial sub Sector-wise Investment Position

(Amount in million Taka)

Sl No.	Industrial Sub-Sector	2019	% of total Industrial Inv.	2018	% of total Industrial Inv.
1	Textile	114,851	23.82%	105,234	23.89%
2	Service industries	44,289	9.18%	38,120	8.65%
3	RMG	42,328	8.78%	38,760	8.80%
4	Cement and ceramic industries	23,022	4.77%	16,909	3.84%
5	Chemical, fertilizer, etc.	17,687	3.67%	6,757	1.53%
6	Ship building industries	7,944	1.65%	7,993	1.81%
7	Food and allied industries	7,795	1.62%	8,874	2.01%
8	Pharmaceutical industries	7,414	1.54%	6,915	1.57%
9	Ship breaking industries	6,075	1.26%	5,949	1.35%
10	Power and gas	5,995	1.24%	4,386	1.00%
11	Other manufacturing or extractive industries	130,010	26.96%	97,839	22.21%
12	Others	74,841	15.52%	102,720	23.32%
	<b>Total</b>	<b>482,251</b>	<b>100.00%</b>	<b>440,455</b>	<b>100.00%</b>

Fig: Sector wise Investment

(Amount in million Taka)

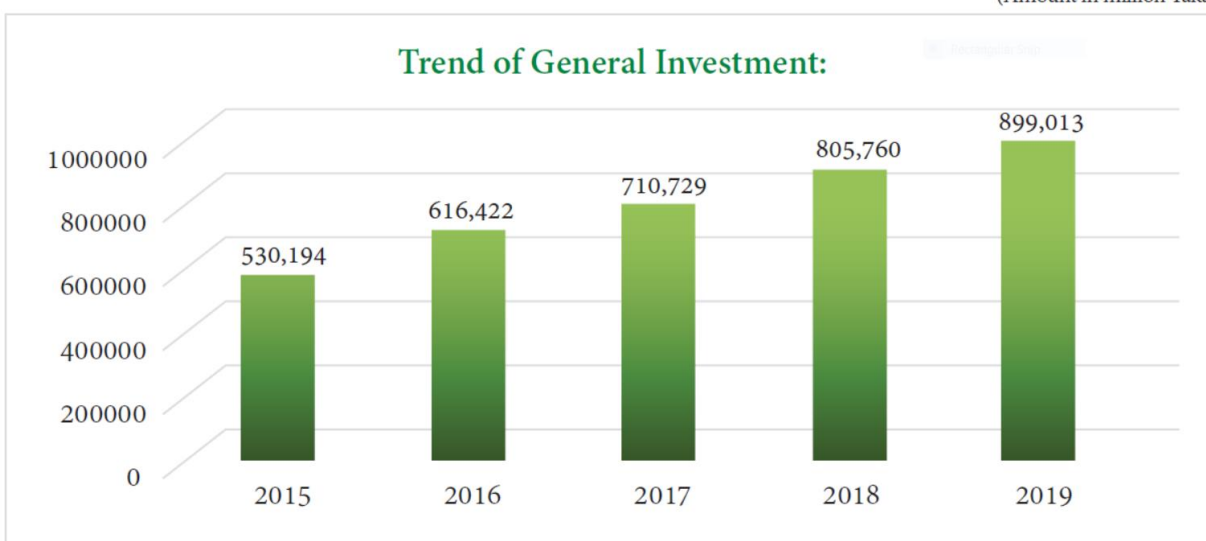


Fig: Trend of general Investment

SI No.	Type of Services	Nature of Charges/Fees/Commission	To be deleted	Read as under
1.	Mudaraba Savings Account	Account Maintenance Charges (Half yearly)	Up to Tk.5,000/- = Tk. 50	Up to Tk. 5,000/- = Tk. Nil
			Tk 5,001/- to Tk-25,000/- = 150/-	Tk 5,001/- to 25,000/- Tk =100/-
			Tk 25,001/- to Tk-100,000/- Tk = 250/-	Tk-25,001/- to Tk-100,000/- Tk = 250/-
			Above Tk. 100,000/- = Tk-300/-	Above Tk. 100,000/- = Tk-300/-

Fig: Charges

SI No.	Type of Services	Nature of Charges/Fees/Commission	To be deleted	Read as under
1.	PO	Commission	Up to Tk. 1,000/- Tk.25/-	Up to Tk. 1,000/- Tk.25/-
			From Tk. 1001 to Tk.10,000/- Tk.50	From Tk. 1001 to Tk.10,000/- Tk.50
			From Tk.10,001/-to 1,00,000/- Tk.100/-	From Tk.10,001/-to 1,00,000/- Tk.75/-
			From Tk.1,00,001/-to 5,00,000/- Tk.200/-	From Tk.1,00,001/-to 5,00,000/- Tk.100/-
			Above Tk.5,00,000/- Tk.500/-	Above Tk.5,00,000/- Tk.200/-

Fig: Pay Order charges

Sl. No.	Type of Deposits	Final Rate of profit
1	2	3
<b>1</b>	<b>Mudaraba Hajj Savings:</b>	
a)	11 to 25 years Term	8.71%
b)	01 to 10 years Term	8.38%
<b>2</b>	<b>Mudaraba Waqf Cash Deposit</b>	9.05%
<b>3</b>	<b>Mudaraba Special Savings (Pension) Account:</b>	
a)	10 Years Term	8.38%
b)	05 Years Term	7.37%
c)	03 Years Term	7.24%
<b>4</b>	<b>Mudaraba Muhor Savings (MMS):</b>	
a)	10 Years Term	8.38%
b)	05 Years Term	7.37%
<b>5</b>	<b>Mudaraba Savings Bond (MSB):</b>	
a)	08 Years Term	8.38%
b)	05 Years Term	7.51%
<b>6</b>	<b>Mudaraba NRB Savings Bond</b>	
a)	10 Years Term	8.71%
b)	05 Years Term	7.71%
<b>7</b>	<b>Mudaraba Monthly Profit Deposit Scheme (MMPDS):</b>	
a)	05 Years Term	7.91%
b)	03 Years Term	7.37%
<b>8</b>	<b>Mudaraba Term Deposit Account (General):</b>	
a)	36 Months	7.37%
b)	24 Months	7.17%
c)	12 Months	7.04%
d)	06 Months	6.90%
e)	03 Months	6.70%

Fig: Profit Rate