

Report On
Operational efficiency of Social Islami Bank Limited and a study of
their Pre-pandemic and pandemic periods performances

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)

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BRAC University
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Declaration

It is hereby declared that

1. The internship report submitted is my/our 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/We have acknowledged all main sources of help.

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LETTER OF TRANSMITTAL

Date: February 3, 2022

Sang H Lee, PhD
Professor and Dean
BRAC Business School
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Subject: Submission of Internship Report

Respected Sir,

Here, I am submitting my internship report. Internship report is an integral and mandatory part of the BBA program. It is a huge and also an excellent chance for me to work under your direct supervision.

Basically, this internship report is based on “Operational efficiency of Social Islami Limited(SIBL)” I have got an opportunity to complete my internship program at Social Islami Bank Limited (SIBL). I am doing my internship at SIBL’s Dhanmondi Model Branch. Here, I have worked for 80 days under Mohammad Mainul Haque (SAVP & Operation manager, SIBL Dhanmondi Model Branch).

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.

Through this internship program, I have gathered practical knowledge which helps to complete the academic knowledge. First and foremost, through the internship I learned the banking operational environment of Social Islami Bank Limited. Not only this, I also learned the organizational culture of the bank. On the other hand, through the report I also got the guidelines of analyzing by working with the bank.

I, therefore, pray and hope that you would be kind enough to grant my internship report and give your important feedback. It would be a great academic achievement for me if you give me feedback by finding important information.

Sincerely yours
Md. Imtiaz Khaleed
BRAC Business School
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Non-Disclosure Agreement

This agreement is created and entered into by and between Social Islami Bank Limited and the undersigned student at BRAC University Md. Intiaz Khaleed (ID-17204097)

ACKNOWLEDGEMENT

At first, I am very much grateful to the Almighty for giving me the opportunity to complete my responsibilities as an intern in this coronavirus pandemic situation and complete the internship report in such a short time.

I am also very grateful and also thankful to my advisor Sang H Lee, PhD who is the professor and the Dean of BRAC Business School, BRAC University because of his proper guidance. On the other hand, I also very grateful to Mohammad Mainul Haque (SAVP and Operation manager) of Social Islami Bank Limited at Dhanmondi Model Branch for being the organizational supervisor of mine during my internship period at SIBL. Without their support and guidance, completing this internship report would be very difficult for me.

Finally, I would like to express my gratitude towards OSCAR, BRAC University for arranging and organizing the internship program even at this coronavirus situation. Because of constant support, I could finish the internship program because it helped me to impose my knowledge practically.

EXECUTIVE SUMMARY

To complete the graduation from BRAC Business School of BRAC University, internship is an integral and mandatory task for every BBS student. For that reason I have completed my internship from Social Islami Bank Limited (SIBL) which is one of the pioneer Islamic Banks in Bangladesh. SIBL is one the eight banks that fully follows the Islamic Shariah law in Bangladesh. Operational efficiency of SIBL and the comparison among eight fully shariah based Islamic banks, will be discussed in this report thoroughly. The entire report is divided into three chapters so that readers can easily get the real scenario of this sector.

In the first chapter, the overview of my internship at SIBL is discussed thoroughly. Here in the chapter, the information of my internship has been discussed. Not only this, I also discussed the learning outcome that I have go through the internship has also been discussed. My contribution to the bank has also been discussed in this chapter. In this chapter, I have also pointed out how I was benefited through my internship at SIBL. Some recommendations have also been discussed in the last part of the chapter. The recommendations have been discussed for the future interns so that they can have some minimum ideas before starting their internship at SIBL.

In the next chapter which is chapter two, the overview and the operational strategies have been discussed and analyzed. In the first part of the second chapter, objective & methodology have been discussed properly. Ratio analysis, primary & secondary data collection, SWOT analysis and porters' five forces are the methods that have been used to complete the analysis properly. On the other hand, how SIBL maintains their risk management and human resources management etc have also been discussed in this chapter. How the authority of SIBL promote the bank through different ways have also been discussed in chapter two. Accounting practices of SIBL and which local and international accounting standard SIBL follows are also discussed in this chapter. In the same chapter how SIBL was affected because of Coronavirus pandemic and what were their steps to take control of the situation is also discussed in this chapter. Suggestions and recommendations are also discussed at the last part of this chapter.

In the last chapter which is chapter three, an analysis of the operational efficiency of SIBL with other Islamic banks has been discussed. Different methods like Ratio analysis, hypothesis testing have been used to make the analysis properly. Both primary and secondary sources have been used here to analyze the exact situation of the banks. Two hypothesis testing have been made to analyze the situation of the banks after the pandemic period. Like other chapters, there are some recommendations have been discussed at the end of the chapter.

List of Acronyms:

SIBL = Social Islami Bank Limited

ROI = Return on investment

NPI= Non performing investment

ROA = Return on asset

EPS = Earning per share

BB = Bangladesh Bank

IFSs = International Financial standards

IASs = International Accounting standards

BASs = Bangladesh Accounting standards

Table of Content

Declaration	2
LETTER OF TRANSMITTAL	3
Non-Disclosure Agreement	4
ACKNOWLEDGEMENT.....	5
EXECUTIVE SUMMARY	6
List of Acronyms:.....	7
CHAPTER 1: DETAILED DESCRIPTION OF MY INTERNSHIP	11
1.1) Student’s information.....	11
1.2) Internship Information	11
1.2.1. Internship Period, Bank name, Internship Department, Location	11
1.2.2 Internship Bank Supervisor’s Information: Name and Position	12
1.2.3 Internship Responsibilities & Duties	12
1.3) Internship Effects.....	12
1.3.1 My Contribution to Social Islami Bank Limited:	12
1.3.2 Things I learned during the internship:	13
1.3.3 Problems that I faced during the Internship:	13
1.3.4 Suggestion for SIBL for the future internship programs:.....	14
CHAPTER 2: ORGANIZATIONAL PART: DESCRIPTION OF THE BANK(SIBL).....	15
2.1) Introduction of the bank (Social Islami Bank Limited)	15
2.1.1 Objective	15
2.1.2 Methodology.....	15
2.1.3 Limitations.....	16
2.1.4) Significance	17
2.2) Descriptive Introduction of SIBL (Social Islami Bank Limited)	17
2.2.1 Organization information	17
2.2.2 Corporate Social Responsibility of Social Islami Bank Limited	17
2.3) Management Practices of SIBL:	18
2.3.1 Risk management practices followed by SIBL:	18
2.3.2 HRM (Human Resource Management) Practices of SIBL	19
2.3.3 Green Banking management of SIBL	19

2.4) Marketing practices:.....	20
2.4.1 4P (Product, Price, Place and Promotion)	20
2.5) Accounting practices and Financial performance of SIBL :	24
2.5.1 Financial performance of SIBL and their analysis.....	24
2.5.2 Accounting practices of SIBL	28
2.6) Operational Management and Information Technology/System practices of SIBL.....	30
2.6.1 Operation Management practices.....	30
2.6.2 Information Technology/System practices of SIBL	30
2.7) Industry and competitive analysis	31
SWOT Analysis:.....	31
Porter’s five forces:	33
2.8) Overall Summary of SIBL	34
2.9) Recommendations.....	34
CHAPTER 3: OPERATIONAL EFFICIENCY OF SOCIAL ISLAMI BANK LIMITED (SIBL) AND A STUDY OF THEIR PRE-PANDEMIC AND PANDEMIC PERFORMANCES	35
3.1) Chapter Introduction:.....	35
3.1.1 Chapter Background:	35
3.1.2 Objective of the analysis:	36
3.1.3 Significance of the analysis:.....	36
3.2) Methodology of the analysis:.....	37
3.3) Findings of the analysis:	38
3.3.1) Ratio analysis (Both SIBL and Islamic Banks):.....	38
3.3.2 Impact of Covid 19.....	47
3.3.3) Descriptive analysis:	49
3.3.4) Hypothesis testing:	50
3.4) Summary of the analysis:	52
3.5) Recommendation for SIBL:.....	53
3.6 Reference:	53
3.7 Appendix.....	55

List of Tables

Table 1 : Descriptive Organizational Information of SIBL	17
Table 2 : Charges	22
Table 3: Last 5 years Operating performances of SIBL.....	25
Table 4 : Equity amount of IBBL for last 5 years of SIBL.....	25
Table 5: Key Ratios of SIBL.....	28
Table 6 : Operating profit (SIBL)	48
Table 7: Operating profit (Islamic banks of Bangladesh)	48
Table 8:Descriptive statistics of all the fully Sharia-Based Islamic Banks.....	49
Table 9: Regression analysis between ROA & Efficiency ratio.....	51
Table 10:Regression analysis (NPM- Efficiency ratio)	52

List of Figures

Figure 1 : Deposit and Investment of the last five years.....	24
Figure 2: Last 5 years Investment to Deposit Ratio of SIBL.....	26
Figure 3 : Last 5 years Operating Profit of SIBL (in million).....	27
Figure 4: Return On Asset.....	39
Figure 5: Return on asset (Sharia-based Islami Banks)	39
Figure 6: Return on equity (SIBL).....	40
Figure 7: Return on equity (fully sharia-based banks)	41
Figure 8:Net profit margin (SIBL).....	42
Figure 9:Net profit margin (Fully sharia based banks)	42
Figure 10:Earning Per Share (SIBL)	43
Figure 11:EPS (Fully Sharia-based banks)	44
Figure 12:Last 5 years Capital Adequacy Ratio of SIBL.....	44
Figure 13:Capital Adequacy Ratio (All Islami banks)	45

CHAPTER 1: DETAILED DESCRIPTION OF MY INTERNSHIP

1.1) Student's information

Name of the student: Md. Imtiaz Khaleed

Student ID: 17204097

Program: Bachelor of Business Administration

Major of the student: Finance

1.2) Internship Information

1.2.1. Internship Period, Bank name, Internship Department, Location

Internship Period: 80 days (October 3rd to December 23rd, 2021)

Bank Name: Social Islami Bank Limited (SIBL)

Internship Department: General Banking and Investment

Location: Social Islami Bank Limited (SIBL), Dhanmondi Model Branch, Dhaka.

1.2.2 Internship Bank Supervisor's Information: Name and Position

Supervisor's Name: Mohammad Mainul Haque

Supervisor's Position: SAVP & Operation Manager, SIBL Dhanmondi Model Branch, Dhaka.

1.2.3 Internship Responsibilities & Duties

- Assist the employees of the bank in filling up forms of different clients to open new accounts.
- Help the superior on different occasions like issuing debit/credit cards, cheques, etc.
- Help the officers to calculate the daily performance of the bank and also help them to make the monthly report of the bank.
- Analyze papers that are needed for the bank for future investments.
- Analyze the papers which are submitted by the loan seekers.

So, these are my responsibilities & duties of mine as an intern of SIBL.

1.3) Internship Effects

1.3.1 My Contribution to Social Islami Bank Limited:

There are many contributions that I made to Social Islami Bank Limited(SIBL). First of all, because of my assistance, the employee efficiency of SIBL increased since they got an extra helping hand. I helped customers with filling up the bank account opening form at SIBL. Through this, I helped the officers of the bank to open the highest number of new accounts at SIBL in one week as I worked in that department for the first week of my internship. The calculation is a regular task for the employee of the bank and sometimes it makes employees tired and monotonous. In my second week, I started to help the employees of the bank with calculating. I helped them to calculate the daily accounts like how many new accounts have been opened, how many cheques have been issued as well as how many deposits have been collected. Helping them in calculating the amount of money that had been withdrawn from the bank was also a task of mine. I also worked at the investment department which was more

challenging in several circumstances. In the investment department, I was asked to check all the necessary documents submitted by the loan seekers. It helped the officer to find out the person in terms of providing the loan quickly. Sometimes it might take a lot of time to find out the perfect person for providing a loan because sometimes loan takers cheat and have a tendency not to pay back the loan. So, I checked the necessary documents which made the process of selecting the perfect person to provide the loan on time.

1.3.2 Things I learned during the internship:

I learned so many things and was benefited in several ways by completing my internship at Social Islami Bank Limited. Learning corporate behavior is important for our careers. I have learned the corporate behavior at Social Islami Bank while completing my internship. At Social Islami bank, I was also taught the formalities that a company or an organization maintains. Doing my internship at Social Islami Bank also helped me to learn the basic knowledge of banking by working practically. I also learned how to issue checkbooks, how to issue debit/credit cards, how to clear cheques and also learned how to ensure different companies' employee salaries through my assigned bank. More importantly, I also learned how to check the papers of loan applicants thoroughly. Gaining this sort of knowledge practically will help to build my career. Working under the pressure is also very important nowadays. I also learned how to work under pressure by completing my internship at SIBL. As we all know, so many customers come to the bank every day for different reasons and everyone wants that their works are done in a short time. Sometimes, handling a lot of customers and clients becomes so difficult. Through the internship, I have learned how to handle tough situations and also how to satisfy so many customers at the same time. These are ways how I was benefited through my SIBL internship program.

1.3.3 Problems that I faced during the Internship:

Though the internship program of mine at SIBL had gone nicely, but I faced some problems which should be mentioned. Some of those problems are:

1. SIBL gives their interns some tasks which are not possible to complete without the help of computers. But SIBL doesn't provide computers to their interns. I had to solve some of those problems from my home computer. So, if I faced any issue while working from home then it would become difficult for me to communicate with the officers.

2. isL are reluctant to provide separate desks for different interns. Sometimes sharing the same desk created some problems especially when there were so many clients came to the bank.

1.3.4 Suggestion for SIBL for the future internship programs:

For hiring and handling the future intern, these suggestions might help Social Islami Bank Limited to take decisions regarding the internship programs that take place in the future. Those suggestions are given below.

1. Since Social Islami Bank Limited does not specify a specific computer for the interns, it becomes a problem for the interns to complete some of the tasks from home by using their home computer because of a clear communication gap. It would be beneficial for both the bank and for the interns as well. Intern could learn different things faster and also the banking tasks would be completed faster.
2. SIBL don't provide any identity card to the interns which becomes a problem for the clients and the customers to distinguish the interns from the employees. If the bank provide identity card to the interns, then it will be easy for everyone to recognize who is the bank employee and who is the intern.

These are the recommendation I would recommend for the Social Islami Bank Limited for their internship programs that take place in the future.

CHAPTER 2: ORGANIZATIONAL PART: DESCRIPTION OF THE BANK(SIBL)

2.1) Introduction of the bank (Social Islami Bank Limited)

2.1.1 Objective

The objective of analyzing SIBL's strategic audit practices and the description of the operations are given below:

- Through this report future researchers will get a clear idea and the real scenario of the practices of different areas like accounting, management of Social Islami Bank Limited
- Readers will also get some ideas where SIBL needs to improve and focus on for the future development of SIBL.

2.1.2 Methodology

I have gathered different types of information that I collected from reliable areas to provide an overview of Social Islami Bank. I divided the sources of information into two types. The sources of those information are given below:

1. Primary Sources of data:

- Personal Observation during the internship period.
- Direct interview & Conversation with the senior officers of Social Islami Bank Limited
- Opinion of the experts.
- Official records.

2. Secondary Sources of data:

I have gathered the secondary data via following sources:

- Annual report of BRAC Bank Limited.
- Printed outlines and documentation supplied by Social Islami Bank Limited.
- Annual Financial Report of last 5 years of different Banking Institutions.
- Website of Social Islami Bank Limited (www.sibl.com)
- Internet sources

Ratio Analysis: Ratio analysis which is an important analysis, is done with the help of last five years dataset (2016-2020). Many banks including SIBL have not published their annual report of 2021. That is the reason 2021 has not been used.

SWOT analysis: SWOT analysis is an important technique, has been used to find out the strength, weaknesses, opportunities and threats for SIBL.

2.1.3 Limitations

Like other banks, SIBL has many limitations in terms of operating their business. The limitations are given below:

- SIBL runs its business with a business model like every other banks. Finding out a competent model that Islamic Sharia law suggests to follow, is very tough. So, SIBL has limitations to analyzing the organization.

- In our country, there are very few number of scholars who have sufficient knowledge of the Islamic Sharia based banking sector. This is the why I faced so many difficulties to collect the information which is a major limitation in terms of analyzing properly.

2.1.4) Significance

There are so many significances that I found while analyzing the organization. Through the analysis of different practices of SIBL, we'll get the current market position in the banking industry especially in the Islamic bank industry of SIBL and the steps which were taken by the bank to improve them. On the other hand, the industry average and the comparative analysis will also show the exact situation of SIBL in the banking industry and how they bring improvements to make SIBL's situation better.

2.2) Descriptive Introduction of SIBL (Social Islami Bank Limited)

Social Islami Bank Ltd is a second generation commercial bank that started its journey on 22nd November, 1995 based on the principles of Sharia. SIBL Securities Ltd, SIBL Investment Ltd, SIBL Foundation Hospital are the parts of Social Islami Bank Ltd. Main motivate of SIBL is to work closely with the clients and stakeholders. Their target is to provide their clients and the stakeholders one-stop services with the help of technology. SIBL is in a mission to provide the best services within their capabilities. SIBL is also engaged in different CSR activities to make the society a better place to live for everyone.

2.2.1 Organization information

Chairman,Board of directors	Prof. Md. Anwarul Azim Arif
Managing Director and CEO	Mr. Quazi Osman Ali
Company secretary	Mr. Abdul Hannan Khan
Number of zones	12
Number of branches	169
Number of AD branches	22
Number of ATM booth	115
Number of shareholders	28,347
Number of manpower	4000

Table 1 : Descriptive Organizational Information of SIBL

2.2.2 Corporate Social Responsibility of Social Islami Bank Limited

SIBL operates many hospitals at many places in Bangladesh where they provide free treatment to the poor people. During the covid period, SIBL Foundation Hospital and Diagnostic Centre which is at Panthapath, was selected as a covid dedicated hospital. That hospital facilitated the

patients with modern medical equipment. Whenever any sort of humanitarian situation arises, SIBL rushes to solve the situation. SIBL also participate in building school, college as a part of CSR activities. SIBL established their sustainable finance division in 2015 to accelerate their CSR activities. This department of the bank takes care of all the CSR activities and ensure the CSR activities are running smoothly. In 2020, SIBL spent taka 271.83 million under disaster management, health, sports, and environmental programs. In 2019, this amount was Taka 297.33 million. They also have “Zakat” division where they collect zakat amount money from wealthy people and then they distribute it to the poor people. Sometimes they use that money to build mosques, madrassas.

2.3) Management Practices of SIBL:

The management body of SIBL consists of 14 members which is known as the “management committee” of SIBL. It is also known as the “Board of Directors” of SIBL. SIBL’s management systems and practices are better than most of the banks of Bangladesh. The main management practices of SIBL are given below:

- Fund management efficiency is one of the most important priorities of the management body of SIBL. As we all know that when the inflow and outflow of money specially liquid money is maintained in proper way then the market position of the bank will improve which is why SIBL management body prefers to go for that priority-based investment policy to bring improvements to the bank.
- To manage and train their employees properly and to maintain the quality of their services, SIBL has established its own training academy.
- The management body established an organizational structure to measure the risk management within the bank which ensures that from the top management to staffs everyone is aware of the risk management practices.

2.3.1 Risk management practices followed by SIBL:

Risk is an integral part of banking service. Risk arises from various sources. Sometimes risk arises from the bank’s investment client specially when the client is failed to meet the obligations accordingly with the agreed terms which may result a negative impact on the profitability and capital of the bank. Through stress testing, SIBL manages its risk. Social Islami Bank Limited conducts different types of testing. Considering factors of stress testing are given below:

1. Investment risk of SIBL
 - Extension of non-performing investment (overall)
2. Profit rate risk of SIBL

- Sensitivity analysis of SIBL
3. Equity price risk of SIBL
 4. Liquidity risk of SIBL
 5. Value risk of SIBL
 6. Foreign Exchange rate risk of SIBL
 7. Exchange rate risk of SIBL

2.3.2 HRM (Human Resource Management) Practices of SIBL

HRM or Human resource management is an undivided, important, integral and a very vital wing of Social Islami Bank Limited. There are around 4000 employees are working at SIBL which is huge. To train this large number of employees SIBL has established their own training institution which is known as “Social Islami Bank TI (Training Institute)”. Under the direct supervision, the training programs of the employees are held at SIBL TI. SIBL TI held around 50 training programs in the year 2020. Most of the training programs were held online because of the outbreak of Corona virus pandemic. Even though most of the training programs of SIBL TI took place in 2020, still around 3000 employees trained themselves under the direct supervision of the management body. Not only this, SIBL also take exams to judge the employees perfect. To maintain the quality of the bank, SIBL prefer these exams because they believe people who deserve to get promotion, will get the promotion according to their experience and performance of those exams. SIBL only hire those employees who are selected through the exams according to their merit. SIBL always prefer to hire talented people in different positions of the bank and train them so that in the future those hired employees contribute the bank a lot. It is a huge responsibility for the management board to ensure that they hire the perfect people at the right position. It has been seen that around 75% of the man power whose age is below 40. So, it is very clear that Social Islami Bank Limited is focused on youth empowerment and woman’s involvement.

2.3.3 Green Banking management of SIBL

From the beginning of SIBL’s journey, the bank is focused on Green Bank and as a result, Bangladesh bank has enlisted SIBL as one of the Top Ten Private Commercial Banks as a pioneer of Green Banking activities of Bangladesh. Sectors where there are some potentialities of environmental development and reduction of carbon emission, SIBL always invests. Here, the sectors that SIBL invest is given below:

- Carbon emission reduction projects.
- Products that are environmentally friendly.
- Waste management project.

- Renewable energy sector.
- Recycling products or the products that are made from recycling projects.

It is very important to mention, that SIBL introduced their Green Banking Window project in 2011. They have already run more than 12,000 projects till 2020 which are related to the Green Banking sector. They invested around 250,120 million Taka for running those projects.

So, these are SIBL's management practices.

2.4) Marketing practices:

Marketing is an important aspect for Social Islami Bank Limited. Basically, SIBL is focused on marketing those products and services which are newly launched by the bank. Because of the Coronavirus pandemic, the bank is now more focused on the digital services marketing that SIBL is providing. Digital marketing has become so important for the bank because of this pandemic situation. For digital marketing, SIBL uses different social media platform like Facebook, LinkedIn, Instagram etc.

2.4.1 4P (Product, Price, Place and Promotion)

Product of SIBL: Social Islami Bank Limited offers different types of products to their customers or clients. The products that SIBL provides are given below:

Deposit product of SIBL: SIBL provides different types of deposit accounts where people can deposit their money. Then it becomes SIBL's responsibility to ensure the security of the deposited money. Currently SIBL has two types of deposit products that they provide to their customers or clients. One type of deposit product is Al-Wadeah and the other type of deposit product is Mudaraba account. There will be no profit disbursement in the Al-Wadeah account. Not only this, people who open their account under Al-Wadeah do not have to bear any loses. There are different types of Mudaraba account currently being provided by SIBL. Those are given below:

- Al-Wadeeah Current Deposit (Awcd) Account

- Mudaraba Savings Deposit Account
- Mudaraba Super Savings Account
- Mudaraba. Notice Deposit Account
- Mudaraba Hajj Savings Account (Kafela)
- Mudaraba Farmers Savings Account(MFSA)
- Mudaraba Foreign Currency deposit Account
- Mudaraba Cash Waqf Deposit Account
- SIBL Youngster Account (Student Saving Deposit Account)
- Mudaraba Zakat Savings Deposit Account

Investment Product: SIBL has different types of investment products under different schemes. Investment products are given below:

- Bai- Murabaha
- Bai-Muajjal
- Hire Purchase Under Shirkatul Melk (Hpsm)
- Musharaka
- Bai- Salam
- Documentary Bill Purchase
- Quard
- SIBL Employees' House Building Investment Scheme
- SME & Agricultural Finance
- Women Enterprise Finance
- Retail Finance
- Family Empowerment Islamic Micro Finance
- SIBL Car Investment Scheme
- SIBL Small Business Investment Scheme
- SIBL House Hold Investment Scheme.

Price : Since Social Islami Bank Limited is an Islamic sharia-based bank, SIBL does not charge interest charges. However, SIBL makes profit from the different services SIBL provides and the

rate of the profit varies every day. Here the charges against the service they provide are given below:

SL. Number	Types of Deposits	Final rate of profit
1.	Mudaraba Term deposit Account	
a.	1 Year & Above	6.00%
b.	6 Month	5.75%
c.	3 Month	5.50%
d.	1 Month	3.50%
2.	Mudaraba Hajj Scheme	
	Kafela	7.00%
3.	Mudaraba Special Notice Deposit	
a.	Equal to or more than 100 crore	4.50%
b.	Equal to or more than 50 crore but less than 100 crore	3.50%
c.	Equal to or more than 25 crore but less than 50 crore	3.00%
d.	Equal to or more than 1 crore but less than 25 crore	2.75%
e.	Less than 1 crore	2.50%
4.	Mudaraba Savings Deposits	3.50%

Table 2 : Charges

SIBL also provides some other services. They charge their customers or clients for those services. Here, the charges of those services are mentioned below:

- In terms of providing ATM services, SIBL charges 500 Taka per annum.
- SIBL has three different types of locker services and they charge differently. For small locker, SIBL charges 1500 Taka yearly, for medium locker SIBL charges 2000 Taka yearly and for large locker, SIBL charges 3500 Taka yearly.

So, these are the charges that SIBL charge to their customers or clients for the services they provide.

Place: SIBL has 169 branches including 95 sub-branches across the country. Not only these, SIBL has also 191 agent banking outlets. Currently, SIBL has 115 ATM booths of their own and there are 2000 ATM booths which are shared by SIBL with the Q-cash members across the country for digital transactions. So, the numbers are huge since SIBL provides its service in every district of Bangladesh.

Promotions: To promote the services especially those unique services that SIBL provides, promotional activities are important because through promotional activities, SIBL reaches to people of every district of the country. The promotional activities of SIBL are mention below in details:

Cost free media casting: SIBL uses all sorts of media platforms to reach the mass people. Usually the press releases, upcoming important news are published on those different social media platforms. In 2020, because of the Corona Virus pandemic, SIBL had to publish so many important news and information on Television and newspapers which is why in this year, SIBL obtained a big cost-free media coverage that covered around 4050 spots on electronic, print and online media. The cost of this was TK. 30.20 crore and PR value of Taka 150.20.

Branding the products and services that SIBL provides: SIBL uses different social media platforms for branding their products to their customers. Like other banks, SIBL has shifted to digital marketing as well. Since people are becoming more dependent on social media platforms, digital marketing is the easiest way to reach people. SIBL posted around 285 static and videos on their Facebook and Instagram page in 2020. Since it was an year of corona pandemic, it helped them to communicate with the their customers and clients easily. SIBL's main option of publishing their advertisement is newspaper. SIBL has so many billboards beside the road all over the country which is another easy way to reach the people and the clients. So, these are the ways that SIBL follows for advertising their products.

Branding through sports club and hospital: SIBL has a contract with Sheikh Jamal Dhanmondi Club in terms of financial activities. When a new learner wants to join the academy of Sheikh Jamal Dhanmondi Club then they have to create an account at SIBL Dhanmondi Model branch. In every month, they pay the fees of the academy through SIBL. Not only this, players of Sheikh Jamal Dhanmondi Club have to create an bank account to get the money and the bonuses they earn as a player of the club. On the other hand, SIBL has mutual agreement with Central Hospital which is situated at Dhanmondi. Huge financial transactions specially financial transactions of buying medical equipment are done through SIBL. SIBL monitors the entire process of purchasing medical equipment of Central Hospital carefully and they try to ensure that no problem takes place in the process.

2.5) Accounting practices and Financial performance of SIBL :

SIBL's financial performance is considered as satisfactory and it is getting better every year. From the beginning of its journey, SIBL is trying to maintain a very healthy financial condition. Here, the statistic which are given below, will show how better they are doing and how bigger they are growing.

2.5.1 Financial performance of SIBL and their analysis

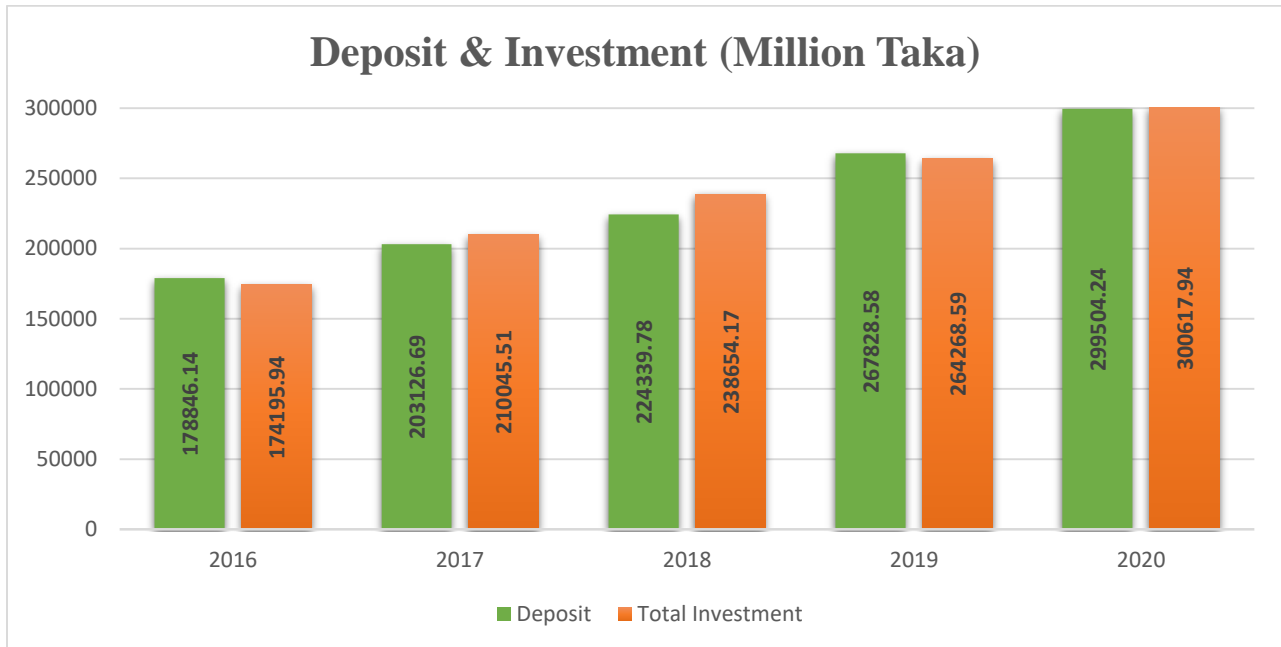


Figure 1 : Deposit and Investment of the last five years

*5 years data have been taken but 2016 was outdated

It is seen from the report that the deposit amount of SIBL increased consistently from 2016 to 2020 which shows that the inflow of the bank has been maintained regularly through proper monitoring. Not only the number of the deposit, the bank also increased their total number of investments by this time. In 2020, the number of investments increased a lot because of Corona Virus Pandemic. Because of the coronavirus pandemic, many people lost their job and they started their own businesses. SIBL invested a huge amount of money in the potential small, medium and large businesses. From the figure, we can easily say that SIBL is growing bigger consistently.

Operating performances	2020	2019	2018	2017	2016
Total Revenue	29,850.87 Million BDT	30,711.13 Million BDT	27,615.52 Million BDT	21,414.39 Million BDT	19,174.34 Million BDT
Operating profit	4,343.21 Million BDT	6,342.11 Million BDT	6,143.12 Million BDT	6,166.21 Million BDT	5,698.08 Million BDT
Profit before Tax	3,040.65 Million	3,134.03 Million	3,848.29 Million	3,535.13 Million	4,192.19 Million
Profit after Tax	2,853.50 Million	4,729.54 Million	1,583.43 Million	1,455.24 Million	2072.59 Million
EPS	1.65	1.62	1.95	1.62	3.10

Table 3: Last 5 years Operating performances of SIBL

*5 years data have been taken but 2016 was outdated

We can see that the revenue of SIBL consistently increased from 2016 to 2020. Though the revenue increased but the profit was affected badly. It went down from 6342.11 million to 4343.21 million in 2020 compared to 2019. It happened due to the coronavirus pandemic. As we all know because of the coronavirus outbreak, a lockdown of several months took place in 2020. At that time, people had to stay home and could not operate their businesses. That is why the operating profit went down.

Year	2020	2019	2018	2017	2016
Amount (in million)	18,038.39	17,271.33	15,749.88	14,166.45	14,187.8

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

*5 years data have been taken but 2016 was outdated

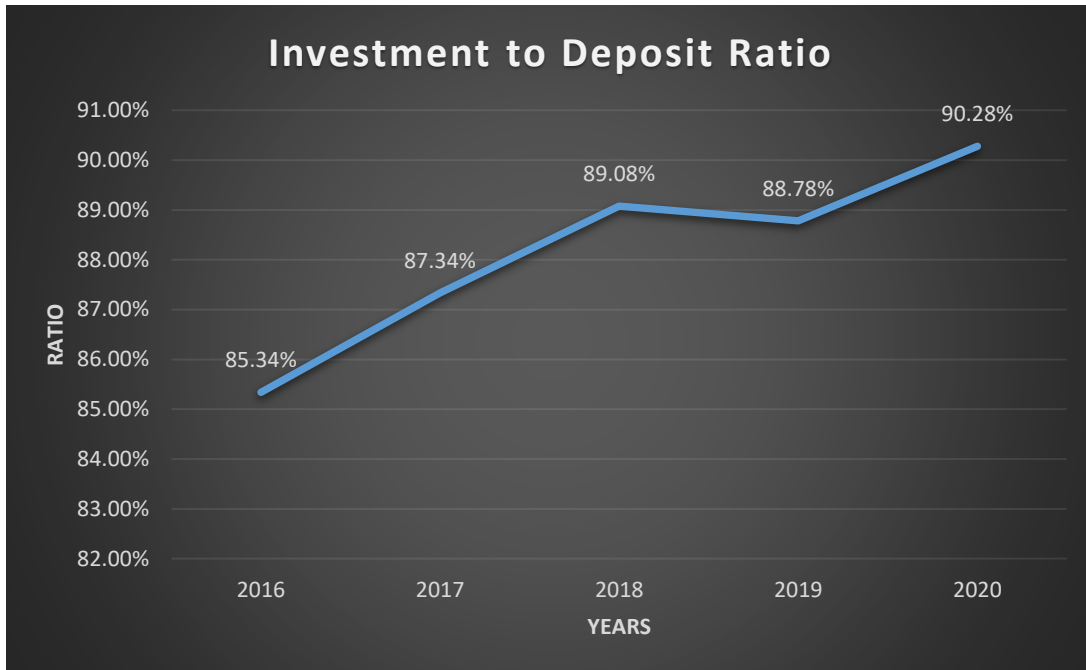


Figure 2: Last 5 years Investment to Deposit Ratio of SIBL

*5 years data have been taken but 2016 was outdated

As we can see from the figure which is given above, it is clear that in 2020 SIBL made more investment from their deposits (90.28%) compared to other years. Coronavirus pandemic was the reason behind it. SIBL thought it would be wise if they do not invest the money then the amount of idle money would be increased which will be a burden. That is why they invested a huge amount of money from their deposits. On the other hand, lots of new businesses grew right after the lockdown period. Many people lost their jobs and preferred to start their own businesses. SIBL took that opportunity and invested money in businesses that have potentiality in the future. This is one of the remarkable operational strategies of Social Islami Bank Limited.



Figure 3 : Last 5 years Operating Profit of SIBL (in million)

*5 years data have been taken but 2016 was outdated

It is seen from the graph that the operating profit of SIBL increased consistently from 2016 to 2019 and in 2019 operating profit reached to 6342million. It was an upward trending. But in 2020, it went down to 4343.21 million because of the Coronavirus pandemic. During the lockdown period, all the business was completely off which made a negative trend in 2020. Apart from that, SIBL did very well till 2019 and used to earn an extra amount of money from their operations.

So, we can easily say that SIBL's financial performances were so good before the hit of Coronavirus. The bank has already taken different steps to get recovery from the sudden hit of Coronavirus. If they can implement those strategies properly, then they will overcome the problems that happened because of the Coronavirus pandemic in 2020.

Ratio	Year				
	2016	2017	2018	2019	2020
ROA	2.06%	0.42%	0.54%	0.47%	0.42%
ROE	16.16%	10.27%	10.05%	9.21%	8.78%
CRR	8.21%	9.21%	9.70%	7.29%	7.27%
NPM	8.23%	9.58%	8.24%	8.78%	7.89%

ROI	8.16%	8.27%	8.04%	8.40%	8.32%
NPI	4.54%	3.61%	3.45%	4.29%	3.74%

Table 5: Key Ratios of SIBL

*5 years data have been taken but 2016 was outdated

From the chart, we clearly understand that the return on equity (ROE) varies year to year and it is not consistent at all. It was the highest (16.16%) in 2016. But ROE is going down every year. And in 2020, it was the lowest. It was 8.78% in 2020. It is not a good sign for SIBL because it shows that the profitability of the bank compared with the stockholder's equity has decreased a lot. SIBL has to focus in this regard and should utilize the opportunity to make ROE better.

From the chart, we can observe that the CRR (Cash Reserve Ratio) of SIBL in 2018 was the highest and it was 9.70% and then it suddenly dropped to 7.29% in 2019 and 7.27% (lowest) in 2020. It is clearly observed that it is not good for SIBL since the CRR of 2019 and 2020 decreased.

From the chart, it is seen that the Net Profit Margin(NPM) of Social Islami Bank Limited(SIBL) was growing consistently. It is also seen that there was a balance in every year. But in 2020, it fell down to 7.54%. It is an important warning sign for the bank even though the downfall of NPM happened in 2020 due to the coronavirus pandemic.

From the chart, we are observing that the Return on investment which is also known ROI of SIBL went up from 2016 to 2019. In 2019, ROI was 8.40% which was the highest in recent years. But in 2020, it went down slightly and it was 8.32%. It happened due to the covid situation. But the steps that SIBL have taken will help them to do increase ROI which is expected.

From the table, it is clear that SIBL maintains a marginal level in terms of Non-performing investment (NPI). SIBL has also reduced the non-performing investment in 2020, compared to 2019.

2.5.2 Accounting practices of SIBL

Social Islami Bank Limited takes the accounting practices or policies very seriously to make sure that the accounting practices are transparent. The accounting processes are done through several steps. SIBL maintains very rigid procedures. At first, they ensure that all the calculations are done by every single individual who are involved in the accounting of every single branch. After

that they report everything to both Bangladesh Bank and SIBL's Motijheel office which is the head office of SIBL. Two processes are followed by SIBL for calculation. Those are given below:

- 1) **Manual Accounting Practice:** Fully computer-based accounting process is not completely followed by Social Islami Bank Limited. They still follow book-keeping process to make some of their calculations. To maintain transparency, SIBL maintains proper books and accounts. But since modern technologies are taking place everywhere and there are so many software out there which can easily solve accounting problems, the number of manual calculating is decreasing.
- 2) **Computer-based Accounting Practice:** SIBL uses different software to make their financial report transparent. To maintain the quality of their financial reports, Social Islami Bank Limited prepares their financial reports with the help of Bangladesh accounting standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS) and International Accounting Standards(IAS)/International Financial Standards(IFS).

Social Islami Bank Limited is very in terms of ensuring the transparency of their accounting reports which is why they are very adamant to take care of the software used by SIBL for regular calculation.

Accrual basis of accounting of SIBL: Except for the cash flow statement, the financial statements of SIBL are made by using the help of the accrual basis of accounting of SIBL.

The accounting standard followed by SIBL is given below:

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

IFRS 9 - Financial Instruments

IAS 12 - Income Taxes

IAS 21 - The Effects of Changes in Foreign Exchange Rates

IAS 34 - Earning per share

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

2.6) Operational Management and Information Technology/System practices of SIBL

Maintaining a good and solid operational management and information system is very important for every bank. To maintain a good operation management, Social Islami Bank Limited has an ICT department. Main task of the ICT department is to store data and information in computerized ways.

2.6.1 Operation Management practices

Social Islami Bank Limited maintains 100% shariah law in daily operations. The main task of the operational manager of every branch is to look after the operational activities of the Bank. The operational manager is in the charge of looking after the daily deposits and other banking activities. Every branch of SIBL sends their daily operational report to the head office of SIBL. The largest operational unit of SIBL is at the Gulshan branch. The main operational practices of SIBL are given below:

- Mass Banking
- Need Base Banking
- Versatile Banking

2.6.2 Information Technology/System practices of SIBL

For every bank, data and information are important to analyze the current financial situation of the bank and by doing so every bank get a clear idea of their position in the market. SIBL take the some actions regularly to maintain the information systems. These actions are given below:

- **Management information system:** Management information system (MIS) has been very vital for every bank to maintain their performances perfectly and regularly. Like other banks, SIBL has also established a robust MIS system to look after their banking activities carefully. Through this, the management takes care of the business trend, growth of the bank and they also observe different financial indicators of the bank. Not only this, SIBL gets important data from the central bank of Bangladesh which is known as Bangladesh Bank, World Bank, Finance Ministry and other ministries, ADB through SIBL's main MIS.

- **Datacenter:** Database management's been a very serious issue to consider where ensuring the security of data is also an important task for the operational management team. The database also plays an important role in the banking sector as well. SIBL has a data center which is run on ORACLE Exadata solution in the data center. An Oracle-certified database administrator and his team look after the processes.

So, SIBL maintains their Information System Practices in these ways.

2.7) Industry and competitive analysis

Industry and competitive analysis basically help SIBL to find their actual position in the market of the banking sector. There are some important financial factors to consider that show how well SIBL is doing compared to the other banks of the banking industry.

SWOT Analysis:

SWOT Analysis is very important that shows all the indicators that indicate the actual situation and incoming condition of the bank. S= Strength and W= Weakness, these two basically talk about the current strength that helps to run its operation smoothly, also weaknesses that are reasons why the bank is behind than other banks in some sectors. On the other hand, O=Opportunities that talks about the future scopes for the bank to do well and T=Threat, that talks about the problems that might appear in the future which may cause some problems.

SIBL's SWOT analysis is clarified below:

S = Strength	W = Weakness
<ul style="list-style-type: none"> • SIBL has adequate liquidity which acts as an indicator that indicates financially the bank holds good and solid position. It also indicates that Social Islami Bank Limited does not ask for financial help from Bangladesh 	<ul style="list-style-type: none"> • One of the most recognizable weaknesses of SIBL is that they do not telecast their advertisement on Television. They only advertise the bank through newspapers. It is a great weakness for SIBL because so many

<p>Bank or other banks or financial institutions</p> <ul style="list-style-type: none"> • SIBL has established itself as a pioneer of Islami Sharia-based bank which performs better than so many traditional commercial bank. • SIBL Training Institute (SIBL TI) is one of the strengths that helps them to find out the true potentiality of a new employee. Based on that the management board can decide which employee is perfect for a specific position. It ultimately helps them in the long run. 	<p>people do not read newspapers and watch TV to get the news. Since they do not telecast their advertisement on TV, they fail to attract a huge number of customers and clients.</p> <ul style="list-style-type: none"> • SIBL has very less ATM booths comparing to other banks. Most of their ATMs are shared with other banks which is a weakness for SIBL.
<p>O = Opportunity</p> <ul style="list-style-type: none"> • E-Banking can be a huge opportunity for SIBL. If they show their potentiality in e-banking sector then they will get positive responses from their clients and customers which will help them to grow better and faster. • Opening new branches at new places will also create opportunities to get new customers and clients. • In Bangladesh, there are very less people who are very experienced in Islamic banking sector. SIBL can hire people from abroad who are very expert in Islamic Banking sector. It 	<p>T = Threat</p> <ul style="list-style-type: none"> • Few conventional banks have turned into Islamic Banks directly or by opening an Islamic Banking wing. For example, City Banking has turned its banking operations into an Islamic Sharia-based banking. This is a threat for SIBL. • Different financial institutions like IPDC, IDLC which provide loans for different purposes are also threats for SIBL

<p>will create so many opportunities for SIBL to attract more customers. Not only this, it will also create opportunities for SIBL to overtake their competitors in the banking sector.</p>	
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Porter's five forces:

To analyze the current situation of the bank, Porter's five factors is one of the most used methods. Porter's five factors of SIBL are given below:

1. **Competitive Rivalry:** Both conventional commercial banks and Islami sharia-based banks are the direct rivals of SIBL. When SIBL started its journey, there were few Islami Sharia-based banks like Islami Bank Bangladesh Limited (IBBL). But now number of the Islamic banks has increased a lot and there are eight fully Sharia-based Islamic banks are operating their banking businesses in Bangladesh. Eventually, conventional commercial banks are also opening Islamic branches or wings. So, the rivalry is increasing day by day.

2. **Power of Suppliers:** For a bank, investors and shareholders are the suppliers of a bank who hold the power of supply. They are the main reasons for the bank to maintain the cash flow. The bank will suffer if the investors stop investing in the bank. On the other hand, if investors wish to invest at some other banks where there are better options of getting high return then they will do that. So, it is clear that the supplier holds a huge amount of power.

3. **Power of buyers:** Basically mass people in other words depositors are the buyers. Depositors are interested to deposit their money in those banks where they get high-interest rate. Interest rate varies from one bank to other. So, when depositors find banks that provide higher interest rates, they shift their accounts into those banks.

4. **Threat of substitutions:** Other finance institutions like IPDC, IDLC where people can deposit their money or they get a loan with a lower interest rate can be the threat of substitutions for SIBL.
5. **Threat of new entrants:** Obviously banks that are coming to the market in the future (both conventional commercial banks & Islamic Sharia based banks) are the threat of new entrants for SIBL. Not only this, new financial institutions are also threats of new entrants for SIBL.

2.8) Overall Summary of SIBL

Social Islami Bank Limited(SIBL) is doing well in the banking industry especially in the Islamic banking sector because it has a very good reputation and also it is considered as one of the pioneer Islami banks in Bangladesh. Since Bangladesh is an Islamic country and SIBL follows the Islamic practices of banking, it can easily attract people to deposit their money at SIBL. Since SIBL follows Islamic laws for that reason it has some limitations in terms of launching any new product which is not accepted by Islamic laws and they also have some limitations regarding their activities. Apart from these, SIBL is doing really good in every other department. SIBL's operational management departments is doing very good which distinguishes SIBL from other banks specially which are not performing well. Bringing better and modern technologies are also making SIBL better than its competitors. SIBL is in a better position right now because SIBL's strengths and opportunities are more than the weaknesses and threats.

2.9) Recommendations

- SIBL should invest more in their advertisement. SIBL is doing well but not everyone knows about their activities. So, people give less attention to SIBL. If they invest more in advertising, then they will get more clients and depositors.
- Since technologies are changing so fast, SIBL should use modern technologies instead of using the same technology for a long time. When an organization uses the same technology for a long time then there is a chance of being hacked. As financial

institutions are prime targets for the hackers, SIBL should change their technologies routinely.

- SIBL invest in some specific areas which is not good because if any of those areas or industries fail, then it will be problematic for SIBL. So, SIBL should invest in more lucrative areas which will give them assurances of earning profit.
- To encourage woman development, SIBL should introduce more profit sharing schemes that will help women in their businesses or careers.

CHAPTER 3: OPERATIONAL EFFICIENCY OF SOCIAL ISLAMI BANK LIMITED (SIBL) AND A STUDY OF THEIR PRE-PANDEMIC AND PANDEMIC PERFORMANCES

3.1) Chapter Introduction:

3.1.1 Chapter Background:

Currently, there are 61 scheduled bank operating activities in Bangladesh. Among those banks, there are 6 commercial banks owned by the state, 33 conventional commercial banks which are owned privately, 10 sharia-based Islamic banks (8 of those are fully sharia-based Islami Banks). Not only this, there are also 9 foreign commercial banks (Bangladesh Bank, 2020). To maintain a country's sustainability in terms of economy and also to maintain the sustainability of a bank, operational efficiency is so important. Assessing operational efficiency is important for a bank to get the real scenario of the bank's financial performance. Through assessing operational efficiency, banks also take important financial decisions (Lu and Hung, 2011). Without assessing the financial performances, if any bank takes any steps then it will not bring a good result for the bank. To maintain financial sustainability and efficiency; every bank assigns a bank manager whose primary objective is to monitor the bank's performance. Bank managers observe the techniques that a bank follows and then they select and develop techniques. Banks always try to increase the productivity and efficiency of their respective banks. Successful input and output is very important to maintain the efficiency of the bank. To maintain the cash flow of the bank, a bank must maintain the inputs and outputs. The relationship of inputs with outputs, after considering the financial factors, is known as Efficiency (Bartuseviciene and Sakalyte, 2013). If we consider Operational efficiency then it basically talks about the existing relationship between the operating income and operating expense of a bank. When any bank maximizes the output

compared to the input, only then the bank is considered an efficient bank. (Alrafadi et al., 2016). The competition in the banking industry has increased a lot because there are lots of new banks have joined the market. A bank that is doing better in operational efficiency, can easily attract and retain more customers than other banks and can also provide services that make customers satisfied (Kadir *et al.*, 2011). On the other hand, parties like the governments, investors and stakeholders are also very keen to know the efficiency process of the bank because efficiency is a very important indicator that indicates the future possibilities of the bank that how well the bank may perform in the future (Uddin and Bristy, 2014).

3.1.2 Objective of the analysis:

The main objectives of my analysis are given below:

- To access the present situation after the corona virus pandemic of Social Islami Bank Limited.
- To analyze the profitability of Social Islami Bank by using different statistical methods. For example Mean, Mode, Median have been used to find the actual efficiency position of SIBL in the sector and Hypothesis Testing have been used to prove the significance of the research.
- To analyze how the bank makes their investment facilities easy under the Islamic Shariah laws
- To determine the factors where the bank is not doing good from its compotators
- To discuss on those issues from the observations which are needed to be considered for gaining and maintaining the financial stability of the bank.

3.1.3 Significance of the analysis:

The main significance of this analysis is to find how efficiently the banks are performing and their stability in the operational management specially during the coronavirus pandemic. To analyze the financial performance; operational efficiency plays an important role which is one of the main indicators that indicates the future of the bank specially how well the bank may perform in the future. So, people will be aware of the financial performances of SIBL and the other fully sharia-based Islamic banks of Bangladesh.

3.2) Methodology of the analysis:

Two types of sources have been used to conduct the analysis. Those sources are mentioned below:

Primary Sources of data:

- Personal Observation during the internship period.
- Direct interview & Conversation with the senior officers of Social Islami Bank Limited
- Opinion of the experts.
- Official records.

Secondary Sources of data:

- Annual report of Social Islami Bank Limited.
- Printed outlines and documentation supplied by Social Islami Bank Limited.
- Annual Financial Report of last 5 years of different Banking Institutions.
- Website of Social Islami Bank Limited (www.sibl.com)
- Internet sources

Moreover, to complete the analysis and the study two more methods have been used. Those analyses are given below:

1. **Ratio analysis:** For finding out the operational efficiency of SIBL with another fully sharia-based bank, Ratio analysis has been done considering the average of the last five years(2016-2020).

2. **Hypothesis testing:** To conduct hypothesis testing, variables (both dependent and independent) have been used where 40 is the total observation number. Currently, there are eight banks which follow Islamic Bank rules properly. The data of all the sharia-based banks for the last five years have been used because through this it will be easy to get the exact scenario of Islami Banks of Bangladesh.

Hypothesis no. 1:

Dependent variable: Return on Asset (ROA)

Independent variable: Efficiency ratio (ER)

H₀ = Efficiency Ratio has no significant relationship with Return on asset (ROA)

H₁ = Efficiency Ratio has a significant relationship with Return on asset (ROA)

Hypothesis no. 2:

Dependent variable: Net Profit margin (NPM)

Independent Variable: Efficiency ratio (ER)

H0 = Efficiency Ratio has no significant relationship with Net Profit Margin (NPM)

H1 = Efficiency Ratio has significant relationship with Net Profit Margin (NPM)

Here, Efficiency Ratio (ER) has been used because through this ratio we can measure how a company uses its assets to generate income or we can say Efficiency measures the capability of a company in terms of using its assets to generate income. In terms of a bank, Efficiency Ratio how the managers control their overhead expenses. When we divide a bank's non-interest expenses by their net revenue, we find Efficiency Ratio of the bank. When the efficiency ratio is 50% or below 50%, we consider it as optimal.

3.3) Findings of the analysis:

3.3.1) Ratio analysis (Both SIBL and Islamic Banks):

Analyzing is very important for every bank to take steps which will help the bank to move forward. To get better results from the analyzing ratio, trend analysis of SIBL was done for the last five years (2016-2020). Trend of SIBL is shown in the series graph where there is another graph which shows the five years average of each bank. Return On Asset (ROA), Return On Equity (ROE), Net Profit Margin(NPM), Earning Per Share (EPS), Capital Adequacy Ratio (CAR), Non-performing investment (loan) are the ratios that have been used. All of these ratios have a direct connection with operational efficiency.

Return on asset:



Figure 4: Return On Asset

*5 years data have been taken but 2016 was outdated

Here we can see the last five years' performances of SIBL in terms of Return On Asset and it is very inconsistent. On the other hand, it is very down trendy. Except 2016, SIBL was failed to generate any return if we compare this with asset of the bank. In 2020, it was .42% which was lowest in last 3 years. It happened because of the coronavirus pandemic.

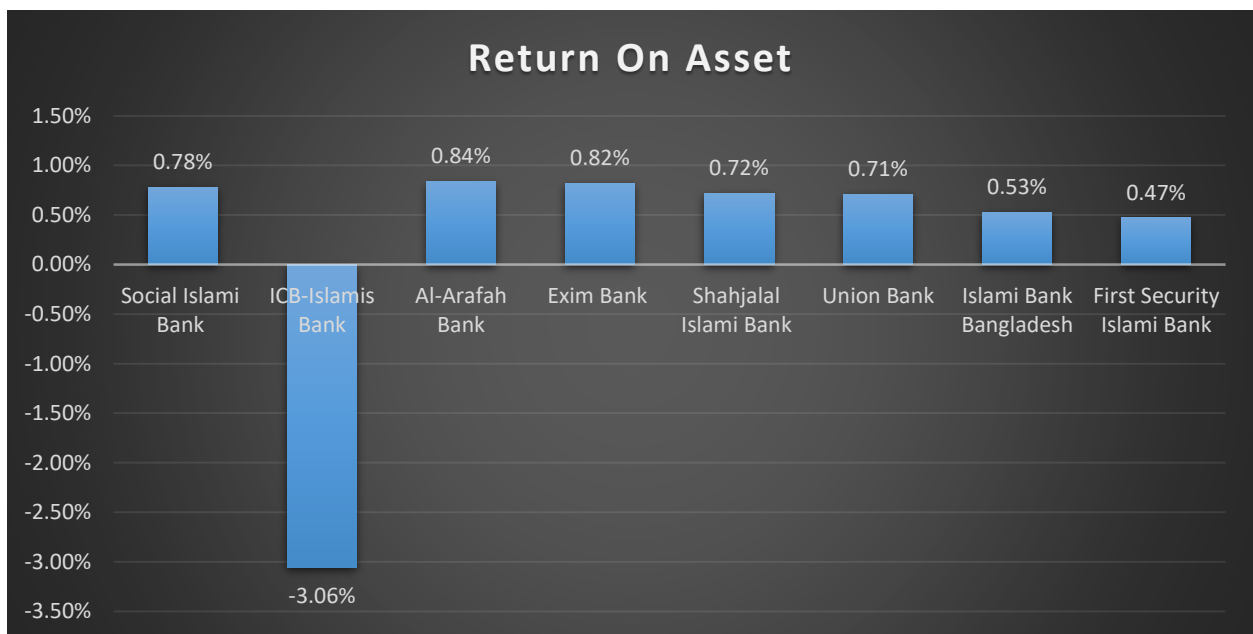


Figure 5: Return on asset (Sharia-based Islami Banks)

*5 years data have been taken but 2016 was outdated

It is seen from the graph that in terms of Return of Asset (ROA), Social Islami Bank is holding third position among all sharia-based Islami banks of Bangladesh and it's last five years average of ROA is 0.78% . On the other hand, Al-Arafah Islami Bank is in the first position with an average of 0.84% and ICB-Islamic Bank is in the last position with an average of -3.06%.

So, we can declare that when we consider the operational efficiency of SIBL then it is not fully satisfactory and also it seems they have rooms to work for making their ROA better to make the bank's operation more efficient. Coronavirus pandemic can be a reason for their low average in terms of ROA but they need to work efficiently to bring developments in ROA sector.

Return On Equity :

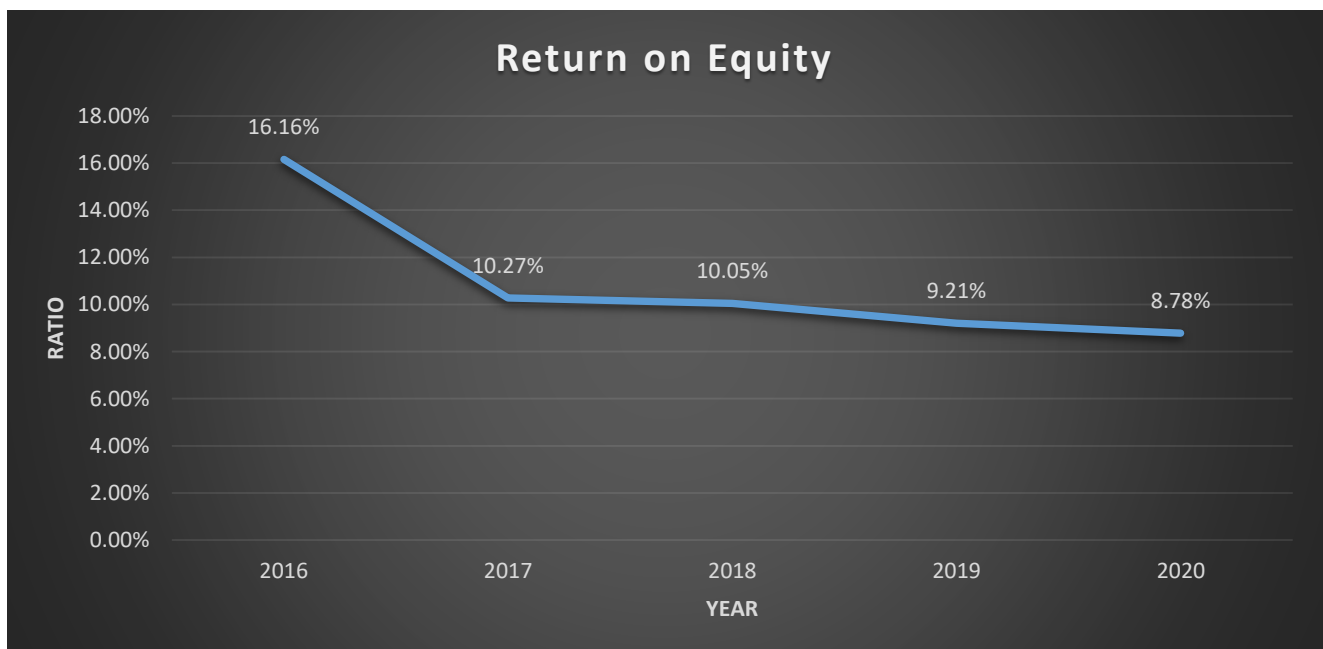


Figure 6: Return on equity (SIBL)

*5 years data have been taken but 2016 was outdated

The graph shows that SIBL's return on equity (ROE) is inconsistent. The return on equity(ROE) was much higher in 2016 comparing the recent years. In 2016, ROE of SIBL was 16.16%. But in 2020, ROE was only 8.78%. The performance of ROE in 2020 was very poor for the coronavirus situation. On the hand, the previous years were also down trending. So,we can say that SIBL is doing poor in terms of generating profit from shareholder's equity. SIBL has opportunities to do better in ROE sector.

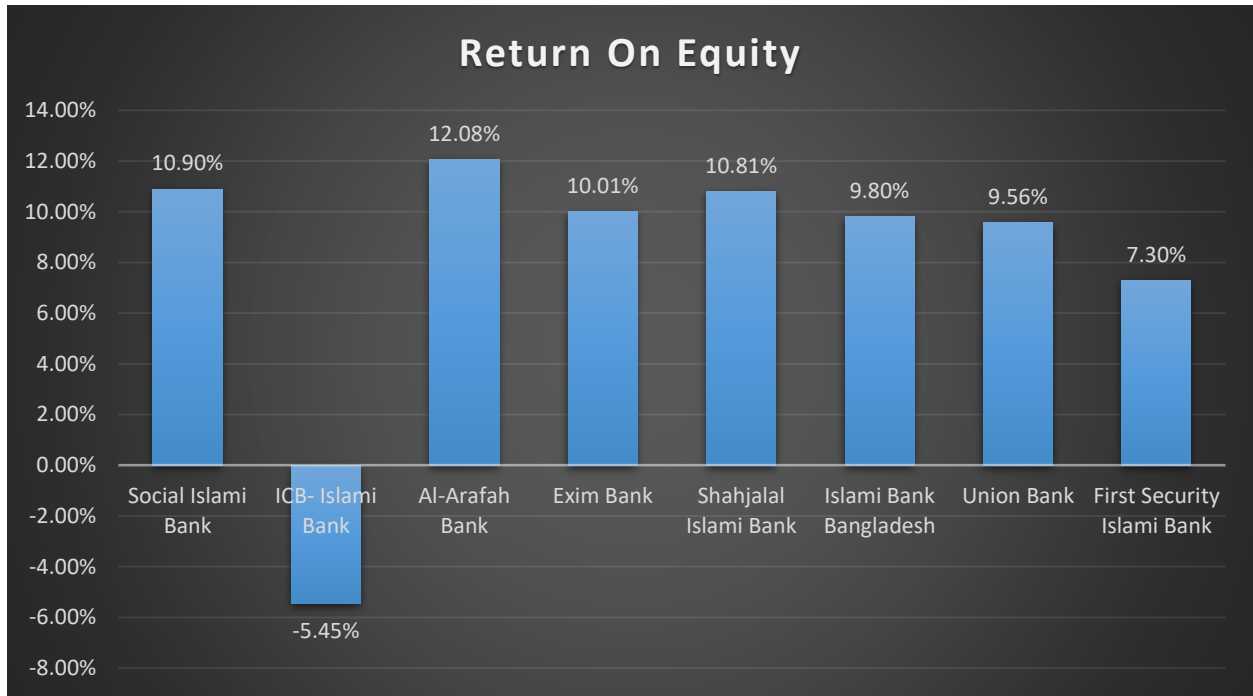


Figure 7: Return on equity (fully sharia-based banks)

*5 years data have been taken but 2016 was outdated

As we can see from the graph that SIBL holds the 2nd position in terms of ROE among sharia based Islami banks, considering five years average. In terms of ROE, Al-Arafah bank is holding the 1st position. If we compare the shareholder's equity of Al-Arafah bank with SIBL, then SIBL is right after Al-Arafah bank. So, we can say that SIBL is doing good in terms of ROE and they have scope to do better in this area. If we consider ROE then we can say that SIBL is maintaining a high operational efficiency.

Net Profit Margin:



Figure 8: Net profit margin (SIBL)

*5 years data have been taken but 2016 was outdated

As we can see from the graph that in 2017 the Net Profit Margin (NPM) was the highest in recent five years. But after 2017, the NPM of SIBL is decreasing. And in 2020, NPM was the lowest and it was 7.54% which is not a good thing for Social Islami Bank Limited. Even though, NPM of 2020 was the lowest due to covid, but apart from that NPM was also down trending in 2018 and 2019. SIBL should take steps to recover this deficiency.

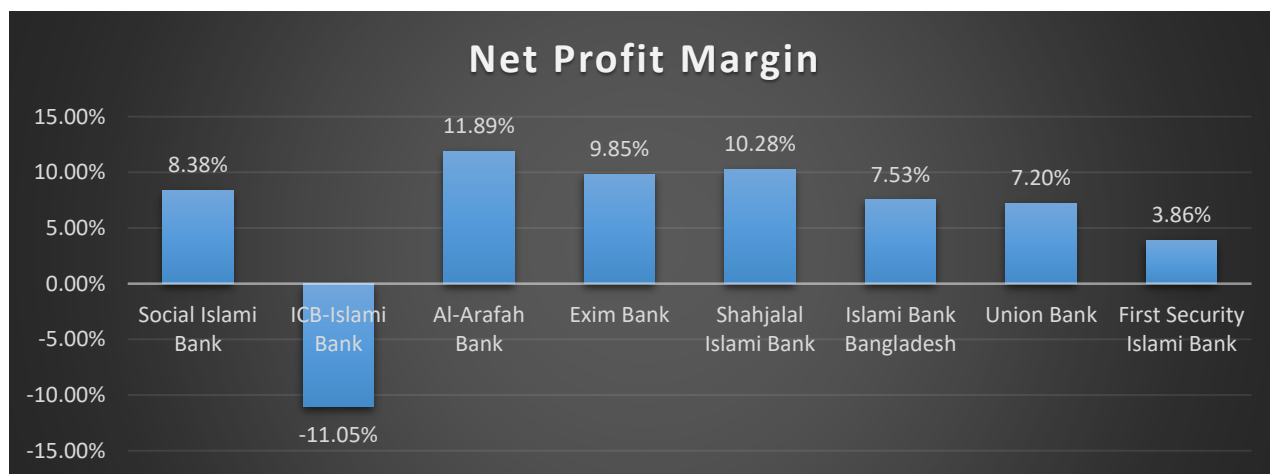


Figure 9: Net profit margin (Fully sharia based banks)

*5 years data have been taken but 2016 was outdated

As we can see from the graph that the 4th position in terms of net profit margin which is 8.38% belongs to SIBL. If we consider Net Profit Margin's average of last five years of all the Islamic banks of Bangladesh, then we see the Al-Arafa Islami Bank is in the top position with 11.89%. If we compare SIBL with Al-Arafa bank, then SIBL is not doing good in terms of Net Profit Margin. As we know, operational efficiency is important which indicates the profitability of the bank. Low profitability basically indicates that SIBL's operational efficiency is bad. So, it is very much easy to observe that the operational efficiency of SIBL is not as good as Al-Arafa Bank.

Earning per share:



Figure 10: Earning Per Share (SIBL)

*5 years data have been taken but 2016 was outdated

From the figure above, we see that the Earning Per Share (EPS) of Social Islami Bank Limited has a downward trend from 2016. In 2016, EPS of SIBL was 3.10 which was the highest in recent five years. In 2020, during coronavirus pandemic, SIBL's EPS was slightly better than 2019. So, we can say that SIBL's EPS is not good but they have scopes to do well in this area.

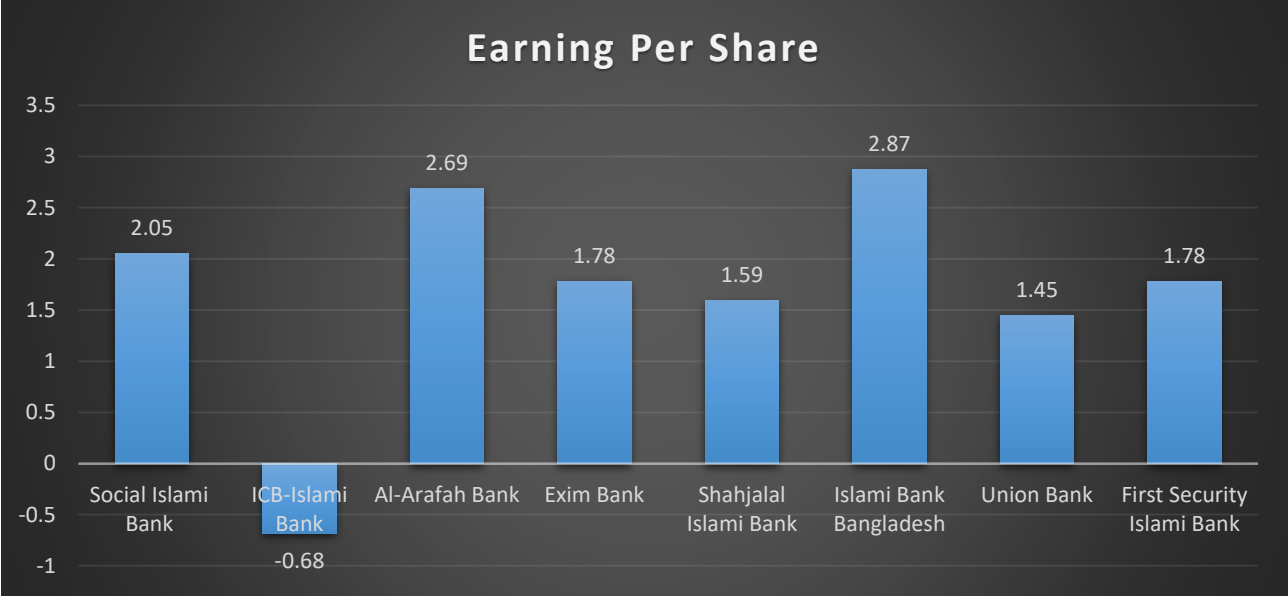


Figure 11:EPS (Fully Sharia-based banks)

*5 years data have been taken but 2016 was outdated

As we can see from the graph that Islami Bank Bangladesh Limited (IBBL) holds the top or 1st position when we consider Earning Per Share and it was 2.87 on an average of last 5 years. On the other hand, SIBL is in the third position with an average of 2.05 which is much lower than IBBL. The gap between these banks is huge. So, it is easy to say that SIBL has performed very poor in the EPS area. It also indicates that SIBL has some lackings in their operational efficiency which is why they are not generating enough EPS. So, they need to focus on their operational efficiency for better financial performance.

Capital Adequacy Ratio(CAR):

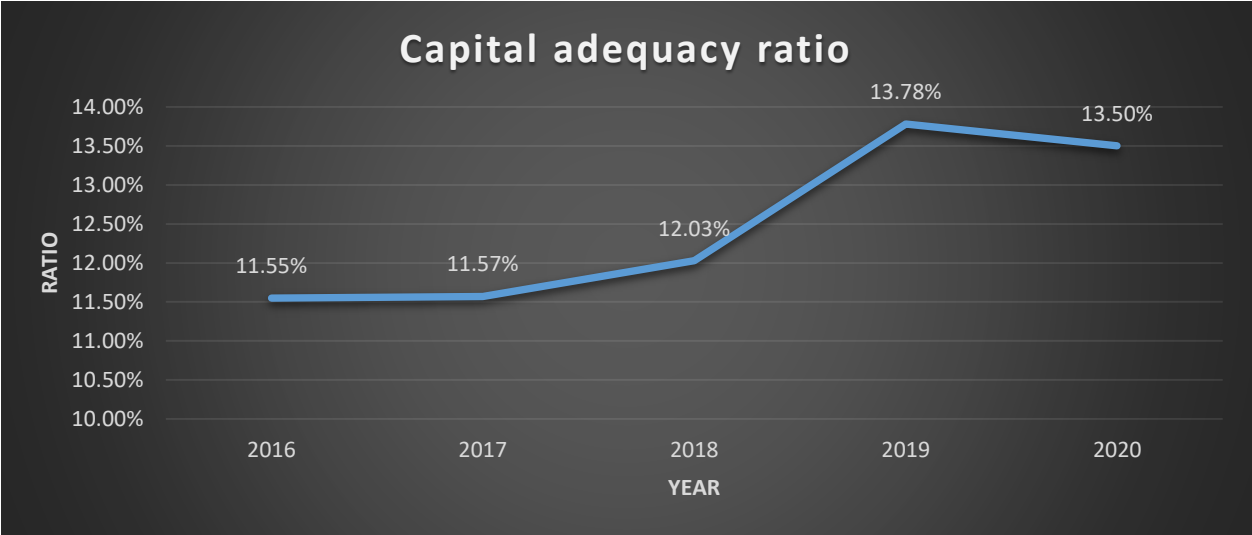


Figure 12:Last 5 years Capital Adequacy Ratio of SIBL

*5 years data have been taken but 2016 was outdated

As we can see from the graph that capital adequacy ratio has of SIBL is not very consistent. It was 11.55% in 2016 and it became 13.78% in 2019 which was the highest in last 5 years. But due to coronavirus pandemic it decreased to 13.50% which is not very bad from 2019. The graph also shows that SIBL is growing their capital adequacy ratio slowly which minimizes the credit risk.

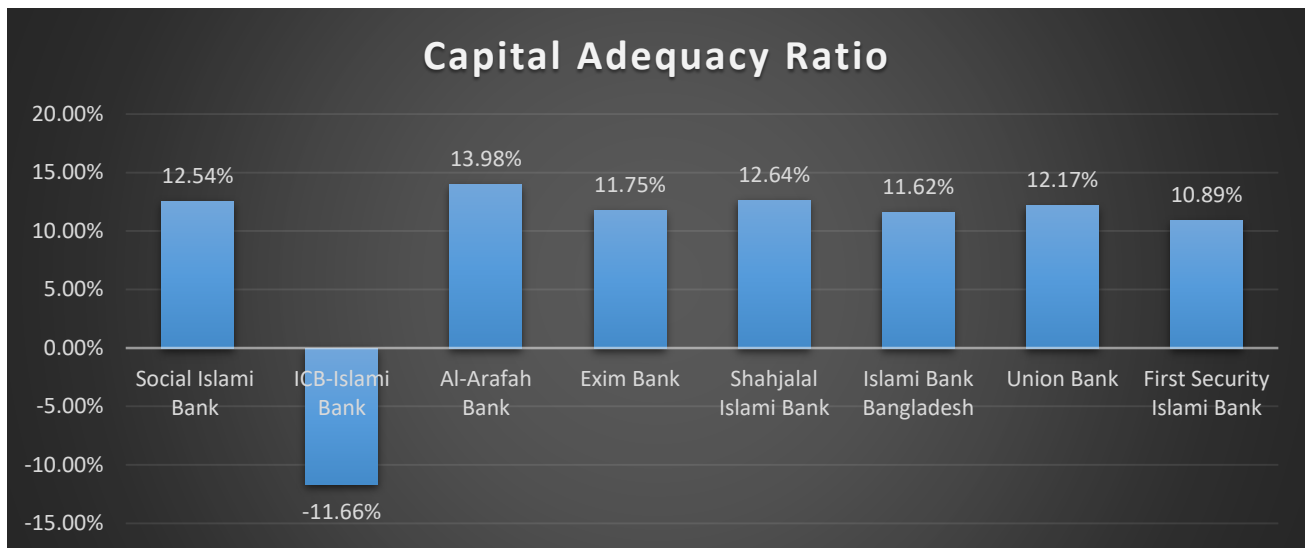


Figure 13: Capital Adequacy Ratio (All Islami banks)

*5 years data have been taken but 2016 was outdated

As we can see from the graph that when we consider the last five years average of Capital Adequacy Ratio considering all Islamic Banks, then we see that SIBL is in the 3rd position with an average of 12.54%. Comparing to the eight fully sharia-based banks, we also see that Al-Arafah Bank is holding the first position of capital adequacy ratio with an average of 13.98%. When we compare SIBL with another renowned Islamic bank Al-Arafah Islami Bank then we see that the capital adequacy ratio of SIBL in comparing to Al-Arafah bank, is close but not fully satisfactory. So, we can say that if SIBL takes the right decision to increase the capital adequacy ratio and implement those perfectly then they can do well in this area.

Capital Adequacy Ratio has a direct relation with the operational efficiency of the bank because it shows a bank's riskiness or we can say it measures how risky a bank can be in the future. Operational Efficiency will not be satisfactory if the bank is riskier. So, we can say that SIBL is not doing fully satisfactory performance in terms of Capital Adequacy Ratio.

Efficiency Ratio basically talks about a company's ability to generate more income by using its asset. In terms of bank, ER basically focuses on how well bank's manager control the expenses to generate profit. Bank managers can perform only when the bank performs well. If we compare, SIBL with other Islamic banks then we can see that the bank is performing ok. The

performance is not so bad and it is not the best performance as well. For example, SIBL's performance is much better than ICB-Islamic bank but on the other hand it is not that much high or good level as IBBL. So, it is clear that the bank has room to improve their efficiency through their financial performances. If managers focus on the issues that bank deals with right now and then try to solve it then ER will be better for the bank.

Operating profit:

Year	Operating Income	Operating Expenses	Operating profit
2020	10,455,058,943	6,073,221,416	4,381,837,527
2019	12,360,708,815	5,993,716,149	6,366,992,666
2018	11,697,753,545	6,227,143,351	5,470,610,194
2017	10,984,481,51	4,757,625,673	6,226,855,842
2016	9,714,417,519	3,986,805,828	5,727,611,691

Table 7: Operating Profit (SIBL)

*5 years data have been taken but 2016 was outdated

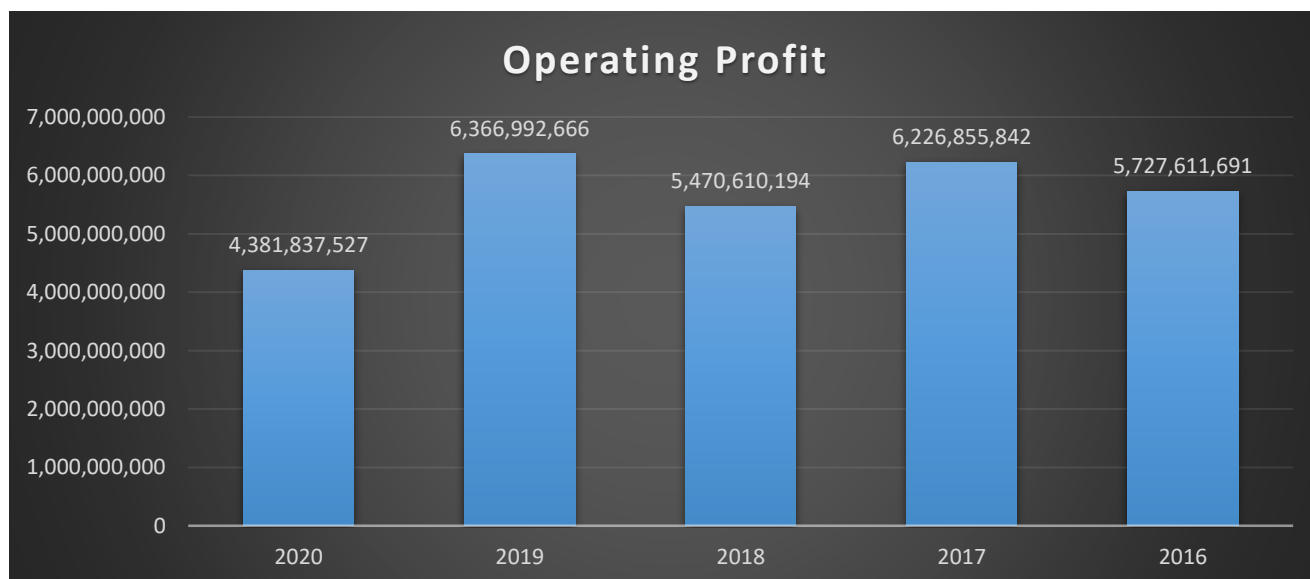


Figure 14: Operating Profit (SIBL)

*5 years data have been taken but 2016 was outdated

From the graph, we are seeing that the Operating profit of SIBL is not impressive in 2020. In 2020, it decreased around 19.8million BDT. It happened due to the corona virus pandemic. SIBL should focus on this area to increase the Operating Profit of the bank.

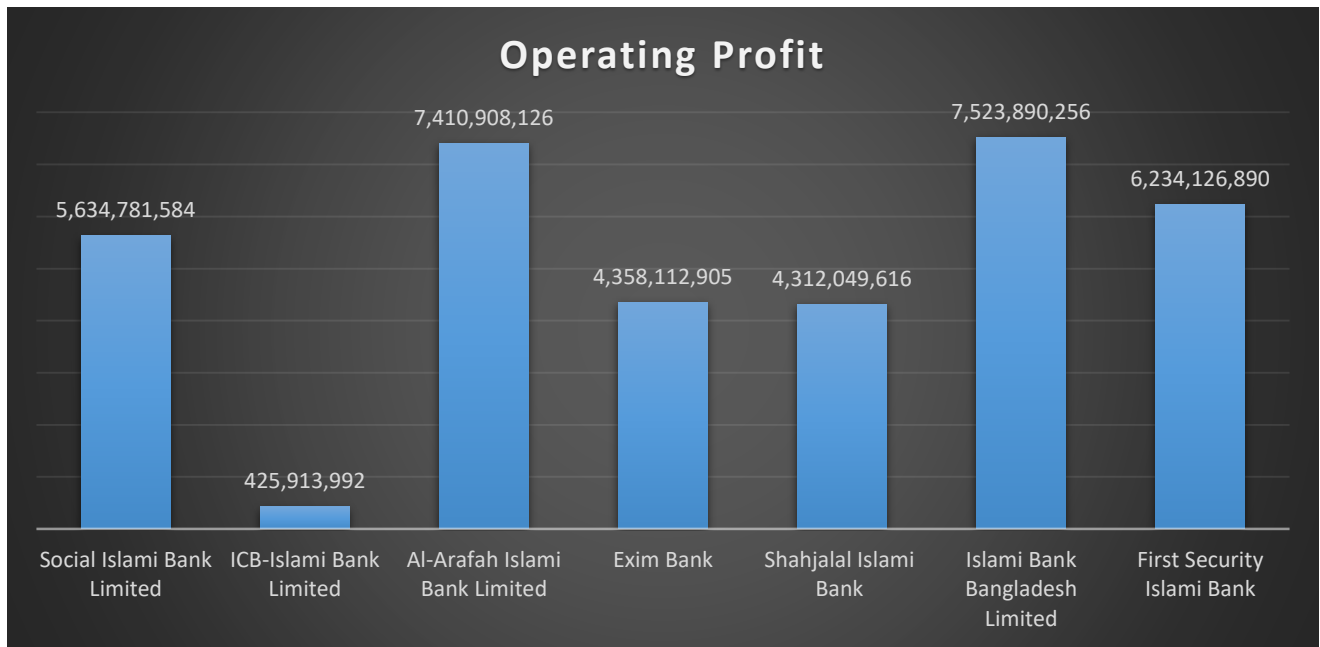


Figure 15: Operating Profit (Islami Banks)

*5 years data have been taken but 2016 was outdated

From the graph, we are seeing that Al-Arafah Bank and Islami Bank Bangladesh limited are doing better than Social Islami Bank Limited in terms of Operating Profit. Social Islami Bank have room to improve Operating Profit. They should take proper initiative to improve their operating profit.

3.3.2 Impact of Covid 19

Coronavirus pandemic impacted a lot in every sector. Banking sector was not out of the impact of Covid-19 pandemic. It had a huge impact on the banking sector of Bangladesh. That is why Bangladesh Bank along with the govt. implemented new rules. SIBL has made some new operational rules during covid 19 to protect both the customers, clients and the employees. Those changes are given below:

- The board meeting and training specially computer-related trainings are held virtually due to protect everyone.
- Due to protect the employee and to follow the government instruction, SIBL also implemented the instruction of following the employee's roaster schedule.
- Wearing mask for all the employees, staffs and the customers are mandatory when they are at SIBL office.

- To protect every employee, staffs and the customers, SIBL launched ADC (Alternative Delivery Channel) department. Main task of this department is to provide digital banking services to the customers even if they are home due to the coronavirus pandemic

Since the world is moving towards the technological age and the covid-19 situation accelerated that process a lot, SIBL is taking technological related services like E-banking, E-payment etc very seriously.

Here, we would observe the situation of SIBL before and after covid-19. The situation will compare the 1st quarter of 2020 and the 3rd quarter of 2020. 1st quarter of 2020 ended in 31st March, 2020 and the 3rd quarter 30th September. Since the coronavirus pandemic broke out in March 8th 2020 in Bangladesh, so the banking sector started to be affected from April.

Criteria	At the end of 31 March 2020	At the end of 30 September 2020
Operating profit	1,70,65,92,854	2,22,04,82,055

Table 6 : Operating profit (SIBL)

Here, operating profit has been used because the report is based on operational efficiency. From the table, we can see that the operating profit of SIBL has been increased by 30.11%. Since the operating profit increased double we can say that covid-19 could not impacted negatively.

Operating profit of all the sharia-based Islamic banks of Bangladesh are given below:

Banks	At the end of 31 March 2020	At the end of 30 September 2020	Growth
Social Islami Bank Limited	1,70,65,92,854	2,22,04,82,055	30.11%.
ICB-Islami Bank	-59,46,68,974	15,87,95,856	-126.7%
Al-Arafah Islamic Bank	3,47,28,73,354	2,67,65,06,600	-22.85%
Exim Bank	48,35,67,953	45,46,87,823	-5.92%
Shahjalal Islami Bank	1,25,38,25,475	1,47,68,78,973	17.84%
Islami Bank Bangladesh	8,95,06,42,396	12,36,93,13,655	38.19%
First Security Islami Bank	7,50,83,63,223	8,36,56,48,334	11.35%

Table 8: Operating profit (Islamic banks of Bangladesh)

*5 years data have been taken but 2016 was outdated

As we can see from the graph that covid-19 impacted differently to different banks. SIBL's operating profit increased 30.11% during covid-19 so we can say Covid-19 could not bring negative effects to SIBL. But some banks like ICB-Islamic Bank, AL-Arafah Bank and Exim Bank these three fully sharia-based Islamic banks experienced negative effects of Covid-19. They had negative operating profit during covid-19 period. Their operating profit decreased which ultimately says that SIBL did well in term of operating during coronavirus pandemic.

3.3.3) Descriptive analysis:

Here, to conduct the analysis I have considered and taken the financial information of all the Sharia-based Islamic banks including my assigned bank (SIBL) from 2016 to 2020. So, in total there will be $8*5 = 40$ observations. Through this, we will get a clear idea of the current situation of all the Sharia-based Islamic banks of Bangladesh.

Items	Return On Asset	Efficiency Ratio	Net Profit Margin	Operational Expense Ratio
Mean	0.93%	40.58%	5.87%	78.45%
Median	0.58%	45.87%	8.12%	63.54%
Maximum	2.05%	58.52%	9.83%	115%
Minimum	-3.06%	33.57%	-9.42%	28.70%
Standard deviation	7.09%	5.07%	8.79%	33.23%
Total number of observations	40	40	40	40

Table 7: Descriptive statistics of all the fully Sharia-Based Islamic Banks

As we can see from the graph that sharia-based Islamic banks' mean efficiency ratio is satisfactory because it is 40.58% which is below 50%. On the other hand, the median efficiency ratio is 45.87% for all the fully sharia-based Islamic banks. Also 58.52% is the maximum efficiency ratio where the minimum efficiency ratio is 33.54% with a standard deviation of 5.07

% . Standard deviation of all the Islamic Banks is very high because of ICB-Islami bank which is doing really bad in recent years. On the other hand, the mean and the median of Return on Asset (ROA) are 0.93% and 0.58%. If we look at the table, we can see that when we consider all the Islamic bank's Return on Asset then Maximum ROA is 2.05% where the minimum ROA of the industry is -3.06%. ROA's Standard Deviation is also very high which is 7.05% which happened because of the poor financial performances of ICB-Islamic Bank. On the other hand, the mean of the Net Profit Margin (NPM) is 5.87% where 8.12% is the median of the net profit margin(NPM) and the maximum NPM is 9.83% and the minimum NPM is -9.42%. Since ICB-Islamic bank is performing very poor and bad, the standard deviation is also very high in Net Profit Margin as well and because of the poor performance of ICB-Islamic Bank Standard Deviation is 8.79%. Lastly, the mean and median of all the eight fully sharia-based Islamic banks of operational expenses are 78.45% and 63.54%. 115% was the maximum operational expense ratio and the minimum operational expense ratio was 28.70%. And again since the financial performance of ICB-Islamic Bank is not good, the standard deviation was 33.23%. It happened due to the poor financial performances of ICB-Islami Bank because they are spending more than the revenues they earn and they are making loss for four to five years consistently.

3.3.4) Hypothesis testing:

Here, I have considered and taken the financial information of all the eight fully Sharia-based Islamic banks including my assigned bank (SIBL) from 2016 to 2020. So, in total there will be $8*5 = 40$ observations. Through this, we will get a clear idea of the current situation of all the eight fully Sharia-based Islamic banks in Bangladesh.

Dependent variable= Return on Asset (ROA)

Independent variable= Efficiency ratio

H₀ = Efficiency ratio (ER) has no significant relation with ROA

H₁ = Efficiency ratio (ER) has a significant relation with ROA

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.798056484							
R Square	0.662524377							
Adjusted R Square	0.62182735							
Standard Error	0.052510368							
Observations	40							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	0.16216238	0.162162	60.00978	1.25E-09			
Residual	38	0.10034589	0.002418					
Total	39	0.263719548						
	<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	-0.040750589	0.023642727	-3.5271	0.000879	-0.095497014	-0.026223135	-0.02623135	0-0.095497014
X variable 1	0.297508972	0.038693545	7.098886	1.57E-10	0.18768932	0.352707263	0.352707263	0.18768932

Table 8: Regression analysis between ROA & Efficiency ratio

As we can see from the analysis that the multiple R of the regression analysis is 0.7980 where R square is 0.662. From this, we can say that the value is significant. On the other hand, the coefficient of the analysis is 0.297. The P-value of the regression analysis is 1.57E-10 which is obviously below 0.05 which basically proves that the relationship is significant.

From this we can say that we can accept the alternative hypothesis where there is a significant positive relationship between efficiency ratio and Return On Asset (ROA).

Hypothesis 2:

Dependent variable: Net profit margin

Independent variable: Efficiency ratio

H₀ = Efficiency ratio has no relational significance with net profit margin (NPM)

H₁ = Efficiency ratio has a relational significance with net profit margin (NPM)

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.785445225							
R Square	0.594020156							
Adjusted R Square	0.583157216							
Standard Error	0.036761683							
Observations	40							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	0.079173287	0.079173	60.24165	1.54E-09			
Residual	38	0.047517682	0.001158					
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	-0.094591246	0.011272341	-7.54024	2.01E-09	-0.102113875	-0.096826589	-0.09682659	-0.06748514
X variable 1	0.19421531	0.02512519	7.634852	1.45E-09	0.147345643	0.165247647	0.165247647	0.231341585

Table 9: Regression analysis (NPM- Efficiency ratio)

As we can see from the analysis that multiple R of the regression analysis is 0.7854 where R square is 0.5942. From this we can say that the value is significant. On the other hand, the coefficient is -1.1956. This basically tells that a negative relationship is existing in between Net Profit margin and Efficiency ratio. From the analysis, we also get 2.01E-09 is the P-Value of the Efficiency Ratio which is obviously less than 0.05 which basically proves that the relationship is significant.

From this we can say that we can accept the alternative hypothesis where there is a significant positive relationship between efficiency ratio and Net Profit Margin.

3.4) Summary of the analysis:

Different financial indicators are very important in terms of determining the operational efficiency. To determine whether a bank is efficient or not in terms of operational, we are depended on different financial indicators. By analyzing different financial indicators, it is clear that SIBL is doing average in most of the financial sectors. SIBL is not at the top of the most of the financial indicators but they are not also at the bottom of the indicators. So, from this it is very clear that SIBL is doing average in most of the financial indicators. It is also clear that SIBL has many options to bring development in their bank. It will help them to improve their financial indicators. They can improve in Return on Asset (ROA). They can also bring some improvements in Return on Investment sector as well. If we consider ROA, then we see that SIBL was in the 4th position among all the fully sharia-based Islamic bank in 2020 and 3rd in terms of ROI in 2020. On the other hand, SIBL did very good in non-performing investment which is considered as Non-performing loan in the Conventional banks. SIBL is also doing great in EPS sector and had a great earning in 2020 in Earning per share sector. From all of these, it is very clear and easy to say that SIBL is doing good and their operational efficiency is very good which will help to improve the financial indicators of SIBL.

3.5) Recommendation for SIBL:

- SIBL should take care of their Return On Investment because in this sector SIBL is not doing very well to take the bank at the top of the position even though they have huge opportunities to be at the top position in this financial sector. SIBL is doing good in another investment sector which is NPI but they should also concentrate to ROI to bring more improvements in investment sectors.
- SIBL should also utilize their assets properly to bring more improvements. Sometimes their assets get wasted because of their wrong decisions to invest those assets properly. If SIBL emphasis on the return on asset then their return on asset will improve very much.

So, these are the recommendation for SIBL. If they take these issues seriously and work on these then their financial performances will be better which will eventually help them to be at the top position.

3.6 Reference:

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5) Alrafadi, 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>

Important websites:

- 1) <https://www.siblbld.com/about/financialreports>
- 2) <https://www.al-arafahbank.com/Financial-Statement-final.php>
- 3) https://www.icbislamic-bd.com/pages/financial_statements.php
- 4) https://www.islamibankbd.com/annual_report.php/
- 5) <https://www.fsiblbld.com/category/annual-report/>
- 6) https://www.eximbankbd.com/report/Annual_Reports/

- 7) <https://www.fsibld.com/category/annual-report/>
- 8) <https://www.unionbank.com.bd/annual-reports.php/>
- 9) https://www.bb.org.bd/pub/special/covid19_policymeasures.pdf

3.7 Appendix

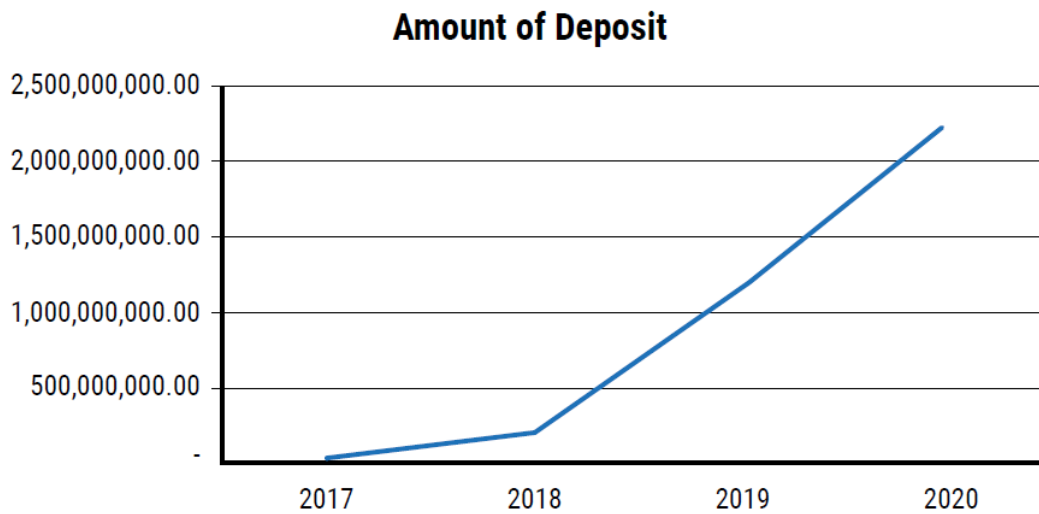


Figure : Deposit Amount

Mudaraba Savings Deposit

SI	Particulars	2020	2019
1	Mudaraba Savings Deposit	3.50%	4.00%
2	SIBL Youngster Account	4.50%	6.50%
3	Super Savings Account	4.50%	5.00%
4	Sanchita Special Deposit Scheme	2.50%	4.50%
5	Proshanti (Mudaraba Zakat Savings Account)	7.00%	9.00%
6	Mudaraba Cash Waqf Savings Account	7.00%	10.50%

Figure : Different Scheme

Composition of SME Investment Outstanding of the Bank (December, 2020)

(In million BDT)

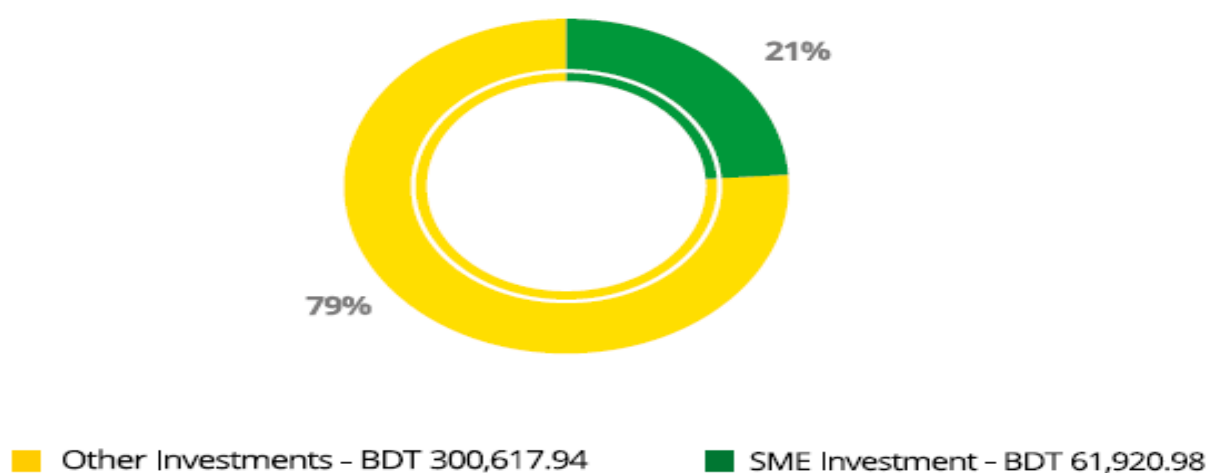


Figure : SME investment

Trend in SME Investment Outstanding of the Bank (2009-2020)

(In million BDT)

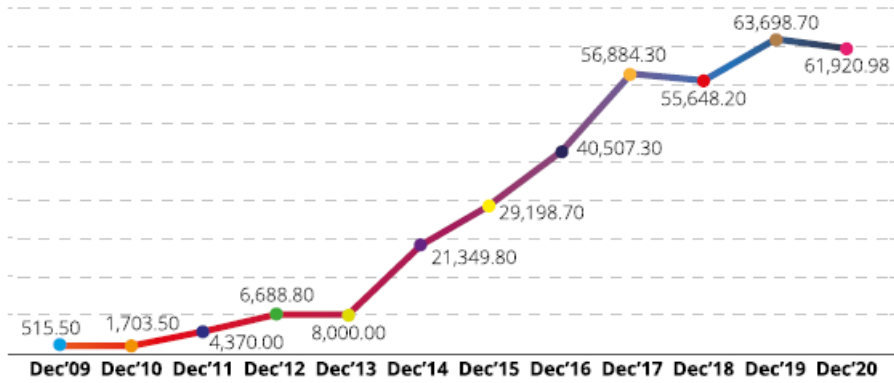


Figure : Spending of SIBL in SME sector for last 10 years

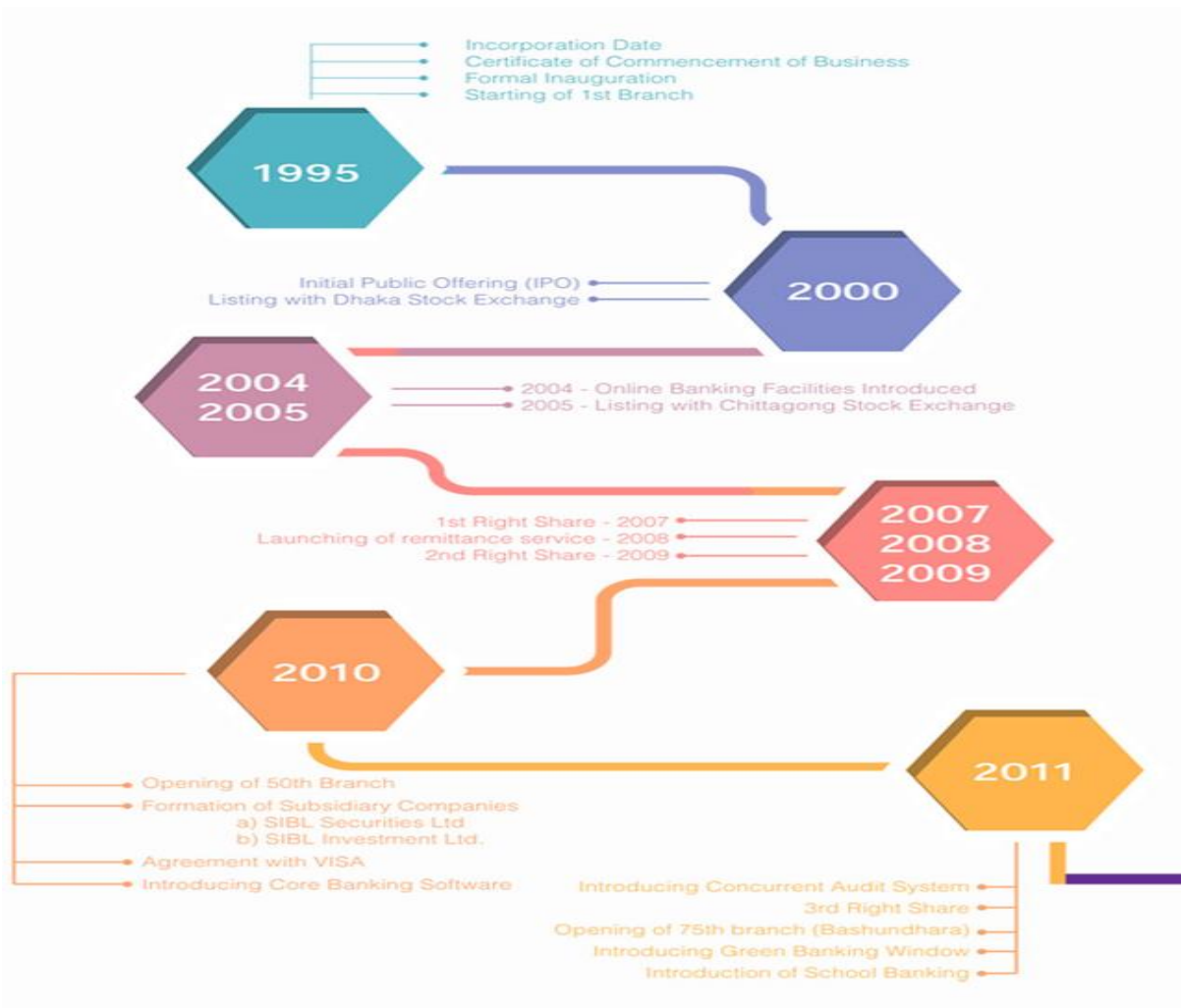




Figure : Achievement of SIBL

Sectors	Contribution	
	in 2020	in 2019
Health	16,91,370.00	29,69,870.50
Education	5,21,85,749.00	47,01,300.00
Disaster Management (Family Rehabilitation)	10,00,00,000.00	1,00,00,000.00
Sports	50,000.00	1,57,500.00
Art & Culture	0.00	2,76,750.00
Environment (Social Utility)	11,74,27,175.00	27,91,79,950.00
Others	4,75,845.00	47,250.00
Total	27,18,30,139.00	29,73,32,620.50

Figure : CSR investment of SIBL

Sector	2020		2019	
	Amount	Composition	Amount	Composition
Commercial lending	63,085,991,368	20.99%	53,900,724,832	20.40%
Export Financing	7,421,291,294	2.47%	4,921,018,590	1.86%
House Building Investment	4,016,753,073	1.34%	3,743,143,723	1.42%
Investment against Scheme & MTDR	5,291,700,741	1.76%	3,991,981,577	1.51%
Small and Medium Enterprises	61,920,979,098	20.60%	63,698,717,346	24.10%
Micro Investment	678,555,344	0.23%	528,101,236	0.20%
Other Investments	15,673,861,882	5.21%	18,368,360,048	6.95%
Off-shore Banking Unit	4,308,095,641	1.43%	2,213,479,499	0.84%
Executives & Staffs of SIBL	2,333,636,172	0.78%	2,460,432,039	0.93%
Agricultural Industries	3,123,138,160	1.04%	3,368,258,174	1.27%
Textile & Allied Industries	41,971,323,395	13.96%	33,741,188,311	12.77%
Food & Allied Industries	13,678,729,468	4.55%	12,615,242,920	4.77%
Pharmaceutical Industries	1,756,699,072	0.58%	1,568,322,953	0.59%
Leather, Chemical, Cosmetic etc.	4,215,657,911	1.40%	3,197,244,220	1.21%
Construction Industries	9,140,136,471	3.04%	8,177,394,150	3.09%
Cement and Ceramic Industries	5,027,401,867	1.67%	3,611,668,991	1.37%
Service Industries	16,686,788,763	5.55%	11,368,846,621	4.30%
Transport and Communication Industries	4,143,127,206	1.38%	3,192,320,500	1.21%
Other Industries	36,144,076,640	12.02%	29,602,143,917	11.20%
Total	300,617,943,566	100.00%	264,268,589,649	100.00%

Figure : SIBL investment in different sectors

Particulars	2015	2016	2017	2018	2019	2020
Number of Debit Card	19868	40280	50151	74090	97515	19813
Number of Credit Card	6273	11417	14236	14567	16327	2012
Sanction Limit (crore)	114.55	162.35	195.95	199.65	212.18	221.59
Outstanding (crore)	27.58	48.15	70.99	93.95	72.00	79.00
Income (crore)	4.75	11.35	15.91	18.94	17.03	17.95
Expenditure (crore)	3.61	8.24	10.85	10.93	12.63	11.85
Net Profit (crore)	1.28	3.11	5.06	8.01	4.40	6.10

Figure : Debit/Credit card issuing number