

Measuring the Performance of Islamic Banks in Bangladesh: An Exploratory Study

Md. Helal Uddin¹

Abstract

Banking sectors is called the life blood of economy in Bangladesh, Islamic Banks playing a vital rule in this regard. The deposits and investment of the Islamic banking systems are now 25 percent & 30 percent respectively of all private banks deposits and investments. The aim of this paper is to measure the performance of Islamic Banks of Bangladesh for the sake of stakeholders to make economic decision. For this study, eleven trend equations have been tested for different activities of the Islamic banks & Square of correlation coefficient (r^2) has also been tested for all trend equations. It is observed that all Islamic banks are able to achieve a stable growth & Square of correlation coefficient (r^2) is positive, in many cases above 0.90. It indicates the prospect of Islamic banks in Bangladesh is very bright. The study recommended stakeholders to rely on Islamic Banks for making economic decision as well as recommended Banks to increase the level of compliance with Shariah and state policy to increase their performance.

Keywords: Performance analysis, Islamic Banks, Bangladesh.

1. Introduction

The Islamic banking is seeing impressive growth in Bangladesh. Bangladesh entered the Islamic banking system only in 1983, with the establishment of Islami Bank Bangladesh. Since then, six more full-fledged private Islamic banks and 20 Islamic banking branches of conventional banks have been established. Pat wary(Chairman of the executive committee of Islami Bank Bangladesh Limited) says that his bank is now one of the top performer banks in terms of business and profits among the 48 commercial banks operating in the country. "Islamic Bank Bangladesh Limited has gained first position in the all private banks in term of deposits, investment, export & import and remittance collection." According to the Bangladesh Bank (BB), the central bank of the country, the deposits of the Islamic banking

¹ Department of Business Administration, International Islamic University Chittagong, Bangladesh, 240, Nawab Siraj Uddowla Road Chawk Bazar, Chittagong-4203 Bangladesh, Mobile: +88-01913-954760, E-mail: helalaiscu@gmail.com

systems are now 25 percent of all private banks deposits and its investments are 30 percent. Bahauddin Mohammad Yusuf, vice chairman of Al-Arafah Islamic Bank, has an explanation for Bangladesh's Islamic finance boom. He says that for a Muslim, whose religion prohibits earning or paying interests, Islamic banking makes it possible to operate interest-free business. "People of this country are religious," Patwary, of the Islami Bank, agrees. Islam forbids Muslims from usury, receiving or paying interest on loans. Islamic banks and finance institutions cannot receive or provide funds for anything involving alcohol, gambling, pornography, tobacco, weapons or pork. Shari'ah-compliant financing deals resemble lease-to-own arrangements, layaway plans, joint purchase and sale agreements, or partnerships. Bangladesh is the world's third largest Muslim majority country, with Muslims making up more than 80 percent of the nation's 148 million population. DHAKA — the globally-booming Islamic finance is making strides and gaining popularity in Bangladesh, with experts predicting that the shari'ah-compliant industry will continue in steady steps to become the mainstream banking system in Muslim South Asian nation. "The future of the Islamic banking systems is so bright," Mominul Islam Patwary, Chairman of the executive committee of Islami Bank Bangladesh Limited, told Islam Online.net.

2. Literature review

Islamic banking (Arabic: *ا قيم ية صرف م ال*) is banking or banking activity that is consistent with the principles of Shariah law and its practical application through the development of Islamic economics. Shariah prohibits the fixed or floating payment or acceptance of specific interest or fees (known as *riba*, or usury) for loans of money. Investing in businesses that provide goods or services considered contrary to Islamic principles is also *haram* ("sinful and prohibited"). Although these principles have been applied in varying degrees by historical Islamic economies due to lack of Islamic practice, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community. Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of Shariah, known as *Fiqh al-Muamalat*. Amongst the common Islamic concepts used in Islamic banking are profit sharing (*Mudarabah*), safekeeping (*Wadiah*), joint venture (*Musharaka*), cost plus (*Murabaha*), and leasing (*Ijara*). Some of the salient features of Islamic Banking may be summed up as (Siddiqui, 2004): Kaynak and Whiteley (1999), for example, observed that the convenience of a bank was a primary motivation for customers in selecting a specific institution. Further, the convenience motivation include location or other factors such as service quality (Wel and Nor 2003, Lee and Marlowe 2003). Jalaluddin (1999) interviewed eighty Australian financial institutions based in Sydney on their attitudes towards Islamic profit/loss sharing methods of finance and whether they would be agreed to lend funds in accordance with these methods. Overall, more than forty percent of respondents were

prepared to lend funds on a profit/loss sharing basis, motivated in part by the need to provide business support, strong growth in the demand for funds. In contrast, Almosawi (2001) concluded that the bank's reputation was the most significant factor, while Owusu-Frimpong (1999), Ta and Har (2000) and Kaynak and Harcar (2005) found that profitability factors, such as low service charges and high interest rates, were the major reasons why customers chose a particular bank. Ahamad and Haron (2002) considered business attitudes towards Islamic banking products and services by forty-five corporate customers. The major finding was again that economic factors, such as profitability and the quality of services, were more significant for customers than religious reasons. However, one qualifying factor could be that the majority of respondents were non-Muslims who were generally less aware of the existence of Islamic banks and the substitutability of Islamic finance methods for products and services. Kaynak and Harcar (2005) also concluded that a fast and efficient service was also an attractive feature valued by current and potential customers, while Gerard and Cunningham (2001) considered that for most customers the most important criterion for bank selection was feeling secure.

3. Objectives of the study

The main objective of the study is to evaluate the financial performance of Islamic banks in Bangladesh. As the financial performance evaluation of Islamic bank, the study has taken into accounts the following specific objectives:

- To highlight the financial position of the sample Islamic banks
- To examine the financial performance of the sample banks
- To make a comparative analysis based on the findings of the study.
- To suggest some measures for improving the problems involved in Islamic Banking of Bangladesh.

4. Methodology of the Study

This study has been based mainly on data from secondary sources. The relevant data and information were collected from Stock Exchanges, Annual Reports of sample Islamic banks of Bangladesh, Bangladesh Bank, Securities and Exchange Commission and web sites of Islamic banks of Bangladesh etc. Relevant articles and literature in this context have also been consulted. In this article I analyzed last five years data of selected Islamic banks of Bangladesh.

5. Selection of samples

There are six Islamic banks listed in the stock exchanges in Bangladesh. All the six listed Islamic banking companies were taken as the sample for the study, that is, the sample covered 100% population of the field. The Islamic banks under study are as given below:

Sample No.	Name of Islamic Banks	Year of Incorporation
Sample-1	Islami Bank Bangladesh Limited	1983
Sample-2	Al-Arafah Islami Bank Limited	1995
Sample-3	Social Islami Bank Limited	1995
Sample-4	Export Import Bank of Bangladesh Limited	1999
Sample-5	Shahjalal Islami Bank Limited	2001
Sample-6	First Security Islami bank Limited	1999

6. Choice of the period

The most recent fiscal year of disclosure has been chosen for using the updated information for the study. The fiscal year from 2008 to 2012 has been selected to analyze the financial statements in the annual report of the banks.

7. Tools for Analysis

Eleven trend equations have been tested for different activities of the Islamic banks & Square of correlation coefficient (r^2) has also been tested for all trend equations as well as growth percentage is also used in this analysis. Among the various straight line Trend Methods of Time Series Analysis the method of Least Square is most popular and widely used in practice. The method of least square can be used either to fit a straight-line trend or a parabolic trend. The straight line trend is represented by the equation $Y_c = a + bX$. Where, Y_c denotes the trend values to distinguish them from the actual Y values. 'a' is the Y intercept or the value of the Y variable when $X = 0$. 'b' represents the slope of the line of the amount of change in Y variable that if associated with a change of one unit in X variable. 'X' variable in time series analysis represents time. The square of correlation coefficient (r^2) is called the multiple determinations or squared multiple correlation coefficients. The coefficient of correlation is denoted by r . The value of r lies between 0 and 1. The higher the r^2 the greater the percentage of the variation of Y explained by the regression model, that is, the better the "goodness of fit" of the regression model to the sample observations. r^2 closer to zero, the worse the fit.

8. Content Analysis

This paper measure the performance based on financial statements from 2008 to 2012 of 6 listed Islamic banks in Bangladesh Under 11 financial criteria i.e. Growth of Branches, Employees, Deposits, Net Income after tax, EPS, ROA, Net asset value per share, number of shareholders, Price earnings ratios, Capital adequacy ratios (CAR), Return on equity (ROE) ratios.

9. Overview on Sample Islamic Banks

9.1. Islami Bank Bangladesh Limited (IBBL)

IBBL was established as a Public limited Banking Company in Bangladesh on the 13th March 1983 as the first interest free Shari'a based Scheduled Commercial Bank in the South East Asia. It started operation on 30th March, 1983. The bank conducts its business by **276** branches, 12 zonal offices and the head office. The bank conducts its business on the shari'a principles of Mudaraba, Musharaka, Bia-Murabaha, Bia-Muajjal, and Hire Purchase under Shirkatul Melk, Bia-Salam, and Bia-as-Sarf etc. There is a Shari'a supervisory committee in the bank who ensures that the activities of the bank are being conducted on the principle of Islam. 12 member Shari'a supervisory committee consists of prominent Shari's scholars, reputed Bankers, renowned lawyers and eminent Economists. The bank is managed by 18 members Board of Directors elected by the shareholders. It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 20,000.00 Million (\$ 250.47 Million) and Paid-up Capital is Tk. 12,509.64 Million (\$ 156.66 Million) having 60,302 shareholders as on 31st December 2012. The bank's subsidiaries are Islami Bank Securities Limited and Islami Bank Capital Management Limited.

9.2. Al-Arafah Islami Bank Limited (AIBL)

Al-Arafah Islami Bank Limited was incorporated in Bangladesh on June 18, 1995 and started operation from September 27, 1995. The bank is having an Authorized capital of Tk. 10,000 million and paid up capital of Tk. 7,130.98 Million at the end of December 31st, 2012. The shares of the bank hold by 52,739 shareholders. The Bank conducts its business on the principles of Musharaka, Bai-Murabaha, Bai-Muazzal and Hire Purchase transactions approved by Bangladesh Bank. The Bank provides a comprehensive range of financial services including commercial banking, consumer banking, trade finance and other related custody and clearing services to the customers following the provisions of Bank Companies Act, 1991, Bangladesh Bank's directives and the principles of Islamic Shariah. There is a Shariah Supervisory Committee in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted on the percepts of Islam. The Shariah Supervisory Committee of 7 members consists of prominent Ulema, reputed Bankers, renowned Lawyers and eminent Economists. The bank is managed by 21-member Board of Directors. Al-Arafah Islami Bank Ltd. Opened 100 as 31st December, 2012 branches all within the country. Al-Arafah Islami Bank Ltd. Owned 60.125 % shares of AIBL Capital Market Services Ltd. a subsidiary company of Al-Arafah Islami Bank Limited. AIBL Capital Market Services Ltd. incorporated in Bangladesh on 20 September 2010 as a Public Limited Company. AIBL Capital Management Ltd. Is another subsidiary company of Al-Arafah Islami Bank Limited .The Company has been incorporated in 2012 under the company's act 1994 as a private limited company by shares.

9.3. Shahjalal Islami Bank Limited (SHJIBL)

The Shahjalal Islami Bank Limited was established as a Public Limited Company (Banking Company) as on the 1st day of April 2001 under the Companies Act 1994 as interest free Islamic Shariah based commercial bank and commenced its operation on the 10th day of May 2001 with the permission of Bangladesh Bank. The authorized capital of the bank is Tk. 6,000.00 million and paid-up capital is Tk. Tk. 4,453.66million. Presently the Bank is operating its business through head office having 73 branches, 06 (six) SME centers, 15 (fifteen) ATM booths and 1,624 employees all over Bangladesh as on 31st December, 2012. It has 23-member Board of Directors and a 9-member Shari`ah council consists of Shari`ah scholars, lawyers and expert in the finance and economic fields who has been maintaining the Shari`ah of the activities of the bank. The Bank has also a subsidiary company named 'Shahjalal Islami Bank Securities Limited' and an Off-shore Banking Unit. Shahjalal Islami Bank Limited holds 89.49% shares of Shahjalal Islami Bank Securities Limited. The Bank is listed with both the Stock Exchanges of the country, i.e. Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

9.4. Social Islami Bank Limited (SIBL)

The SOCIAL ISLAMIC BANK LTD (SIBL), a second-generation bank, operating since 22 November, 1995 based on Shariah Principles, has now 86 branches all over the country with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. Targeting poverty, SOCIAL ISLAMIC BANK LTD. The authorized share capital of the bank is Taka 10,000.00 million at the end of December 2012 the Paid-up capital of the bank stood at Taka 6,393.92 million. The bank is managed by an 18-member Board of Directors and the bank has also a 9-member Shari`ah Council consisting of Fiqah, Islamic Economist and lawyer. The Council gives decision on Islamic issues which are generally followed in the bank. By December 2012 Social Islami Bank has opened 86 branches and Number of shareholder is 78,513.

9.5. EXIM Bank of Bangladesh Limited (EXIM)

Export Import Bank of Bangladesh Limited was established in the year 1999. This Bank starts functioning from 3rd August, 1999 with its name as Bengal Export Import Bank Limited. On 16th November 1999, it was renamed as Export Import Bank of Bangladesh Limited with Mr. Alamgir Kabir as the Founder Advisor and Mr. Mohammad Lakiotullah as the Founder Managing Director respectively. The authorized capital of the bank is Tk. 2,000.00 Core and paid-up capital is 10,514856 Million on 31st December, 2012. EXIM bank has 24-member Board of Directors and an 11-member Shari`ah supervisory committee headed by the Khatib of National Mosque-Baitul Mukarram supervising and maintaining the Shari`ah compliance of the bank.

9.6. First Security Islami Bank Limited (FSIBL)

First Security Islami Bank Limited (FSIBL) was incorporated in Bangladesh on 29 August 1999 as a banking company under Companies Act 1994 to carry on banking business. It obtained permission from Bangladesh Bank on 22 September 1999 to commence its business. The Bank went for public issue on 20 July 2008 and its shares are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The authorized of the bank at the end of 31st December, 2010 are Tk. 4,600 million and the paid up capital is Tk. 3,400.32 million. FSIBL has 15-member Board of Directors and a 5-member Shari`ah council consists of Shari`ah scholars, lawyers and expert in the finance and economic fields who has been maintaining the Shari`ah of the activities of the bank. All kinds of commercial banking services are provided by the Bank to the customers following the principles of Islamic Shari`ah, the provisions of the Bank Company Act 1991 and Bangladesh Bank's directives. Presently the Bank carries banking activities through its 84 branches in the country as at December 31, 2011. The Bank converted its banking operation into Islamic Banking based on Islamic Shari`ah from traditional banking operation on 01 January 2009 after obtaining approval from honorable High Court, Ministry of Finance and Bangladesh Bank. First Security Islami Bank Ltd. holds 51% shares of First Security Islami Capital & Investment Ltd

10. Performance Evaluation of Selected Islamic Banks of Bangladesh

Table: 1 Growth of Branches of Selected Islamic Banks of Bangladesh:

Sl	Name of the Banks	Number of the Branches				
		2008	2009	2010	2011	2012
01	Islami Bank Bangladesh Limited (IBBL)	206	231	251	266	276
	Growth		12.13%	8.65%	5.97%	3.75%
02	Al-Arafah Islami Bank (AIBL)	50	60	78	88	100
	Growth		2%	3%	12.82%	13.63%
03	First security Islami Bank (FSIBL)	29	52	66	84	100
	Growth		79.31%	26.92%	27.27%	19.04%
04	Social Islamic bank (SIBL)	28	52	64	76	86
	Growth		85.71%	23.07%	18.75%	13.15%
05	Export Import Bank (EXIM)	42	52	59	62	72
	Growth		23.81%	13.46%	5.1%	16.12%
06	Shahjalal Islami bank(SHJIBL)	33	51	63	73	84
	Growth		54.54%	23.52%	15.87%	15.06%

Source: Own analysis based on annual reports of Islamic Banks

Table: 1 shows the growth pattern of number of branches of Islamic Banks of Bangladesh. The growth of Branches is positive for every Banks i.e. upward trends. But IBBL has highest number of Branches i.e. 276. The highest growth percentage is in FSIBL & lowest is in AIBL. In 2012 the total numbers of Branches in Islamic Banks were 718.

Table 1.1: Trend equation and r^2 of Branches

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	$Y = 246 + 17.5x$	0.97
Al-Arafah Islami Bank (AIBL)	$75.2 + 12.8X$	0.99
First security Islami Bank (FSIBL)	$66.2 + 17.4x$	0.99
Social Islamic bank (SIBL)	$61.2 + 14x$	0.97
Export Import Bank (EXIM)	$57.4 + 7x$	0.97
Shahjalal Islami bank (SHJIBL)	$60.8 + 12.4x$	0.99

Source: Own analysis based on annual reports of Islamic Banks

Table: 1.1 shows the summary of trends equation and r^2 of branch expansion of Islamic banks of Bangladesh. It is reflected from the table that trend equation of all the Islamic banks are positive and goodness of fit of all the equations are high i.e. more than 0.90.

Table: 2 Growth of employees of Selected Islamic Banks of Bangladesh:

Sl	Name of the banks	Number of employees				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	9,397	9588	10349	11465	12188
	Growth		0.02%	0.07%	10.78%	0.06%
02	Al-Arafah Islami Bank (AIBL)	1080	1296	1711	1807	2110
	Growth		2%	32.02%	0.05%	16.76%
03	First security Islami Bank (FSIBL)	485	775	929	1342	2090
	Growth		59.79%	19.87%	44.45%	55.73%
04	Social Islamic bank (SIBL)	750	950	1252	1375	1625
	Growth		26.66%	31.78%	0.09%	18.18%
05	Export Import Bank (EXIM)	1312	1440	1686	1724	1909
	Growth		0.09%	17.08%	0.02%	10.73%
06	Shahjalal Islami bank (SHJIBL)	878	1299	1521	1624	1881
	Growth		47.94%	17.09%	0.06%	15.82%

Source: Own analysis based on annual reports of Islamic Banks

No of employees of selected banks have been shown in table: 2. the highest no of employees are working in IBBL i.e 12, 188 and lowest in SIBL. The growth percentage is higher in FSIBL and lowest in EXIM Bank. But the growth scenarios are positive for every Banks. Total number of employees are working in Islami Banks is 21,803.

Table: 2.1 Trend equation and r^2 of Employees

Bank	Yc= a+bx	r^2
Islami Banks Bangladesh Limited (IBBL)	10597.4 + 745.9x	0.95
Al-Arafah Islami Bank (AIBL)	1600.8 + 257.1x	0.97
First security Islami Bank (FSIBL)	1124.2 + 377.7x	0.92
Social Islamic bank (SIBL)	150 + 217x	0.98
Export Import Bank (EXIM)	1614.2 + 147.8x	0.97
Shahjalal Islami bank (SHJIBL)	1440.6 + 233.1x	0.95

Source: Own analysis based on annual reports of Islamic Banks

Table: 2.1 show the summary of trend equation and r^2 of employees of Islamic banks. It is reflected from the table that the trend equation of all the selected banks are positive. Square of correlation coefficient (r^2) of all the selected banks are high i.e. more than 0.90.

Table: 3 Deposits of Selected Islamic Banks (In Millions)

Sl	Name of the banks	Deposits (In Millions)				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	202,115.45	244,292.14	291,934.60	341,853.67	417,844.14
	Growth		20.86%	19.50%	17.09%	22.22%
02	Al-Arafah Islami Bank (AIBL)	29,690.12	38,355.50	53,882.96	82,186.98	118,683.39
	Growth		29.18%	40.48%	52.52%	44.40%
03	First security Islami Bank (FSIBL)	25,854.54	42,423.09	56,344.95	78,145.04	109,905.56
	Growth		65.63%	32.81%	38.69%	40.64%
04	Social Islamic bank (SIBL)	24,099.82	31,588.16	44,850.77	66,852.55	93,594.29
	Growth		31.07%	41.98%	49.05%	40%
05	Export Import Bank (EXIM)	58,833.06	73,835.46	94,949.40	107,881.21	140,369.66
	Growth		25.49%	28.59%	13.61%	30.11%
06	Shahjalal Islami bank (SHJIBL)	34,280	47,459	62,965	83,850	102,177
	Growth		38.44%	32.67%	33.16%	21.85%

Source: Own analysis based on annual reports of Islamic Banks

The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited.

Table 3 shows growth pattern of deposits of selected Islamic banks. It is observed from the table that the deposit is highest in IBBL that is TK 417,844.14 in 2012. The growth percentage of First security Islami Bank (FSIBL) is highest & Al-Arafah Islami Bank (AIBL) is in second position. The lowest growth percentage of deposit is in Shahjalal Islami bank Ltd. During 2008 to 2012 every year deposit of all Islamic banks has increased from the previous year chronologically. So it is reflected from the table that the deposit of all the selected banks have showed an increasing trend during the period of 2008-2012.

Table 3.1: trend equation and r^2 of deposits

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	$299608 + 52901.8(x)$	0.98
Al-Arafah Islami Bank (AIBL)	$64559.79 + 22181.8(x)$	0.94
First security Islami Bank (FSIBL)	$62534.64 + 20382.4(x)$	0.97
Social Islamic bank (SIBL)	$52197.12 + 17425.33(x)$	0.95
Export Import Bank (EXIM)	$95173.76 + 19711.9(x)$	0.97
Shahjalal Islami bank (SHJIBL)	$66146.2 + 17218.5(x)$	0.99

Source: Own analysis based on annual reports of Islamic Banks

Table: 3.1 show the summary of the trend equation and r^2 of deposits of selected Islamic banks. It is reflected from the table that the trend equation of all the selected banks are positive and goodness of fit of all the equations are very high i.e. more than 0.90.

Table: 4 Net Income after tax of Selected Islamic Banks (In Millions)

Sl	Name of the Banks	Net income (BDT)				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	2675	3,404	4,463	4,841	5,524
	Growth		27.25%	31.11%	0.08%	14.10%
02	Al-Arafah Islami Bank (AIBL)	668.23	858.99	1959.04	2198.75	1945.40
	Growth		28.54%	28.06%	12.23%	-13.02%
03	First security Islami Bank (FSIBL)	104.28	326.83	548.60	579.93	762.70
	Growth		13.41%	67.85%	0.057%	31.51%
04	Social Islamic bank (SIBL)	202.07	431.52	643.02	1083.42	1441.13
	Growth		13.54%	49.01%	68.48%	33.01%
05	Export Import Bank (EXIM)	1096.63	1694.10	3476.01	2009.37	2157.63
	Growth		54.48%	0.05%	-72.99%	0.07%
06	Shahjalal Islami bank (SHJIBL)	818	1071	2072	1168	1730
	Growth		30.92%	93.34%	-77.39%	48.11%

Source: Own analysis based on annual reports of Islamic Banks

While the net income after taxes calculation is one of the most solid measures of a company's performance, numerous accounting scandals in recent years have proven it to be less than 100% reliable. Investors evaluating a company's bottom line need to evaluate for legitimate and future expenses that accounting rules permit a company to exclude from their current net income after tax calculation. It is observed from the table: 4 that the net income of all the Islamic banks has almost increased from the previous year during 2008 to 2012. It is also reflected that all the selected banks has earned net income in all the year during 2008 to 2012 except Export Import Bank and Shahjalal Islami bank has failed to increase the net income from the previous year in 2011. The growth rate of net income is stable and very high in SIBL, IBBL and FSIBL.

Table 4.1: trend equation and r^2 of Net income

Banks	Yc= a+bx	r^2
Islami Banks Bangladesh Limited (IBBL)	4181.4+713.5x	0.98
Al-Arafah Islami Bank (AIBL)	1526.082+389.41x	0.76
First security Islami Bank (FSIBL)	464.67+156.99x	0.95
Social Islamic bank (SIBL)	760.232+313.002x	0.97
Export Import Bank (EXIM)	2086.748+243.727x	0.19
Shahjalal Islami bank (SHJIBL)	1371.8+192.1x	0.35

Source: Own analysis based on annual reports of Islamic Banks

Table: 4.1 Square of correlation coefficient (r^2) of net income of all the selected banks are high i.e. more than 0.70 except Export Import Bank and Shahjalal Islami bank because of negative growth of net income in 2011. It is also reflected from the table that the trend equation of all the selected banks are positive. Highest goodness of fit prevails in IBBL, FSIBL & SIBL.

Table: 5 EPS of Selected Islamic Banks

Sl	Name of the Banks	Earnings per share (EPS) =Net income- preferred dividend/Average common share.				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	5.63	5.51	6.02	4.84	4.42
	Growth		-2.13%	9.25%	-19.60%	-8.67%
02	Al-Arafah Islami Bank (AIBL)	3.72	2.00	4.14	3.73	2.38
	Growth		-46.24%	107%	-82.36%	-36.19%
03	First security Islami Bank (FSIBL)	7.35	1.42	1.61	1.71	2.04
	Growth		-80.68%	13.38%	16.1%	33%
04	Social Islamic bank (SIBL)	1.72	1.84	2.15	1.81	2.25
	Growth		6.97%	16.84%	-15.81%	24.30%
05	Export Import Bank (EXIM)	40.95	50.21	3.77	2.18	2.05
	Growth		22.61%	-92.49%	-42.17%	-13%
06	Shahjalal Islami bank (SHJIBL)	2.98	3.91	4.65	2.10	3.11
			31.21%	18.93%	-54.83%	48.09%

Source: Own analysis based on annual reports of Islamic Banks

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. It is reflected from the table: 5 that the EPS of all the Islamic banks showing up and down scenarios from 2008 to 2012. It is observed that, on an average no Banks had the positive trend. It is also reflected that highest EPS growth was shahjalal Islamic Bank in 2012 i.e. 48.09% and lowest growth was EXIM Bank in 2010 i.e. -92.49%.

Table 5.1: trend equation and r^2 of EPS of Islamic banks

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	5.28-0.309x	0.58
Al-Arafah Islami Bank(AIBL)	3.19-0.095x	0.03
First security Islami Bank(FSIBL)	2.826-1.033x	0.4
Social Islamic bank(SIBL)	1.954+0.103x	0.49
Export Import Bank(EXIM)	19.832-12.583x	0.7
Shahjalal Islami bank(SHJIBL)	3.35 - 0.155x	0.06

Source: Own analysis based on annual reports of Islamic Banks

Table: 5.1 show the summary of trend equation and r^2 of EPS of Islamic banks. It is reflected from the table that the trend equation of Social Islamic bank is positive & rest of Banks shows negative. Goodness of fit of Islamic Bank Bangladesh Limited very high i.e. more than 0.60 lowest is Al-Arafah Islami Bank i.e. 0.03.

Table: 6 ROA of selected Islamic Banks

Sl	Name of the Banks	ROA = Net Income/Average total asset.				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	1.27	1.34	1.47	1.35	1.27
	Growth		5.51%	9.70%	-8.16%	-5.93%
02	Al-Arafah Islami Bank (AIBL)	1.80	1.77	2.65	2.06	1.30
	Growth		-1.67%	49.72%	22.26%	-36.89%
03	First security Islami Bank (FSIBL)	0.61	1.56	1.89	1.75	1.50
	Growth		155%	21.15%	-7.41%	-14.28%
04	Social Islamic bank (SIBL)	1.19	1.24	2.39	2.70	2.75
	Growth		4.20%	9.27%	12.97%	1.85%
05	Export Import Bank (EXIM)	1.83	2.19	3.54	1.65	1.45
	Growth		19.67%	61.65%	-53.38%	-12.12%
06	Shahjalal Islami bank (SHJIBL)	2.26	2.08	3.01	1.26	1.44
	Growth		-7.96%	49.03%	-59.35%	14.29%

Source: Own analysis based on annual reports of Islamic Banks

Return on assets gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets. ROAs over 5% are generally considered good, Table 6 showing that highest growth was recorded by First security Islami bank in 2009 i.e. 155% from previous year. Lowest growth was recorded by Shahjalal Islami Bank in 2011 from previous year. It is observed that no banks have the ROA above 5%.

Table 6.1: Trend equation and r^2 of ROA

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	$1.34 + 0.001x$	0.04
Al-Arafah Islami Bank (AIBL)	$1.916 - 3.55x$	0.05
First security Islami Bank (FSIBL)	$1.462 + 0.197x$	0.38
Social Islamic bank (SIBL)	$2.054 + 0.458x$	0.86
Export Import Bank (EXIM)	$2.132 - 0.13x$	0.06
Shahjalal Islami bank (SHJIBL)	$0.452 - 0.246x$	0.31

Source: Own analysis based on annual reports of Islamic Banks

Table 6.1 Shows that the trend equation of Islami Bank Bangladesh limited, First security Islami Bank and Social Islamic bank are positive But Social Islamic bank, Export Import Bank and Shahjalal Islami bank showing negative trend. Square of correlation coefficient (r^2) of ROA is highest in Social Islamic bank i.e. 0.86 which indicates the goodness of fit But in case other Banks their position below 0.40.

Table: 7 Price earnings ratios of selected Islami Banks

Sl	Name of the Banks	Price earnings ratios = Market price per share/Earning per share.				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	10.78	12.87	13.29	11.27	9.68
	Growth		19.38%	3.25%	-15.19%	-14.11%
02	Al-Arafah Islami Bank (AIBL)	9.53	11.23	13.24	10.13	10.21
	Growth		17.83%	17.89%	-23.49%	.79%
03	First security Islami Bank (FSIBL)	23.74	15.39	25.21	15.37	9.07
	Growth		-35.17%	63.81%	-39.03%	-40.98%
04	Social Islamic bank (SIBL)	12.49	16.75	24.53	14.51	8.61
	Growth		34.11%	46.45%	-40.84%	-40.66%
05	Export Import Bank (EXIM)	7.85	7.52	11.34	12.76	10.14
	Growth		4.20%	50.79%	12.52%	-20.45%
06	Shahjalal Islami bank (SHJIBL)	8.55	12.24	17.04	12.38	9.17
	Growth		43.15%	39.22%	-27.34%	-25.93%

Source: Own analysis based on annual reports of Islamic Banks

The P–E ratio of a company is a major focus for many managers. They are usually paid in company stock or options on their company's stock (a form of payment that is supposed to align the interests of management with the interests of other stock holders). The stock price can increase in one of two ways: either through improved earnings or through an improved multiple that the market assigns to those earnings. In turn, the primary drivers for multiples such as the P–E ratio are through higher and more sustained earnings growth rates. The growth rate of all islami Banks showing negative growth from 2010 to 2012. Highest growth observed in Shahjalal Islami bank (SHJIBL) from 2008 to 2010.

Table 7.1: Trend equation & r^2 of price earnings ratio.

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	11.578 - 0.38x	0.16
Al-Arafah Islami Bank (AIBL)	10.868 + 0.026x	0.08
First security Islami Bank (FSIBL)	17.756 - 2.94x	0.48
Social Islamic bank (SIBL)	15.378 - x	0.07
Export Import Bank (EXIM)	9.92 + 0.98x	0.47
Shahjalal Islami bank (SHJIBL)	11.876 + 0.138x	0.04

Source: Own analysis based on annual reports of Islamic Banks

It is observed from the table that trend equation of IBBL, FSIBL, SIBL are negative and AIBL, EXIM and SHJIB showing negative trend. Goodness of fit of All the Islamic Banks are low i.e. below 0.50. Lowest fitness is showing by SIBL in this regard i.e. 0.04, highest fitness is showing by FSIBL.

Table: 8 Capital adequacy ratios (CAR) of selected Islami Banks

Sl	Name of the Banks	$CAR = \frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$				
		2008	2009	2010	2011	2012
01	Islami Bank Bangladesh Limited (IBBL)	10.72	11.65	11.06	13.09	13.49
	Growth		8.68%	-5.1%	18.35%	40%
02	Al-Arafah Islami Bank (AIBL)	11.21	11.25	14.49	13.47	11.75
	Growth		0.35%	28.8%	-7.03%	-12.76%
03	First security Islami Bank (FSIBL)	9.15	10.91	9.09	9.07	10.27
	Growth		19.23%	-16.68%	-.22%	13.23%
04	Social Islamic bank (SIBL)	7.7897	10.98	9.77	11.43	9.86
	Growth		40.95%	-11.02%	16.99%	13.74%
05	Export Import Bank (EXIM)	10.79	11.18	9.95	10.8	10.94
	Growth		3.61%	-11%	8.54%	1.30%
06	Shahjalal Islami bank (SHJIBL)	13.81	13.98	10.08	11.40	12.31
	Growth		1.23%	-27.90%	13.09%	7.98%

Source: Own analysis based on annual reports of Islamic Banks

A measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures. This ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. Growth pattern fluctuate from one year to another year. But the fluctuation range was little bit, so it indicates that the financial system of islami banks is stable. Highest growth is observed in Social Islamic bank (SIBL).

Table 8.1: trend equation & r² of Capital adequacy ratio (CAR)

Banks	Yc= a+bx	r ²
Islami Banks Bangladesh Limited(IBBL)	12.002+.698x	0.80
Al-Arafah Islami Bank(AIBL)	12.434 +.33x	0.005
First security Islami Bank(FSIBL)	9.698 +.04x	0.006
Social Islamic bank(SIBL)	10.0046 +.41948x	0.25
Export Import Bank(EXIM)	10.732 -0.008x	0.0007
Shahjalal Islami bank(SHJIBL)	12.316 -0.558x	0.28

Source: Own analysis based on annual reports of Islamic Banks

Table 8.1 shows that the trend equation of all Islamic Banks is positive except EXIM Bank. Square of correlation coefficient (r²) is highest in IBBL i.e. 0.80 but lowest in AIBL .It is observed that No Islamic Banks have goodness of fit above 0.50 except IBBL.

Table: 9 Number of shareholder of selected Islami Banks

Sl	Name of the Banks	.				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited(IBBL)	33,686	52,164	58,923	60,550	60,302
	Growth		54.85%	12.95%	0.03%	-0.004%
02	Al-Arafah Islami Bank(AIBL)	10,664	11,382	49,386	54267	52739
	Growth		0.067%	33.89%	0.09%	-0.03%
03	First security Islami Bank(FSIBL)	129,174	54,400	82,230	90,954	89,994
	Growth		-37.45%	51.15%	10.06%	- 0.01%
04	Social Islamic bank(SIBL)	56,980	62,348	59,870	65.978	78,513
	Growth		9.48%	-3.97%	10.20%	18.99%
05	Export Import Bank(EXIM)	24,387	29,302	99,882	126,681	139,482
	Growth		20.15%	40.87%	26.83%	10.10%
06	Shahjalal Islami bank(SHJIBL)	39,971	36,675	54,549	78,104	75,515
	Growth		- 0.08%	48.73%	43.18%	- 0.09%

Source: Own analysis based on annual reports of Islamic Banks

Table 9 shows that the growth pattern of the shareholders of various Islamic Banks. Only EXIM Bank shows the positive trend from 2008 to 2012. Highest number of shareholder are there in EXIM Bank And lowest number are there in AIBL.

Table 9.1: shows the trend equation & r^2 of Number of shareholders.

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	$53125 + 6161.8x$	0.73
Al-Arafah Islami Bank (AIBL)	$35687.6 + 12703.5x$	0.79
First security Islami Bank (FSIBL)	$89350.4 - 4180.6x$	0.06
Social Islamic bank (SIBL)	$51555.4 - 1921.6x$	0.01
Export Import Bank (EXIM)	$83946.8 + 32756.9x$	0.92
Shahjalal Islami bank (SHJIBL)	$56962.8 + 11251.7x$	0.85

Source: Own analysis based on annual reports of Islamic Banks

Table 9.1 shows the shareholding trend equation and square co-relation of co-efficient (r^2). It is observed that All of the equations showing positive trends except SIBL. Goodness of fit of the equations are extreme i.e. from 0.01 to 0.92. Highest fitness in regards showing by EXIM Bank and lowest is in SIBL.

Table: 10 Return on equity (ROE) ratios of selected Islami Banks.

Sl	Name of the Banks	ROE=Net income/Shareholders equity.				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	19.02	16.93	19	17.42	13.90
	Growth		-10.98%	12.23%	-8.32%	-20.21%
02	Al-Arafah Islami Bank (AIBL)	24.70	24.10	20.01	18.34	13.51
	Growth		-2.43%	-16.97%	-8.35%	-26.34%
03	First security Islami Bank (FSIBL)	4.11	11.41	13.99	12.75	13.35
	Growth		176.62%	22.61%	-8.86%	4.71%
04	Social Islamic bank (SIBL)	10.82	12.14	15.31	11.51	14.15
	Growth		12.19%	26.11%	-24.82%	22.94%
05	Export Import Bank (EXIM)	21.98	25.22	27.86	13.87	12.96
	Growth		14.74%	10.47%	-50.22%	-6.56%
06	Shahjalal Islami bank (SHJIBL)	25.58	25.10	30.71	13.80	17.01
	Growth		-1.87%	22.35%	-55.1%	23.26%

Source: Own analysis based on annual reports of Islamic Banks

Return on equity (ROE) measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities). ROE shows how well a company uses investment funds to generate earnings growth. ROEs between 15% and 20% are generally considered good. Although Table 10 showing jumble of growth pattern but ROE of All the Banks are in good position i.e. between 15% to 20% except FSIBL.

Table 10.1: Trend equation & r^2 of shareholders.

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	17.254 - 0.975x	0.54
Al-Arafah Islami Bank (AIBL)	20.132 - 2.814x	0.95
First security Islami Bank (FSIBL)	11.122 + 1.982x	0.60
Social Islamic bank (SIBL)	12.79 + 0.603x	0.26
Export Import Bank (EXIM)	4.396 - 2.94x	0.48
Shahjalal Islami bank (SHJIBL)	22.44 - 2.844x	0.43

Source: Own analysis based on annual reports of Islamic Banks

Table 10.1 Trend equation of all the Banks is negative except FSIBL & SIBL. Goodness of fit of the equations for IBBL, AIBL, FSIBL are above 0.50 but SIBL, EXIM & SHJIBL showing below 0.26.

Table: 11 Net Asset value per share of selected Islamic Banks in Bangladesh.

Sl	Name of the banks	NAV P				
		2008	2009	2010	2011	2012
01	Islami Banks Bangladesh Limited (IBBL)	27.76	27.12	23.48	22.22	31.78
	Growth		-2.31%	-13.42%	- 5.36%	43.02%
02	Al-Arafah Islami Bank (AIBL)	23.12	14.76	17.27	19.68	18.88
	Growth		-36.15%	17.01%	13.95%	- 4.1%
03	First security Islami Bank (FSIBL)	110.37	12.45	12.81	13.38	15.28
	Growth		-88.72%	2.89%	4.45%	14.20%
04	Social Islamic bank (SIBL)	14.26	13.21	14.05	14.72	15.92
	Growth		-7.36%	6.36%	4.76%	8.15%
05	Export Import Bank (EXIM)	186.32	199.09	18.26	15.70	15.83
	Growth		6.85%	- 90.82%	-14.19%	0.82%
06	Shahjalal Islami bank (SHJIBL)	16.05	17.07	19.70	17.78	17.33
	Growth		6.35%	15.40%	- 9.75%	- 2.53%

Source: Own analysis based on annual reports of Islamic Banks

Net asset value (NAV) is the value of an entity's assets less the value of its liabilities, often in relation to open-end or mutual funds, since shares of such funds registered with the U.S. Securities and Exchange Commission are redeemed at their net asset value. This may also be the same as the book value or the equity value of a business. Net asset value may represent the value of the total equity, or it may be divided by the number of shares outstanding held by investors and, thereby, represent the net asset value per share. All the Islami Banks showing positive & negative mix of growth thought the year.

Table 11.1: Trend equation & r^2 of net asset value per shares.

Banks	$Y_c = a + bx$	r^2
Islami Banks Bangladesh Limited (IBBL)	$26.47 + 0.314(x)$	0.02
Al-Arafah Islami Bank (AIBL)	$18.74 - 0.36(x)$	0.03
First security Islami Bank (FSIBL)	$32.86 - 18.93(x)$	0.50
Social Islamic bank (SIBL)	$14.432 + 0.45(x)$	0.60
Export Import Bank (EXIM)	$87.04 - 52.44(x)$	0.70
Shahjalal Islami bank (SHJIBL)	$17.586 + 0.33(x)$	0.15

Source: Own analysis based on annual reports of Islamic Banks

Table 11.1 shows that trend equation of IBBL, SIBL, and SHJIBL is positive but in case of AIBL, FSIBL, EXIM is negative. Goodness of fit i.e. r^2 is above 0.50 in case of FSIBL, SIBL & EXIM but very poor (below 0.20) r^2 is showing by IBBL, AIBL & SHJIBL.

11. Summary of the Findings of the study

1. The journey of Islamic banks has started in Bangladesh in the year 1983. The selected Islamic banks create employment opportunities for more than twelve thousand people. Employee growth percentage is higher in FSIBL and lowest in EXIM Bank. But the growth scenarios are positive for every Banks. Total number of employees are working in Islami Bank is 21,803. Square of correlation coefficient (r^2) of all the selected banks are high i.e. more than 0.90.
2. It has been observed that the net income of the Islamic banks have increased from the previous year during 2008 to 2012. Square of correlation coefficient (r^2) of net income of all the selected banks are high i.e. more than 0.70 except Export Import Bank and Shahjalal Islami bank
3. It is reflected from the analysis that the EPS of all the Islamic banks showing up and down scenarios from 2008 to 2012 on an average no Banks had the positive trend except SIBL. It is reflected from the table that the trend equation of Social Islamic bank is positive & rest of Banks shows negative. Goodness of fit of Islamic Bank Bangladesh Limited very high i.e. more than 0.60 lowest is Al-Arafah Islami Bank i.e. 0.03.

4. Every year Islami banks open new branches and the IBBL has highest number of branches i.e. 276. . It is reflected from the table that trend equation of all the Islamic banks are positive and goodness of fit of all the equations are high i.e. more than 0.90.
5. It is observed from the table that the deposit is highest in IBBL that is TK 417,844.14 in 2012. The growth percentage of First security Islami Bank(FSIBL)is highest Al-Arafah Islami Bank(AIBL) is in second position .The lowest growth percentage of deposit is in Shahjalal Islami bank Ltd. Trend equation of all the selected banks are positive and goodness of fit of all the equations are very high i.e. more than 0.90.
6. It is observed that no banks have the ROA above 5%. Trend equation of Islami Bank Bangladesh limited, First security Islami Bank and Social Islamic bank are positive But Social Islamic bank, Export Import Bank and Shahjalal Islami bank showing negative trend. Square of correlation coefficient (r^2) of ROA is highest in Social Islamic bank i.e. 0.86 which indicates the goodness of fit But in case other Banks their position below 0.40.
7. Growth rate of price earnings ratio of all islami Banks showing negative growth from 2010 to 2012.Highest growth observed in Shahjalal Islami bank (SHJIBL) from 2008 to 2010. It is observed from the table that trend equation of IBBL, FSIBL, SIBL are negative and AIBL, EXIM and SHJIB showing negative trend. Goodness of fit of All the Islamic Banks are low i.e. below 0.50.Lowest fitness is showing by SIBL in this regard i.e. 0.04, highest fitness is showing by FSIBL.
8. It is observed from the analysis that Growth pattern of CAR fluctuate from one year to another year. But the fluctuation range was little bit, so it indicates that the financial system of islami banks is stable. Highest growth is observed in Social Islamic bank (SIBL). Square of correlation coefficient (r^2) is highest in IBBL i.e. 0.80 but lowest in AIBL .It is observed that No Islamic Banks have goodness of fit above 0.50 except IBBL.
9. ROEs between 15% and 20% are generally considered good, analysis showing jumble of growth pattern but ROE of All the Banks are in good position i.e. between 15% to 20% except FSIBL. Goodness of fit of the equations for IBBL, AIBL, FSIBL are above 0.50 but SIBL, EXIM & SHJIBL showing below 0.26.
10. Highest number of shareholder are there in EXIM Bank And lowest number are there in AIBL. Goodness of fit of the equations are extreme i.e. from 0.01 to 0.92.Highest fitness in regards showing by EXIM Bank and lowest is in SIBL.
11. Net asset value may represent the value of the total equity, or it may be divided by the number of shares outstanding held by investors and, thereby, represent the net asset value per share. All the Islami Banks showing positive & negative mix of growth thought the year. Goodness of fit i.e. r^2 is above 0.50 in case of FSIBL,SIBL & EXIM but very poor(below 0.20) r^2 is showing by IBBL,AIBL & SHJIBL .

12. Recommendations of the Study

The following recommendations are provided to the related parties:

- a) Islamic banks should increase the employment opportunities for the betterment of welfare of the society.
- b) Islamic Banks should establish available branches all over the country in appropriate location.
- c) Islamic banks should increase Capital Market and Financial Instruments.
- d) Islamic banks should manage Cost of Information, Control over Cost of Fund, Mark-up Financing, Utilization of Interest Rate for Fixing the Profit Margin in Murabahah Sales, Financing Social Concerns, enabling those who have no property, providing employment opportunities to all categories of people.
- e) Islamic banks should demonstrate the impact of Islamic investment on the solution of the unemployment problem and assisting the state in confronting these ever-increasing problems.
- f) Islamic banks should Establish Co-operation among Themselves
- g) Islamic banks should finance to high-return projects & profitable use of surplus funds
- h) Need to increase concentration to capital market investment & inter-bank money market.
- i) Islamic Banks are not allowed to do business with interest that's why they should provide notes or in statement regarding Istisna payable, sales receivable, prohibited earning etc. to clarify about their involvement in activities which are allowed by Shari'ah.
- j) Sources and nature of income and expenditure should be disclosed in the income statement to ensure that their income and expenditure were earned according to Shari'ah.
- k) Zakat base and to whom zakat was paid should be revealed with providing appropriate statement because in Islam zakat cannot paid to anyone.
- l) Treatment of changed should be disclosed and if there is no change they should have provide note that they don't have any change.

13. Future Policy Directions

It is evident from research findings that Islamic banking could be the most efficient system if it were allowed to operate as a sole system in an economy. However, when it starts operation within the conventional banking framework, most of its efficiencies are lost. The study demonstrates that it is not the inherent shortcomings of Islamic banking system that are

responsible for its relative inefficiency; rather it is the continuation of legacies of the conventional banking system that jeopardizes an efficient operation and functioning of Islamic banks in the economy. The policy implication is not that Islamic banks should never be floated within the conventional banking framework; rather it is the conventional banking system whose operational mechanism needs to be reviewed into PLS-system considering beneficial impact of the latter on the economy. However, as long as Islamic banks are to operate within the conventional banking framework, the following recommendations are important for continued growth of Islamic banking

14. Limitations of the Study

1. The study considers only the annual report of the Islamic Banking Companies in Bangladesh.
2. Annual reports have been investigated only for five year.
3. Only Eleven factors have been considered to measure the performance.
4. Study is based on secondary data.
5. Testing tools are limited some other tools may use.

15. Conclusion

Islamic banking has been rapidly growing in Bangladesh. For this reason, it is important to know that they are doing all of their activities according to the provision of Shari'ah. This paper tried to measure the performance of the Islamic banks in Bangladesh according to the annual report from 2008 to 2012. Islamic Banks should follow the recommendation which is given in this paper based on analysis.

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