**Project Paper**

**On**

**Measurement of Financial Health Soundness of Private Commercial Banks in Bangladesh: An Observation of Islamic Banks**

**Submitted To:**

**Controller of Examination**

**National University**

**Gazipur-1704**

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Session: 2012-2013

Program: BBA

Major in Finance

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**National University**

Date of Submission: 28th January, 2018

Letter of transmittal

Date: 28th January, 2018

Controller of Examinations

National University

Gazipur- 1704,

Dhaka, Bangladesh

Subject: Submission of Project report.

Dear Sir,

This is pleasure to submit the Project report on Measurement of Financial Health Soundness ofPrivate Commercial Banks in Bangladesh: An Observation of Islamic Banks in Bangladesh, which I was assigned. This is a great chance for me to acquire knowledge and experience in respect of performing this report.

I have tried my best to prepare this to be as informative and relevant as possible. To prepare this report I have reviewed some books, articles, journals, and downloaded some information from internet. I believe that the knowledge and experience I have gathered during my Project period will immensely help me in my future professional life.

I gave my best report to achieve the objective of the internship and hope that my endeavor will serve the purpose. Besides, I have followed remarks and instructions very carefully while preparing this report. I tried the best to maintain your schedule, format and discipline.

Thank you for your kind consideration.

Sincerely Yours,

Md. Habib Ullah

Roll No: 1303348

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Supervisor’s Declaration

This is to certify that Project report on evaluation of Measurement of Financial health Soundness ofPrivate Commercial Banks in Bangladesh: An Observation of Islamic Banks in Bangladesh prepared by Md. Habib Ullah student bearing NU Roll NO. 1303348 Registration No. 2096198 and academic session 2012-2013 of Bachelor of Business Administration (BBA) Major in Finance at Daffodil Institution of IT (DIIT) has been approved for viva voce under my supervision.

I am very much pleased to work with him. I wish him every success in Life.

Aminul Haque Russel

Lecturer

Department of Business Administration

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**Student’s Declaration**

I hereby declare that the Project report named is Measurement of Financial health Soundness ofPrivate Commercial Banks in Bangladesh: An Observation Of Islamic Banks in Bangladesh prepared by me in the period of performing Project on financial performance in Islami Bank Limited.

I also declared that the Project report has been prepared as a partial requirement of the fulfillment of Bachelor of Business Administration (BBA) degree under National University.

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**Acknowledgement**

At first, I would like to thanks to Almighty Allah for giving me the opportunity to complete my Project Report. I also want to thank all the people who have given their support and assistance and extremely grateful to all of them for the completion to the report successfully. Daffodil Institute of IT (DIIT) and Islami Bank of Bangladesh Limited both have provided me with enormous support and guidance for my Project program to be completed successfully.

Preparing this report was challenging and hard working at the same time. It is for the first time that I have been able to gather real life experience working in a report.

I would like to give my heartiest gratitude to Aminul Haque Russel, lecturer of BBA Program of Daffodil Institute of IT, my Project report’s supervisor, for his kind concern, valuable time, advice, endless endeavor and guidance throughout the Project period and making the report.

**Executive Summary**

Banking sector is expanding its hand in different every day. At the same time the banking process is becoming faster, easier, and the banking area becoming wider. As the demand for better survives increases day by day, they are coming with different innovative ideas and products. In order to survive in the competitive field of the banking sector, all of banking organizations are looking for better service opportunity to provide their fellow clients, as a result it has become essential for every person to have some idea on the banking procedure. Islami Bank Ltd. Believes in the vision of to achieve superior financial performance, be considered a leading Islami Bank by reputation and performance. To achieve the desire goal the bank is showing financial growth improvement. Banks strategic plans and networking will strengthen its competitive performance over others in this rapidly changing competitive environment.

In chapter one, I have discussed about the introduction, origin, scope, data collection, limitation & methodology of the study. In chapter two, here discussed about the historical background, organizational structure mission, vision, objective & performance of Islamic Bank of Bangladesh Ltd. In chapter three, I covered the different ratios on theoretical aspects. Theoretical aspects those are used for measuring the financial performance of the organization, then in chapter four, I tried to evaluate the growth of financial health of bank by using the various financial ratios. After that in chapter Five, we discuss the findings of the study, I have given my recommendations and conclusion, and the overall have a clear conception about all the essential parts of the Project program.

I hope this report, despite its many limitations, will be a gateway to have a clear concept about the Financial Health Soundness of Islam Bank ltd.

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Chapter-1

Introduction

**1.1: Introduction**

Banking plays an important role in the economy of any country. In Bangladesh Muslim holds the majority of the population. Though, no Islamic banking but only traditional banking system was developed here till 1983. However, interest is absolutely prohibited in Islam. The main aim of traditional banking is to earn profit by borrowing and lending money in exchange of interest. As a result there is an unfair competition among the bankers and among the customers. The people of this country are profoundly committed to Islamic way of life as enshrined in the holy Qur‟an and the Sunnah. Naturally, it remains deep in their hearts to fashion and design their economic lives in accordance with the precepts of Islam. The establishment of Islami Bank Bangladesh Limited on March 13, 1983, is the true reflection of this inner urge of its people, which started functioning with erect from March 30, 1983. Now, a question may arise- „what is Islami Banking?‟ According to OIC- “Islamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations.” This bank is the first of its kind in South-East Asia. It is committed to conduct all banking and investment activities on the basis of interest fee profit-loss sharing system. In doing so, it has unveiled a new horizon and ushered in a new silver lining of hope towards materializing a long cherished dream of the people of Bangladesh for doing their banking transactions in line with what is prescribed by Islam. With the active co-operation and participation of Islamic development bank (IDB) and some other Islamic banks, financial institutions, government bodies and eminent personalities of the Middle East and the gulf countries, Islami Bank Bangladesh Limited has by now earned the unique position of a leading private commercial bank in Bangladesh.

**1.2: Literature Review**

**Almazari A.F (2012)** has attempted to analyze the financial performance of seven selected Jordanian commercial banks and pointed out that there exists a positive correlation between financial performance and asset size, asset utilization and operational efficiency. Moreover, the study has anticipated making contributions in the field of banking and academic field.

**Rahman (2010)** explained that Islamic banks as a whole is the least efficient, while IBBL alone is slightly more efficient. He also showed that Islamic banks in Bangladesh are improving and converging to a high level of efficiency. Study also found that the Bangladesh Islamic banking industry, especially IBBL, has in terms of assets, deposits, income and financing base, grown rapidly over the study period 2002 to 2007. Finally, he suggested Islamic banks to redirect their marketing and communication strategies to focus more on targeting floating customers.

**Chodhury T.A and A kasfia, A (2009)** have analyzed the development and growth of selected private commercial Banks of Bangladesh. They observed that all the selected private commercial banks are able to achieve a stable growth of branches, employees, deposits, loans and advances, net income, earnings per share during the period of 2002-2006. At last, they concluded that the prospect of private commercial banks in Bangladesh is very bright.

**1.3: Objectives of the Study:**

**Broad Objective:**

The main objective of this report is to measure the financial health Soundness of selected Islami Banks in Bangladesh.

**Specific objective:**

* To compare the financial soundness among the selected Islamic Banks.
* To observe the different indicators (branches, employee’s expansion etc.) of selected Islamic Banks.
* To present an overview of Islamic banking in Bangladesh.
* To fulfill the partial requirement of BBA program.
* To make some recommendation.

**1.4: Methodology of the study**

For preparing this report, only secondary data were used which is collected from the following sources;

* Financial report of IBBL, AIBL, SIBL and SJIBL.
* Published articles,
* Internet,
* Brochure/ Books.
* Bank Documents.
* Bangladesh Bank’s different publications.

**Population:** There are eight Islamic banks in Bangladesh.

**Sample Size: F**our banks have taken as a sample. Such as;

* 1. Islami Bank Bangladesh Limited (IBBL) ,
  2. Social Islami Bank Limited (SIBL),
  3. Shahjalal Islami Bank limited (SJIBL) and
  4. Al-Arafa Islami Bank limited.

**Data analysis:** Data have been analyzed and shown into tables and charts Compared and commented based on it

**1.5: Limitations of the Study:**

* The major limitation faced in preparing this report was the sensitivity of the data.

As it is a highly competitive market, if the margin information released to other competitors, it may have a negative impact on their business. Resultantly, in some cases management were reluctant to give some specific data. Confidentiality of data was another important barrier that confronted during the conduct of this study.

* Every organization has their own secrecy that not revealed to others.
* While collecting data on the bank, personnel did not disclose enough information for the sake of confidentiality of the organization. Rush hours and business was another reason that acts as an obstacle while gathering data
* The depth of the analysis has been limited to the extent of information collected from different sources.
* In many case, up to date information not published.

Chapter-2

Overview of Selected banks

1. Islami Bank Bangladesh Limited
2. Al-Arafah Islami Bank
3. Social Islami Bank
4. Shahjalal Islami Bank

**2.1: Overview of IBBL:**

Islami Bank Bangladesh Limited provides commercial banking services. Its deposit products include current, savings, term deposit, special notice, special savings (pension), savings bond, non-resident Bangladeshi savings bond, cash deposit, monthly profit deposit, student’s savings, and farmer’s saving accounts, as well as foreign currency deposit accounts. The company also provides financing to the individuals for meeting their personal, family, and household needs, as well as welfare-oriented investment and rural development schemes. In addition, it offers non-resident Bangladeshi entrepreneurs services; services for small and medium enterprises; foreign currency services; locker services; and offshore banking services. Further, the company provides stock brokerage services; various services, such as portfolio management, underwriting, issue management, etc.; and remittance services. Islami Bank Bangladesh Limited operates through 14 zonal offices; and 321 branches in Bangladesh. The company was founded in 1983 and is headquartered in Dhaka, Bangladesh.

**2.2: Vision:**

Our vision is always to strive to achieve superior financial performance.be considered a leading Islami bank by reputation and performance.

**2.3: Mission:**

To establish Islami Banking through introduction of a welfare oriented banking system and also ensure equity and justice in all economic activities, achieving balanced growth and equitable development through diversified investment operation particularly in the priority sectors and less developed areas of the country.

**2.4: Objectives of Islamic Bank**

The primary objective of establishing Islamic Bank all over the world is to promote, foster and develop the application of Islamic principles in the business sector. More specifically, the objectives of Islamic bank when viewed in the context of its role in the economy are listed as following:

* To offer contemporary financial services in conformity with Islamic Shariah.
* To contribute towards economic development and prosperity within the principles of Islamic justice Optimum allocation of scarce financial resources and
* To help ensure equitable distribution of income.

**2.5: Core Values**

* Trust in Almighty Allah,
* Strict observance of Islamic Shariah,
* Highest standard of Honesty, Integrity
* Morale Welfare Banking ,
* Equity and Justice,
* Environmental Consciousness,
* Personalized Service,
* Adoption of Changed Technology,
* Proper Delegation, Transparency& Accountability,

2.6; Products and Services

Under products and services Islami Bank Bangladesh Ltd. has below categories:

1. DEPOSIT SCHEMES:

• Al-Wadiah Current Account (AWCA)

• Mudaraba Savings Account (MSA)

• Mudaraba Term Deposit Account (MTDR)

• Mudaraba Special Notice Account (MSNA)

• Mudaraba Hajj Savings Account (MHSA)

• Mudaraba Special Savings (Pension) Account (MSSA)

• Mudaraba Savings Bond (MSB)

• Mudaraba Monthly Profit Deposit Account (MMPDA)

• Mudaraba Mahr Savings Account (MMSA)

• Mudaraba Waqf Cash Deposit Account (MWCDA)

2. Investment Modes:

• Bai-Murabaha

• Bai-Istijrar

• Bai-Muajjal

• Bai Salam

• Istishna

• Bai-Asharf

• Mudaraba

• Musharakah IJARA-Modes

3. INVESTMNET SCHEME

• Household Durables Scheme (HDS)

• Investment Scheme for Doctors (ISD)

• Transport Investment Scheme (TIS)

• Car Investment Scheme (CIS)

• Small Business Investment Scheme (SBIS)

• Micro Industries Investment Scheme (MIIS)

• Agricultural Implement Investment Scheme (AIIS)

• Real Estate Investment Program (REIP)

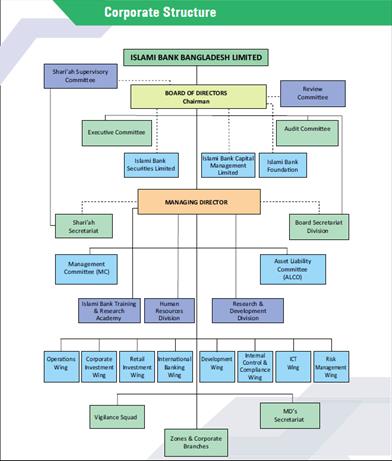
4. RURAL DEVELPOMENT SCHEME

5. FOREIGN EXCHANGE BUSINESS SERVICES

**Special Services:**

* Locker Services,
* ATM service.

**Corporate Structure**



2.6: Overview of AIBL Bank:

Al-Arafah Islami Bank Limited provides commercial and consumer banking, trade finance, and other related custody and clearing services in Bangladesh. The company offers current, short notice, savings, term, monthly and termed Hajj, and foreign currency deposits, as well as pension, marriage savings investment scheme, savings bond, and various deposit schemes; and credit cards. It also provides investment products for the agricultural, industrial, business, foreign trade, construction and housing, and transportation sectors; hire purchase services; and Masque and Madrasa, village, small enterprise, and consumer investment schemes.

**Vision:**

To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy.

**Mission**

 Achieving the satisfaction of Almighty Allah both here & hereafter.

 Proliferation of Shariah Based Banking Practices.

 Quality financial services adopting the latest technology.

 Fast and efficient customer service.

 Maintaining high standard of business ethics.

 Balanced growth.

 Steady & competitive return on shareholders' equity.

 Innovative banking at a competitive price.

 Attract and retain quality human resources.

 Extending competitive compensation packages to the employees.

 Firm commitment to the growth of national economy.

 Involving more in Micro and SME financing.

2.7: Business Review:

Date of Registration :18 June 1995

1st Branch : Motijheel Branch, Dhaka

Opening Ceremony : 27 September, 1995

Authorized Capital : 15,000.00 Million

Paid-up Capital : 9943.06 Million

Local Partnership of Capital : 100%

Equity : 21379.12 Million

Number of Branches : 140 Million

Deposit : 199,703.91 Million

Investment : 196519.38 Million

Number of Employees : 3070

Number of Shareholders : 36695

2.8: Core Values:

1. Commitment.

2. Ethical Values.

3. Innovation.

4. Team Spirit.

5. Customer Delight and

6. Caring For Human Resource.

2.9: Objectives of Bank:

The motto of the Al-Arafah Islami Bank Ltd is to explore a new horizon of innovative modern banking creating an automated and computerized environment providing one stop service and prepare itself to face the new

**2.10: Activities of AIBL:**

Bank is nothing but an intermediary between lender (surplus unit) and borrower (deficit unit). Savings and deposits are the main strength of the banks to provide loan. And the interest earned from the difference borrowing and lending is the major portion of banks income. Banks also earns from variety of operation. Branch banking includes four operational divisions in Al-Arafah Islami Bank Limited. They are:

1. General Banking
2. Accounts Division
3. Investment
4. Foreign Exchange

**2.11: Fixed Deposit Section:**

Fixed deposit is one which is repayable after the expiry of a predetermined of a predetermined period fixed by him. The period varies from 3 months, 6 month, 1 year and 3 year. These deposits are not repayable on demand but they are withdrawing able subject to a period of notice. Hence it is a popularly know as ‘’Time Deposit’’ or ‘’Time Liabilities’’ Normally the money on a fixed deposit is not repayable before the expiry of a fixed period.

**2.12: Cash Section:**

The cash section of any branch plays very significant role in general banking department because it deals with most liquid assets. The principle branch has an equipped cash section with modern electronic machinery with fully computerized environment and gives one stop counter service. This section

**2.13: Account Division:**

Account department is a department with which cash and every department is related. It records the profit and loss A/C and statement of assets and liabilities by applying ‘’Golden Rules’’ of book-keeping i.e. GAAP. The functions of it are theoretical based. AIBL Principle Branch records its accounts daily, weekly, and monthly every record.

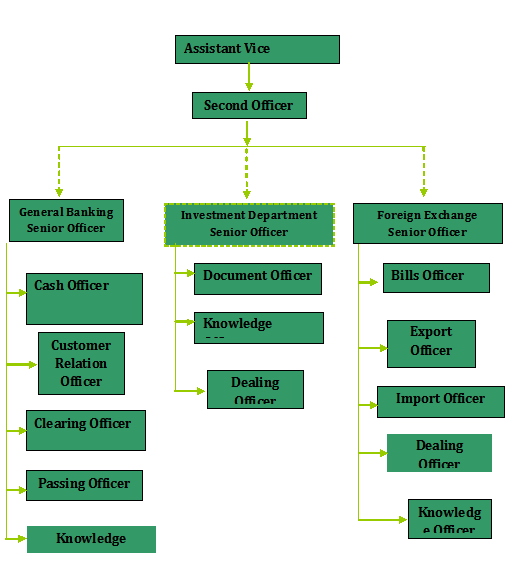
**2.14: Credit Department:**

One of the core functions of commercial banks is to create the claim against individual borrower or real the purpose of sanctioning credit bank grants loan in the form of different securities. By the primary security we mean the financial claim of holder against the real sector of economy. In banking the sector the financial claim of bank against issuer called investors, borrowers and difficult units. This core function of a bank is performed by the credit.

**Remittance of Fund Section:**

Sending money from one place to another through some charges is called Remittance. To pay or receive money of customers in the form of Remittance from one place to another, from one person to another inside and outside the national boundary is an earning source of every bank. All the Branch of Al-Arafah Islami Bank operates both the foreign and local remittance to serve its customers. In addition, this service is an important part of country’s payment system. Through this service, people can transfer their funds from one country to another country very quickly.

**Hierarchy of Al-Arafah Islami Bank:**



**Figure 2: Management Hierarchy of Al-Arafah Islami Bank:**

[**Management System**](http://www.assignmentpoint.com/business/finance/internship-report-on-credit-management-system-of-ific-bank.html) **of AIBL:**

A fourteen member Board of Directors are responsible for the strategic planning and overall policy guidelines of the bank. Further, there is an Executive Committee of the board of dispose of urgent business proposals. The executive Committee is assembled by nine members. Besides, there is a tree member Audit Committee in the board to oversee compliance of major regulatory and operational issues. There is an another eight member of Shariah Council to accelerate, monitor, control, supervise and maintain the modes of Islamic Banking System. Key issues are managed by a Management Committee headed by the CEO and Managing Director to facilitate rapid decisions.

**The board’s Role:**

The fatwa and Shariah Supervision Board oversee the application of different aspects of Shariah in the bank. It also ensures that all the transactions are in strict compliance with the right of contradict (Fatwa) any violating procedures, if they are found. The Board of Directors is obligated to obey the fatwas, irrespective of whether a unanimous or a majority consensus secured the decision (Clause of the Bank’s Memorandum & Articles of Association).

**Management Structure:**

A fourteen member Board of Directors are responsible for the strategic planning and overall policy guidelines of the bank. Further, there is an Executive Committee of the board of dispose of urgent business proposals. The executive Committee is assembled by nine members. Besides, there is a

**Board of Directors:**

There are 14 members for the bank’s Board of Directors. Among them 11 represents as the sponsors and general public, 1 senior official as Company Secretary and another one as the Shareholder Director. Managing Director is the ex-official Director of the Board.

**AIBL’s Library:**

The AIBL’s library houses a vast collection of more than 4000 books on Islamic Fiqh, law, economy, banking and Shariah. The library was primarily established with the aim of serving the Fatwa & Shariah Supervisions Board’s research team and the AIBL staff.

The facility is also accessible to the bank’s customers, researchers and the students of higher education.

**Shariah Supervisors:**

The clauses of the Bank’s Memorandum & Articles of Association requires the board of Directors to appoint a Shariah Supervisor, responsible for monitoring all the bank’s transactional procedures and assuring Shariah compliance. In current, there are six supervisors of Fatwa & Supervision Board.

**Shariah Auditing:**

The supervisory function forms a part of the Shariah Supervision procedures, its main task being to check Shariah compliance under the guidance of the Shariah Supervisors.

The Auditors continuously review the bank’s transactional procedures to ensure adherence to the framework created by the Fatwa & Shariah Supervision Board. The Shariah Auditors submit periodic reports to the Shariah Supervisors so as to monitor and maintain Shariah compliance.

2.15: Overview of SIBL:

Social Islami Bank Ltd. (SIBL) became operational on 22 November 1995 with a clear manifesto to demonstrate the operational meanings of participatory economy, banking and financial activities as an integrated part of an Islamic code of life. SIBL is operating three-sector Banking, such as, Formal, Non-Formal and Voluntary sector, SIBL is beginning a new area of Islamic Banking having social, ethical and moral dimension in each of its activities ranging from credit to construction, trading to transport, farming to fishing, manufacturing to mining and so on. Some renowned personalities and institutions are sponsors and directors of this bank, specially, the Founder Chairman Prof. Dr. M. A Mannan, who is an internationally reputed. Islamic thinker and Professional Economist. He served in different important capacities in different International Organizations including Asian Development Bank and Islamic Development Bank. With his heartiest efforts and inspiration Ex-Secretary General of O.I.C Dr. Hamid AI-Gabid and Deputy Speaker of Saudi Arabia and former Secretary General of Rabeta, Dr. Abdullah Omar Nasseef, and Ex-Commerce Minister of Saudi Arabia Salah Jamjoom took part in the establishment of the Bank.

**The Vision:**

Social Islami Bank Limited started its journey with the concept of 21st Century Islamic participatory three sector banking model: i) Formal Sector- Commercial banking with latest technology; ii) Non-formal Sector-Family empowerment Micro-credit & Micro-enterprise program and iii) Voluntary Sector- Social Capital mobilization through CASH WAQF and others. Finally, “Reduction of Poverty Level” is the Vision, which is a prime object as started in Memorandum of Association of the Bank with the commitment “Working Together for a Caring Society.”

**The Mission:**

1. High quality financial services with the latest technology.
2. Fast, accurate and satisfactory customer service.
3. Balanced & sustainable growth strategy.
4. Optimum return on shareholders’ equity.
5. Introducing innovative Islamic banking products.
6. Attract and retain high quality human resource.
7. Empowering real poor families and create local income opportunities.
8. Providing support for social benefit organizations-by way of mobilizing funds and social services.

**Goal:**

Social Islami Bank has efficient and experienced staff for giving better service to its clients along with modern technology.

**Non-formal sector:**

The Bank’s special program is directed mainly to up-lift the socio-economic conditions of rural and urban poor. In order to achieve this objective, Social Islami Bank Ltd. is involved in the mobilization and utilization of local resources and the surplus labor mainly from within and provide employment opportunities to the unemployed and the landless besides investing in N.G.O. activities, educational, health expansion activities etc. Social Fellowship Program for Students has already been introduced; Family health service cheque is being introduced.

**Investment voluntary sector:**

This Bank has a special program of development of various religious and social service oriented institutions. Within this program, Mosque, Maktab, Waqf, Charitable organizations etc. will be modernized and activated. All properties under this program will be utilized in productive activities on participation basis. Besides, Hajj (pilgrimage) and Kurbani (sacrifice of animals according to dictates of Islam) schemes are included in the program of Social Islami Bank Ltd Cash Waqf Certificate has already been introduced for the first time in history.

**2.16: GENERAL BANKING:**

General banking department aids in taking deposits and simultaneously provides some ancillaries services. General banking is the front side banking services department. It provides those customers who come frequently and those customers who come one time in banking for enjoying ancillary services. In some general banking activities, there is no relation between banker and customers who will take only one service from bank. On the other hand, there are some customers with who banks are doing its business frequently. SIBL (Social Islami Bank Limited) General banking is divided into five sections.

1. Account Opening activities
2. Bills and Clearing activities
3. Cash activities
4. Remittance activities
5. Closing of an Account activities.

2.17: Overview of SJIB Bank:

Shahjalal Islami Bank Ltd is based on Islamic Shariah. SJIBL is named after the name of a saint Hajrat Shahjalal (R) who dedicated his life for the cause of peace in this world and hereafter and served the humanity. It was incorporated as a Public limited company on 1st April 2001 under companies Act 1994. It started its Banking operation on May 10, 2001 with the 1st branch (main branch) opened at 58, dilkusha C/A, Dhaka obtaining the license of Bangladesh Bank, for enlistment of economic condition of its customers as well as to contribute sustainable economic growth and development in trade and industry of the country. Its corporate head quarter is situated at 10 Dilkusha C/A, Jiban Bima Bhaban, Dhaka-1000, Bangladesh

At present, the bank has a network of 26 branches with around 466 employees stationed in both rural and urban areas of the country. Since inception, the Bank has been making significant profit every year and positioning itself as second highest profit-making bank in the country for last five consecutive years. This has been possible due to significant growth of the bank. This has also been possible due to minimize the risks of the bank successfully.

**2.18: Objectives of SJIBL:**

The objective of Shahjalal Islami Bank Limited is not only to earn profit but also to keep the social commitment and to ensure its co-operation to the person of all level, to the businessmen, industrialist specially who are engaged in establishing large scale industry by consortium and the agro-based export oriented medium and small scale industries by self inspiration.

**Mission:**

* High quality financial service with the latest technology.
* First, accurate and satisfactory customer service.
* Balance & sustainable growth strategy.
* Optimum return on shareholder’s equity.
* Introduction innovative Islamic banking products.
* Attract and retain high quality human resource.
* Empowering real poor families and create local income opportunities.
* Providing support for social benefit organization- by way of mobilizing fund and social services.

**Vision:**

Shahjalal Islami Bank Limited stared its journey with the concept of 21st century Islamic participatory three sector banking model:

1. Formal Sector-Commercial banking with latest technology
2. Non Formal Sector-Family empowerment Micro-credit & Micro-enterprise program
3. Voluntary Sector – Social capital mobilization through CASH WAQF and other.

Finally, “Reduction of Poverty Level” is there Vision, which is a prime object as stated in Memorandum of Association of the Bank with the commitment “Working Together for a Caring Society”

**2.19: Performance of the SJIBL:**

SJIBL a blend of expertise and technological excellence is in place to meet varied needs of modern customers. The bank aims at mobilizing untapped money of the country and prudent deployment for productive activities in the form of lending at a competitive profit rates/investment pricing. Towards attainment of its goals and objectives, the bank pursues diversified credit policies and strategic planning in credit management. To name a few, the bank has extended micro credit, consumers durable scheme investments, house building investments etc. to cater to the needs of the individuals, which in turn has helped thousands of families. The bank also extends investment in the form of trade finance, industrial finance, project finance, export & import finance etc. The bank’s credit polices aimed at balanced growth and harmonious development of all the sectors of the country’s economy with top most priority to ensure quality of lending by averting growth of non-performing assets.

**Products and Services:**

The SJIBL serves its massive clientele with a variety of services apart from the conventional ones. Its frequent improvement and introduction of new products and services has given it a margin over the competitors.

**Different Types of Scheme:**

* Monthly Deposit Scheme (MDS)
* Mudarah Term Deposit Receipt (MTDR)
* Monthly Income Scheme (MIS)
* Double Profit Deposit Scheme (DPDS)
* Millionaire Scheme.
* Hajj Palon Scheme etc

**Different Types of Investment (Lone) Facilities:**

* Working Capital Financing.
* Agriculture, Fishing and Forestry.
* Transport and communication.
* Water works and sanitary service.
* Miscellaneous et

**Chapter-3**

**Theoretical**

**Aspects**

**3.1: Financial Health Analysis:**

Financial health analysis refers to the variability, stability, increasing and profitability of business, sub-business or project. It is performed by professional who prepare reports using ratio that make using information taken from financial information and other reports. These reports are usually presented to the top management as one of their bases in making banking decision. Based on these reports the top management take decision. It is also called the wealth maximization.

**3.2: Equity:**

Minimum 25% of the total value of the articles. The client shall have to deposit the amount of equity in his Mudaraba Savings/Investment Account with the concerned branch before the disbursement of investment.

3.3: Investment:

Investment operation of IBBL is very crucial, like any other banks as the greatest share of the total revenue is generated from it. Maximum risk cannot avert from this sector, so the prudence of success depends on the portfolio analysis

**3.4: Deposit:**

Deposit is the “life blood” of a bank. Bank has given utmost importance in mobilization of deposits introducing a few popular and innovative schemes. Bank collects deposit at lower profit and makes investment at a higher profit. Therefore, in analyzing the investment activities of IBBL is important to know the deposit performance of the bank

**3.5: Return on Assets (ROA):**

Return on asset measures the overall effectiveness in generating profits with available assets; earning power of invested fund. This ratio is used frequently for assessing the performance of fund. So it is important to evaluate how assets are contribution to generate profit. It has been calculated in the following way:

ROA = Net Income / Average Asset\* 100

**3.6: Return on Equity (ROE):**

Return on equity measure the total earnings from shareholders equity. The amount of net income returned as a percentage of shareholder’ equity. Return on equity measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders have invested.

**Return on Equity (ROE) = Total Return/ Total Equity**

3.7: Deposit Turnover:

A ratio showing how many times a company’s deposit is collected over a period or year.

Deposit turnover- employees= Total deposit/ no. of employees.

Deposit turnover- Branch= Total Deposit/ No. of Branches.

3.8; Investment (loan) Turnover:

A ratio showing how many times a company’s investment is used over a period or year.

Investment turnover- employees= Total Investment/ no. of employees.

Investment turnover- Branch = Total Investment/ No. of Branches.

Chapter-4

*Analysis*

**4.1: Number of Branches**

**Table-4.1: Number of Branches** Million in TK.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 276 | 286 | 294 | 304 | 318 | 3.61% |
| AIBL | 100 | 110 | 119 | 129 | 140 | 8.77% |
| SIBL | 86 | 94 | 100 | 111 | 125 | 9.47% |
| SJIBL | 84 | 92 | 93 | 93 | 103 | 5.34% |

**Source:** Annual report of IBBL, AIBL, SIBL and SJIBL

**Explanation:** No. of branches of IBBL bank increase gradually respectively to 276, 286, 294, 304 and 318 by 2012,2013, 2014,2015 and 2016, which means a lot of branches that helps to increase the scope of rendering financial service to the rural people. No. of branch of AIBL bank is increasing gradually. In 2012 there was 100 branch then in 2013 it has increased to 110 branches and respectively increased to 119,129 and 140 by 2014, 2015 and 2016. Though it has few branches but it has a good average growth. No. of branch of SIBL Bank increase gradually respectively to 86,94, 100,111 and 125 by2012,2013, 2014,2015 and 2016. No. of branches should be more increased. No. of branch of SJIBL Bank is increasing gradually respectively increased to 84, 92, 93, 93 and 103 by 2012, 2013, 2014, 2015 and 2016. No. of branches of SJIBL should be more increased.

4.2: Number of Employees

**Table no-4.2: Number of Employee** Million in TK

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 12188 | 12980 | 13574 | 13622 | 13569 | 2.77% |
| AIBL | 2110 | 2387 | 2649 | 2810 | 3070 | 9.86% |
| SIBL | 1625 | 1802 | 1922 | 2130 | 2363 | 9.83% |
| SJIBL | 1881 | 2173 | 2145 | 2156 | 2191 | 4.25% |

Source: Annual report of IBBL, AIBL, SIBL and SJIBL

**Figure 4.2: Number of employees of the Bank**

**Explanation:** **IBBL bank** is increasing gradually respectively to 12188, 12980, 13574, 13622 and 13569 by 2012,2013, 2014, 2015 and 2016 that meansIBBL bank has a lot of Employees that helps to increase the scope of rendering financial serviceto the rural people to cover all the people. No. of employees of **AIBL bank** is increasing gradually respectively to 2110, 2387, 2649, 2810 and 3070 by 2012,2013, 2014, 2015 and 2016. Though it has few employees but it has a good average growth. No. of Employees of **SIBL Bank** is increasing gradually respectively to 1625, 1802, 1922, 2130 and 2363 by 2012, 2013, 2014, 2015 and 2016. No. employees of SIBL should be more increased. No. of employees of **SJIBL Bank** is increasing gradually respectively increased to 1881, 2173, 2145, 2156 and 2191 by 2012, 2013, 2014, 2015 and 2016. No. of employees of SJIBL should be more increased.

**Deposit Turnover- Employees:** Million in TK.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 34.28 | 36.45 | 41.31 | 45.17 | 50.21 | 10.04% |
| AIBL | 56.25 | 59.06 | 62.98 | 60.46 | 65.05 | 3.85% |
| SIBL | 57.59 | 56.66 | 64.79 | 65.04 | 75.68 | 7.43% |
| SJIBL | 54.33 | 44.40 | 45.97 | 50.67 | 56.80 | 4.04% |

**Source: Annual report of IBBL,AIBL,SIBL and SJIBL**

**Figure 4.3: Deposit Turnover to employees**

**Interpretation**: **In IBBL bank** in 2012 there was Tk. 34.28 million Tk. Deposit Turnover to Employees then it has increased to 36.45 million in 2013 and it also increased to 41.31 million Tk. in 2014.But it further increased to 45.17 million Tk. in 2015.At the last year it has increased to 50.21 million tk. In 2016.It is not so much deposit turnover to employees but it has a good average growth. **At AIBL bank**, In 2012 there was Tk. 56.24 million Tk. Deposit Turnover to Employees then it has increased to 59.06 million in 2013 and it also increased to 62.98 million Tk. in 2014.But it has decreased to 60.46 million Tk. in 2015.At the last year it has increased to 65.05 million tk. In 2016. **At SIBL bank** , In 2012 there was Tk.57.59 million Tk. Income Turnover to employees

then it has decreased to 56.66 million Tk. in 2013 and then it has increased to 64.79 million Tk. in 2014. it has also creased to 65.04 million Tk. in 2015.At the last year it has also increased to 75.68 million tk. in 2016. **At SJIBL bank**, In 2012 there was deposit turnover to employees to 54.32 million tk. but it has decreased to 44.40 million tk. in 2013. In 2014 it increased to 45.97 million tk..It has also increased to 50.67 million tk.. in 2015.At the last year , it has also continued it’s increasing level to 56.80 million tk. in 2016.

**Deposit Turnover- Branch:** Million in TK.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 1513.93 | 1654.34 | 1907.13 | 2024.21 | 2142.62 | 9.13% |
| AIBL | 1186.83 | 1281.64 | 1402.11 | 1316.95 | 1426.45 | 7.96% |
| SIBL | 1088.30 | 1086.21 | 1245.35 | 1248.08 | 1430.77 | 14.12% |
| SJIBL | 1216.39 | 1048.71 | 1060.22 | 1174.83 | 1207.86 | 7.12% |

**Source: Annual report of IBBL,AIBL,SIBL and SJIBL**

**Figure 4.4: Deposit turnover to Branches**

**Interpretation**: **In IBBL bank**, In 2012 there was Tk. 1513.93 million Tk. Deposit Turnover to Branches then it has increased to 1654.34 million Tk. in 2013 and it also more increased to 1907.13 million Tk. and 2024.21 million Tk. in 2015.At the last year it has increased to 2142.62 million tk. In 2016. It has healthy deposit turnover to branches. **In AIBL bank** , In 2012 there was Tk. 1186.83 million Tk. Deposit Turnover to Branch then it has increased to 1281.64 million Tk. in 2013 and it also more increased to 1402.11 million Tk. in 2014.But it has decreased to 1316.95 million Tk. in 2015.At the last year it has increased to 1426.45 million tk. In 2016. **In SJIBL bank**, In 2012 there was deposit turnover to branches to 1216.39 million tk. but it has decreased to 1048.71 million tk. in 2013. In 2014 it increased to 1060.22 million tk.. it has also increased to 1174.83 million tk.. in 2015.At the last year it has also continued it’s increasing level to 1207.86 million tk. in 2016.**In SIBL bank**, In 2012 there was Tk.1088.30 million Tk. Deposit Turnover to branches then it has decreased to 1086.21 million Tk. in 2013 but it has increased largely to 1245.35 million Tk. in 2014.But it has also increased to 1248.08 million Tk. in 2015.At the last year it continues it’s increasing to 1430.77 million tk. in 2016. The bank has good average growth.

Investment Turnover- Employees:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 32.81 | 36.51 | 41.57 | 46.22 | 49.87 | 11.05% |
| AIBL | 50.54 | 52.67 | 55.39 | 57.83 | 64.01 | 6.11% |
| SIBL | 59.09 | 47.68 | 56.13 | 62.96 | 73.71 | 7.24% |
| SJIBL | 51.13 | 39.44 | 39.19 | 44.91 | 56.16 | 4.12% |

**Source: Annual report of IBBL,AIBL,SIBL and SJIBL**

**Figure 4.5: Investment turnover to Employees**

**Interpretation**: **In IBBL bank**, In 2012 there was Tk. 32.81 million Tk. Investment Turnover to employees then it has increased to 36.51 million Tk. in 2013 and it also more increased to 41.57 million Tk. in 2014.But it has increased continuously to 46.22 million Tk. in 2015.At the last year it has increased to 49.87 million tk. in 2016.IBBL bank has not enough healthy investment turnover to employees but it has good average growth. **In AIBL bank**, In 2012 there was Tk. 50.54 million Tk. Investment Turnover to employees then it has increased to 52.67 million Tk. in 2013 and it also more increased to 55.39 million Tk. in 2014.But it has increased continuously to 57.83 million Tk. in 2015.At the last year it has increased to 64.01 million tk. in 2016. **In SIBL bank,** In 2012 there was Tk.59.09 million Tk. Investment Turnover to employees but it has decreased to 47.68 million Tk. in 2013. in 2014 it increased to 56.13 million Tk..And it has also increased to 62.96 million Tk. in 2015.At the last year it has also increased to 73.71 million tk. in 2016. **In SJIBL bank,** In 2012 there was investment turnover to employees to 51.13 million tk. but it has decreased to 39.44 million tk. in 2013. In 2014 it has also decreased to 39.19 million tk..Then it increased to 44.91 million tk.. in 2015.At the last year it has also continued it’s increasing level to 56.16 million tk. in 2016.

Investment Turnover- Branch:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 1449.02 | 1657.40 | 1919.50 | 2071.15 | 2128.14 | 10.21% |
| AIBL | 1066.50 | 1142.86 | 1233.11 | 1260.71 | 1403.71 | 7.14% |
| SIBL | 1116.57 | 914.07 | 1078.99 | 1208.26 | 1393.57 | 7.12% |
| SJIBL | 1145.06 | 931.59 | 903.89 | 1041.23 | 1194.23 | 3.57% |

**Source: Annual report of IBBL,AIBL,SIBL and SJIBL**

**Figure 4.6: Investment turnover to Branches**

**Interpretation**: **In IBBL bank**, In 2012 there was Tk. 1449.02 million Tk. Then it has increased to 1657.40 million Tk. in 2013 and it also more increased to 1919.50 million Tk. in 2014.But it has increased continuously to 2071.15 million Tk. in 2015.At the last year it has increased to 2128.14 million tk. in 2016.IBBL bank has healthy inbestment turnover to branches and also a good average growth. **In AIBL bank**, In 2012 there was Tk. 1066.50 million Tk. Then it has increased to 1142.86 million Tk. in 2013 and it also more increased to 1233.11 million Tk. in 2014.But it has increased continuously to 1260.71 million Tk. in 2015.At the last year it has increased to 1403.71 million tk. in 2016**.In SIBL bank**, In 2012 there was Investment Turnover to branches Tk. 1116.57 million Tk. but it has decreased to 914.07 million Tk. in 2013. in 2014 it increased to 1078.99 million Tk..And it has also increased to 1208.26 million Tk. in 2015.At the last year it has also increased to 1393.57 million tk. in 2016.**In SJIBL bank**, In 2012 there was investment turnover to branches to 1145.06 million tk. but it has decreased to 931.59 million tk. in 2013. In 2014 it has also decreased to 903.89 million tk.. In 2015 it has increased to 1041.23 million tk .At the last year it has also continued it’s increasing level to 1194.16 million tk. in 2016.

Return on Asset:

Net Income/ Average Asset:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 1.27% | .96% | .67% | .48% | .59% | -18.25% |
| AIBL | 1.30% | 1.20% | 1.11% | .99% | 1.14% | -2.75% |
| SIBL | 2.75% | 1.67% | 2.36% | 2.08% | 2.06% | -2.25% |
| SJIBL | 1.44% | 1.00% | .59% | .98% | 1.02% | -0.48% |

**Source: Annual report of IBBL,AIBL,SIBL and SJIBL**

**Figure 4.7: Return on Asset Ratio**

**Interpretation**: **In IBBL bank,** In 2012 there was return on asset 1.27% but it has decreased to 0.96% in 2013. In 2014 it more decreased to 0.67%. But again it has decreased to 0.48%. In 2015 at the last year it has increased to 0.59% in 2016. Return on asset of IBBL bank is not desired and also negative growth which should be recovered. **In AIBL bank**, In 2012 there was return on asset 1.30% but it has decreased to 1.20% in 2013. In 2014 it more decreased to 1.11%. But again it has decreased to .99%. In 2015 at the last year it it has increased to 1.14% in 2016. **In SIBL bank,** In 2012 there was return on asset 2.75% but it has decreased to 1.67% in 2013. In 2014 it increased to 2.36%. But again it has decreased to 2.08%. in 2015.At the last year it has also continued it’s decreasing level to 2.06% in 2016 Return on asset of SIBL bank is good but average growth should be overcome..**In SJIBL bank**, In 2012 there was return on asset to 1.44% but it has decreased to 1.00 % in 2013. It has also decreased to 0.59%. Then it has increased to 0.98 %. In 2015.At the last year it has also continued it’s increasing level to 1.02 % in 2016.

Return on Equity Ratio

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Bank** | **2012** | **2013** | **2014** | **2015** | **2016** | **Average Growth** |
| IBBL | 14% | 11% | 9% | 7% | 9.28% | -7.05% |
| AIBL | 7.91% | 8.26% | 8.38% | 7.50% | 7.04% | -2.78% |
| SIBL | 8.03% | 8.44% | 8.17% | 8.12% | 8.11% | .02% |
| SJIBL | 9.27% | 7.18% | 6.16% | 5.61% | 5.91% | -10.5% |

**Source: Annual report of IBBL,AIBL,SIBL and SJIBL**

**Figure 4.8: Return on Equity Ratio**

**Explanation: In IBBL** bank, In 2012 there was return on equity 14% but it has decreased to 11 % in 2013. In 2014 it has also decreased to 9%.Then it also has decreased to 7%. In 2015.At the last year it has increased to 9.28 % in 2016.Return on equity of IBBL bank is not healthy enough and average growth is negative sloping ward. **In AIBL bank**, In 2012 there was return on equity 7.91% and it has increased to 8.26 % in 2013. In 2014 it has also increased 8.38%.Then it has decreased to 7.50%. In 2015.At the last year it has also continued it’s decreasing level to 7.04 % in 2016. **In SIBL bank,** In 2012 there was return on equity 8.03% and it has increased to 8.44 % in 2013. In 2014 it has decreased to 8.17%.Then it has also decreased to 8.12%. In 2015.At the last year it has also continued it’s decreasing level to8.11 % in 2016. **In SJIBL bank,** In 2012 there was return on equity 9.27% but it has decreased to 7.18 % in 2013. In 2014 it has also decreased to 6.16%.Then it has also decreased to 5.61%. In 2015.At the last year it has increased to 5.91% in 2016.

**Chapter-5**

**Findings**

**Recommendations**

**,**

**Conclusions**

**5.1. Findings:**

* **Shortage of branches and employees**: Shahjalal Islami Bank Ltd. (SJIBL) and Social Islami Bank Bangladesh Limited (SBBL) have a very few number of branches and employees. This is not increasing according to the no. of client. This is a great weakness. If they cannot recover this weakness, they will can not to ensure service to all the people and to increase earnings by existing branches and foreign exchange department. .
* **Recovery of Investment**: Recovery of Investment is a great threat for Shahjalal Islami Bank Ltd. (SJIBL). Because the financial market strength of our country is not so strong. As such to recover the lending money is a great threat.
* **Classified Investment**: Classified Investment is another major obstacle for banks is its classified loan. Through this picture is not new for this particular bank it is exists to all commercial banks throughout the world.
* **Increasing Fixed Deposit:** Al-arafa Islami Bank Limited (AIBL) and Shahjalal Islami Bank Ltd. (SJIBL) can not to increase fixed deposit from their loyal client.
* **Return on equity:** The Return on equity did not increase according to the client of Islami Bank Bangladesh Limited (IBBL) and Shahjalal Islami Bank Ltd. (SJIBL) bank. This is a great threat for these Bank Ltd because the return on equity indicate whether the bank is going into the profit way.
* **Return on Asset:** Return on asset of Islami Bank Bangladesh Limited (IBBL) is very decreasing level. Besides the AIBL, SIBL and SJIBL bank also decreasing.
* **Branch network:** In another weakness of the new generations banks are branch network which are very smaller in number through they are spreading very sharply. But this weakness will be come-up in the span of time and the authority is very serious to solve this weakness.

5.2. Recommendations:

1. Shahjalal Islami Bank Ltd. (SJIBL) and Social Islami Bank Bangladesh Limited (SBBL) must have to increase its number of branches to meet up the demand of its clients.
2. Shahjalal Islami Bank Ltd. (SJIBL) and Social Islami Bank Bangladesh Limited (SBBL) must have to increase its number of employees according to increasing branches.
3. Al-arafa Islami Bank Limited (AIBL) and Shahjalal Islami Bank Ltd. (SJIBL) must have to increase its amount of deposit.
4. Islami bank Bangladesh Limited (IBBL) should increase total net income which ultimately helps to increase return on asset ratio and return on equity ratio.
5. Shahjalal Islami bank Bangladesh Limited (SJIBL) should diversify its investment to different side.
6. Shahjalal Islami Bank Ltd. (SJIBL) must have to increase its amount of deposit.

**5.3. Conclusion:**

Islami bank is now reality in Bangladesh. It is functioning efficiently, smoothly and satisfactorily despite facing various internal and external threats. The economics of the country may be geared towards Islamic Principles and Teachings in order to realize the full potential of Islamic Banks in the long run. However, in the short run, Islamic banks can take a number of concrete steps to facilitate the Islamic Banking in Bangladesh All activities of the bank are conducted according to Islamic shariah where profit is the legal alternative to interest. The total deposit of the bank was TK.417844 million at 31st December 2012. At the same time in the last year 2016, the amount of total deposits was 681352 million taka. In this area the growth rate is 63.07%. So deposit is a good strength of IBBL.The no. of branches and employees of the bank are increasing gradually day by day.

This report gives a clear idea about the Financial Health Soundness of Bank Bangladesh Ltd.( IBBL), Al-Arafa Islami Bank Ltd (AIBL.), Social Islami Bank Ltd.( SIBL), and Shahjalal Islami Bank Ltd.( SJIB). IBBL started their journey in 1983 with the said principles of mind and to introduce a modern banking system based on Al-Quran and Sunnah. During these 34 years of its operation, the bank has been widely acclaimed by the business community from small business persons to conglomerates for forward looking outlook and innovative financial solutions.

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