

Fund Management Practices of the Selected Islamic Commercial Banks in Bangladesh

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Abstract

Fund management of Islamic Bank is a significant issue for its growth and stability. The major objective of the study is to know the position of fund management in respect of financial, operational productivity and employee productivity performance of Islami Bank Bangladesh Ltd (IBBL) and Shahjalal Islami Bank Ltd. (SJIHL) during the period of 2008-2012. Here only the secondary data are used. Findings suggest that financial performance of both the Islamic banks were found having the highest fluctuation, while the employee productivity performance having the least fluctuation. So in fund management practices, the banks are not in a good position due to the lack of Islamic money and capital market, predominance of murabaha financing, to insufficient numbers of Islamic insurance company, absence of strong inter-bank money market, absence of Islamic legal framework and lack of Islamic accounting system etc. Therefore, financial reforms should be introduced by the Ministry of Finance and Bangladesh Bank so that the overall fund management practices in respect of financial, operational productivity and employee productivity performance might improve equally at a saturated level of satisfaction.

Key Words: *Islamic Banks, Fund Management, Financial Performance, Operational Productivity Performance, Employee Productivity Performance.*

1. Introduction:

Islamic banking is now spread over almost throughout the world, in both Muslim and non-Muslim countries, as a viable entity and financial intermediary. The second half of the twentieth century witnessed a major shifting of thinking in devising banking policy and framework on the basis of the *sharia*. This new thought was institutionalized at the end of the third quarter of the century, and emerged as a new Islamic banking system. Ahmed El Naggari is considered to be the first man to implement this concept. After the establishment of Mit Ghamr Local Savings Bank in a provincial rural center in the Nile Delta, Egypt in 1963, through the initiative of Naggari, the initial shape of Islamic banking modality was injected into the Egyptian economy. The establishment of the Islamic Development Bank (IDB) in 1975 gave

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formal momentum to the Islamic banking movement. Since the establishment of IDB, a number of Islamic banking and financial institutions have been established all over the world. By 2009, there were over US\$822 billion assets being managed in over 300 banks and 250 mutual funds around the world complying with Islamic principles (The Economist, 2009). As of 2005, *shariah* compliant financial institutions represented approximately 0.5% of total world assets (Slater, 2007).

Banking sector is generally recognized as the life blood of a country's economy. As far as economic growth and development are concerned, Bangladesh economy, like any other economy, is heavily dependent on its banking sector. Bangladesh has an assorted banking sector of 56 Scheduled Banks consisting of 6 State Owned Commercial Banks (SOCBs), 2 Specialized Banks (SDBs), 39 Private Commercial Banks (PCBs) and 9 Foreign Commercial Banks (FCBs). Out of 39 PCBs, there are 31 Conventional PCBs perform the banking functions in conventional fashion i.e. interest based operations and 8 Islami Shariah based PCBs execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode (BB website). Presently, 9 Conventional PCBs have opened 19 Islamic Banking Branches alongside their interest-based branches (Sarker, 2004). The banks have their own *Shariah* Councils to fix the terms and conditions of banking services under the Islamic rules and regulations (Sohel, 2014)

1.1 Genesis of Islamic Banking in Bangladesh

Two professional bodies, "Islamic Economics Research Bureau" (IERB) and "Bangladesh Islamic Bankers Association" (BIBA), were taking practical steps to impart training on Islamic economics and banking to a group of bankers, and arranging national and international seminars to attract investors to establish Islamic bank in Bangladesh. Their activities were reinforced by a number of Muslim entrepreneurs working under the aegis of Muslim Businessman Society (MBS). The body concentrated mainly on mobilizing equity capital for the emerging Islamic bank. Due to their continuous and dedicated work, and active support from the Government, Bangladesh embraced Islamic Banking System in 1983 when for the first time an Islamic bank, named Islami Bank Bangladesh Limited (IBBL), was established in its territory. Since then Islamic banking has been playing a significant role across different economic and social sectors in Bangladesh.

Bangladesh was not inactive in this movement toward Islamic banking. Two and a half decades have passed since the establishment of the first Islamic bank in Bangladesh and now the numbers of Islamic banks have risen to eight. The latest one "The Union Bank Limited", a 4th generation Bank, have commenced its journey on 1st April, 2013 through 11 branches with an authorized Capital of Tk.10,000 million and paid up capital of Tk.4,280 million. It is now time to analyze their function and

performance. Keeping this in view, an attempt has been made here to focus on the financial and operational performance of Islamic banking in Bangladesh.

Table: 1 Islamic Banks in Bangladesh at a glance as of 2012

(Tk. In million)

Name of the Banks	Year of establishment	Paid up capital	Deposits	Number of Branches	Assets
1. Islami Bank Bangladesh Limited (IBBL)	1983	12509.64	417844.14	276	482536.32
2. ICB Islamic Bank Limited (ICBIBL)	1987	6647.02	12381.39	33	15118.74
3. Social Islami Bank Limited (SIBL)	1995	6393.93	93594.29	86	115165.95
4. Al-Arafah Islami Bank Limited (AIBL)	1995	7130.98	118683.39	100	149320.36
5. Export Import Bank of Bangladesh Limited (EXIM Bank)	1999	10514.86	140369.66	75	167056.63
6. First Security Islamic Bank Ltd (FSIB)	1999	3740.35	109905.57	100	129937.81
7. Shahjalal Islamic Bank Ltd (SJIBL)	2001	5566.00	102177.00	84	132823.00
8. Union Bank Ltd	2013	-	-	-	-

Source: Respective Banks' Annual Report

2. Objectives of the Study:

The study has been made with an attempt to meet the following objectives:

Major objective:

To determine Five Years Comparative Financial and Operational Performance Report /Progress of the Islami Bank Bangladesh Ltd (IBBL) and Shahjalal Islamic Bank Ltd (SJIBL) during 2008-2012.

Specific objectives:

1. To know the fund management practices of Islami Bank Bangladesh Ltd (IBBL) and Shahjalal Islamic Bank Ltd (SJIBL) for last five (2008-2012) years.
2. To analyze the profitability condition of the banks and factors governing the same for the period.
3. To know the productivity trends of the banks and the factors for variations during the period.

4. To give suggestions for developing fund management practices in the banks as desired by Islamic *Shariah*.

3. Methodology of the Study:

This study is limited to the financial and operational data of the Islami Bank Bangladesh Ltd (IBBL) and Shahjalal Islamic Bank Ltd (SJIBL) for said period. Both of the banks are selected based on the convenience sampling technique. The study follows mainly secondary data, which are collected from the annual reports of the banks. The data is analyzed through different ratio indicators to find out the capital adequacy, profitability and productivity level of the banks. Besides Mean Value, Standard Deviation (SD) and Coefficient of Variance (CV) are also analyzed to conclude specifically.

4. Theoretical Aspects of the Study:

4.1 Islami Bank Bangladesh Limited (IBBL)

IBBL was established in March 13, 1983 as a public limited company under Companies Act, 1913 (amended in 1994). The bank started its operation on March 30, 1983 under the ambit of Banking Company Ordinance, 1962 (amended in 1991) as the first interest free *Shariah* based Commercial Bank with a mission to establish Islamic Banking through the introduction of welfare oriented banking system. It is a joint venture of Bangladesh and overseas capital in the ratio of 30:70. Its local capital is owned by the Government of Bangladesh (5%) and private individuals and institutions (25%). The Bank is enlisted with DSE (Dhaka Stock Exchange) & CSE (Chittagong Stock Exchange). IBBL has been declared as one of the 20 Blue Chip companies by DSE and as one of the 30 best companies by CSE. The bank provides a wide range of Islamic banking services. The major portion of investment portfolio of IBBL is towards corporate while the rest is towards SME, Specialized Schemes and retail investments. At present (2012) the bank carries out its business activities through 276 branches with the total staff strength of 12188, authorized capital of Tk 20000 million, paid-up capital of Tk 12509.64 million and reserve fund of Tk 27245.87 million (Annual Report, 2012).

IBBL is holding a diverse shareholding pattern with foreign and domestic sponsor shareholders. IBBL is a first generation private sector bank in the country and is one of the best performing banks of the nation. The management has been taking utmost care maintaining capital adequacy and liquidity management as per requirement of Bangladesh Bank and maintains excellent growth with strategic plan to expand branch network, deposit and investment, develop new products and savings schemes. The bank has been operating profitably since the beginning of its journey keeping the

internal capital generation high, following very cautious investment policy to keep the quality of asset strong.

4.2 Shahjalal Islamic Bank Limited (SJIBL)

Shahjalal Islamic Bank Limited (SJIBL) commenced its commercial operation in accordance with principle of Islamic *Shariah* on the 10th May 2001 under the Bank Companies Act, 1991. During last eleven years SJIBL has diversified its service coverage by opening new branches at different strategically important locations across the country offering various service products both investment & deposit. Islamic Banking, in essence, is not only interest-free banking business, it carries deal wise business product thereby generating real income and thus boosting GDP of the economy. At present (2012) the bank carries out its business activities through 84 branches with the total staff strength of 1881, authorized capital of Tk 6000 million, paid-up capital of Tk 5566 million and reserve fund of Tk 4080 million (Annual Report, 2012).

4.3 Concept of Fund

The true meaning of fund is variously used depending upon the nature and environment of circumstances. Specifically, there are three concepts of the term funds cash concept, total resources concept and working capital concept. According to **cash concept**, the word fund is synonymous with cash. All cash receipts are regarded as fund inflow and all cash payments as funds outflow. Thus, when the term fund is used in name of cash funds, statement turns into receipts and payments account. According to **total resources concept**, the term funds represent total assets or total resources of the organization. All the changes that result in increase in assets and liabilities or decrease in assets and liabilities are shown in fund flow statement. Here decrease in assets and increase in liabilities constitutes sources of funds which are known as fund inflows. But increase in assets and decrease in liabilities are regarded as uses of funds indicating fund outflows. In the funds statement prepared on total resource basis, sources of funds must equate their uses because the balance sheet both assets and liabilities columns of which are equal to each other, is the fundamental basis of preparing such statement. According to **working capital concept** the term funds refer to net working capital. Generally, the working capital is the difference between current assets and current liabilities. Balance sheet of any organization comprises of non-current assets and non-current liabilities at the one end but current assets and current liabilities at the other. So, working capital may be calculated thus: **Working Capital** = Current assets - Current liabilities. Here current assets include cash, accounts receivable, and inventory. Current liabilities include accounts payable and

accrued liabilities or expenses. So, **Working Capital** = Cash + Accounts Receivables + Inventory – Accounts payable – Accrued liabilities.

4.4 Fund Management

Fund Management means the efficient and effective management of funds (money) in such a manner as to accomplish the objectives of the organization i.e to ensure an adequate level of liquidity and to earn highest possible profit. It includes how to raise the capital, how to allocate it i.e. capital budgeting and how to control. Not only about long term budgeting but also how to allocate the short term resources like current assets. It also deals with the dividend policies of the share holders. It is the specialized functions directly associated with the top management. The significance of this function is not only seen in the 'Line' but also in the capacity of 'Staff' in overall administration of a company. It has been defined differently by different experts in the field.

- “Fund management is the Operational Activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operation.” -by Joseph Massie
- “Fund management deals primarily with raising, administering and disbursing funds by privately owned business units operating in non-financial fields of industry.” – by Prather and Wert
- “Fund management is an area of financial decision making, harmonizing individual motives and enterprise goals.” by Weston and Brigham
- “Fund management is the area of business management devoted to a judicious use of capital and a careful selection of sources of capital in order to enable a business firm to move in the direction of reaching its goals.” – by J.F.Bradlery
- “Fund management is the application of the planning and control function to the finance function.”– by Archer & Ambrosio
- “Fund management may be defined as that area or set of administrative function in an organization which relate with arrangement of cash and credit so that organization may have the means to carry out its objective as satisfactorily as possible.”-by Howard & Opton.
- “Fund management can be broadly defined as the activity concerned with planning, raising, controlling and administering of funds in the business.”-by H.G Gathman & H.E Dougall.

4.5 Sources of Funds of Islamic Banks in Bangladesh

The sources of the financial resources of the Islamic banks consist of the paid-up capital, reserves, funds raised through borrowings from the Central Bank and

Government and other banks (interbank borrowing), and nonbank financial institutions, and the issue of different types of Islamic financial instruments to attract the untapped savings of the people. The major part of their operational financial resources is, however, derived from deposits mobilized on the principles of Al-Wadia (safe custodianship) and Mudaraba (trust financing). As per law, every Islamic bank has to maintain a reserve fund to offset any losses in investment. Before declaration of profit, a portion of profit goes to the reserve fund, after due provision for Zakat and taxation. In Bangladesh, the Islamic banks, besides maintaining the statutory reserve, have built up investment loss offsetting reserves by appropriating 10% of their annual investment profits. To meet short-term financial needs or temporary liquidity shortfall, Islamic banks, as member of scheduled banks, are entitled to borrow from Bangladesh Bank at the last resort. In Bangladesh, some Islamic banks hold large cash reserves, which earn no return, largely because they cannot invest them in interest-based Government Securities or Treasury Bills. On the other hand, some other Islamic banks are experiencing shortfall in maintaining liquidity requirement due to inadequate deposit mobilization capability. In this situation, Bangladesh Bank did not allow any Islamic bank under liquidity shortfall to get funding from the Central Bank on the basis of the *shariah*, but on the basis of Bank Rate which is essentially a floor rate of interest. Islamic banks use interbank borrowing arrangements to maintain some of their funds as deposits with each other, and also with other conventional banks on the basis of reciprocity. Financial resource mobilization through issuance of Islamic financial instruments is at a primary level. Only one Islamic bank, Islami Bank Bangladesh Limited, issued a single instrument called “Mudaraba Savings Bond” (five years and eight years of maturity) in November 1996, as a part of savings mobilization. Bangladesh Government has introduced a Mudaraba Bond named “Bangladesh Government Islamic Investment Bond (Islamic Bond- the operation of 1-year and 2-year)” in October, 2004 with a view to mitigating the long-felt need for a Shariah-based monetary instrument which can be used as an approved security for the purpose of maintaining the Statutory Liquidity Requirements (SLRs) as well as providing an outlet for investment or procurement of funds by the Islamic banks. This bond is also open for investment by the private individuals, companies or corporations (Sarker, 2004). Around two billion US dollars have already been invested by Islamic Banks in this profit loss share based BGIIB fund since its launch in Bangladesh. Leading the way, Islami Bank Bangladesh Ltd (IBBL) has invested around 1.6 billion dollars alone (Bhuiya, 2015).

4.5.1 Fund Mobilization Techniques of Islamic Banks

Al-Wadiah Current Deposit Account:

Al-Wadiah implies that the bank receives fund with undertaking to refund the deposit on demand and also with authorization from the depositors to use the fund for benefit of and at the risk of the bank. Bank's Current Account Deposits are managed on this principle. Islamic banks do not pay profit on this deposit.

Mudaraba Savings Deposit Account:

Mudaraba savings account of the Islamic banks is totally different from the savings account of the interest-based banks. Mudaraba principle implies that the bank receives deposits from the depositor with the authority that the bank will have exclusive right to manage the fund and the profit resulting from such deposits will be shared between the bank and the depositor at a pre-agreed Mudaraba ratio and the loss, not resulting from the negligence of the Bank or any of

its representative, will be borne by the depositors. Profit and loss sharing savings deposit accounts and various term deposits of the Islamic banks are conducted on this principle. Islamic banks in Bangladesh receive deposits in the Mudaraba account on the basis of Mudaraba contract. Generally, Mudaraba savings account is not for any specific duration. Bank receives this sort of deposit subject to investment of the money in any Shariah approved venture by

applying a legitimate Islamic mode of financing. In the case of Mudaraba deposits, the depositor is the Shahib-al-Maal and the bank is the Mudarib. The ratio of profit is determined at the time of contract. The relationship between the bank and depositor is of shareholders, not of the type of debtor-creditor.

Term Mudaraba Deposit Account:

Islamic banks receive term deposit for a minimum period of 3 months to 3 years on the principles of Mudaraba. Bank invests the money, earns profit, and shares it with the depositor as per predetermined Mudaraba ratio agreed upon at the time of the contract. In case of loss, depositors bear the loss in proportion to their deposits at their accounts. The Mudaraba term depositors, if they like, can again deposit their money under a new contract. No cheque book is issued against any term Mudaraba Deposits. The basic difference between the Mudaraba savings deposits account and term Mudaraba deposit account is the question of specificity of the duration and weightage followed for calculation of profit.

Special Mudaraba Deposit Accounts:

When an Islamic Bank receives Mudaraba deposits for investment in some business sector, or project, the deposit is called special Mudaraba deposits. In this case, an Islamic bank, while receiving deposits, comes to an agreement with the depositors that money to be received will be invested in some specific business ventures such as fertilizer or salt business; or in some specific sectors like industrial sector, textile

sector, export-import sector etc. or some specific investment sector of the banks such as real estate, ship breaking or shipping project etc. Special Mudaraba depositors will share only in the profit and loss of those particular businesses, sectors or projects for which they have deposited their money. They are neither concerned nor related to the entire profit and loss business of the bank. In Bangladesh, deposits received by the Islamic banks are generally in the form of common pool Mudaraba deposits.

4.5 Utilization of funds by Islamic Banks in Bangladesh

The utilization of funds under the framework of Islamic banking has opened a new way of making investments conforming to the *shariah*. The term “investment financing” usually indicates loans and advances made by conventional banks, and their investment in bonds and securities on the basis of predetermined rates of interest. Since Islamic banks cannot lend on interest, they have devised different types of interest-free financing devices. Islamic banks in Bangladesh primarily follow the Islamic principles of Bai-Murabaha, Bai-Muajjal, Bai-Salam, Bai-Istisnah, Ijara, Ijara-wa-Iqtina and hire-purchase etc. One of the study shows that Islami Bank Bangladesh Ltd. (IBBL), Al-Arafah Islami Bank Ltd (AIBL) and Social Investment Bank Ltd (SIBL) have used 54%, 76% and 65% respectively of their investment funds by resorting to Murabaha mode (Haque, 1996).

4.6.1 Fund Utilization Techniques of Islamic Banks

Profit Sharing Principle:

Mudaraba (short term) : Profit sharing principle for Islamic business contracts is based on the Mudaraba principle in which the owner of the capital provides funds to the capital-user or entrepreneur for some business or productive activity on the condition that profits generated will be shared between them. The loss, if any, incurred in the normal process or course of business and not due to neglect or misconduct on the part of the entrepreneur is borne by the capital-owner.

Profit and Loss Sharing Principle:

Musharaka (long-term): Musharaka (company or partnership contract) is a form of business organization where two or more persons contribute to the financing as well as the management of the business, in equal or unequal proportions. Profits may be divided in any (but not necessarily be equal) ratio agreed upon between the partners because the two parties may share the work of managing the business or project in any amount mutually agreed upon. All providers of capital are entitled to participate in management but are not necessarily required to do so. The losses, however, will be shared in the exact proportion of the capital invested by each party.

Output Sharing Principle:

In this type of contracts, output or produce is shared between the parties in contract. Output sharing contracts are mainly of two types namely, Muzara'a and Musaqat. Muzara'a is a contract between an owner of a piece of agricultural land and a farmer for farming it in return of a percentage of its crop. In case of bank, bank provides farmers land (which is possessed by the bank itself) for cultivation on crop sharing. Musaqat is one of the variants of Muzara'a. In this case, bank provides farmers orchards, gardens or trees (which are possessed by bank) for harvesting on crop sharing.

Murabaha or Mark-Up Principle:

This is a cost plus contracts in which one party wishing to purchase equipment or goods and commodities approaches the other party to purchase those items and sell to him at cost plus a declared profit. By this method of contract, a party needing finance to purchase business machinery or equipment gets the necessary finance on deferred payment basis. Farmers may also get various inputs and agricultural implements from the bank on a deferred payment basis.

Lease Based Principle or Ijara:

An individual short of funds may approach another with a surplus (the other party or financier) to fund the purchase of a productive asset and renting that to him on rent-payment basis. If the title of the asset is fully transferred to the user at the end of the period, i.e., lessee becomes the owner of the asset, then it will be called Hire Purchase or IjarawaIqtina.

Advance Purchase Principle:

(i) Bai-Salam: The term Bai-Salam means advance payment or forward buying. The Salam contract is the sale of a good to be delivered to the purchaser at a future date, which is set at the time of the contract. This is a trade transaction contract and not a loan contract. This type of financing is most often used when a manufacturer needs capital to manufacture a final product for the buyer. In return for paying in advance, the buyer receives a more favorable price (i.e., splits the profit margin with the manufacturer).

(ii) Bai-Istisnaa: A contract of acquisition of goods by specification or order where the price is paid progressively in accordance with the progress of a job. An example would be for the purchase of a house to be constructed, payments are made to the developer or builder according to the stage of work completed. Istisnaa contract opens the way to a number of new possibilities of business contracts including some forms of futures contract trading of processed commodities, as it permits deferring of both ends of the contract: delivery as well as payment.

5. Results and Discussions:

5.1 Financial, Operational Productivity and Employee Productivity Performance

Table-2: The Five Years Comparative Financial and Operational Productivity Performance Report of the Islami Bank Bangladesh Ltd. (IBBL) during 2008-2012

(Tk. In million)

Year	Authori- zed Capital	Paid up Capital	Reserve Fund	Deposits	Investment	Revenue	Cost	Operating Profit
	1	2	3	4	5	6	7	8
2008	10000	4752.00	9308.49	202115.45	187586.55	23756.33	17408.50	6347.83
2009	10000	6177.60	13927.94	244292.14	225752.41	25404.37	18886.20	6518.17
2010	10000	7413.12	16081.14	291934.60	275493.94	30128.90	21674.20	8454.70
2011	20000	10007.71	17792.50	341853.67	322772.83	38401.29	28053.98	10347.31
2012	20000	12509.64	27245.87	417844.14	399930.79	50345.77	38249.59	12096.18

Avg.	14000	8172.014	16871.19	299608	282307.3	33607.33	24854.49	8752.838
SD	5477.226	3099.794	6613.7	84243.7	83201.03	10949.74	33381.55	2479.262
CV	.3912	.3793	.3920	.2812	.2947	.3258	1.3432	.2833
Max. Level	20000	12509.64	27245.87	417844.1	399930.8	50345.77	38249.59	12096.18
Min. Level	10000	4752	9308.49	202115.5	187586.6	23756.33	17408.5	6347.83

(contd.)

Year	Net Profit	Export	Import	Total No. of Employees	No. of Foreign Correspondent	No. of Branches
	9	10	11	12	13	14
2008	2674.80	93962	168329	9397	906	206
2009	3403.55	106424	161230	9588	919	231
2010	4463.47	148421	246281	10349	919	251
2011	4841.45	178244	301207	11465	935	266
2012	5524.44	197095	284588	12188	676	276

Avg.	4181.542	144829.2	232327	10597.4	871	194
SD	1139.504	44507.29	64847.72	1204.605	109.492	102.0172
CV	.2725	.3073	.2791	.1137	.1257	.5259
Max. Level	5524.44	197095	301207	12188	935	266
Min. Level	2674.8	93962	161230	9397	676	206

Source: Annual Report of Islamic Bank Bangladesh Ltd. (IBBL) during 2008-2012

Overall position of the Islami Bank Bangladesh Ltd (IBBL) during 2008 to 2012 is shown in the Table No.1 including authorized capital, paid-up capital, reserve fund, total deposits, investment, total revenues, total expenses, operating profit, net profit, export, import, total number of employees (officers & staffs), number of foreign correspondents, and total number of branches.

From the examination of Table 01, it has been observed that average financial (capital adequacy) position of authorized capital, paid-up capital, reserve fund, total deposits & investments were Tk. 14000 million, Tk. 8172.014 million, TK.16871.19 million,

TK.299608 million, TK.282307.3 million which varies across study periods from 2008 to 2012 @ 5477.226, 3099.794, 6613.7, 84243.7 and 83201.03 respectively. The highest range of the variables indicates the largest variation amongst financial (capital adequacy) performance which is substantiated by CV of 32.58%, 39.12%, 37.93%, 28.12%, 29.47%,

It has been also observed that the average financial (profitability) position of total income, total expenses, operating profit, net profit/loss, export and import of Islami Bank Bangladesh Ltd (IBBL) during the period were Tk. 33607.33million, Tk. 24854.49million, Tk. 8752.838 million, Tk. 4181.542million, Tk. 144829.2million and Tk.232327million which varies across study periods from 2008 to 2012 @ 10949.74, 33381.55, 2479.262, 1139.504, 44507.29 and 64847.72 respectively. The highest range of the variables indicates the largest variation amongst financial (profitability) performance which is substantiated by CV of 32.58%, 134.32%, 28.33%, 27.25%, 30.73% and 27.91%.

Moreover the Table-1 represents the operational (productivity) position of total employees (officers & staffs), number offoreign correspondents and total number of branches. The average positions of the same were 10597.4persons,871 foreign correspondents and 194 branches which varies across study periods from 2008 to 2012 @ 1204.605, 109.492 and 102.0172 respectively. The highest range of the variables indicates the largest variation amongst operational (productivity) performance which is substantiated by CV of 11.37%, 12.57% and 52.59%.

This signifies that IBBL put due consideration in financial performance, operational productivity performance while making financial management policies & implementing thereof.

Table No.-3: The Five Years Comparative Financial and Operational Productivity Performance Report of the Shahjalal Islamic Bank Ltd (Sjibl) during 2008-2012

(Tk. In million)								
Year	Authorized Capital	Paid up Capital	Reserve Fund	Deposits	Investment	Revenue	Cost	Operating Profit
	1	2	3	4	5	6	7	8
2008	4000	2246	1359	34280	32919	5285	3475	1810
2009	4000	2740	2187	47459	43958	7117	5076	2041
2010	6000	3425	3323	62965	61440	9509	5980	3529
2011	6000	4453	3464	83350	80592	12007	9009	2998
2012	6000	5566	4080	102177	96185	17439	12992	4447
Avg.	5200	3686	2882.6	66046.2	63018.8	10271.4	7306.4	2965
SD	1095.445	1337.846	1092.127	27243.92	25887.35	4737.681	3762.929	1084.356
CV	.2107	.3630	.3789	.0415	.4108	.4612	.5150	.3657
Max. Level	6000	5566	4080	102177	96185	17439	12992	4447
Min. Level	4000	2246	1359	34280	32919	5285	3475	1810

(contd.)

Year	Net Profit	Export	Import	Total No. of Employees	No. of Foreign Correspondent	No. of Branches
	9	10	11	12	13	14
2008	818	26347	42551	878	290	33
2009	1071	29434	39543	1299	310	51
2010	2072	48857	60066	1521	337	63
2011	1168	79225	82341	1624	377	73
2012	1730	110789	111837	1881	397	84

Avg.	1371.8	58930.4	67267.6	1440.6	342.2	60.8
SD	514.1247	35827.27	30187.19	377.6974	44.72919	19.75348
CV	.3748	.6080	.4489	.2622	.1307	.3249
Max. Level	2072	110789	111837	1881	397	84
Min. Level	818	26347	39543	878	290	33

Source: Annual Report of Shahjalal Islamic Bank Ltd (SJIBL) during 2008-2012

Overall position of the Shahjalal Islamic Bank Ltd during 2008 to 2012 is shown in the Table No. 3 including authorized capital, paid-up capital, reserve fund, deposits, investment, revenue, cost, operating profit, net profit/loss, export, imports, total employees (officers & staffs), foreign correspondents and total number of branches.

The average Financial (capital adequacy) position of authorized capital, paid-up capital, reserve fund, deposits and investment were Tk. 5200 million, 3686 million, Tk. 2882.6 million, Tk. 66046.2 million & 63018.8 million which varies across study periods from 2008 to 2012 @ 1095.445, 1337.846, 1092.127, 27243.92.7 and 25887.35 respectively. The highest range of the variables indicates the largest variation amongst financial (capital adequacy) performance which is substantiated by CV of 21.07%, 36.30%, 37.89%, 04.15% and 41.08%.

The average financial (profitability) position of total income, total expenses, operating profit, net profit/loss, export and import of Shahjalal Islamic Bank Ltd during the period were Tk. 10271.4 million, Tk. 7306.4 million, Tk. 2965 million, Tk. 1371.8 million, Tk. 58930.4 million and Tk. 67267.6 million which varies across study periods from 2008 to 2012 @ 4737.681, 3762.929, 1084.356, 514.1247, 35827.27 and 30187.19 respectively. The highest range of the variables indicates the largest variation amongst financial (profitability) performance which is substantiated by CV of 46.12%, 51.50%, 36.57%, 37.48%, 60.80% and 44.89.

Moreover the table-3 represents the operational (productivity) position of total employees (officers & staffs), number of foreign correspondents and total number of branches. The average positions of the same were manpower 1440.6 persons, foreign correspondents 342.2 and branches 60.8 which varies across study periods from 2008 to 2012 @ 377.6947, 44.72919 and 19.75348 respectively. The highest range of the

variables indicates the largest variation amongst operational (productivity) performance which is substantiated by CV of 26.22%, 13.07% and 32.49%.

This signifies that SJIBL put due consideration in financial performance, operational productivity performance while making financial management policies & implementing thereof.

Table No.-4: Consolidated Information of Employee Productivity Trend of Islami Bank Bangladesh Ltd. (IBBL) during 2008-2012:

(Tk. In million)						
Year	Deposits (Per Employee)	Investment (Per Employee)	Revenue (Per Employee)	Cost (Per Employee)	Operating Profit (Per Employee)	Net Profit (Per Employee)
	1	2	3	4	5	6
2008	21.51	19.96	2.53	1.85	.68	.28
2009	25.48	23.55	2.65	1.97	.68	.35
2010	28.21	26.62	2.91	2.09	.82	.43
2011	29.82	28.15	3.35	2.45	.90	.42
2012	34.28	32.81	4.13	3.14	.99	.45
Avg.	27.86	26.218	3.114	2.3	0.814	0.386
SD	4.774081	4.838116	0.649215	0.520481	0.136308	0.070214
CV	.1714	.1845	.2085	.2263	.1675	.1819
Max. Level	34.28	32.81	4.13	3.14	0.99	0.45
Min. Level	21.51	19.96	2.53	1.85	0.68	0.28

Source: Annual Report of Islamic Bank Bangladesh Ltd. (IBBL) during 2008-2012

Table No. 4 shows the overall position of the Islami Bank Bangladesh Ltd. (IBBL) during 2008-2012 compared amongst the selected employee productivity indicators like total deposits per employee, total investment per employee, total revenue/income per employee, total expenditure/cost per employee, total operating profit per employee and net profit per employee respectively. The average positions of the same indicators were Tk. 27.86, 26.218, 3.114, 2.30, 0.814 and 0.386 million respectively which varies across study periods from 2008 to 2012 @ 4.774081, 4.838116, .649215, .520481, .136308 and .070214 respectively. The highest range of the variables indicates the largest variation amongst employee productivity performance which is substantiated by CV of 17.14%, 18.45%, 20.85%, 22.63%, 16.75% and 18.19.

Table No.-5: Consolidated Information of Employee Productivity Trend of Shahjalal Islamic Bank Ltd (SJIBL) during 2008-2012

(Tk. in million)

Year	Deposits (Per Employee)	Investment (Per Employee)	Revenue (Per Employee)	Cost (Per Employee)	Operating Profit (Per Employee)	Net Profit (Per Employee)
	1	2	3	4	5	6
2008	39.04	37.49	6.02	3.96	2.06	.93
2009	36.54	33.84	5.48	3.91	1.57	.82
2010	41.40	40.39	6.25	3.93	2.32	1.36
2011	51.32	49.63	7.39	5.55	1.85	.72
2012	54.32	51.14	9.27	6.91	2.36	.92
Avg.	44.524	42.498	6.882	4.852	2.032	0.95
SD	7.837811	7.583441	1.505712	1.346818	0.330863	0.24454
CV	.1760	.1784	.2188	.2776	.1628	.2574
Max. Level	54.32	51.14	9.27	6.91	2.36	1.36
Min. Level	36.54	33.84	5.48	3.91	1.57	0.72

Source: Annual Report of Shahjalal Islamic Bank Ltd (SJIBL) during 2008-2012

The above table shows the overall position of the Shahjalal Islamic Bank Ltd (SJIBL) compared among the selected employee productivity indicators like total deposits per employee, total investment per employee, total income/revenue per employee, total expenditure/cost per employee, total operating profit per employee and net profit per employee respectively. The average positions of the same indicators were Tk.44.524, 42.498, 6.882, 4.852, 2.032 and 0.95 million respectively which varies across study periods from 2008 to 2012 @ 7.837811, 7.583441, 1.505712, 1.346818, .330863 and .24454 respectively. The highest range of the variables indicates the largest variation amongst employee productivity performance which is substantiated by CV of 17.60%, 17.84%, 21.88%, 27.76%, 16.28% and 25.74.

Table No. 6: Overall performance of both the banks:

Performance	IBBL (Avg. C.V)	SJIBL (Avg. C.V)
Financial Performance		
i. Capital Adequacy	.35	.29
ii. Profitability	.47	.47
Operational Productivity Performance	.26	.24
Employee Productivity Performance	.19	.22

Source: Prepared on the basis of data presented in respective banks' annual reports

The present study reveals that the overall fund management position of both the banks are not in good position because all the variables measuring performance were found having fluctuations specially the highest fluctuation in profitability performance.

6. Recommendations:

The following suggestions are recommended to improve the fund management Practices of the banks:

- i. More creation of opportunities for profitable use of surplus fund.
- ii. Creation of Islamic money and capital market
- iii. Taking strong initiative to form money market among themselvesiv.
- iv. Equally dominance of all modes of financing in the portfolio management of investment funds.
- v. The amendments of old laws and promulgation of new laws conducive to efficient operation of Islamic banks for their healthy growth.
- vi. Establishment of sufficient numbers of Islamic Insurance Company.
- vii. Computerized Islamic accounting system should be introduced.
- viii. MIS activities should be modernized through modern technology.
- ix. Management development activities should be undertaken.
- x. Effective Islamic industrial financing should be undertaken.
- xi. Employee morale, motivation and job satisfaction should be raised to increase theirproductivity.
- xii. Financial reporting practices of the bank should be improved through compliance to *Shariah*.
- xiii. Ethical codes, good governance, total quality management (TQM) should be ensured.
- xiv. Management audit, social auto value added performance should be looked at carefully.
- xv. Management by Objectives (MBO), management by exception, social responsibilityaccounting and reporting should be developed.
- xvi. Research and development activities should be undertaken to improve customer'ssatisfaction.

7. Conclusion:

Fund management practices of the selected Islamic commercial banks are not satisfactory due to the lack of Islamic money and capital market, predominance of murabaha financing, insufficient numbers of Islamic insurance company, absence of strong inter-bank money market, absence of Islamic legal framework and lack of Islamic accounting system etc. Therefore financial reforms should be introduced by the Ministry of Finance and Bangladesh Bank. Then we may hope that the overall fund management practices in respect of financial, operational productivity and employee productivity performance will improve equally at a saturated level of satisfaction.

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