

# Performance Evaluation of Islamic Banking In Bangladesh: A Case Study On Two Selected Banks In The Pre And Post Pandemic Era

**Dr. Hanzala Awais**

Assistant Professor, Department of Commerce, St. Xavier's College (Autonomous), Kolkata

## Abstract

**Aim/Purpose:** Islamic banking system does not involve charging of interest from customers or giving them interest on deposits but sharing a part of the profit earned during the year. It has been growing at a consistent rate at the global level. The purpose of this study is to study the financial performance of Islamic Banks pre and post pandemic period to understand the effect of the pandemic Covid-19 on them and if they have recovered from its impact.

**Objective:** Thus, this paper tries to study the financial performance of two selected Islamic banks i.e. Export Import Bank of Bangladesh Limited (EXIM Bank) and Shahjalal Islami Bank PLC (SJIBPLC) in Bangladesh during the period 2015-2023 to understand the impact of the Covid-19 pandemic.

**Methodology:** For fulfillment of the objectives, data has been collected from secondary sources such as journal articles, authentic websites and the concerned bank's annual reports for the period 2015-2023.

**Result:** It is seen from the analysis that both the banks were affected by the Covid-19 Pandemic minorly. The banks had their operational stability throughout the period and are recovering from the effect consistently over time. Also, Shahjalal Islami Bank PLC had shown a better performance during the pandemic as compared to the Export Import Bank of Bangladesh.

**Originality:** This paper is original and has not been copied from anywhere.

**Keywords:** Islamic banking, CAMEL, EXIM, SJIBPLC, Covid-19.

## 1. INTRODUCTION

An Islamic bank operates on equity and mainly functions with products which are based on partnership models and the transactions are undertaken and profit and loss sharing basis. Islamic banks have a shariah supervisory board which makes sure that the transactions are as per the Islamic laws (Khan, 1987). The Islamic banks are in regulated by the "Accounting and Auditing Organisation for Islamic Financial Institutions" (AAOIFI) instead of the "Basel Committee on Banking Supervision" (BCBS).

It promotes risk-sharing, acts as a bridge between the financial sector and the real economy, leads to financial inclusion and social welfare. Thus, Islamic banking has been regarded as an effective tool for the inclusive development of financially backward countries worldwide (Nazar, 2017). In 2008, the global financial crisis took place which had affected the financial systems worldwide. During the global financial crisis, the Islamic banks and other financial institutions absorbed the effect of the crisis and remained relatively unaffected because of their equity and asset banked financing system which made many countries adopt this system of banking either fully or parallelly with the conventional system (Presley & Dar, 2000).

At present, Islamic banking system is operating in many countries like the Middle East countries such as Saudi Arabia, United Arab Emirates, Oman, Bahrain, Iran, Lebanon, Yemen, etc. Apart from the Middle-East countries, there are many South-Asian countries, Western and African countries where Islamic banking is present such as Malaysia, Indonesia, Turkey, Brunei, Thailand, Singapore, Sri Lanka, Bangladesh and Pakistan. Globally, there are at present more than 526 Islamic Banking Institutions operating in 72 countries. The total value of Islamic assets are around \$3.8 trillion at the global level (Standard and Poor's Global Rating, 2024).

Bangladesh is the fourth largest Muslim Country and has a population consisting of 88.8% of Muslims which equals to 150 million. The other religions in minority in the country are Hinduism, Buddhism and Christianity. The Islamic Banking System was adopted way back in 1987 with the establishment of Al Baraka Bank. After the success of this bank, other Islamic Banks were established in the country and many traditional banks also converted into fully fledged Islamic Banks or partially adopted Islamic banking. The Central Bank of Bangladesh reported that there are 10 full-fledged Islamic Banks with 11,153 branches and 23 Islamic branches of conventional commercial banks spread across the country. Additionally, there are 535 Islamic Banking Windows of 13 Conventional Banks in Bangladesh. The Islamic Banks have made a significant contribution to the country's economy. These banks had been performing efficiently since their inception and were registering a consistent growth rate over the period. The Covid-19 pandemic affected the banking sector in Bangladesh. Islamic banks also registered a decline in profitability but were stable throughout the period. These banks took different measures to maintain their stability during the pandemic period. Post the pandemic period, the Islamic Banks have been able to maintain their market share but over the past two years, they have been stagnant at that level (Fitch Ratings, 2024).

## 2. LITERATURE REVIEW

Islamic banking or Islamic Finance is not a very new concept. It has been present from a long period of time not in a formal structure but informally it has been present for more than three decades. Islamic Banking has gained a lot of importance in the recent years all over the world. It has been found that Islamic Banks have better sustainability than Conventional Banks at times of financial crisis (**Jan & Marimuthu, 2015**). Though there are some key issues and challenges faced by the Islamic banks (**Narayan & Phan, 2019**), there are several factors which are responsible for growth of the Islamic banks (**Aktan, Masood & Ashraf, 2014**). The dual-board system increases the risk faced by the Islamic banks (**Safiullah & Shamsuddin, 2018**) but the overall structure of the Islamic bank keeps the risk factor under control as they have high equity investment which makes these banks highly stable.

(Ali, 2012). The Islamic banks use their market power to increase their stability. Several studies have been carried on by different researchers in different regions to analyse the efficiency and stability of Islamic Banks like a study carried out by **Octrina and Mariam (2021)** measured the efficiency level of Islamic banking in Indonesia and analysed the factors that can affect the efficiency level of Islamic banks with the help of financial reports of 11 Islamic banks for the period 2010-2019. A similar study was carried out by **Said, Bilal, Aziz, Gul and Zamir (2022)** investigated the impact of customer attitude on the efficiency of Islamic Banks. **Yudistira (2003)** concluded that Islamic banks suffered small inefficiencies during the global crisis 1998-1999. But even during the global crisis period, the Islamic Banks were found to be quite efficient in their operations and had better shock absorption capacity as compared to the conventional banks. The Gulf Countries Islamic banks had stable efficiency rate during the global financial crisis 2007–2008 and also in the early post-crisis period 2009–2010 (**Kamarudin, 2014; Bahrini, 2017**). **Sufian & Habibullah (2009)** carried out their study in Malaysia for the period 1992-2003 examining the Islamic bank's performance during the pre-crisis period. **Ahmad and Noor (2011)** in their paper investigated about the profitability of 78 Islamic banks in 25 countries over the period of 1992-2009 using Fixed Effect Model (FEM) to analyse profitability of the banks. **Sardar, Azim, Ahmed and Zafar (2011)** analysed 15 Islamic banks in Pakistan for the period 2008-2010 using Data Envelopment Analysis (DEA) to analyse the efficiency of such banks. **Shah (2014)** in his study compared the financial activities of selected Islamic and conventional banks of Pakistan for the period 2003-2012 using CAMEL model. **Chakraborty (2015)** made a study of the financial analysis procedure followed by Islami Bank Bangladesh Limited (IBBL) and found that the bank has increased its efficiency over the years. All of these studies concluded that Islamic banks were performing consistently and efficiently over their respective period of study.

### 3. RESEARCH GAP

The Review of Literature revealed that many studies has been done for analysing the performance of Islamic Banks in Bangladesh in the pre-pandemic period and many comparative studies has also been carried out to compare the performance of Islamic Banks and Conventional Banks in the post pandemic period but very few studies are present which compare the Islamic Banks performance during the pre-pandemic and post pandemic period. Thus there lies a Gap in the Literature for a Comparative Study of Islamic Banks during the Pre and Post Pademic Period.

### 4. RESEARCH OBJECTIVES

- To make a Comparative Study of Performances of Export Import Bank of Bangladesh Limited (EXIM Bank) and Shahjalal Islami Bank PLC (SJIBPLC) for the pre and post pandemic period for the period 2015-2023.

### 5. RESEARCH METHODOLOGY

**Nature of the Research** - Due to the nature of the present study, empirical research method has been adopted.

**Sources of Data** - For the fulfillment of the objective, a study on Islamic Banking has been done from secondary sources which included authentic websites, journal articles. For the data collection, Annual Reports of EXIM Bank and SJIBPLC Bank for the period 2015-2023 has been referred.

**Tool Used** – For the performance analysis of the banks, CAMEL MODEL has been used as it is one of the most used Model for financial performance analysis for banking institutions. CAMEL stands for ‘C’ – Capital Adequacy, ‘A’ – Asset Quality, ‘M’ – Management Quality, ‘E’ - Earnings Quality, ‘L’ – Liquidity Performance. For the analysis of each component of CAMEL, different ratios have been used. Each component is ranked from one to five. One is the strongest and five is the weakest. The composite CAMEL rating also has the same range. The composite range can be seen in the Table below:

**Table 1: Composite Range**

Rating	Composite Range	Description
1	1.00-1.49	Strong/ Outstanding
2	1.50-2.49	Satisfactory/ Superior
3	2.50-3.49	Fair/ Average
4	3.50-4.49	Marginal/ Under-perform
5	4.50-5.00	Unsatisfactory/ Doubtful

Source: Masood, 2016

**Table 2 - Weightage of components under CAMEL Rating System**

Component	Weightage
Capital Adequacy	20%
Asset Quality	20%
Management Efficiency	25%
Earning Quality	15%
Liquidity	20%

Source: Anand & Kumar, 2013

**Table 3 - Criteria for Ratings under Camels Rating System**

Component	Ratio	1	2	3	4	5
Capital Adequacy	Equity Capital to Total Assets	>6	6-3	3-2	2-1	<1
Asset Quality	Investment Loss Reserves	<2	2-3	3-5	5-6	>7
Management Efficiency	Cost to Income	<65	65-70	70-75	75-80	>80

Earning Quality	Return on Assets	>1.25	1.25-1	1-0.75	0.75-0.50	<0.50
	Return on Equity	>18	18-14	14-10	10-7	<7
Liquidity	Investment to Assets	<65	65-70	70-75	75-80	>80

Source: Anand & Kumar, 2013

## 6. DATA ANALYSIS AND FINDINGS

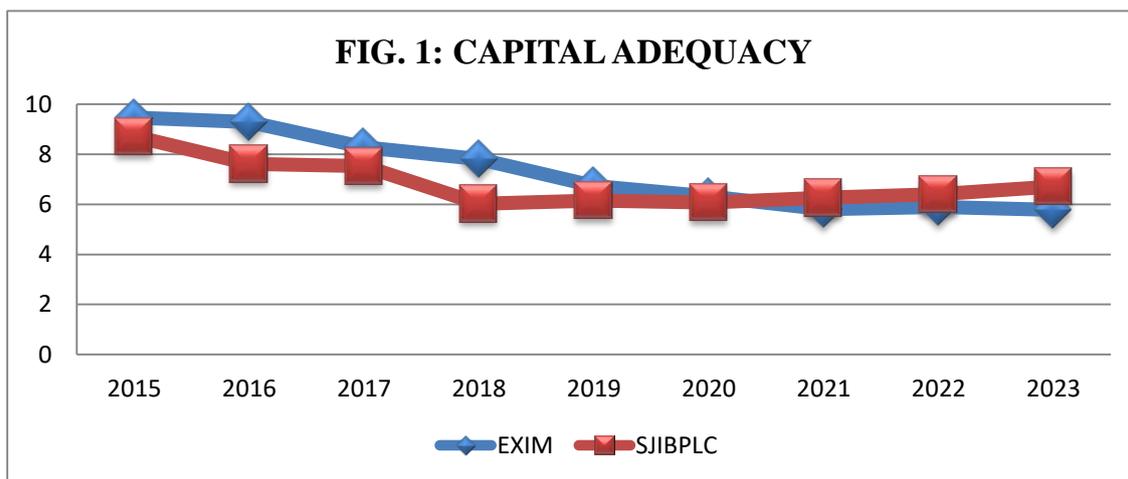
Two banks have been selected from Bangladesh, namely, Export Import Bank of Bangladesh Limited (EXIM Bank) and Shahjalal Islami Bank PLC (SJIBPLC).

## 7. CAPITAL ADEQUACY

**Table 4 – Shareholder’s Equity to Total Assets (ETA)**

Year /Bank	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXIM (%)	9.47	9.09	8.28	7.60	<b>6.74</b>	6.31	5.80	5.89	5.78
RATING	1	1	1	1	<b>1</b>	1	2	2	2
SJIBPLC (%)	8.71	7.61	7.52	6.02	<b>6.15</b>	6.07	6.26	6.40	6.71
RATING	1	1	1	1	<b>1</b>	1	1	1	1

Source: Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023



## INTERPRETATION

Capital Adequacy Ratio has been calculated with the help of Shareholder’s Equity to Total Assets. It can be seen in the above table and chart that both the banks have maintained their capital adequacy ratio efficiently over the years during 2015-2023. The Capital Adequacy ratio is showing a slight decreasing trend over the period. It can be seen that before the pandemic period only, the ratio is showing a decreasing trend which has continued going down even after the pandemic period. SJIBPLC

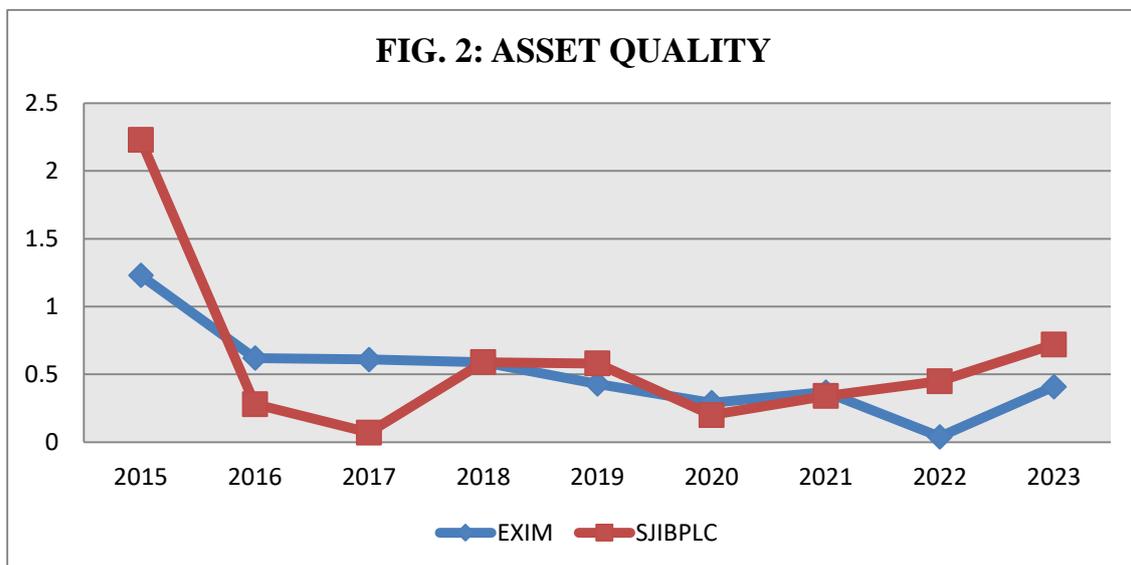
has been more consistent as compared to EXIM Bank in terms of Capital Adequacy. Overall, both the banks have the adequate capital requirement they have scored a rating of 1 under the CAMEL Model for the given period apart from EXIM Bank which has scored a rating of 2 in 2021, 2022 and 2023 under the CAMEL Model. Though both the banks have adequate capital EXIM Bank needs to improve its Capital Adequacy.

**ASSET QUALITY**

**Table 5 - Investment Loss Reserves**

Year / Bank	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXIM (%)	1.23	0.62	0.61	0.59	<b>0.43</b>	0.29	0.37	0.04	0.41
RATING	1	1	1	1	<b>1</b>	1	1	1	1
SJIBPLC (%)	2.23	0.28	0.07	0.59	<b>0.58</b>	0.20	0.34	0.45	0.72
RATING	2	1	1	1	<b>1</b>	1	1	1	1

Source: Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023



**INTERPRETATION**

Asset Quality Ratio has been calculated with the help of Investment loss reserves. This ratio shows the amount of provision or reserve that has been kept aside for any bad investment decision. It can be seen in the above table and chart that both the banks have maintained their Asset Quality ratio efficiently during the period 2015-2023 as the ratio is below 2% for all the years except 2015 when SJIBPLC recorded the ratio as 2.23%. The Asset Quality ratio has been consistent showing low fluctuations during the period for the banks. It is evident from the data that the Asset Quality remained unimpacted during the pandemic period. Even after the fluctuations, the banks have maintained very low provision or reserve for loss of investment which shows the strength of good investment decisions which is one

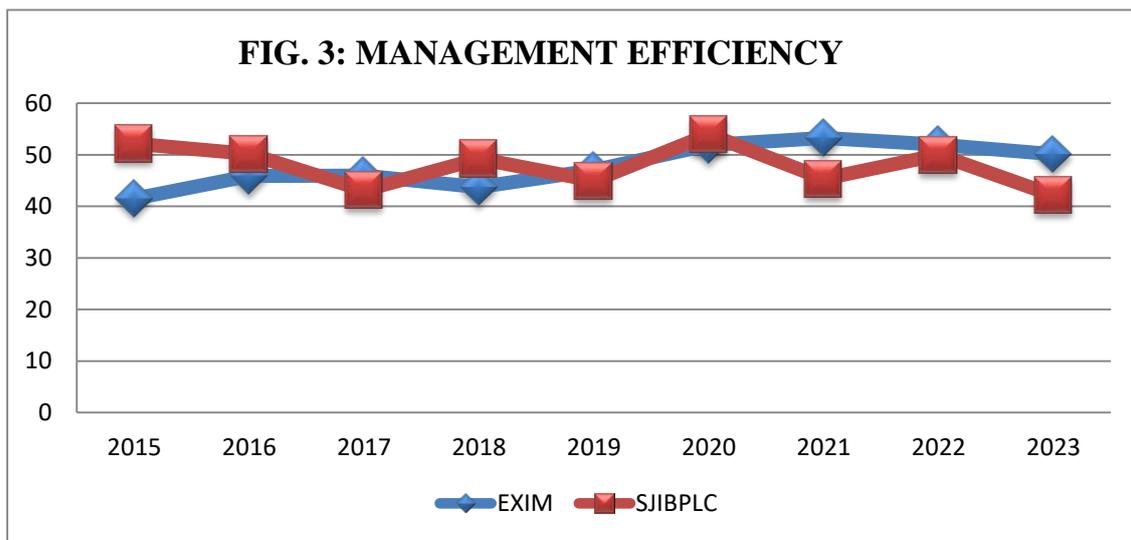
of the characteristics of the Islamic banks. Overall, the banks have the required quality of assets as they have scored a rating of 1 under the CAMEL Model apart from SJIBL which has scored a rating of 2 in 2015 under the CAMEL Model.

**MANAGEMENT EFFICIENCY**

**Table 6 - Cost to Income ratio**

Year / Bank	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXIM (%)	41.51	45.90	45.96	43.76	<b>47.04</b>	51.92	53.25	51.94	50.12
RATING	1	1	1	1	<b>1</b>	1	1	1	1
SJIBPLC (%)	52.17	50.18	43.10	49.22	<b>44.97</b>	53.92	45.35	50.00	42.12
RATING	1	1	1	1	<b>1</b>	1	1	1	1

Source: Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023



**INTERPRETATION**

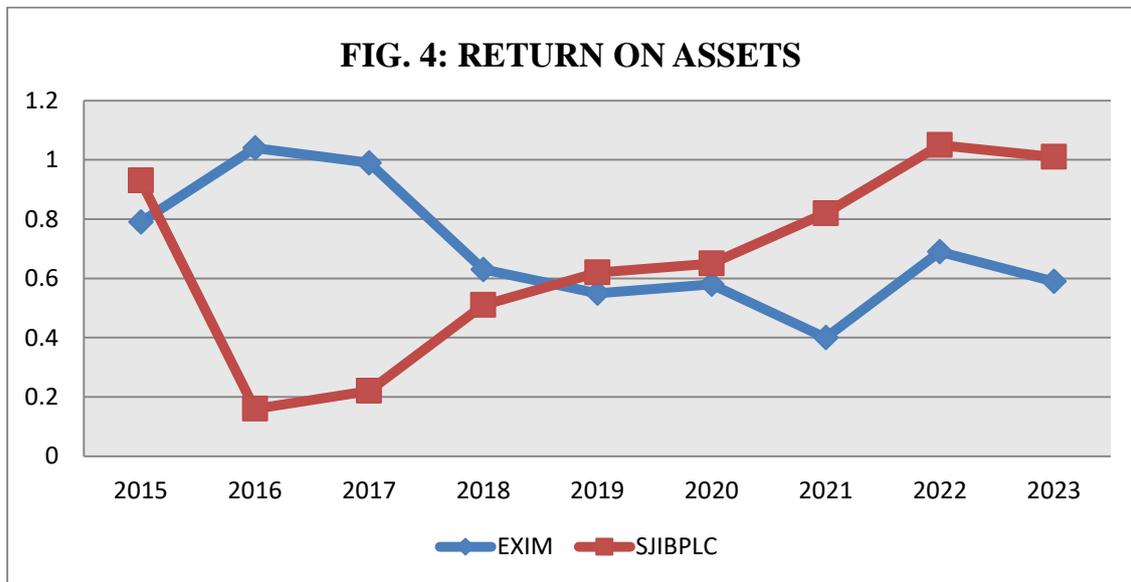
The management efficiency can be best checked by the cost to income ratio. The work of the management is to reduce the cost and increase the profit. It can be seen in the above table and chart that both the banks have maintained their cost to income ratio efficiently during the period 2015-2023. Before the pandemic period, EXIM was performing better than SJIBPLC in terms of Cost to Income ratio. But it is seen that SJIBPLC has shown improvement after the pandemic period and has performed better than EXIM Bank and has brought its cost to income ratio down to 42.12% which is a sign of better efficient management in the bank. Overall, the banks have scored a rating of 1 under the CAMEL Model throughout the period which indicates efficient management in both the banks.

**EARNING ABILITY**

**Table 7: (A) Return on Assets**

Year / Bank	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXIM (%)	0.79	1.04	0.99	0.63	<b>0.55</b>	0.58	0.4	0.69	0.59
RATING	3	2	3	4	<b>4</b>	4	5	4	4
SJIBPLC (%)	0.93	0.16	0.22	0.51	<b>0.62</b>	0.65	0.82	1.05	1.01
RATING	3	5	5	4	<b>4</b>	4	3	2	2

Source: Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023



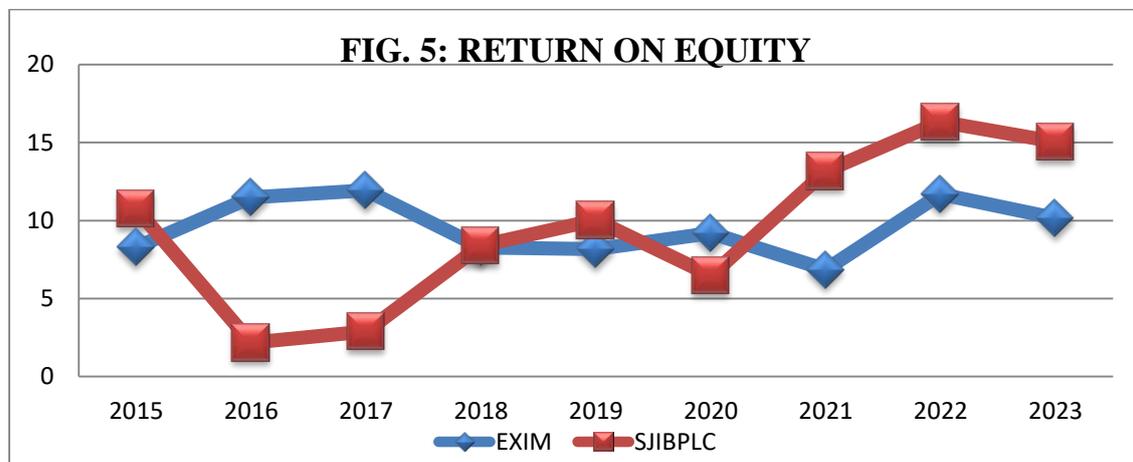
**INTERPRETATION**

The Return on Assets ratio studies the amount of revenue earned on the Assets employed in the business. It can be seen that before the pandemic period, EXIM Bank was performing better than SJIBPLC even after showing a decreasing trend during the period 2015-2019. SJIBPLC has started showing an increasing trend from the year 2016. Both the banks had registered almost same return during the pandemic period. While SJIBPLC has continued its increasing trend even after the pandemic period and has been performing satisfactorily, EXIM Bank is still struggling with the Return on Total Assets. As per the CAMEL Model, the rating has gone below average rank for EXIM since the pandemic with a CAMEL rating of 4-5 throughout the after-pandemic period which shows that there is requirement for policy changes and to bring in investors to invest in business.

**Table 8: (B) Return on Equity**

Year / Bank	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXIM (%)	8.30	11.48	11.93	8.27	8.16	9.20	6.86	11.68	10.15
RATING	4	3	3	4	4	4	5	3	3
SJIBPLC (%)	10.75	2.18	2.88	8.40	10.04	6.47	13.17	16.33	15.05
RATING	3	5	5	4	3	5	3	2	2

Source : Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023



**INTERPRETATION**

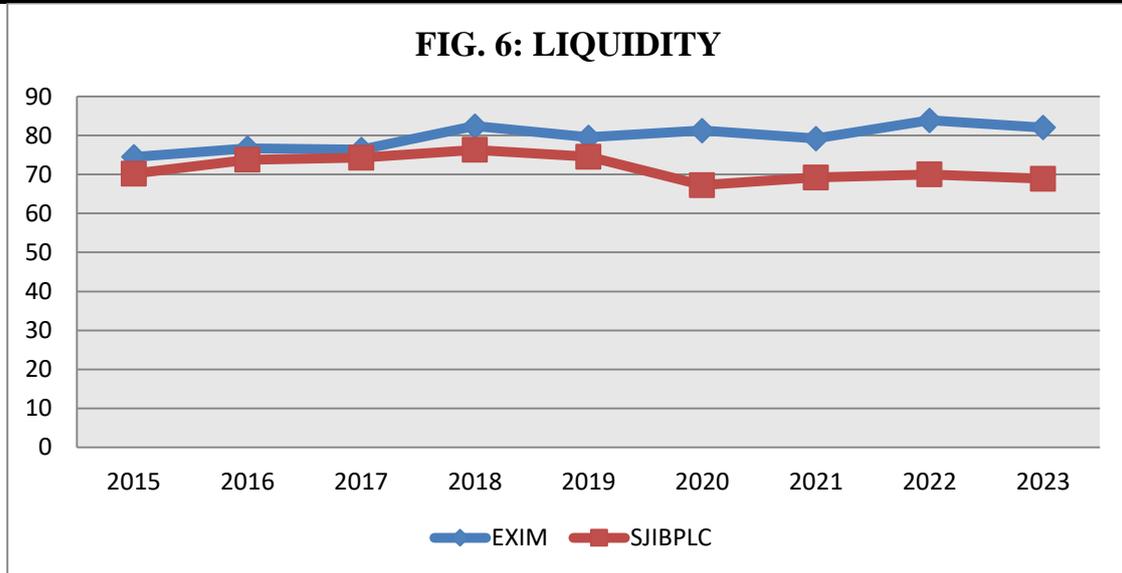
The Return on Equity ratio studies the amount of revenue generated from the use of the funds provided by the Equity shareholders. It shows how well the firm is utilising the Equity to increase the return for the shareholders. This ratio should ideally be greater than 15%. The Return on Equity before the pandemic period was better for EXIM Bank as compared to SJIBPLC. SJIBPLC started showing an increasing trend from the year 2017 but was still below EXIM Bank. During the pre and the post pandemic period, EXIM Bank remained consistent while SJIBPLC recorded a slight decrease in its return on equity in the year 2020 there onwards performing better every year. As per the CAMEL Model, the rating has gone below average rank i.e. lies in between 3-4 for EXIM Bank which shows that there is requirement for policy changes to increase the return on equity.

**LIQUIDITY**

**Table 9: NET INVESTMENTS TO TOTAL ASSETS**

Year / Bank	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXIM (%)	74.50	76.73	76.38	82.44	79.57	81.29	79.21	83.91	82.07
RATING	3	4	4	5	4	5	4	5	5

<b>SJIBPLC (%) RATING</b>	70.22	73.76	74.33	76.31	74.54	67.28	69.24	69.99	68.89
	3	3	3	4	3	2	2	2	2



Source: Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023

**INTERPRETATION**

The liquidity ratio studies the ability of the banks to meet its short-term obligations. The ratio has been calculated with the help of Net Investment to Total Assets as it shows the amount of fund blocked up in investments. This ratio should be kept below 60% for smooth payment of short-term obligations as high ratio indicates higher investment by the banks which would increase the chances of inability of banks to pay their obligations on time. It can be seen that before the pandemic period, both EXIM Bank and SJIBPLC had around 70%-80% blocked in Investments. Post pandemic, SJIBPLC has shown an increasing trend in liquidity while EXIM Bank still has high amount blocked in Investment. It indicates that post-pandemic, the bank is facing huge liquidity issues which should be looked into and corrected.

**Table 10: Composite Rating of EXIM Bank Limited (EXIM)**

<b>Components</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Capital Adequacy</b>	Rating	1	1	1	1	1	1	1	1	1
	Weight	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Asset Quality</b>	Rating	1	1	1	1	1	1	1	1	1
	Weight	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Management</b>	Rating	1	1	1	1	1	1	1	1	1

Efficiency	Weight	<b>0.25</b>								
Earning Quality	Rating	3	2	3	4	4	4	5	4	4
	Weight	0.45	0.3	0.45	0.6	0.6	0.6	0.75	0.6	0.6
	Rating	4	3	3	4	4	4	5	3	3
	Weight	0.6	0.45	0.45	0.6	0.6	0.6	0.75	0.45	0.45
	Average	<b>0.52</b>	<b>0.37</b>	<b>0.45</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.75</b>	<b>0.52</b>	<b>0.52</b>
Liquidity	Rating	3	4	4	5	4	5	4	5	5
	Weight	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>1</b>	<b>0.8</b>	<b>1</b>	<b>0.8</b>	<b>1</b>	<b>1</b>
<b>Composite Value</b>		<b>1.77</b>	<b>1.82</b>	<b>1.90</b>	<b>2.25</b>	<b>2.05</b>	<b>2.25</b>	<b>2.20</b>	<b>2.17</b>	<b>2.17</b>
<b>Rating</b>		<b>2</b>								

Source : Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023

**INTERPRETATION**

Once the ratings were allotted for different components of CAMEL Model, the weightage was considered for each component and then a composite rating was given to the bank for each year for the period 2015-2023. The Export Import Bank Limited, Bangladesh was given a composite CAMEL rating of 2 each year. Composite CAMEL rating 2 is given for the range of values between 1.50 and 2.49 which indicated that the bank is ‘Satisfactory’ i.e. it is fundamentally sound and the performance is superior to average performance and requires little supervision in their daily operations. Thus, the performance of Export Import Bank Limited, Bangladesh, can be considered satisfactory in all aspect. This indicates that the bank was not affected that much by the Covid-19 pandemic.

**Table 11: Composite Rating of Shahjalal Islami Bank Limited (SJIBL)**

Components		2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital Adequacy	Rating	1	1	1	1	<b>1</b>	1	2	2	2
	Weight	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Asset Quality	Rating	1	1	1	1	1	1	1	1	1
	Weight	<b>0.2</b>								
Management Efficiency	Rating	1	1	1	1	1	1	1	1	1
	Weight	<b>0.25</b>								
Earning Quality	Rating	3	5	5	4	4	4	3	2	2
	Weight	0.45	0.75	0.75	0.6	0.6	0.6	0.45	0.3	0.3
	Rating	3	5	5	4	3	5	3	2	2

	Weight	0.45	0.75	0.75	0.6	0.45	0.75	0.45	0.3	0.3
	Average	<b>0.45</b>	<b>0.75</b>	<b>0.75</b>	<b>0.6</b>	<b>0.52</b>	<b>0.67</b>	<b>0.45</b>	<b>0.3</b>	<b>0.3</b>
Liquidity	Rating	3	3	3	4	3	2	2	2	2
	Weight	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
<b>Composite Value</b>		<b>1.70</b>	<b>2.00</b>	<b>2.00</b>	<b>2.05</b>	<b>1.77</b>	<b>1.72</b>	<b>1.70</b>	<b>1.55</b>	<b>1.55</b>
<b>Rating</b>		<b>2</b>								

Source : Calculated by the Researcher with the help of Bank’s Annual Reports 2015-2023

### INTERPRETATION

Once the ratings were allotted for different components of CAMEL Model, the weightage was considered for each component and then a composite rating was given to the bank for each year for the period 2015-2023. The Shahjalal Islami Bank Limited, Bangladesh was given a composite CAMEL rating of 2 each year. Composite CAMEL rating 2 is given for the range of values between 1.50 and 2.49 which indicated that the bank is ‘Satisfactory’ i.e. it is fundamentally sound and the performance is superior to average performance and requires little supervision in their daily operations. Thus, the performance of Shahjalal Islami Bank Limited, Bangladesh, can be considered satisfactory in all aspect. This indicates that the bank was not affected that much by the Covid-19 pandemic.

### SUMMARY OF FINDINGS

The case study showed that both the EXIM Bank and the SJIBPLC have been performing well over the period 2015 – 2023 i.e. pre and post pandemic period. They have been very consistent in the profit earning capacity and maintaining their capital and asset quality. Though some fluctuations were there but it remained well above the requirement. As compared to SJIBPLC, EXIM Bank needs to improve its Capital Adequacy. The management efficiency of the banks are also very high. During the pre-pandemic period, EXIM bank was performing better while during the post pandemic period, SJIBPLC was performing better. Both the banks had registered almost same Return on Total Assets during the pandemic period. While SJIBPLC has continued its increasing trend even after the pandemic period, EXIM Bank is still struggling with the Return on Total Assets. During the pre and the post pandemic period, EXIM Bank remained consistent with their Return on Equity while SJIBPLC has been showing an increasing trend in its returns on equity. The liquidity maintenance capability of both banks in the pre pandemic period were not good as they had huge amount blocked in Investments. Post pandemic, SJIBPLC had shown a good improvement in the liquidity sector while EXIM Bank still needs to work on it. Both the banks have got a Composite CAMEL rating of 2 throughout the pre and post pandemic period i.e. 2015-2023, which indicates that the bank is fundamentally sound and the performance is superior to average performance and requires little supervision in their daily operations.

### CONCLUSION

An Islamic bank operates mainly functions with products which are based on partnership models. It is largely based on equity. For any economy to be considered as a developed economy, the banking sector has to be smooth and financially stable. Bangladesh has both Conventional and Islamic Banks

existing parallelly. A strong banking sector can help absorb or reduce the impact of any kind of shock to the economy. In the pre-pandemic period, the Islamic banks face some liquidity issues as they lacked short-term models and were not that technologically upto date. During the Pandemic period, the Islamic Banks had adopted many new short-term models to cater to the liquidity issue. They have even upgraded the technological approach. Thus, this study was carried out to understand if the Islamic Banks were able to absorb the shock of the Covid-19 Pandemic for the Bangladesh economy. This study is based on the data analysis of the selected banks using CAMEL model which is the most adopted model for financial performance of any financial institutions. The analysis revealed that both the Islamic Banks are performing smoothly in the country. If both of them are compared, SJIBPLC is performing better than the EXIM Bank but both are operationally strong with efficient management ability and high earning capacity with moderate liquidity. All of which together helped the Islamic Banks to maintain their stability during the pandemic period. The study shows that the banks have not been much affected by the Covid-19 pandemic and proves that they have good shock absorbing capacity which in turn indicates that the Bangladesh economy has a good shock absorbing capacity.

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