

# **Project Report**

**on**

**Analysis of corporate social responsibilities (CSR) and financial performance  
of Islami Bank Bangladesh Ltd. (IBBL) in year 2015 and 2019**

**Submitted To**

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**United International University**

## **Letter of Transmittal**

17<sup>th</sup> June 2021

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**Subject: Submission of project report on “Analysis of corporate social responsibilities (CSR) and financial performance of Islami Bank Bangladesh Ltd. (IBBL) in year 2015 and 2019”**

Dear Madam,

With due respect, I am Farzana Sultana Zuma, from United International University would like to inform you that, it is my immense satisfaction to submit my project report on “Analysis of corporate social responsibilities (CSR) and financial performance of Islami Bank Bangladesh Ltd. (IBBL) in year 2015 and 2019” as per your instruction., I tried to finish writing this project report properly. Although I have some limitation of understanding, I think this project report is well written. I have studied the comparative performance of CSR activities and financial ratio of Islami Bank Bangladesh Ltd in this report.

Therefore, I pray and expect that you would be kind enough to accept my report. For any further query, I will always be available to give any kind of details regarding this report.

Sincerely Yours

Farzana Sultana Zuma

ID: 111 161 239

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## **Abstract:**

This thesis report aims to provide a good analysis on the comparative Corporate Social Responsibilities (CSR) activities and financial performance of Islami Bank Bangladesh Ltd for year 2015 and 2019. The CSR information and financial statement provided here are based on data collected through different years of Annual Report of Islami Bank Bangladesh Ltd.

Firstly, we discussed about the Corporate Social Responsibility, Financial Ratio, about IBBL's mission vision and commitment, Objective of the study & methodology and limitation of the study which mainly focus on the comparative analysis of IBBL's CSR activities and financial performance for year 2015 and 2019.

Secondly, we discussed about different type of CSR activities taken by IBBL bank throughout the years. We will also discuss about year wise and sector wise analysis of CSR activities by IBBL.

Thirdly, Ratio analysis has been done focusing on four fundamentals dimensions of banking operations like liquidity, profitability, efficiency, and solvency of IBBL bank for year 2015 and 2019.

Lastly, the report provides a through findings and recommendation on CSR activities and financial performance of IBBL bank. At the end of this report, there are some suggestions and recommendation given which might be beneficial to them.

# Chapter-01

## Introduction



**Islami Bank**  
**Bangladesh Limited**

## **1. Introduction:**

The purpose of this report is to study the performance of CSR activities and financial ratio of Islami Bank Bangladesh Ltd (IBBL) for year 2015 and 2019. It is showed in following parts like Introduction of the CSR and how it works, Introduction of the financial ratio and how it works, brief idea about IBBL, objective of the study, rational of the study, scope and limitations

### **1.1 Corporate Social Responsibility (CSR):**

Corporate Social Responsibility (CSR) is an idea which needs an organization to operate in such a way that enriches the social and environmental factors of a society, rather than negative contribution towards a society. Through CSR activities, an organization not only benefit the society but also have sustainable and lasting impact on the people and society of the country. In the Recent years, CSR practices became so important that **Bangladesh Bank** initiated CSR mainstreaming campaign in 2008 which encouraged direct and indirect CSR engagements for all banks.

Therefore, in this report, I will be discussing about the practices of CSR activities of the most reputed Bank of Bangladesh that is IBBL for year 2015 and 2019. We will also discuss about the areas IBBL think they are socially accountable for and what are their key CSR activities.

## **1.2 Financial Ratio:**

Financial Ratio evaluate the financial performance of companies by analyzing past and current financial reports. There are various kind of financial ratios that evaluate the overall financial performance of a bank.

In this report we use different types of liquidity ratio, solvency ratio, profitability ratio, efficiency ratio for analyzing the comparative performance of IBBL for year 2015 and 2019.

## **1.3 Brief thought about IBBL**

Islami Bank Bangladesh Limited (IBBL) was founded on the 13th of March 1983 as the first Islami Bank in the South East Asia. It is a Joint Venture Public Limited Company which deals in commercial banking business based on Islami Sariah with 63.09% foreign shareholding.

IBBL has the largest branch network (branches, Sub-branches and agent outlets) among the private sector Banks in Bangladesh.

### **1.3.1 Mission**

IBBL follow Islami Banking through the practice of a welfare-oriented banking system and ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development in through diversified investment operations particularly in the priority sectors and least developed areas in Bangladesh. IBBL also encourage socio-economic rise and financial services to the loss-income community particularly in the rural areas.



### **1.3.2 Vision**

IBBL has a vision to be considered a top Islamic Bank by repute and performance. Their goal is to create and preserve a modern banking technique. That will ensure sound growth of the financial system based on Islamic principles and to become the strong and efficient bank with highly motivated professional, working for the benefit of people. They offer investment particularly in projects which are more likely to lead to higher employment and social welfare.

### **1.3.3 Commitments**

IBBL is strongly committed to Shariah, to the controllers, to their stockholders, to the nation, to their employees, to the other shareholders as well..

## **1.4 Objective of the report:**

The main objective of this report is to analysis the CSR activities and financial performances and ratio analysis of IBBL. It is a great opportunity for me to have the theoretical knowledge of above-mentioned topics during my learning period of BBA Program in this field. This project report is compulsory to obtain my BBA graduation program. The objectives are:

### **1.4.1 General Objective:**

The main objective of preparing this report is to learn about the CSR activities and financial performance of IBBL for year 2015 and 2019. I have done a comparison analysis of above mentioned topics in this report with relevant data. Now it is great experience in real life and corporate life.

### **1.4.2 Specific Objectives:**

- To analyze the CSR activities of Islami Bank Bangladesh Ltd.
- To analyze the financial performance of Islami Bank Bangladesh Ltd.
- To compare both analysis between year 2015 and 2019 of Islami Bank Bangladesh Ltd.

## **1.5 Scope of the study**

This report helps me to learn the following ways:

- Different type of CSR activities of IBBL was done.
- Year wise CSR Expenditure of IBBL was performed
- Sector wise CSR expenditure of IBBL was performed.
- Financial Performance ratio analysis of IBBL was done.
- The method of comparison between different years performance of IBBL.

## **1.6 Methodology of study**

In this report, we have taken secondary data as the principal base of information for the study. IBBL Bank's publications, Banks' websites, periodicals, and newspapers are utilized as the secondary sources of the study. The methodology to make this report is the followings,

### **Primary Sources:**

- Direct conversation with IBBL officers and staffs of the bank of the different branch.
- Informal communication with the customers.

### **Secondary Sources:**

- Financial report of Islami Bank Limited Bangladesh (IBBL).
- Web page of IBBL.
- Internet
- Newspaper and magazine

### **Data analysis tools:**

- Microsoft Excel
- Microsoft Word
- Different financial ratios for analysis
- Different charts and pie chart

## **1.7 Limitation of the study**

During preparation of this project report, I faced with some limitations. These limitations are given below-

- This report was fully depended on official records and annual reports of IBBL.
- There were many analyses in the annual reports, the analysis were not enough to have a better idea about the performance of the IBBL.
- Duration the study there was very short time to have a better understanding of the overall banking.
- Much information was needed to develop this report but IBBL did not allow full disclosures of those data.
- Performance analysis of one of the big banks like IBBL was complicated.
- It was complicated to acquire direct data of IBBL. So, I had to be dependent on secondary data such as financial report, website, webpage and other online resources of IBBL.

# Chapter-02

## Literature Review



**Islami Bank**  
**Bangladesh Limited**

## **2.1 Literature Review of CSR:**

### **2.1.1 Origin of CSR:**

The heritages of CSR activities in society can be sketched back to the ancient Roman empire and can be observed in the form of asylums, homes for the poor and old, hospitals and orphanages. This type of activities as social initiatives was carried on with the English Law during the Middle Ages.

Later, it prolonged into the 16<sup>th</sup> and 17<sup>th</sup> centuries with the encouragement of the English Crown, which saw corporations as a tool for social development.

**(Chaffee 2017)**

In the next eras, with the growth of the English Empire and the conquering of new lands, the English Crown spread its corporate law to its American colonies where establishments played a social purpose as well. **(Chaffee 2017)**

### **2.1.2 Origin of CSR in Banking sector (Financial institution):**

Throughout 1960's there was a new societal framework marked by a growing protest culture that revolved mainly around civil rights and anti-war remonstrations. In the North America, the protests converted from being student-led demonstrations, walk-outs, and rallies, to more radical political activism which, in most cases, saw business organization as an essential part of the "establishment" they wanted to change. **(Waterhouse2017)**

These remonstrations put pressure on corporations that, in the demonstrator's view, represented the "establishment" (i.e., banks and financial institutions as well large-scale companies). Consequently, during the 1960's researchers thought CSR as a answer to the complications and needs of the new modern society. **(Davis1960)**

### **2.1.3 CSR practices in Banks of Bangladesh:**

Bangladesh have seen a diversity of CSR activities of banks that encourage social development of poor people. Nonetheless, (Saha2013) have seen that the involvement of CSR actions established an insignificant amount of the revenue produced by the banks. The central bank of Bangladesh, “Bangladesh Bank” has given instructions to the commercial banks to be actively participate in different special activities. **Islami Bank Ltd. Bangladesh (IBBL)** follows CSR under the rules and regulation of Bangladesh Bank. An amount of Tk. 9,899.87 million was disbursed by IBBL from 1983-2019 in CSR activities out of which Tk. 1,031.15 million for 430,358 beneficiaries were contributed in 2019.

### **2.1.4 Types of Corporate Social Responsibility (CSR)**

There are different types of corporate social responsibility (CSR) activities which helps different causes. There are four types of CSR, where a company can contribute, and they are the following:

1. Environmental
2. Ethical
3. Economical
4. Philanthropic

## **2.2 Literature Review of Financial Performance Analysis:**

Most convenient way to access financial performance of a bank is done by financial ratio analysis. “A financial ratio is a measure of the relative magnitude of two selected numerical values taken from a company’s financial statements”

**(Henry & David 2014)**

**Hasan and Dridi (2010)** compared the performance of Islami banks and other traditional banks in these economic emergency situation and found out that Islamic banks are on average performing stronger in this global financial situation..

In this project report, we tried to check and analyze the financial performance of **Islami Bank Bangladesh Ltd. (IBBL)** in year 2015 to 2019. We have scrutinized the performance of Islami **IBBL** in Bangladesh through financial ratios during 2015 to 2019. The bank has been analyzed from three measurements: **1) Profitability, 2) Liquidity, 3) Solvency.**



**Chapter-03**  
**CSR Activities of IBBL**



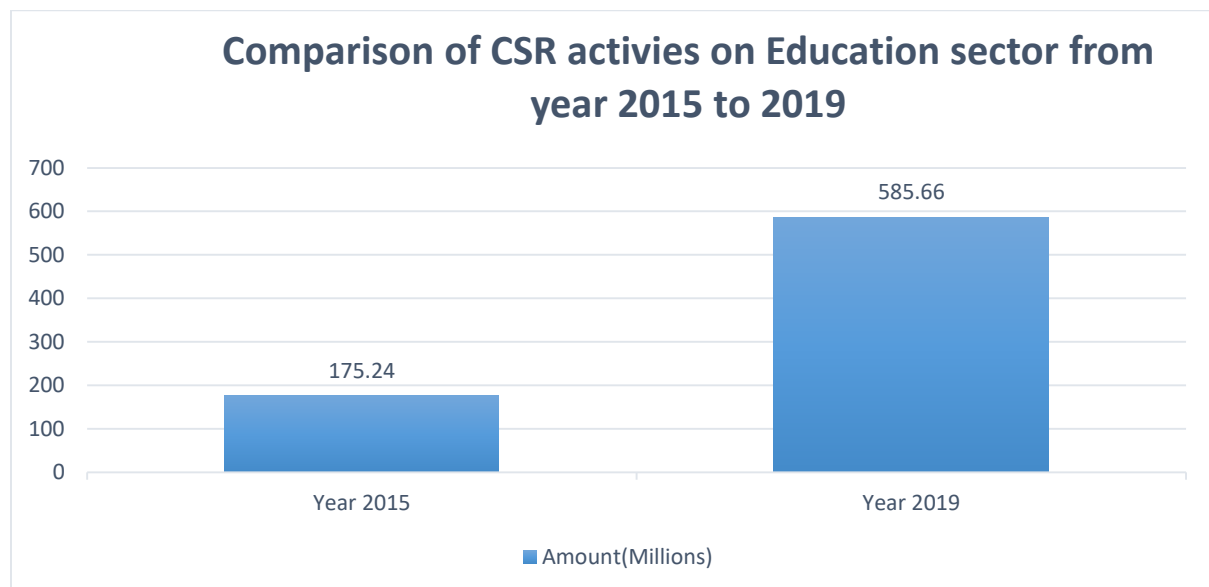
**Islami Bank**  
**Bangladesh Limited**

## CSR Initiative of IBBL

IBBL being a responsible entity of Bangladesh banking sector, It gives generous donations and helps various CSR initiative of communities around Bangladesh. IBBL not only make donation to individual initiative but also institutional initiative to help communities in need. IBBL supports initiative such as education, health, humanitarian & disaster relief plus sports, arts & culture.

### 3.1 Education

IBBL has been a pioneer to promote educational sector in Bangladesh. IBBL spent Tk.175.24 million for 8930 individuals in year 2015 for educational purpose. Whereas in year 2019 IBBL spent an amount of Tk.585.66 million for 8850 individuals. So, it is observed that that amount of money spent on education section has increased from IBBL.



### **3.1.1 Scholarship Program**

IBBL helped 2,700 students in which 1500 are in higher secondary, 800 are in graduation and 400 in Special Scholarship level. All students are having obtained GPA5 in SSC & HSC examinations under IBBL scholarship initiative. The stipend amount is 2,000 take monthly given for two years for higher secondary level with Tk. 3,000 given for acquiring books every year. Whereas Tk. 4,500(Urban) & Tk. 3,000(Rural) monthly given for Graduation level students with Tk. 5,000 given one time for acquiring books. Moreover, Special scholarship is given to 400 meritorious but financially weak students in every year.

### **3.1.2 Initiative to Special need child**

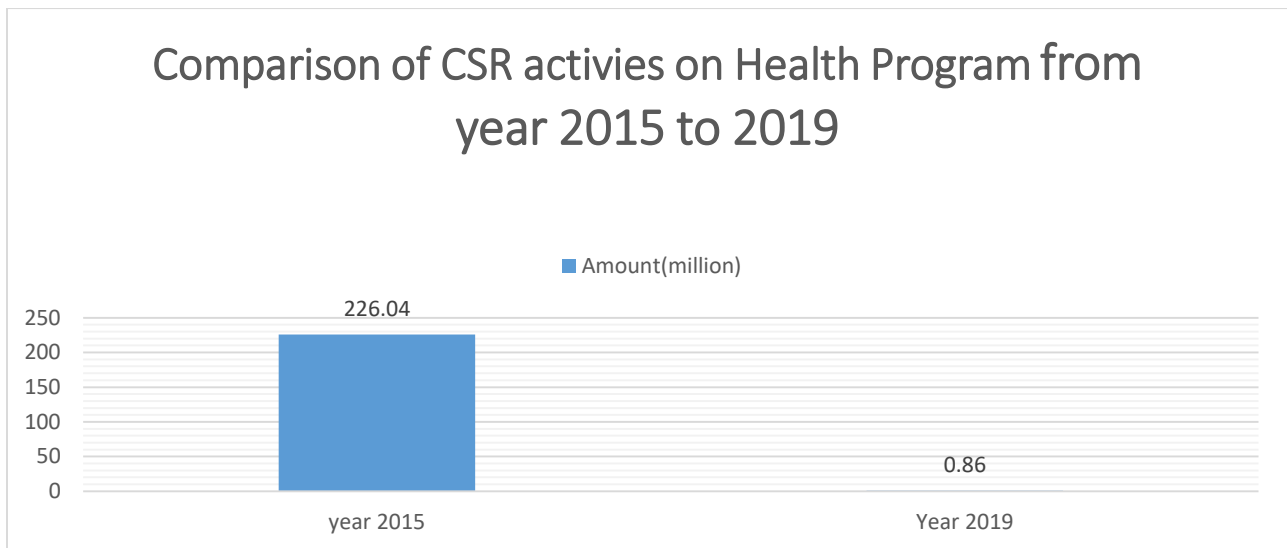
IBBL supports children with special need through 'PROYASH' a nonprofit organization run under the guidance of Bangladesh defense force. IBBL has donated Thirty five million Taka to 'PROYASH', Jessore. IBBL stand beside of this initiative as they treat children with special need as an asset to our society.

### **3.1.3 Support to the Educational Institutions**

IBBL have donated Five million Taka to Rabeya Ali girl's school & college, Chandraw digolia, Gopalganj, Five million Taka to Panchkhola Mukti Senahigh School & College, Madaripur and another two and half million taka to Fakir Sohrab Ali Collage, Mymensingh.

### 3.2 Health Program

People in Bangladesh faces an uncertain situation on their healthcare situation due to precarious Medicare system of the country. Considering this, IBBL has taken various initiative to develop healthcare sector in Bangladesh. IBBL have donated Taka 226.04 million for 99,469 individuals in 2015 for this purpose. Whereas IBBL donated Taka 0.86 million in 2019 in healthcare program. From year 2015 to year 2019 it is observed from the annual report that there is a significant decreased in health program from IBBL.

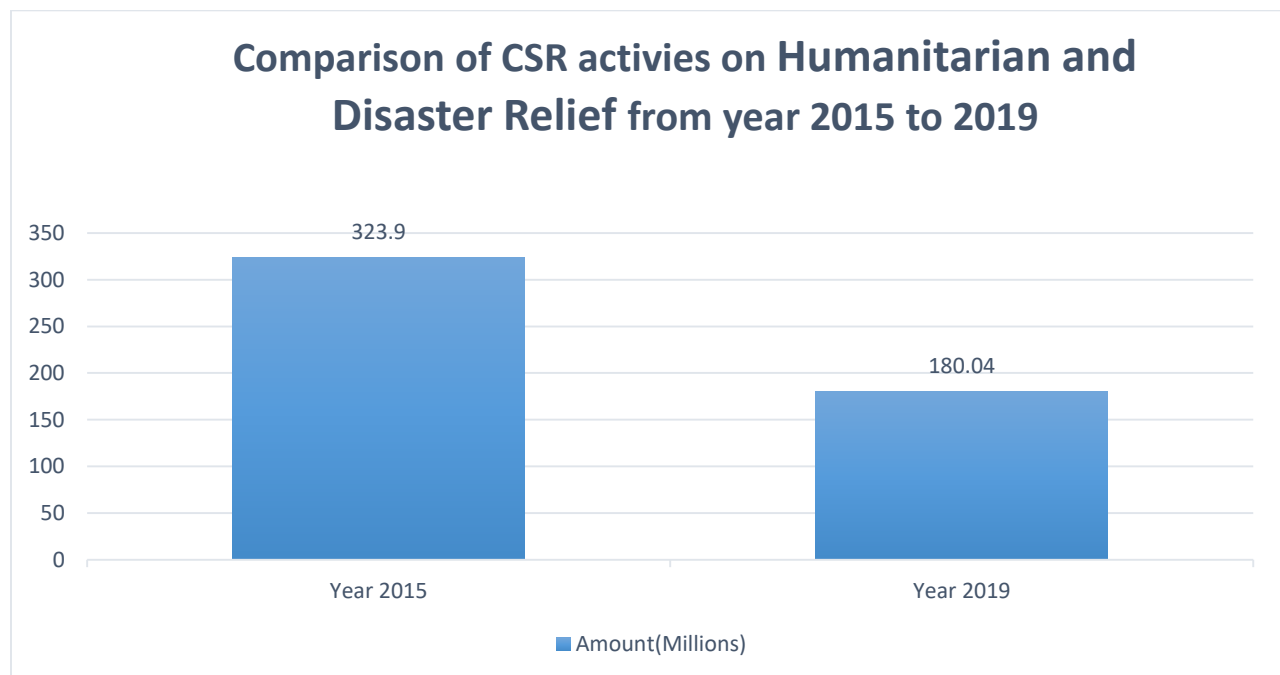


#### 3.2.2 Support to the Health Institutions

During this period IBBL spent Taka 87.41million to The International Centre for Diarrhea Disease Research, Bangladesh (ICDDRDB) Dhaka, Taka 20 million to Holy Family Red Crescent Medical College Hospital and Taka 35 million to Anjuman Mufidul Islam, Kakrail, Dhaka.

### 3.3 Humanitarian and Disaster Relief Program

Bangladesh is a land which is at greater risk of natural disaster like flood cyclone and river erosion. The effect of this disaster has been immense like causing many death, damaging people's property and livelihood. Many people in Bangladesh are suffering from these natural calamities. Over the years IBBL had been standing by this disaster affected people by supporting them financially. The bank is not only giving financial aid but also donating winter cloths and contributing PM's relief fund. The bank has many welfare programs like tofra e Ramadan, meat distribution and rehabilitation program etc. IBBL has donated Taka 323.9 million for 606320 vulnerable people in 2015. Whereas an amount of take 180.04 million for 421485 vulnerable people was spent by IBBL in 2019. From year 2015 to year 2019 it is observed from the annual report that there is a some decreased in donation to the humanitarian and disaster Relief and from IBBL.



### **3.3.1 Program of Distribution of Winter cloth:**

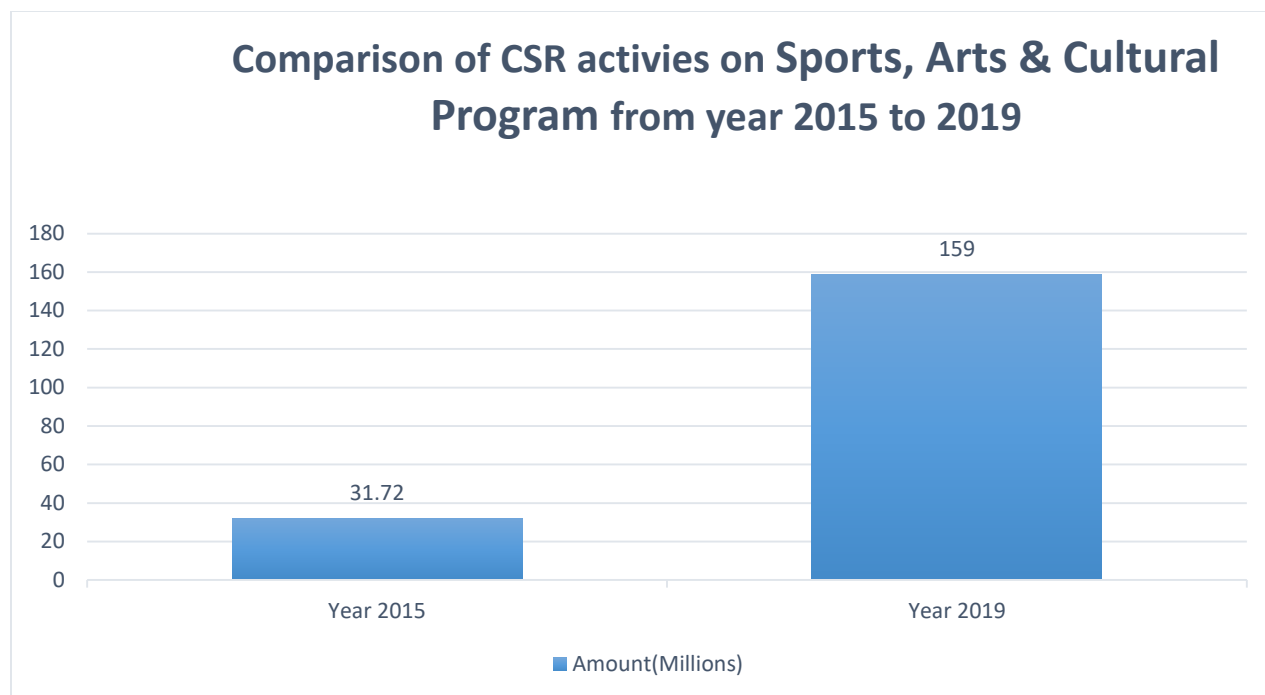
IBBL have been by the side of cold affected region of Bangladesh. IBBL donated over 0.30 million warm cloths valuation of Tk. 101.20 million in Northern part of Bangladesh during 2016.

### **3.3.2 Tohfa e Ramadan:**

Tohfa e Ramada is a initiative taken by IBBL for People doing fasting during Ramadan. Through this initiative IBBL donated food to 57,800 poor scholars' families valued at Taka 91.38 million during last Ramadan.

## **3.4 Sports, Arts and Cultural Program**

Bangladesh has a long history of producing world class personality in the field of sports, arts and culture. Through sports arts and culture our next generation can make our country proud. But for any kind of craft man to become world-class need proper nurture and guidance. Over the years IBBL had silently played the role of leading sponsor of these talents. IBBL have spent over Taka 31.72 million in year 2015 in this cause. Whereas over Taka 159 million was spent by IBBL in 2019 for this purpose. From year 2015 to year 2019 it is observed from the annual report that there is a significant increase in donation to the Sports, Arts & Cultural Program from IBBL.

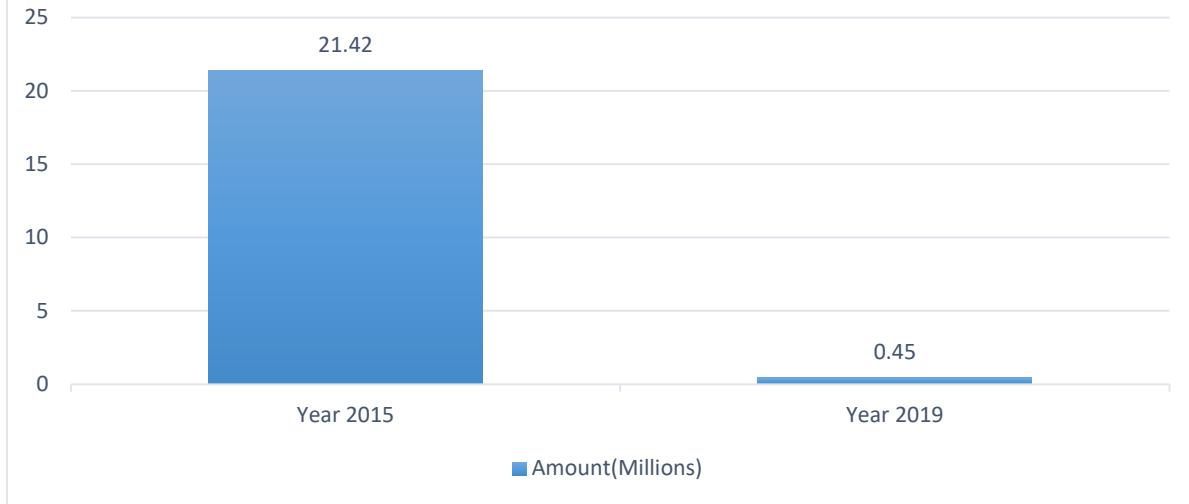


### 3.5 Environmental Program

Bangladesh is facing adverse effect of many environmental issues such as climate change, natural calamities and environmental pollution like air pollution, water pollution etc. To keep nature protected for our next generation we need to take care of environment and those who are affected by it. That is why IBBL donated Taka 21.42 million to 757558 beneficiaries in year 2015. Whereas in 2019 it come down to 0.45 million Taka.

From year 2015 to year 2019 it is observed from the annual report that there is a significant decrease in donation to the Environmental Program from IBBL.

### Comparison of CSR activities on Environmental Program from year 2015 to 2019



IBBL support reduction of carbon emission by installing solar panels, saving electricity, water, gas and fuel and reduction of using paper at their office. IBBL have been strict to establish biomass processing plants, waste recycling plants and fluent Treatment Plants in their financed projects. IBBL motivate their staffs to be aware of Environmental issues around the world. IBBL also practice favorable working condition for its female staffs.

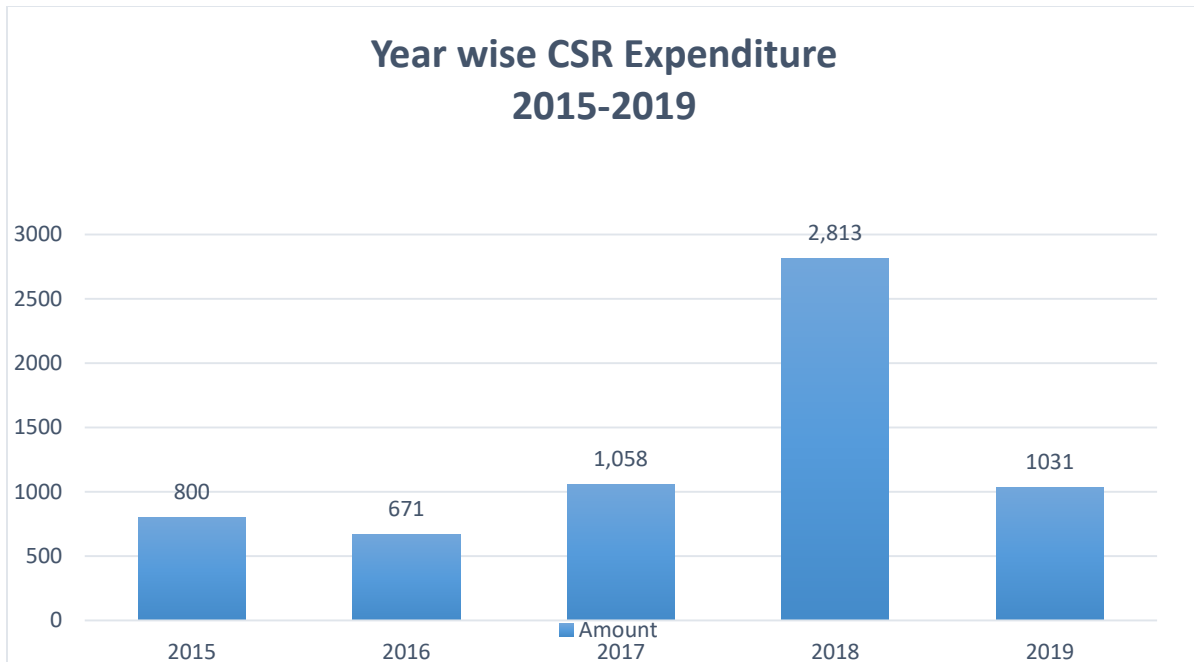


### 3.5 Year wise CSR Expenditure

IBBL have spent Taka 800 million for 1472959 beneficiaries was contributed in 2015.

Whereas In 2019, IBBL spent over TK.1, 031 million for performing CSR activities adhering to the principle of people, planet among 430,358 beneficiaries.

Sl. No	Year	Amount (In million Tk.)
01	2015	800
02	2016	671
03	2017	1,058
04	2018	2,813
05	2019	1,031



### 3.6 Sector wise CSR expenditure of IBBL in year 1983-2019

IBBL have given Taka. 9,899.87 million To 16,779,428 beneficiaries from 1983-2019 in education, healthcare, humanitarian & disaster relief, sports, arts, literature, culture and environment etc. areas. Here Taka 1,031.15 million was spent on 430,358 beneficiaries in year 2019.

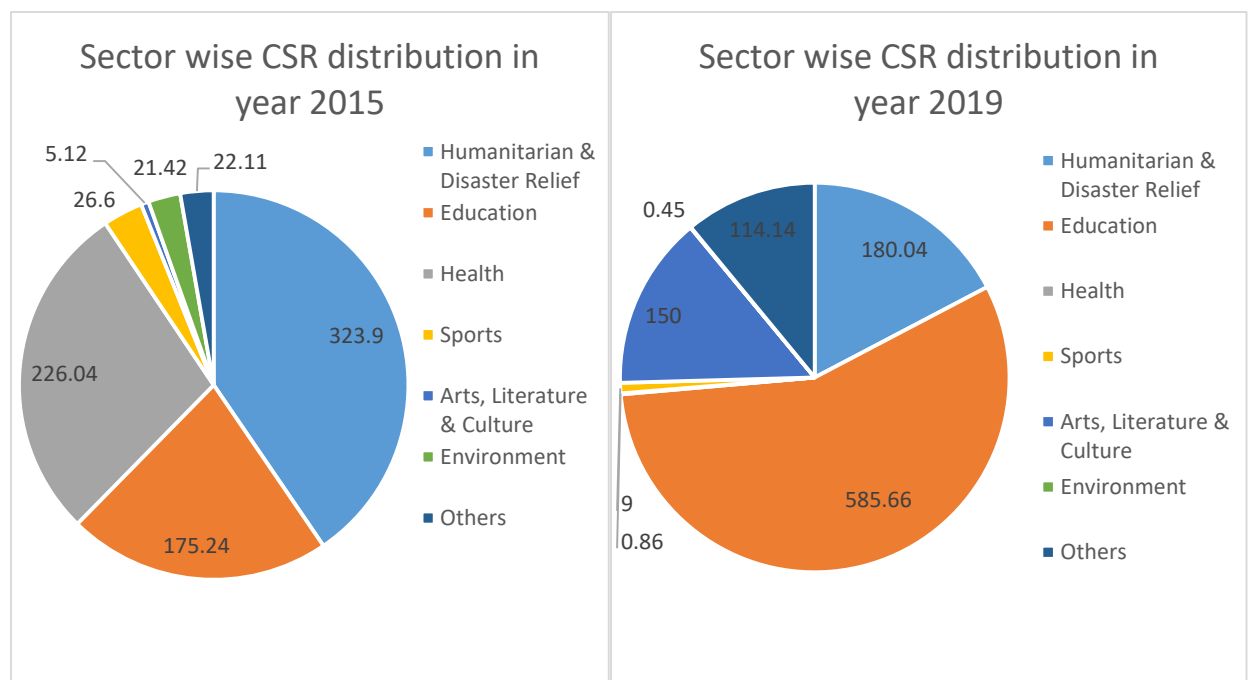
**Source: Financial report of IBBL, 2019**

Year	Humanitarian & Disaster Relief		Education		Health		Sports		Arts, Literature & Culture		Environment		Others		Total	
	Amount	Beneficiary	Amount	Beneficiary	Amount	Beneficiary	Amount	Beneficiary	Amount	Beneficiary	Amount	Beneficiary	Amount	Beneficiary	Amount	Beneficiary
1983-2009	217.61	452291	285.34	265197	873.62	6055481	60.83	413622	68.75	187107	-	-	61.31	56674	1567.46	7430372
2010	64.06	158,760	67.8	98,787	64.11	721,160	12.00	2	11.22	41,964	7.36	15,240	11.87	655	238.42	1036568
2011	21.79	32,928	56.17	128,925	25.78	128556	248.75	636	7.15	643	0.48	3	50.55	118115	410.67	409806
2012	87.93	597866	83.8	3014	39.75	19230	1.61	144	8.24	11	12.48	493822	75.38	34438	309.19	1148525
2013	140.10	254078	135.26	7,756	71.50	95,255	78.97	7	5.86	21	22.94	592722	21.79	768	476.42	950607
2014	190.16	498768	161.34	7928	89.47	125079	40.2	5	15.21	17	21.12	723673	7.02	51	524.52	1355521
2015	323.90	606320	175.24	8930	226.04	99469	26.60	6	5.12	643	21.42	757558	22.11	33	800.43	1472959
2016	425.95	481644	161	14235	16.84	209	0.00	0	0.12	4	26.39	690251	40.47	751	670.77	1187094
2017	568.46	42056	382.82	12924	28.97	116	21.00	2	11.50	3	26.40	644162	18.62	20	1057.77	1077793
2018	647.72	27196	2118.57	7792	1.75	22	8.20	3	22.59	14	1.05	4	13.20	32	2813.07	279825
2019	180.04	42149	585.66	8858	0.86	4	9	0	150.00	1	.045	3	114.14	7	1031.15	430358
<b>Total</b>	<b>2867.72</b>	<b>4196664</b>	<b>4213.00</b>	<b>564,346</b>	<b>1,438.69</b>	<b>7,244,581</b>	<b>468.96</b>	<b>414,427</b>	<b>305,76</b>	<b>230,428</b>	<b>140.09</b>	<b>3,917,438</b>	<b>436.46</b>	<b>211,544</b>	<b>9899.87</b>	<b>16779428</b>

### 3.7 Sector wise CSR distribution analysis:

Here, two pie charts illustrated the proportion of different type of Sector wise CSR expenditure done by IBBL in year 2015 and 2019.

- We can observe that in year 2015, Humanitarian & Disaster Relief accounted for most amount of CSR expenditure by IBBL that is 323.9 million Taka.
- Whereas in year 2019 we can see that Education sector overtaken Humanitarian & Disaster Relief for highest CSR expenditure by IBBL which is 585.66 million Taka.
- We can see that from year 2015 to 2019 that IBBL has increased its CSR expenditure for Arts, Literature and culture from 5.12 million to 150 million Taka.
- We can also observe that IBBL has decreased its distribution for CSR expenditure for Healthcare sector in year 2015 to year 2019 from 226 million Taka to 0.86 million Taka.



# **Chapter-04**

## **Financial Analysis of IBBL**



**Islami Bank**  
**Bangladesh Limited**

## **4. Financial Analysis of Islami Bank Bangladesh Ltd.:**

In this report, we analyze financial performance of IBBL during the period of year 2013 to 2019. We used 4 types of financial ratio to analysis the performance of IBBL. Here ratios are classifying into four categories:

- **Liquidity ratio** represent how quickly a company's asset can be converted into cash.
- **Solvency ratio** which express a bank's capacity to cover its long-term need.
- **Profitability ratio** which represent the bank's ability to generate profit compared to its expense.
- **Efficiency ratio** measure how expertly companies using their asset to acquire income.

### **4.1 LIQUIDITY RATIOS:**

Liquidity ratio is a ratio that measures a Bank's shot term financial situation. This ratio plays a vital role in determining the short-term financial position of a bank. Liquidity ratio is a crucial indicator that indicates the Bank's ability to utilize the working capital.

#### **Types of Liquidity Ratios:**

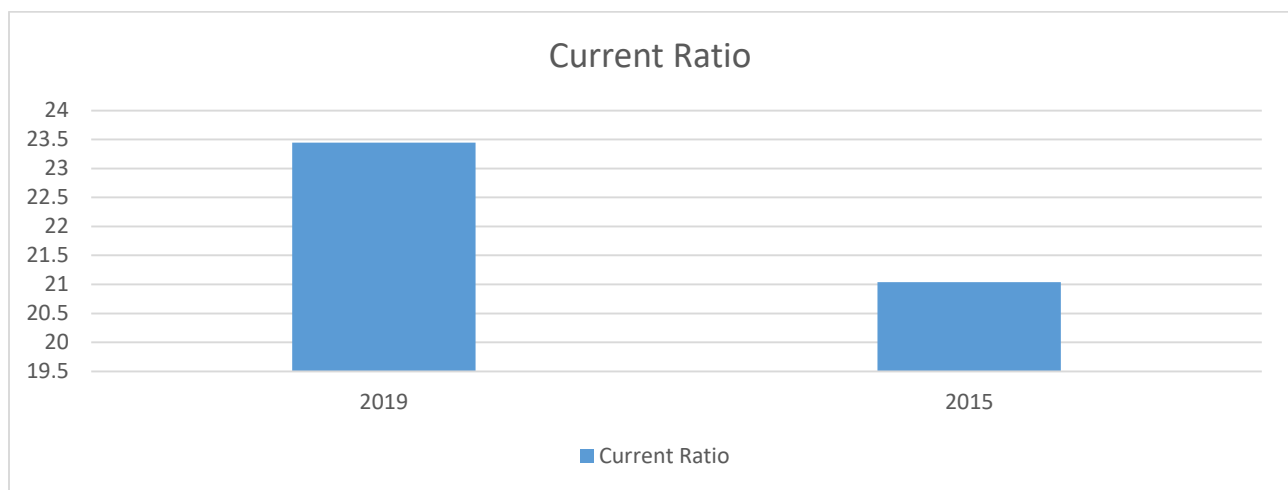
We are using current ratio, cash ratio, and quick ratio for analyzing the comparative performance of IBBL for year 2015 and 2019.

### 4.1.1 CURRENT RATIO:

This ratio also known as the Working Capital Ratio is defined as the ratio of Current Assets to Current Liabilities. Current Ratio for a Bank measures whether it has sufficient incomes to meet its short-term debt.

**Formula: Total Current Assets / Total Current Liabilities**

YEAR	2019	2015
RATIO	23.447	21.038



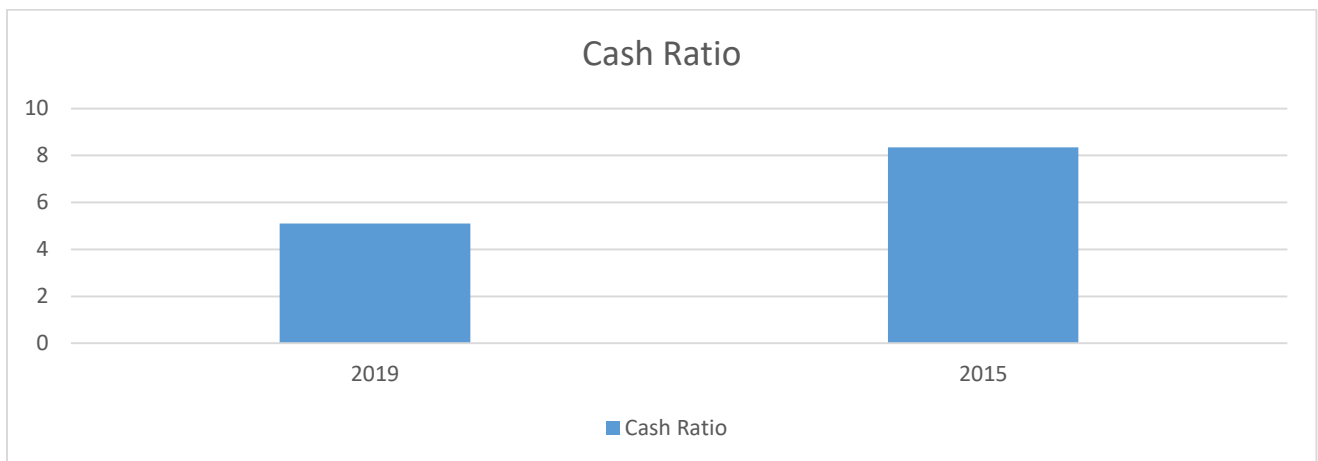
**INTERPRETATION:** A well performing bank should have current ratio greater than 1. A ratio of less than 1 can be a concern to the bank's ability to meet its short-term liabilities. A high current ratio is an assurance that a Bank will have enough funds to pay current liabilities and other payments. For IBBL we can see that Current Ratio increased from 21.038 to 23.447 from year 2015 to 2019 which indicates that IBBL have adequate funds to pay current liabilities and other current payments.

### 4.1.2 CASH RATIO:

Cash Ratio measures a Bank's liquidity, specifically the ratio of a Banks's total cash & cash equivalents to its current liabilities. Cash ratio is a bank's ability to pay off its short-term liabilities with near cash assets

**Formula: (Cash and Cash Equivalents and near-cash securities) / Total Current Liabilities**

YEAR	2019	2015
RATIO	5.105	8.351



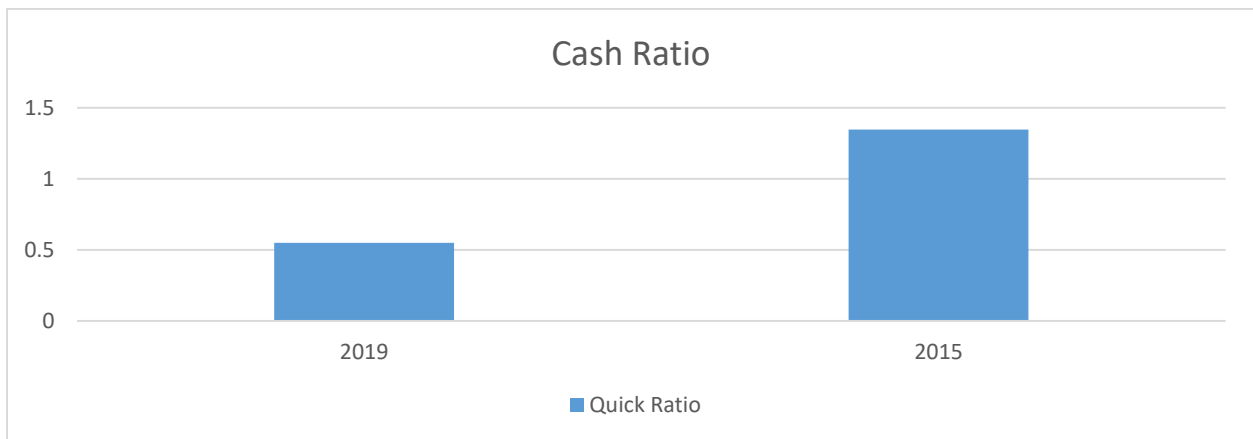
**INTERPRETATION:** Cash Ratio is a tool to measure bank's liquidity. For IBBL we can see that Cash Ratio decreased from 8.351 to 5.105 from year 2015 to 2019 which indicates that Total Reserves of cash and near-cash securities slightly decreased from year 2015 to 2019 but still a higher value of Cash Ratio in both years resulted in more lending from the creditors due to a safety of returns.

### 4.1.3 QUICK RATIO:

Quick Ratio measures a bank's capability to pay all its outstanding current liabilities by using cash, cash equivalents and any quick assets. Quick ratio is more traditional measurement than other ratios in which current assets are used as coverage for current liabilities. This ratio is also recognized as Acid test ratio.

**Formula: (Cash & Cash Equivalents + Account's receivables) / Total Current Liabilities**

YEAR	2019	2015
RATIO	0.5505	1.3472



**INTERPRETATION:** Quick Ratio used to determine a bank's liquidity. This ratio measures a bank's capability to pay its outstanding liabilities. For IBBL we can see that Current Ratio decreased from 8.351 to 5.105 from year 2015 to 2019 which indicates that the bank's cash and cash equivalent slightly decreased over the years.



## 4.2 SOLVENCY RATIOS:

Solvency ratio measures a bank's long-term financial health. Solvency ratios tell us about the bank's commitments for future payment to meet its short-term liabilities. Solvency ratio is a significant pointer that measures the Bank capability to meet its debt.

### Types of Solvency Ratios:

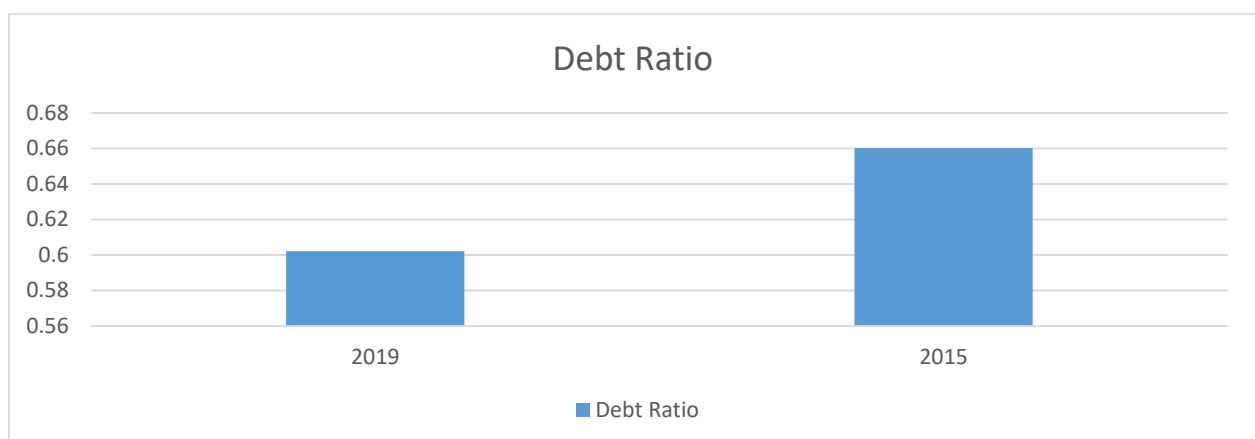
We are using Debt Ratio, Equity Ratio, and Debt-Equity Ratio for analyzing the comparative performance of IBBL for year 2015 and 2019.

#### 4.2.1 DEBT RATIO:

Debt ratio measures a bank's total debt to its total asset. It is measured by total liabilities divided by total asset. A debt ratio greater than 1.0 tells us that a bank has more debt than assets. A low debt ratio for a bank indicates that it is less dependent on rented others.

**Formula: Total liabilities/ Total asset**

YEAR	2019	2015
RATIO	0.60201	0.66006



**INTERPRETATION:** Debt Ratio is used as a measure of a bank's extent of a leverage. This ratio shows the bank's ability to do so without having to sell or liquidate

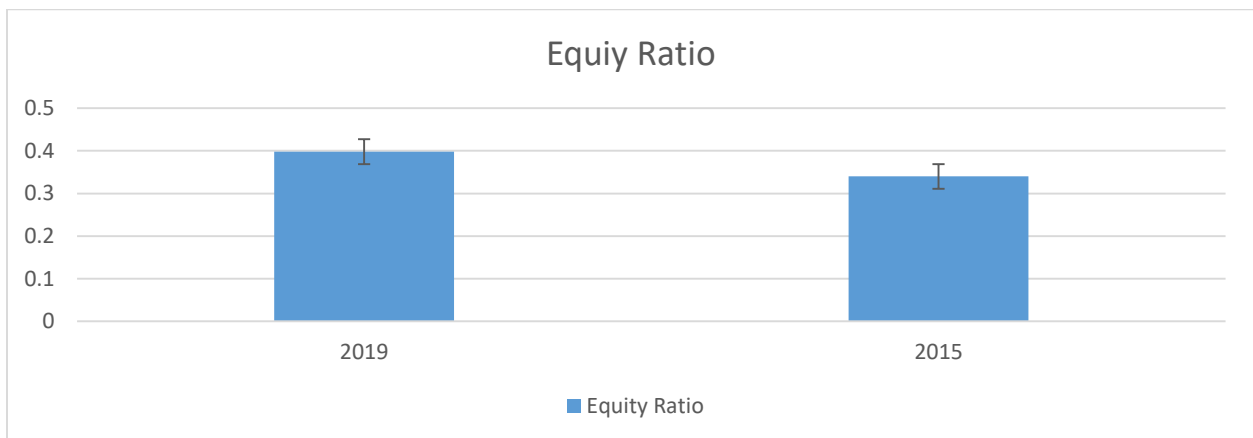
other assets. For IBBL we can see that Debt Ratio decreased from 0.66006 to 0.60201 from year 2015 to 2019 which is good for IBBL It indicates that total liabilities decreased from year 2015 to 2019 compared to its asset.

#### 4.2.2 EQUITY RATIO:

Equity ratio measures a bank's ability to manage its debts. It is calculated by dividing total Equity by total assets. The ratio is an indicator of how economically stable the bank may be in the long run.

**Formula: Total Share holders' Equity /Total Assets**

YEAR	2019	2015
RATIO	0.39799	0.33994



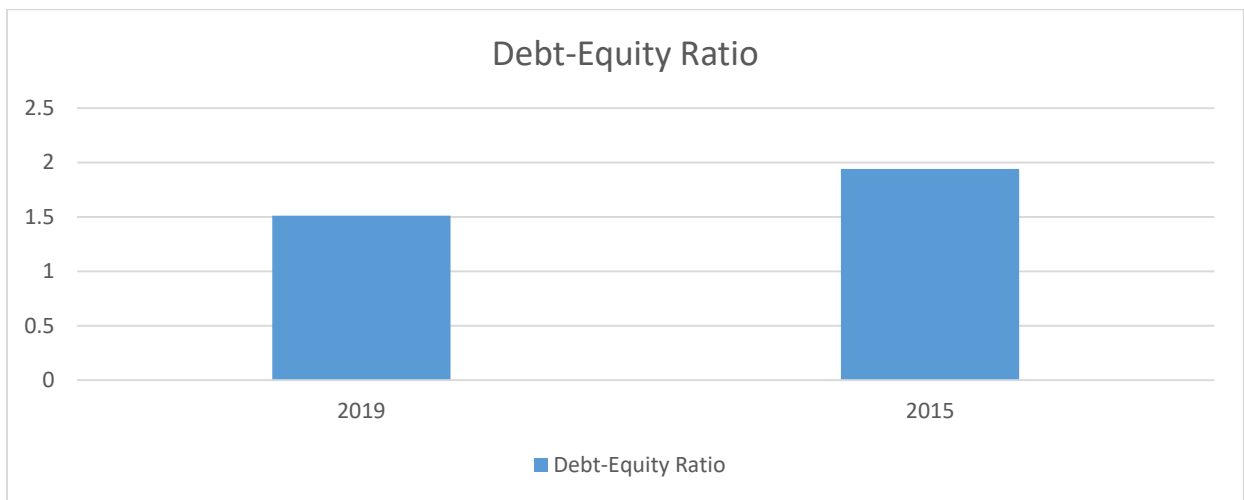
**INTERPRETATION:** Equity Ratio is used as a measure of a bank's extent of a leverage. This ratio shows the bank's ability to settle all its assets to pay off its debt, the stockholders would retain financial possessions. For IBBL we can see that Equity Ratio increased from 0.33994 to 0.39799 from year 2015 to 2019 which indicates if IBBL liquidate all of its assets to pay off its debt, the shareholders retain of the bank's financial resources has increased from 33% to 39%.

### 4.2.3 DEBT-EQUITY RATIO:

Debt Equity (D/E) ratio measures a Banks's total liabilities to its total equity. It's a financial leverage ratio used to assess how much leverage a bank is consuming. Higher D/E ratio tends to indicate a banks potential higher financial risk to shareholders.

**Formula: Total liabilities/ Total shareholders' equity**

YEAR	2019	2015
RATIO	1.5126	1.9417



**INTERPRETATION:** For IBBL we can observe that Debt Equity (D/E) Ratio has come down from 1.9417 to 1.5126 from year 2015 to 2019 which indicates that IBBL has managed to lower its leverage ratio as a result its long term financial risk. For IBBL in 2019 D/E ratio is around 1.5 which is seen as relatively safe,

### 4.3 PROFITABILITY RATIOS:

A profitability ratio is a way to measure a bank's capability to generate earnings comparative to its income, operating costs, balance sheet assets, or shareholders' equity over the time. Profitability ratios show how well a bank is using its assets to generate profits. Most banks refer to profitability ratios when analyzing its business productivity.

#### Types of Profitability Ratios:

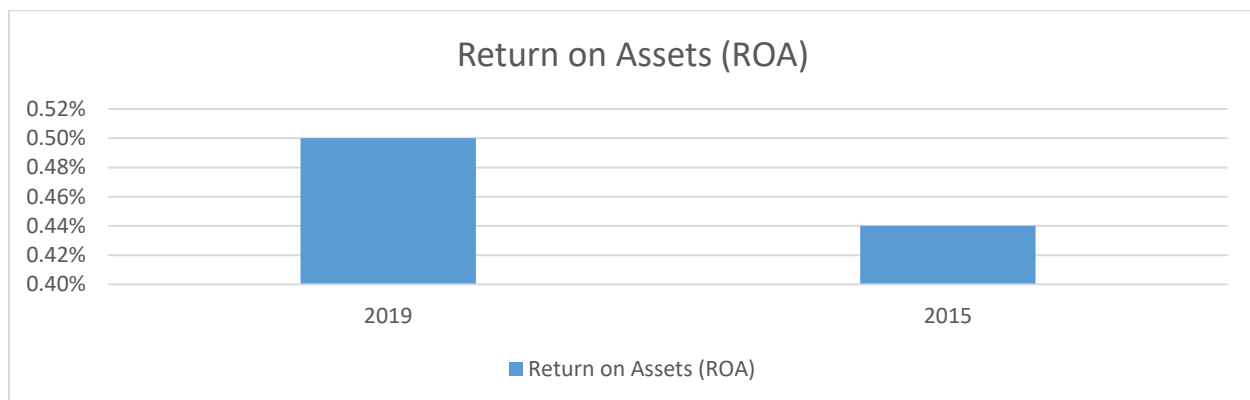
We are using Return-on-Assets Ratio (ROA), Return on Investments (ROI), Return on Equity (ROE) and Gross Profit Ratio for analyzing the comparative performance of IBBL for year 2015 and 2019.

#### 4.3.1 RETURN ON ASSESTS (ROA):

ROA is a ratio that shows the amount of profitable a bank's assets are in generating revenue. It's the most used ratio for bank profitability since it measures the bank's return on investment in a form that is easily comparable with other banks. ROA is a ratio of net income divided by total assets during a period of time.

**Formula: Net income/ Total asset**

YEAR	2019	2015
RATIO	0.50%	0.44%



**INTERPRETATION:** From the data found from the annual report of IBBL we can see that Return on Assets (ROA) has increased from 0.44 % to 0.50 % from year

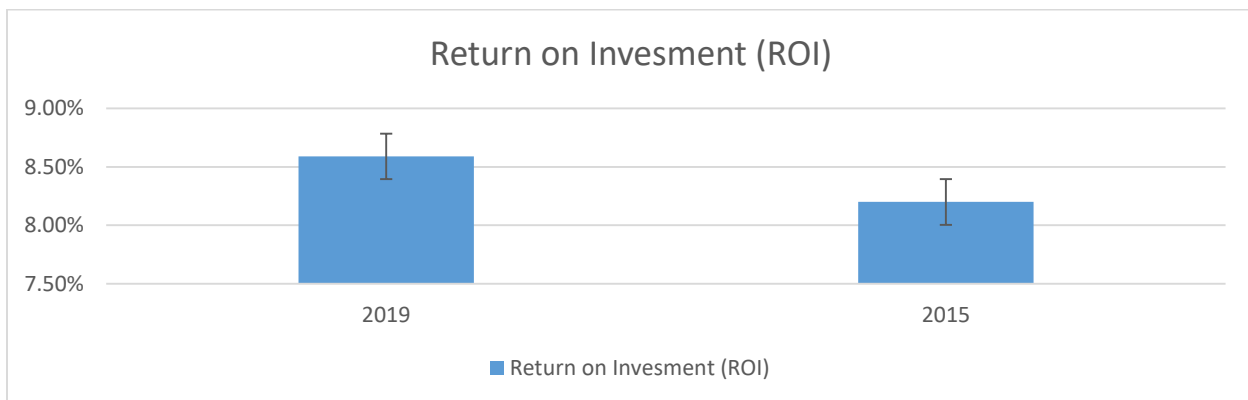
2015 to 2019 which indicates that IBBL has managed to utilize its asset efficiently for year 2019 which is a good indication in terms of profitability.

#### 4.3.2 RETURN ON INVESTMENT(ROI):

Return on investment (ROI) is a ratio that is measured as a percentage which is calculated by dividing a Banks's net profit or loss by its shareholders' investment. It is a popular profitability ratio used to evaluate how well an investment has performed.

**Formula: Net profit/ Total investment**

YEAR	2019	2015
RATIO	8.59%	8.20%



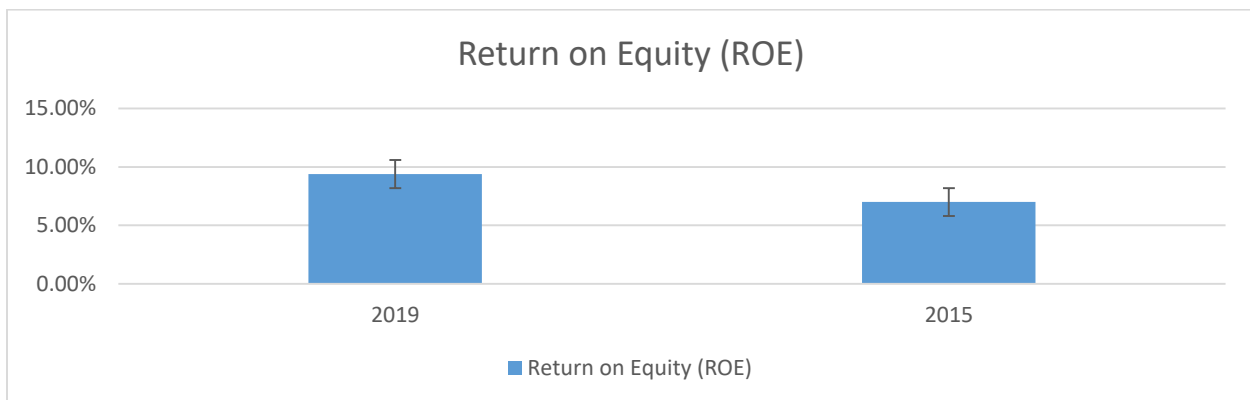
**INTERPRETATION:** From the data found from the annual report of IBBL we can see that Return on Investment (ROI) has increased from 8.20 % to 8.59 % from year 2015 to 2019 which indicates that IBBL shareholders investment earned more profit in 2019 than 2015. So we can say that IBBL increased its efficiency of making investment related profit.

### 4.3.3 RETURN ON EQUITY (ROE):

Return on equity (ROE) is measured by dividing a bank's net income by its shareholders' equity, thereby it is a measurement of how efficient a bank is in generating profits. The return on equity for a bank is used to determine the returns made on the initial capital investment.

**Formula: Net income/ Shareholders equity**

YEAR	2019	2015
RATIO	9.39%	7.00%



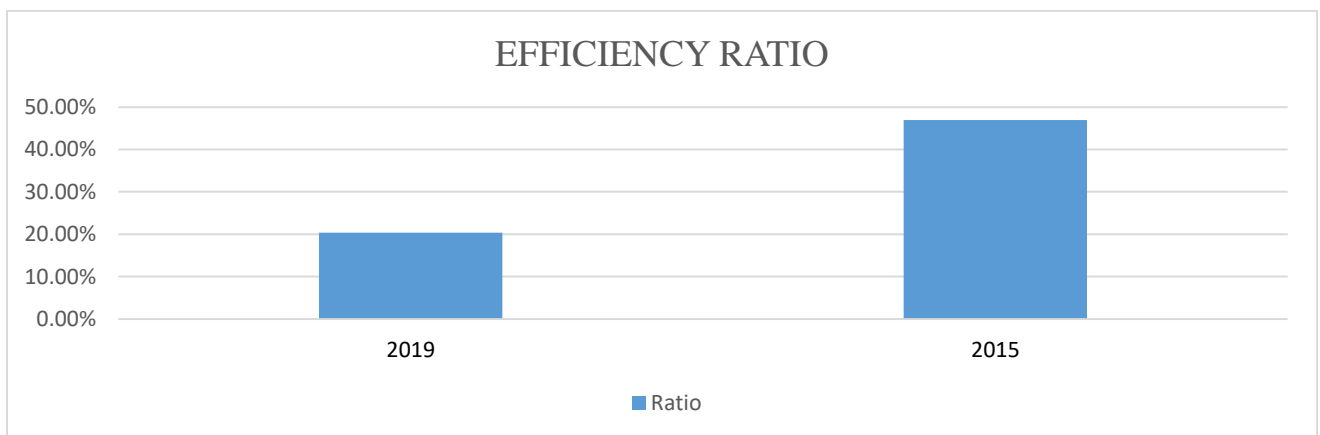
**INTERPRETATION:** From the data found from the annual report of IBBL we can see that Return on Equity (ROE) has increased from 9.39 % to 7.00 % from year 2015 to 2019 which indicates that IBBL steadily ROE is increasing which means that the bank is giving its shareholders more for their investment. From the data we can see that how well management is using investors' capital in 2019 than 2015.

#### 4.4 EFFICIENCY RATIO:

Efficiency ratio is usually indicating how much a bank spends on its expense to its revenue internally. An efficiency ratio indicates banks profitability. This ratio shows how well the bank's managers control their overhead (or "back office") expenses.

**Formula: Total Operating Expenses / Total Operating Revenue**

YEAR	2019	2015
RATIO	20.36%	46.96%



**INTERPRETATION:** An efficiency ratio of 50% or under is considered optimal. Here graph shows that the ratio from 2015 to 2019 is lower from 46.96% to 20.36 % which indicates that IBBL follow aggressive strategy. We are seeing that IBBL efficiency ratio is getting better so we can say that performance is getting better. IN 2019 we are seeing bank's expenses has decreasing but its revenues are increasing at rapid pace.

## 4.5 Financial Statement & Ratio of IBBL for year 2015 & 2019:

Here below is the financial statement and ratio analysis of IBBL for year 2015 & 2019.



Statement of financial Position	(in million Taka)	(in million Taka)
(Balance Sheet)	2019	2015
Total Current Assets	8,018	7,832
Total non-current assets	358	307
Total Assets	8,375	8,139
Total Current Liabilities	342	372
Total Non-current liabilities	4,700	5,000
Total Liabilities	5,042	5,372
Total equity	3,333	2,767
Total equity and liabilities	8,375	8,139
Total Operating Revenue	707	354
Total Operating expense	144	166
Cash & cash equivalents	90	498
Receivable from client	0	2
Receivable from other clients	80	0
Receivable from exchange	18	1
Account Receivable	98	4
Short term Investment	1,656	2,611
EFFICIENCY RATIO	0.203616876	0.469666148
DEBT RATIO	0.602007683	0.660061184
EQUITY RATIO	0.397992198	0.339938693
DEBT EQUITY RATIO	1.512611771	1.941706542
Return on Assets( ROA)	0.50%	0.44%
Return on Investments (ROI)	8.59%	8.20%
Return on Equity (ROE)	9.39%	7.00%
GROSS PROFIT RATIO	49%	49%
Current Ratio	23.44651134	21.0381552
Cash Ratio	5.105254846	8.350727565
Quick Ratio	0.550586321	1.347243526





## **Chapter-05**

### **Findings**



**Islami Bank**  
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## 5. Findings

### 5.1 Findings of CSR Activities for IBBL:

- IBBL have formed Sadakah Tahbil as a CSR Wing on 4 July 1983.
- IBBL spent TK. 150 million for Proyash, an organization run by Bangladesh Army dedicated to the wellbeing of Special need children with disability.
- As of 2019, IBBL is appreciated by the Central Bank for its highest contribution in CSR activities among all Banks in Bangladesh.
- In 2019 IBBL have exceeded its CSR expenditure by TK. 1,031.15 million whereas in 2015 the total CSR expenditure was Tk. 800 million.
- In 2019, Bank spent Taka 180.49 million as Climate Risk Fund (CRF) which is 17.50% of the total CSR activities for the climate change vulnerable people. Whereas the percentage of CRF in 2015 in relation to the total CSR activities was 31.65%. Total CRF utilization of 2015 and 2019 were Taka 182.67 million and Taka 180.49 million respectively.
- IBBL have taken remarkable step in year 2015 for fasting people of the country named “Tohfa-e-Ramadan”. Under this initiative IBBL have provided food items to 42,110 poor and religious scholars’ families amounting of 70.82 million Taka during last Ramadan.
- IBBL’s total contribution in Green investment in 2015 and 2019 were Tk. 78,000.09 million and Tk. 70,044.90 million respectively.

## **5.2 Findings of Financial performance for IBBL:**

- From 2015 to 2019, IBBL's Gross Profit Ratio had been identical with a value of 49% which is a good sign to the bank's profitability.
- From 2015 to 2019, IBBL's Operating Profit had also been increased from 14348 million Taka to 21914 million Taka which is a good progress over the years.
- From 2015 to 2019, IBBL's Growth of Total Asset had been increased from TK. 8,139 million to TK. 8,375 million which is a clear indication of Bank's growth.
- From 2015 to 2019, we can see from different type of Ratios such as Current Ratio, Cash Ratio and Quick Ratio that IBBL Bank's ability to utilize the working capital had strengthened over the years.
- From 2015 to 2019, we can observe from different type of Ratios such as using Debt Ratio, Equity Ratio, and Debt-Equity Ratio that IBBL's ability to meet its long-term debt has increased significantly.
- By observing many Ratios like Return-on-Assets Ratio (ROA), Return on Investments (ROI), Return on Equity (ROE), we can see that IBBL is generating steady profits from year 2015 to 2019 by utilizing its asset properly.
- From observing Efficiency Ratio of IBBL from year 2015 to 2019, we can say that IBBL performance is getting better.

**Chapter-06**  
**Recommendation & Conclusion**



**Islami Bank**  
**Bangladesh Limited**

## **6. Recommendation & Conclusion**

### **6.1 Recommendation:**

From our above analysis, we can say it is obvious that IBBL is in a good position in terms of its CSR activities and financial performance. To further the performance of IBBL I would like to recommend the followings:

- IBBL should have more knowledge about the idea of CSR activities. They can also introduce a Research Program so that the employees could have a clearer idea about CSR and its activities.
- It appeared that sometimes IBBL is doing charity work. If they change this believe and take the CSR activities as the regular work then a great result can be seen in the future.
- IBBL should increase their CSR expenditure in direct proportion of profit from next year.
- IBBL should comply with the standard of CSR following the competitive international firm and organizations around the world.
- IBBL should improve their Earnings per share and take necessary to steps to make it better.
- IBBL should look at the Debt-to-Equity(D/E) ratio and drag it to a better position.
- IBBL should look into Cash Ratio as in both years resulted in more lending from the creditors which should be decreased in coming year.
- IBBL should follow strict internal audit and management committee to improve the financial performance analysis.

## **6.2 Conclusion:**

Bangladesh being a developing country, has many problems. Many times, people find themselves helpless while they face natural calamities such as Flood, Cyclone, and Poverty etc. As corporate leader of this country, IBBL can contribute for country through CSR initiative. IBBL always try to improve the standard of the society. After the completion of this report, it is crystal clear that IBBL is very much committed to its CSR initiative throughout the year.

IBBL being one of the leading banks in our country, have become a role model for many through their CSR initiative. IBBL effectively accomplishes its aim to implement its various CSR initiative through teamwork. Through IBBL rural development initiatives, many people in rural area have benefited significantly. IBBL also spend significant resources to natural disaster-stricken area.

From this report we can see the growing impact of CSR activities of IBBL on social and economic sector. Other than economic welfare, the CSR initiatives help increase IBBL's public image in society. Though these CSR initiatives IBBL not only helping current population but also giving future generation a better society to live in.

In conclusion it can be said that the financial performance of IBBL is one of the best performing banks of our country. In this report, we have analyzed IBBL's financial performance by various ratios for the period of year 2015 and 2019. By comparing its overall financial performance, many positive and negative sides of the bank have come into light. The overall performance of IBBL has been found satisfactory.

## Chapter-07

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**Islami Bank**  
Bangladesh Limited

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