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Assessing the Performance of Islamic Banking Institutions in Pakistan and Bangladesh: A Comparative Study Employing *Maqasid-e-Shari'ah* Index and CAMEL Methodology

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ABSTRACT

This study evaluates the performance of Islamic banks in Pakistan and Bangladesh using the CAMEL method and the Maqasid Shariah Index (MSI). The CAMEL method assesses financial performance through key metrics: Capital adequacy, Asset quality, Management quality, Earnings, and Liquidity, while the MSI evaluates adherence to Shari'ah principles based on a weighted average of 10 ratios. By integrating these two frameworks, the study aims to analyze both financial efficiency and Shari'ah compliance and to identify potential mismatches between these dimensions.

The findings are categorized into four quadrants. In Quadrant 1, which indicates high financial efficiency and high Shari'ah performance, Meezan Bank in Pakistan and Shahjalal Islamic Bank in Bangladesh emerged as the top performers. Quadrant 2, characterized by high financial performance but low Shari'ah compliance, included Dubai Islamic Bank and Bank Alfalah from Pakistan, and Social Islamic Bank from Bangladesh. Quadrant 3, which represents low financial performance but high Shari'ah compliance, included Bank Islami and Albaraka Bank in Pakistan, and Islamic Bank Bangladesh (IBB), EXIM Bank, and First Security Islamic Bank (FSIB) in Bangladesh. Notably, no banks fell into Quadrant 4, which would indicate low performance on both fronts

1.**INTRODUCTION**

Islamic banking has emerged as a robust segment of the global financial system, particularly in regions with significant Muslim populations. The principles guiding Islamic banking are derived from Shari'ah, which mandates the prohibition of interest (riba), excessive uncertainty (gharar), and unethical investments, while emphasizing risk-sharing, fairness, and social justice. These principles aim to create a financial system that is not only efficient but also ethical and socially responsible.

The Islamic banking sector in Pakistan and Bangladesh has shown remarkable growth over the past decades. In Pakistan, the Islamic banking industry has expanded significantly, supported by a strong regulatory framework and increasing demand for Shari'ah-compliant financial products. Similarly, Bangladesh has witnessed substantial growth in its Islamic banking sector, driven by consumer preference for Shari'ah-compliant services and supportive governmental policies.

Despite their growth, Islamic banks face unique challenges and must be evaluated through metrics that reflect their adherence to Islamic principles as well as their financial health. Traditional performance evaluation methods, such as the CAMEL (Capital adequacy, Asset quality, Management quality, Earnings, Liquidity) framework, are widely used in the banking industry to assess financial soundness. However, these methods do not capture the ethical and social dimensions integral to Islamic banking.

To address this gap, the Maqasid Al-Shari'ah Index has been developed. This index measures the performance of Islamic banks against the objectives of Shari'ah (maqasid), which include the preservation of faith, life, intellect, progeny, and wealth. The Maqasid Al-Shari'ah Index provides a holistic view of how well Islamic banks fulfill their social and ethical mandates.

This study aims to evaluate and compare the performance of Islamic banks in Pakistan and Bangladesh using both the Maqasid Al-Shari'ah Index and the CAMEL method. By employing these two complementary approaches, the study seeks to provide a comprehensive assessment of Islamic banks, capturing both their financial performance and their compliance with Islamic ethical standards.

The CAMEL method, a well-established framework in the banking industry, evaluates banks based on five key dimensions: Capital adequacy, Asset quality, Management quality, Earnings, and Liquidity. This method provides a detailed insight into the financial health and operational efficiency of banks, offering a standard benchmark for comparison.

On the other hand, the Maqasid Al-Shari'ah Index assesses the extent to which Islamic banks achieve the broader objectives of Shari'ah. This index evaluates banks on criteria such as equitable distribution of wealth, social justice, and ethical investment, reflecting their commitment to the principles of Islamic finance.

By integrating these two methodologies, this study aims to:

Provide a comprehensive evaluation of the performance of Islamic banks in Pakistan and Bangladesh.

Highlight the strengths and weaknesses of Islamic banks in these countries from both financial and ethical perspectives.

Offer insights into how Islamic banks can improve their operations to better align with the objectives of Shari'ah.

The comparative analysis will not only shed light on the current state of Islamic banking in Pakistan and Bangladesh but also provide valuable recommendations for policymakers, regulators, and banking practitioners. Ultimately, this study seeks to contribute to the enhancement of Islamic banking practices, ensuring they are both financially sound and true to their ethical foundations.

1- Literature Review

2.1 Islamic Banking and Its Principles

Islamic banking operates on the principles of Shari'ah law, which emphasizes ethical, interest-free, and socially responsible financial transactions. Key principles include the prohibition of riba (interest), gharar (excessive uncertainty), and haram (unethical investments), while

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promoting risk-sharing, profit-and-loss sharing, and asset-backed financing. These principles distinguish Islamic banking from conventional banking, necessitating unique performance evaluation frameworks (Ahmed, 2011; Iqbal & Molyneux, 2005).

2.2 Performance Evaluation of Islamic Banks

Performance evaluation of Islamic banks is crucial for assessing their financial health and compliance with Islamic ethical standards. The CAMEL (Capital adequacy, Asset quality, Management quality, Earnings, Liquidity) method is a widely used traditional framework for evaluating banks' financial performance (Roman & Şargu, 2013). Despite its robustness, CAMEL does not address the ethical and social dimensions specific to Islamic banking.

2.3 Maqasid Al-Shari’ah Index

The Maqasid Al-Shari’ah Index offers a comprehensive approach to evaluating Islamic banks by measuring their adherence to the objectives of Shari’ah (maqasid). These objectives include the preservation and enhancement of faith, life, intellect, progeny, and wealth (Dusuki & Abdullah, 2007). The index assesses how well Islamic banks promote social justice, economic welfare, and ethical behavior, thus providing a holistic evaluation of their performance (Mohammed, Tarique, & Islam, 2015). The study conducted by Ali et al., (2023) also uses Maqasid-e-Shariah Index to measure the performance of Islamic banks in Pakistan.

2.4 Comparative Studies on Islamic Banking Performance

Several studies have conducted comparative analyses of Islamic banking performance using various methodologies. For instance, Samad (2004) compared the performance of Islamic and conventional banks in Bahrain using financial ratios, highlighting differences in profitability and liquidity. Hanif et al. (2012) compared Islamic and conventional banks in Pakistan using CAMEL ratios, noting superior asset quality and liquidity management in Islamic banks.

However, studies combining both the Maqasid Al-Shari’ah Index and CAMEL method are limited. Mohammed and Taib (2015) applied the Maqasid Al-Shari’ah Index to assess the performance of Islamic banks in Malaysia, suggesting that banks' ethical and social contributions are as important as their financial performance.

2.5 Islamic Banking in Pakistan and Bangladesh

Islamic banking in Pakistan and Bangladesh has seen substantial growth, driven by increasing demand for Shari’ah-compliant financial products and supportive regulatory environments (Hassan & Lewis, 2007). In Pakistan, the State Bank of Pakistan has implemented various measures to promote Islamic banking, resulting in a significant market share (Khan & Bhatti, 2008). Similarly, in Bangladesh, Islamic banks have expanded rapidly, supported by favorable regulations and consumer preference (Rahman, 2014).

Despite this growth, challenges such as limited product diversity, regulatory issues, and lack of awareness persist. Comparative studies of Islamic banks in these countries using comprehensive evaluation frameworks are sparse, highlighting a gap in the literature.

This study fills a crucial gap by employing both the Maqasid Al-Shari’ah Index and CAMEL method to evaluate and compare the performance of Islamic banks in Pakistan and Bangladesh. By integrating these methodologies, the study provides a nuanced understanding of Islamic banks' financial health and their alignment with Shari’ah objectives. This dual approach offers a more holistic view of performance, addressing both quantitative financial metrics and qualitative ethical standards.

The literature underscores the importance of using comprehensive evaluation frameworks for Islamic banks that capture both financial performance and compliance with Islamic ethical principles. The Maqasid Al-Shari’ah Index and CAMEL method, while individually valuable, together offer a robust mechanism for assessing Islamic banks. This study's comparative analysis of Islamic banks in Pakistan and Bangladesh using these dual methodologies is timely and relevant, contributing to the ongoing discourse on Islamic banking performance evaluation and providing actionable insights for stakeholders.

1- Methodology

This section outlines the data collection and calculation methods for the PMMS (Performance Measurement of Maqasid al-Shari’ah) model, the CAMEL model, and the econometric model. It also details the testing methods employed to ensure banks are adhering to Shari’ah principles

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while maintaining strong financial performance. The PMMS model is utilized to assess Shari'ah-based performance, and the CAMEL model serves as the traditional metric for evaluating financial performance. The core theme of this research is to examine the alignment between these two performance dimensions. Substantial differences in the results from these models may indicate potential mismatches, whereas similar results suggest accurate reflections of Islamic banks' performance.

3.1 Data Collection

Time-series data spanning from 2010 to 2019 is used for this analysis. Secondary data is collected from the annual reports of ten Islamic banks, which were downloaded from the respective banks' websites. This data provides the necessary information to calculate parameters for both the Maqasid al-Shari'ah and CAMEL models.

The study focuses on the efficiency of Islamic banks in Pakistan and Bangladesh, leveraging data from 2010 to 2019. These countries were chosen due to their shared cultural heritage, geographical proximity in South Asia, and significant Muslim populations. Data was collected using global economic and financial databases, as well as banks' annual reports, employing a convenient sampling technique.

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3.2 Data Analysis

In the PMMS method, the Simple Additive Weighting (SAW) approach was used for data analysis. This method is suitable for calculating the Shari'ah Maqasid Index, aiming to rank the banks and determine the maximum value for each sample. Conversely, the CAMEL method employed a descriptive approach to evaluate the financial performance of Islamic banks.

To address Shari'ah compliance issues, Mustafa and others (2010) developed an ideal target framework for Islamic banking based on Abu Zahrah's theory of Maqasid al-Shari'ah, which is used in this study. This PMMS model (grounded on Maqasid al-Shari'ah performance evaluation) framework was constructed using Sekran's method. This approach interprets the three primary goals—educating individuals, establishing justice, and ensuring maslahah (public interest)—as observable and quantifiable components.

Overall, this methodology ensures a comprehensive evaluation of Islamic banks, balancing financial performance with adherence to Shari'ah principles.

4- Results and Analysis

The performance of Islamic banks should be evaluated and compared on CAMEL rating method and Maqsid Shariah Index. The details of four quadrants should be analyzed, as shown in the figure below:

Quadrant 1: High Performance, High MSI Score
Quadrant 2: High Performance, Low MSI Score
Quadrant 3: Low Performance, High MSI Score
Quadrant 4: Low Performance, Low MSI Score

- ✓ MSI stands for Maqasid e Shariah
- ✓ Performance measured by CAMEL

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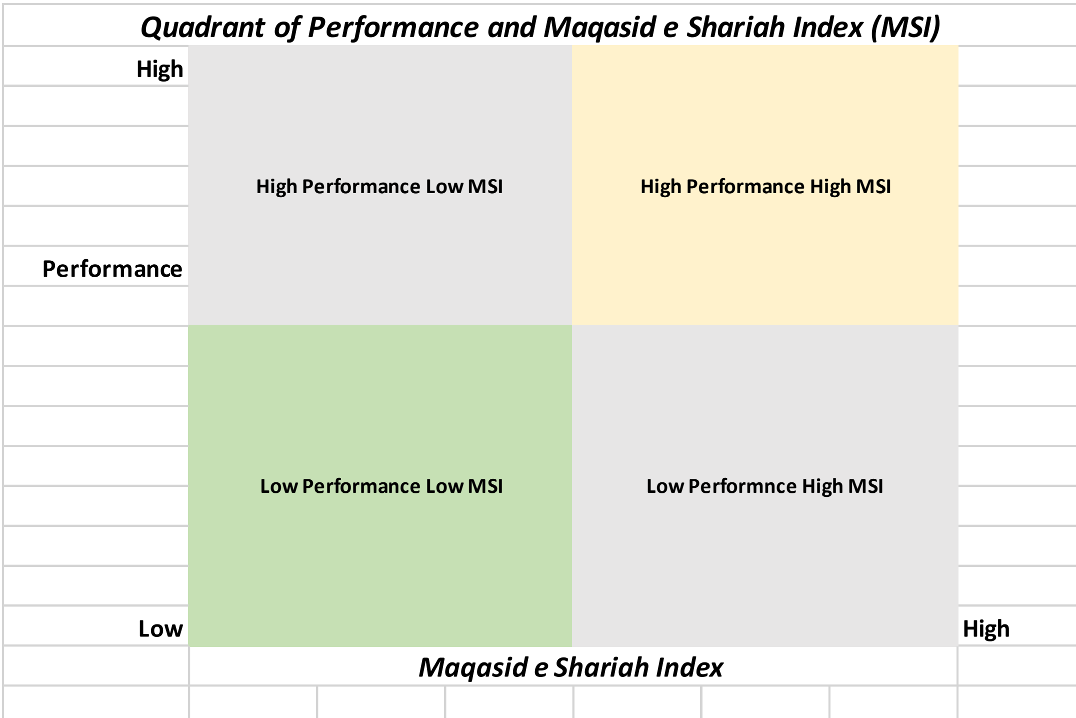
Figure. 1



Quadrant of Performance based on CAMEL and Maqasid e Shariah Index

4.1 Maqsid e Sharia Index Concept

Three main goals of Shariah are Education, Justice and Welfare all cited goals are explained in Literature review. We will be computing ten Ratios to reach on a result of Maqsid e shariah.

4.1.1 How Concept of Maqsid-e-Shariah is Evaluated:

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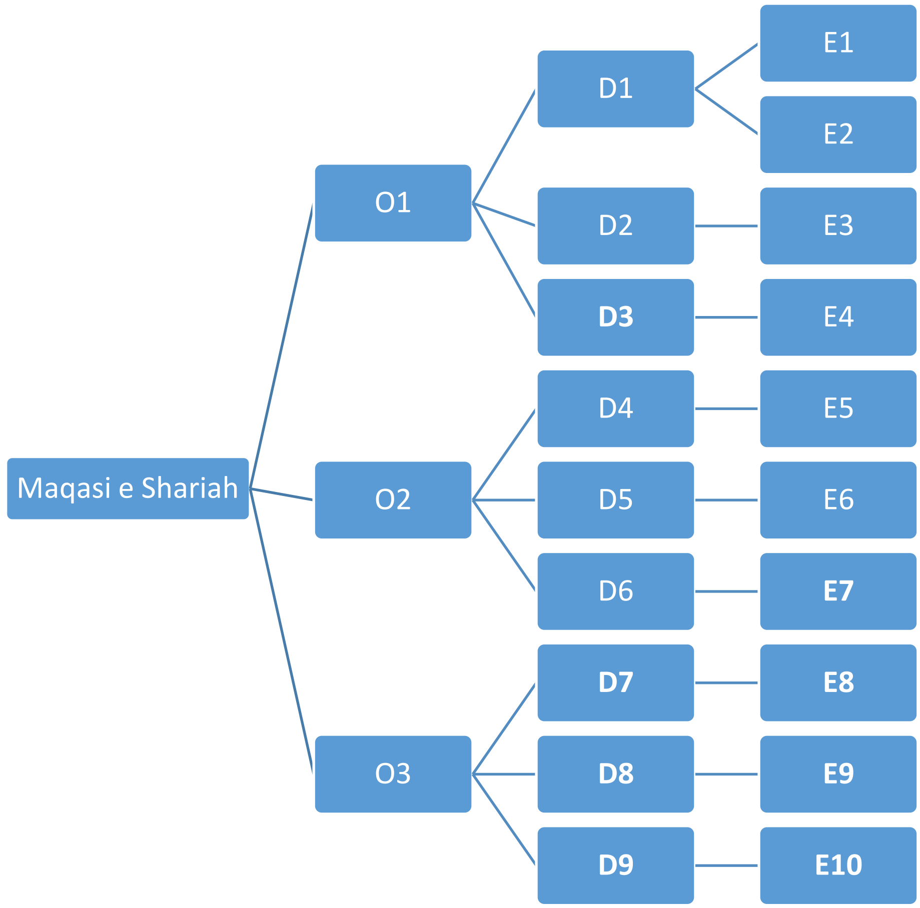
Figure. 2



O= Objectives (3) Education, Justice and Social Welfare

D= Dimensions (9) recognized from 3 main Objectives

E= Elements (10) MSI concluded from Ten Ratios

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4.1.2 MSI measurement Criteria:

Table: 1

Objectives	Dimension	Element	Ratio	Source of Data
1. Educate individuals (tahdhib al-fard)	D1. Progress of knowledge	E1.Education grant/Scholarship	R1. Education grants / total expenses	Annual Reports
		E2.Research Expenses	R2. Research costs / total expenses	Annual Reports
	D2. Increased expertise	E3.Training Expenses	R3. Training costs / total expenses	Annual Reports
	D3. Increased awareness of Islamic banks	E4. Publicity Expenses	R4. Publication or promotion costs / total expenses	Annual Reports
2.Uphold justice (iqamah al-adl)	D4. Fair return	E5. Fair return	R5. Net income / total income	Annual Reports
	D5.Affordable services & products	E6. Distribution function	R6. Mudharabah and musyarakah / total financing	Annual Reports
	D6. Removal of negative elements (injustice)	E7. Products without interest	R7. Interest-free income / total income	Annual Reports
3. Increasing Welfare	D7. Bank profitability	E8. Profit ratio	R8. Net income / total assets	Annual Reports
	D8. Distribution of	E9.Income	R9. Zakat paid / net	Annual

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(jaib al-maslahah)	income and welfare	transfer	income	Reports
	D9. Investment in the real sector	E10. Real sector investment ratio	R10. Total real sector / total financing	Annual Reports

We will compute ten ratios to reach on ultimate number of MSI score. Weightages will be multiplied to concerning ratios and at end we will get single ratio of MSI.

4.1.3 Weights Assigning Mechanism:

Table: 2

Goal	**Weighted Mean (Scale100%)**	**Elements**	**Weighted Mean (Scale 100%)**
Education	**30**	**Donation for Educations**	**24**
		Research	**27**
		Training	**26**
		Publicity	**23**
		Total	**100**
Justice	**41**	**Fair return**	**30**
		Affordable Cost	**32**
		Reasonable Service Fees	**38**
		Total	**100**
Welfare	**29**	**Interest free income**	**33**

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		Zakat paid	**30**
		Risk sharing modes Investment Ratio	**37**
		Total	**100**

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Maqsid e Shariah Index comprises of three objectives, namely education, creation of justice and welfare. These borders concepts are further divided into nine dimensions, and 12 elements can be assessed by computing the ratios of 12 elements and then multiplying by their assigning weights. Firmansyah, I. (2018) Functions used in excel for calculation of results: =(0.3*(E1*0.24+E2*0.27+E3+0.26+E4*0.23))+(0.41*(E5*0.3+E6*0.32+E7*0.28))+(0.29*(E8*0.33+E9*0.3+E10*0.37))

Functions contain three objectives education, justice and welfare with their own weights, twelve elements are multiplied with their own weights and then multiplied with weight of objective to respective elements and then added to reach on MSI results. Weights breaks for convenience are given above in the Table.

4.2 Shariah Maqsid Index Results, Islamic Banks of Pakistan

Table: 3

MEEZAN ISLAMIC BANK											
	Weights assigned to Education-30				Weights assigned to Justice- 41			Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3	0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5	M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.00005**	0.00000	0.00000	0.00332	0.11168	0.13709	1.00000	0.01066	0.08308	0.52136	0.29
2011	**0.00000**	0.00000	0.00000	0.00663	0.16512	0.12142	1.00000	0.01691	0.03834	0.41676	0.28
2012	**0.00022**	0.00000	0.00000	0.00415	0.14474	0.12018	1.00000	0.01278	0.00285	0.36775	0.27
2013	**0.00019**	0.00000	0.00000	0.00521	0.14836	0.15727	1.00000	0.01200	0.02451	0.45704	0.28
2014	**0.00004**	0.00000	0.00000	0.00964	0.13721	0.39823	1.00000	0.01038	0.01597	0.48344	0.32
2015	**0.00007**	0.00000	0.00000	0.00814	0.13401	0.51453	1.00000	0.00937	0.00976	0.51303	0.33
2016	**0.00050**	0.00000	0.00000	0.00710	0.15134	0.25134	1.00000	0.00840	0.00665	0.58555	0.31
2017	**0.00000**	0.00000	0.00000	0.00661	0.14331	0.34739	1.00000	0.00800	0.00491	0.64948	0.33
2018	**0.00017**	0.00000	2.10048	0.00780	0.15979	0.30994	1.00000	0.00956	0.00424	0.63943	0.95
2019	**0.00276**	0.00000	1.06613	0.00773	0.14693	0.31217	1.00000	0.01358	0.00322	0.54698	0.63
										MEAN	0.40

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Table: 4

DUBAI ISLAMIC BANK												
	Weights assigned to Education-30				Weights assigned to Justice- 41				Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3		0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5		M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.00000**	0.00000	0.00000	0.00353	0.00182		0.01287	1.00000	0.00020	1.54087	0.79292	0.41
2011	**0.00000**	0.00000	0.00000	0.00600	0.03742		0.00898	1.00000	0.00395	0.06300	0.64870	0.27
2012	**0.00000**	0.00000	0.00000	0.00500	0.05405		0.00925	1.00000	0.00543	0.05346	0.55225	0.27
2013	**0.00000**	0.00000	0.00000	0.00569	0.02099		0.02245	1.00000	0.00171	0.12202	0.58662	0.27
2014	**0.00000**	0.00000	0.00000	0.00787	0.06950		0.08289	1.00000	0.00591	0.01665	0.76318	0.30
2015	**0.00000**	0.00000	0.00000	0.00838	0.04306		0.11685	1.00000	0.00274	0.01347	0.85004	0.31
2016	**0.00000**	0.00000	0.00000	0.00493	0.07740		0.47337	1.00000	0.00562	0.01175	0.77534	0.35
2017	**0.00000**	0.00000	0.00000	0.00558	0.12614		0.42378	1.00000	0.00879	0.00331	0.74239	0.35
2018	**0.00008**	0.00000	0.00036	0.00397	0.24194		0.27118	1.00000	0.01082	0.00155	0.76978	0.34
2019	**0.00019**	0.00000	0.00027	0.00444	0.25186		0.22599	1.00000	0.01264	0.00323	0.78352	0.34
											MEAN	0.32

Table: 5

AL BARAKA BANK												
	Weights assigned to Education-30				Weights assigned to Justice- 41				Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3		0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5		M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.00000**	0.00000	0.00052	0.00523	0.64294		0.12083	1.00000	0.02587	0.00127	0.63007	0.36
2011	**0.00000**	0.00000	0.00006	0.00274	0.06684		0.08792	1.00000	0.00662	0.01042	0.52689	0.27
2012	**0.00000**	0.00000	0.00015	0.00556	0.04658		0.10517	1.00000	0.00422	0.01929	0.51211	0.27
2013	**0.00000**	0.00000	0.00015	0.00319	0.00104		0.12058	1.00000	0.00008	7.85714	0.62554	0.96
2014	**0.00000**	0.00000	0.00028	0.00804	0.01970		0.16757	1.00000	0.00155	0.36301	0.70623	0.33
2015	**0.00000**	0.00000	0.00045	0.00452	0.03466		0.24659	1.00000	0.00276	0.15000	0.75719	0.32
2016	**0.00000**	0.00000	0.00064	0.00524	0.02570		0.34858	1.00000	0.00122	0.16774	0.73080	0.34
2017	**0.00000**	0.00000	0.00062	0.00936	0.05062		0.40059	1.00000	0.00322	0.08226	0.78594	0.34
2018	**0.00185**	0.00000	0.00127	0.00427	0.02754		0.37877	1.00000	0.00196	0.32806	0.77848	0.36
2019	**0.00046**	0.00000	0.00106	0.00639	0.01331		0.34886	1.00000	0.00118	0.26702	0.75718	0.35
											MEAN	0.39

Table: 6

BANK ALFALAH ISLAMI											
	Weights assigned to Education-30				Weights assigned to Justice- 41			Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3	0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5	M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.00086**	0.00000	0.00000	0.03003	0.02292	0.00000	0.11146	0.00235	0.02789	1.82633	0.29
2011	**0.00077**	0.00000	0.00000	0.02096	0.07053	0.00000	0.10808	0.00748	0.03340	1.19178	0.23
2012	**0.00000**	0.00000	0.00000	0.02668	0.08538	0.00000	0.13645	0.00849	0.00856	1.23456	0.24
2013	**0.00046**	0.00000	0.00000	0.02253	0.08951	0.01458	0.15848	0.00766	0.00770	1.18704	0.24
2014	**0.00079**	0.00000	0.00000	0.02571	0.10208	0.01222	0.16064	0.00746	0.00567	1.00000	0.22
2015	**0.00099**	0.00000	0.00772	0.03899	0.20065	0.00000	0.23634	0.00819	0.00758	1.00000	0.24
2016	**0.00025**	0.00000	0.00950	0.00807	0.20845	0.00000	0.23502	0.00850	0.00392	1.00000	0.24
2017	**0.00000**	0.00000	0.00610	0.02631	0.21484	0.00000	0.24087	0.00838	0.00108	1.00000	0.24
2018	**0.00170**	0.00000	0.00239	0.02468	0.25084	0.15002	0.24626	0.01056	0.00706	1.00000	0.27
2019	**0.00030**	0.00000	0.00261	0.04641	0.22978	0.12410	0.18815	0.01192	0.00197	1.00000	0.26
										MEAN	0.25

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Table: 7

BANK ISLAMI PAKISTAN												
	Weights assigned to Education-30				Weights assigned to Justice- 41				Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3		0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5		M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	0.00000	0.00000	0.00000	0.01160	0.01171		0.16641	1.00000	0.00104	0.08511	0.41240	0.27
2011	0.00000	0.00000	0.00000	0.01331	0.07157		0.14128	1.00000	0.00697	0.01951	0.46066	0.27
2012	0.00000	0.00000	0.00000	0.01036	0.06314		0.10006	1.00000	0.00554	0.01946	0.51383	0.27
2013	0.00000	0.00000	0.00000	0.00840	0.02571		0.14091	1.00000	0.00229	0.08108	0.98400	0.33
2014	0.00000	0.00000	0.00000	0.00718	0.03719		0.05741	1.00000	0.00330	0.03185	0.57276	0.27
2015	0.00000	0.00000	0.00000	0.00945	0.02084		0.05828	1.00000	0.00120	0.04592	0.65691	0.28
2016	0.00000	0.00000	0.00000	0.01180	0.04199		0.07154	1.00000	0.00266	0.01991	0.62688	0.28
2017	0.00026	0.00006	0.00216	0.00770	0.13810		0.06471	1.00000	0.00766	0.00192	0.73896	0.30
2018	0.00008	0.00004	0.00138	0.00959	0.01582		0.13085	1.00000	0.00099	0.20188	0.75330	0.31
2019	0.00005	0.00048	0.00242	0.00731	0.04299		0.14897	1.00000	0.00384	0.02392	0.70480	0.30
											MEAN	0.29

Meezan bank scored highest 0.40 followed by Albaraka bank and Dubai Islamic bank, score of Bank Alfalah Islami remains the lowest in the industry.

4.3 Shariah Maqsid Index Results, Islamic Banks of Bangladesh

Table: 8

EXIM BANK											
	Weights assigned to Education-30				Weights assigned to Justice- 41			Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3	0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5	M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	0.00026	0.00358	0.00051	0.00332	0.25328	0.00000	1.00000	0.03074	0.01582	0.94345	0.33
2011	0.00025	0.00059	0.00025	0.00304	0.12716	0.02211	1.00000	0.01547	0.04131	0.92871	0.32
2012	0.00027	0.00047	0.00033	0.00313	0.10599	0.02095	1.00000	0.01292	0.04727	0.91266	0.31
2013	0.00052	0.00037	0.00032	0.00337	0.08103	0.02796	1.00000	0.00979	0.06794	0.92056	0.31
2014	0.00023	0.00106	0.00035	0.00400	0.09640	0.02568	1.00000	0.01067	0.05804	0.92004	0.31
2015	0.00025	0.00067	0.00029	0.00457	0.07682	0.00748	1.00000	0.00787	0.04170	0.91827	0.31
2016	0.00015	0.00105	0.00040	0.00490	0.11711	0.03195	1.00000	0.01044	0.09014	0.92868	0.32
2017	0.00023	0.00029	0.00034	0.00330	0.12285	0.04608	1.00000	0.00988	0.06367	0.91979	0.32
2018	0.00025	0.00028	0.00024	0.00287	0.07365	0.04733	1.00000	0.00628	0.08017	0.87554	0.31
2019	0.00015	0.00072	0.00023	0.00298	0.06365	0.40625	1.00000	0.00550	0.14105	0.85109	0.36
										MEAN	0.32

Table: 9

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SHAHJALAL ISLAMIC BANK											
	Weights assigned to Education-30				Weights assigned to Justice- 41			Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3	0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5	M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.00313**	0.00614	0.00092	0.00277	0.14815	0.00564	1.00000	0.01006	0.04929	0.95547	0.32
2011	**0.00200**	0.01654	0.00125	0.00274	0.12608	0.00029	1.00000	0.00963	0.05412	0.94754	0.32
2012	**0.00242**	0.00428	0.00121	0.00338	0.10674	0.02517	1.00000	0.00901	0.06069	0.93246	0.32
2013	**0.00322**	0.00700	0.00079	0.00428	0.08822	0.03510	1.00000	0.00745	0.06568	0.85059	0.31
2014	**0.00378**	0.00653	0.00094	0.00384	0.06889	0.00617	1.00000	0.00523	0.10627	0.82128	0.30
2015	**0.00415**	0.00950	0.00173	0.00379	0.04921	0.00857	1.00000	0.00353	0.13899	0.84207	0.30
2016	**0.00342**	0.01182	0.00115	0.00406	0.07253	0.00828	1.00000	0.00477	0.11064	0.91085	0.31
2017	**0.00764**	0.01061	0.00076	0.00217	0.07011	0.00736	1.00000	0.00439	0.11059	0.94932	0.32
2018	**0.03694**	0.00889	0.00078	0.00206	0.07829	0.00615	1.00000	0.00519	0.09893	0.95089	0.32
2019	**0.00884**	0.00794	0.00077	0.00154	0.06046	0.00555	1.00000	0.00405	0.13494	0.94320	0.32
										MEAN	0.31

Table: 10

SOCIAL ISLAMIC BANK											
	Weights assigned to Education-30				Weights assigned to Justice- 41			Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3	0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5	M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.00000**	0.00000	0.00047	0.00671	0.12687	0.00913	1.00000	0.01166	0.02644	0.83525	0.30
2011	**0.00000**	0.00000	0.00022	0.00440	0.14861	0.00691	1.00000	0.01499	0.01976	0.85974	0.31
2012	**0.00105**	0.00787	0.00131	0.01836	0.26401	0.00979	1.00000	0.01272	0.00000	0.84788	0.32
2013	**0.00024**	0.00098	0.00021	0.00399	0.08027	0.03174	1.00000	0.00964	0.01639	0.88916	0.31
2014	**0.00026**	0.00170	0.00034	0.00272	0.12107	0.04411	1.00000		0.03311	0.91391	0.31
2015	**0.00032**	0.00265	0.00024	0.00393	0.11973	0.03742	1.00000	0.01150	0.03427	0.92181	0.32
2016	**0.00045**	0.00148	0.00030	0.00111	0.11954	0.04181	1.00000	0.01007	0.03883	0.95870	0.32
2017	**0.00177**	0.00098	0.00026	0.00210	0.06795	0.03332	1.00000	0.00527	0.07629	0.96495	0.32
2018	**0.00014**	0.00014	0.00011	0.00615	0.05732	0.01009	1.00000	0.00515	0.08149	0.96557	0.31
2019	**0.00020**	0.00005	0.00013	0.00790	0.04953	0.00945	1.00000	0.00441	0.09796	0.95372	0.31

Table: 11

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FIRST SECURITY ISLAMIC BANK											
	Weights assigned to Education-30				Weights assigned to Justice- 41			Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3	0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5	M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.00000**	0.00040	0.00100	0.00501	0.08824	0.00000	1.00000	0.00861	0.00730	0.94800	0.31
2011	**0.00000**	0.00038	0.00051	0.00422	0.06156	0.00000	1.00000	0.00636	0.02073	0.92078	0.30
2012	**0.00000**	0.00165	0.00025	0.00339	0.05419	0.00000	1.00000	0.00587	0.02365	0.95154	0.30
2013	**0.00000**	0.00112	0.00029	0.00324	0.04046	0.00000	1.00000	0.00475	0.03641	0.82139	0.29
2014	**0.00074**	0.00139	0.00040	0.00441	0.02899	0.00000	1.00000	0.00317	0.05547	0.83716	0.29
2015	**0.00068**	0.00203	0.00036	0.00601	0.03463	0.00000	1.00000	0.00332	0.04924	0.93349	0.30
2016	**0.00141**	0.00257	0.00039	0.00556	0.05204	0.00000	1.00000	0.00467	0.03546	0.99837	0.31
2017	**0.00206**	0.00302	0.00040	0.00528	0.04685	0.00000	1.00000	0.00402	0.05123	0.94543	0.31
2018	**0.00197**	0.00190	0.00039	0.00342	0.04457	0.00000	1.00000	0.00445	0.05521	0.95123	0.31
2019	**0.00293**	0.00242	0.00023	0.00344	0.05061	0.00000	1.00000	0.00475	0.04712	0.95412	0.31
										MEAN	0.30

Table: 12

BANGLADESH ISLAMIC BANK											
	Weights assigned to Education-30				Weights assigned to Justice- 41			Weights assigned to Welfare-29			Sharaiah maqsid index
	0.24	0.27	0.26	0.23	0.3	0.32	0.38	0.33	0.3	0.37	
Years	Edu-R1	Research -R2	Training -R3	Adv-R4	net income-R5	M+M F-R6	I.Free In-R7	N.income-R8	zakat-R9	R.S-R10	
2010	**0.01519**	0.02980	0.00448	4.85591	0.00000	0.00564	0.00199	0.00000	0.04929	0.95547	0.53
2011	**0.01160**	0.09584	0.00723	5.79454	0.00000	0.00029	0.00201	0.00000	0.05412	0.94754	0.60
2012	**0.01570**	0.02772	0.00787	6.47980	0.00000	0.02517	0.00234	0.00000	0.06069	0.93246	0.64
2013	**0.02733**	0.05941	0.00667	8.49018	0.00000	0.03510	0.00321	0.00000	0.06568	0.85059	0.77
2014	**0.04034**	0.06977	0.01000	10.68361	0.00000	0.00617	0.00283	0.00000	0.10627	0.82128	0.93
2015	**0.05785**	0.13238	0.02410	13.93296	0.00000	0.00857	0.00260	0.00000	0.13899	0.84207	1.17
2016	**0.03606**	0.12452	0.01209	10.53360	0.00000	0.00828	0.00310	0.00000	0.11064	0.91085	0.93
2017	**0.08157**	0.11336	0.00810	10.68295	0.00000	0.00736	0.00163	0.00000	0.11059	0.94932	0.95
2018	**0.34873**	0.08395	0.00741	9.44118	0.00000	0.00615	0.00152	0.00000	0.09893	0.95089	0.88
2019	**0.10991**	0.09872	0.00957	12.42730	0.00000	0.00555	0.00116	0.00000	0.13494	0.94320	1.07
										MEAN	0.84

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Bangladesh Islamic bank scored highest 0.84 followed by Exim, Social Islamic bank and Shahjala Islamic bank, score of First Security Islamic Bank remains the lowest in the industry.

4.4 CAMEL Model

The ratios given down are significant part of the CAMEL parameter:

4.4.1 Capital adequacy

The security and financial stability can be checked by using this ratio. The larger the value of this ratio less probabilities will be of bankruptcy. It can be computed as follows:

Capital adequacy = Equity of stock holders / total worth of assets

4.4.2 Asset quality

The bank's asset quality depends upon on the determination of total loans and non-performing loans. The greater the value of this ratio indicate greater risk of NPL. A smaller value of this ratio shows that the bank need minimum capital to sustenance loan portfolio.

4.4.3 Management capability

This ratio compute salaries and regular asset advantage. This ratio highlights the management capability and shows bank output. It is also feasible to check management ability by total assets or total loans growth, high value of loans or assets indicate management capability.

4.4.4 Earnings ability

This ratio calculates the ratio of net income to average assets, which is a vital factor in determining financial performance of the banks. All and all it shows the bank's earning capacity. In addition return on equity a return on assets both can be used for checking bank's ability. The larger the value of these ratios highlights bank's greater earning capacity. This research did not use other tool for the computation of earning capability.

4.4.5 Liquidity

This ratios is projected from total customer deposit / total assets. By using this ratio liquidity of bank is measured, which help in reducing the risk of bank's failure. If banks have less liquidity then they will be unable to pay its depositors.

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4.5. Composite Range of CAMEL Rating:

Table: 13

Rating	Composite range	Description	Meaning
1	1.00-1.49	Strong	♦ Basically sound in every respect ♦ Findings are of minor nature and can be handled routinely ♦ Resistant to external economic and financial disturbances ♦ No cause for supervisory concern
2	1.5-2.49	Satisfactory	♦ Fundamentally sound ♦ Finding are of minor nature and can be handled routinely ♦ Stable and can withstand business fluctuations well ♦ Supervisory concerns are limited to extent that findings are corrected
3	2.50-3.49	Fair	♦ Financial, operational or compliance weaknesses ranging from moderately severe to unsatisfactory ♦ Vulnerable to the onset of adverse business conditions ♦ Easily deteriorate if actions are not effective in correcting weaknesses ♦ Supervisory concern and more than normal supervision to address deficien-cies
4	3.50-4.49	Marginal	♦ Immoderate volume of serious financial weaknesses ♦ Unsafe and unsafe conditions may exist which are not being satisfactory addressed ♦ Without corrections, these conditions could develop further and impair future viability ♦ High potential for failure ♦ Close supervision surveillance and a definite plan for correcting deficiencies
5	4.50-5.00	Unsatisfactory	♦ High immediate or near term probability failure ♦ Severity of weaknesses is so critical that urgent aid from stockholders or other financial sources is necessary ♦ Without immediate corrective actions, will likely require liquidations, merger or acquisition

4.6. Evalution under CAMEL Rating System

Table: 14

	Component	Ratio	Weight	1	2	3	4	5
C	Capital adequacy	CAR = Tier I [1]+ Tier II[2] / Risk weighted Assets*100	20%	> 11%	8% - 11%	4% - 8%	1% - 4%	< 1%
A	Assets quality	Total Non Performing Assets -Provision Non Performing Assets /Advances *100	20%	< 1.5%	1.5% - 3.5%	3.5% - 7%	7% - 9.5%	> 9.5%
M	Management	Administrative expenses/total earning *100	25%	≤ 25%	30% - 26%	38% - 31%	45% - 39%	≥ 46%
E	Earnings (ROA)	NP[3] / average total assets	15%	> 1.5%	1.25% - 1.5%	1.01% - 1.24%	0.75% - 1%	< 0.75%
	Earnings (ROE)	NP / average equity capital		≥ 22%	17% - 21.99 %	10% - 16.99%	7% - 9.99%	≤ 6.99%
L	Liquidity (L1)	Advances / Deposits	10%	< 60%	60% - 65%	65% - 70%	70% - 80%	> 80%
	Liquidity (L2)	Circulating Assets / Total Assets		< 60%	60% - 65%	65% - 70%	70% - 80%	> 80%

4.6. Results of CAMEL Method: Islamic Banks Of Pakistan

Table: 14

MEEZAN ISLAMIC BANK											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	12.41	1	3.70	1	24.0	1	1.18	2	46.0	1	1.05
2011	14.89	1	2.80	1	34.4	3	1.91	1	41.4	1	1.4
2012	14.08	1	2.10	1	38.2	3	1.48	1	38.5	1	1.4
2013	12.18	1	1.70	1	40.2	4	1.31	1	44.0	1	1.65
2014	11.88	1	3.90	1	35.5	3	1.18	2	46.4	1	1.55
2015	10.98	2	3.40	1	31.2	3	1.03	1	44.3	1	1.6
2016	12.91	1	2.20	2	31.5	3	0.93	3	55.7	1	1.9
2017	12.89	1	1.60	2	29.6	2	0.87	3	63	2	1.75
2018	14.55	1	1.40	1	29.8	2	1.04	3	65.3	3	1.65
2019	16.58	1	1.80	2	30.7	2	1.48	1	52.9	1	1.35

Table: 15

BANK ALFALAH											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	10.53	2	8.39	2	54.0	5	0.2	2	58.12	1	2.45
2011	11.6	1	9.03	1	58.3	5	0.7	2	49.46	1	2.05
2012	12.6	1	8.93	1	65.3	5	0.8	2	51.18	1	2.05
2013	12.06	1	6.55	2	62.8	5	0.8	2	52.11	1	2.25
2014	12.75	1	6.37	1	59.5	5	0.7	2	48.16	1	2.05
2015	13.4	1	5.27	2	36.8	3	0.8	2	52.47	1	1.75
2016	13.98	1	4.80	2	33.1	3	0.8	2	59.67	1	1.75
2017	13.39	1	4.21	2	29.1	2	0.8	2	62.12	2	1.6
2018	14.94	1	3.63	2	28.6	2	1.1	3	71.37	4	1.95
2019	16.88	1	4.23	2	30.2	2	1.2	3	65.31	3	1.85

Table: 16

Bank Islami											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	8.07	2	1.70	1	30.83	2	0.00	2	52.08	1	1.5
2011	9.83	2	1.40	1	50.94	5	0.40	2	49.50	1	2.25
2012	11.56	1	1.50	1	55.69	5	0.50	1	43.50	1	1.9
2013	15.37	1	1.90	1	57.22	5	0.20	2	50.92	1	2.05
2014	16.70	1	1.90	1	53.58	5	0.60	2	45.5	1	2.05
2015	12.34	1	1.30	1	41.15	4	0.30	2	44.89	1	1.8
2016	13.43	1	1.40	1	34.99	3	0.60	2	50.62	1	1.55
2017	14.68	1	1.20	2	34.78	3	0.90	3	66.82	3	2.1
2018	15.10	1	1.50	1	37.56	3	1.10	3	64.2	2	1.8
2019	14.95	1	2.00	2	47.52	5	1.30	3	57.59	1	2.4

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Table: 17

DUBAI ISLAMIC BANK											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	**17.00**	1	1.70	1	0.05	1	0.00	2	91.40	5	1.45
2011	**14.10**	1	1.40	1	0.06	1	0.40	2	95.70	5	1.45
2012	**11.00**	2	1.50	1	0.04	1	0.50	1	89.70	5	1.5
2013	**8.70**	2	1.90	1	0.05	1	0.20	2	89.60	5	1.65
2014	**6.90**	3	1.90	1	0.05	1	0.60	2	92.00	5	1.85
2015	**4.40**	3	1.30	1	0.05	1	0.30	2	90.30	5	1.85
2016	**6.70**	3	1.40	1	0.05	1	0.60	2	93.70	5	1.85
2017	**6.40**	3	1.20	2	0.04	1	0.90	3	107.80	5	2.2
2018	**5.00**	3	1.50	1	0.05	1	1.10	3	109.30	5	2
2019	**4.40**	3	2.00	2	0.05	1	1.30	3	108.20	5	2.2

Table: 18

AL BARAKA BANK											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	**14.70**	1	10.30	3	36.33	3	2.60	5	85.60	5	2.8
2011	**12.30**	1	8.10	3	52.06	5	0.70	2	89.90	5	2.85
2012	**12.10**	1	10.80	3	64.15	5	0.40	2	88.80	5	2.85
2013	**10.20**	2	8.90	2	56.60	5	0.00	2	78.20	4	2.75
2014	**9.50**	2	6.30	2	41.14	4	0.20	2	83.20	5	2.6
2015	**10.30**	2	6.40	3	34.76	3	0.30	2	87.40	5	2.55
2016	**10.80**	2	7.80	3	31.50	3	0.10	4	86.30	5	2.85
2017	**11.40**	1	8.40	4	29.86	2	0.30	2	91.90	5	2.3
2018	**10.20**	2	2.50	4	26.60	2	0.20	2	96.40	5	2.5
2019	**9.00**	2	3.60	2	61.68	5	0.10	4	76.80	4	3.05

Meezan, Dubai Islamic Banks, Bank Islami and Alfalah are falling in category two, fundamentally sound. Supervisiory concerns are Limited to extent that findings are corrected. Al baraka fall in third category fiancial, operations or compliance waeknesses.

4.7 Bangladesh Islamic Banks

Table: 19

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EXIM BANK											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	**11.00**	2	15.30	5	16.29	1	3.10	5	99.10	5	2.9
2011	**11.20**	1	18.80	5	16.91	1	1.50	4	99.50	5	2.55
2012	**10.00**	2	27.70	4	17.72	1	1.30	3	92.30	5	2.4
2013	**10.60**	2	22.90	5	19.32	1	1.00	4	94.30	5	2.75
2014	**9.90**	2	20.60	5	16.57	1	1.10	3	97.20	5	2.6
2015	**9.50**	2	21.20	5	11.95	1	0.80	2	95.70	5	2.45
2016	**9.10**	2	25.40	5	14.11	1	1.00	4	96.40	5	2.75
2017	**8.30**	2	24.40	5	13.86	1	1.00	4	97.30	5	2.75
2018	**7.60**	3	16.30	5	15.74	1	0.60	2	109.70	5	2.65
2019	**6.70**	3	15.60	5	13.19	1	0.60	2	108.70	5	2.65

Table: 20

SHAJALAL ISLAMIC BANK											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	11.55	1	6.50	5	19.7	1	1.00	4	94	5	2.55
2011	11.40	1	9.73	4	20.4	1	1.00	4	93	5	2.35
2012	12.31	1	9.92	3	23.2	1	0.90	3	89.64	5	2
2013	12.52	1	8.36	2	23.1	1	0.70	2	84.32	5	1.65
2014	13.61	1	5.65	2	23.0	1	0.50	1	80.72	5	1.5
2015	13.52	1	10.67	2	20.3	1	0.40	2	82.77	5	1.65
2016	11.54	1	12.01	3	15.0	1	0.50	1	85.98	5	1.7
2017	12.19	1	7.82	3	10.5	1	0.40	2	90.12	5	1.85
2018	14.50	1	7.38	4	11.5	1	0.50	1	90.32	5	1.9
2019	16.02	1	7.28	3	10.5	1	0.40	2	87.47	5	1.85

Table: 21

Social islamic bank											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	9.33	2	0.00	2	19.3	1	1.20	3	81.78	5	2
2011	13.17	1	0.00	2	19.6	1	1.50	4	80.62	5	1.95
2012	11.52	1	3.30	2	22.2	1	1.30	3	81.13	5	1.8
2013	11.64	1	5.30	2	20.8	1	1.00	4	84.15	5	1.95
2014	11.36	1	4.60	3	19.9	1	1.20	3	86.64	5	2
2015	12.33	1	3.80	3	17.5	1	1.20	3	88.52	5	2
2016	11.55	1	4.40	3	17.0	1	1.00	4	89.86	5	2.15
2017	11.57	1	8.20	3	34.4	3	0.50	1	89.30	5	2.2
2018	14.27	1	7.70	4	20.1	1	0.50	1	91.54	5	1.9
2019	8.07	2	6.60	3	26.1	2	0.40	2	85.64	5	2.3

Table: 22

FIRST SECURITY ISLAMIC BANK											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	9.09	2	2.50	4	15.5	1	1.89	5	92.51	5	2.7
2011	9.07	2	1.80	2	16.2	1	1.75	5	88.90	5	2.3
2012	10.20	2	1.80	2	17.0	1	0.69	5	87.62	5	2.3
2013	10.13	2	1.80	2	16.3	1	0.53	4	82.14	5	2.15
2014	11.73	1	1.90	1	15.0	1	0.35	4	83.70	5	1.75
2015	10.42	2	2.60	2	13.0	1	0.31	4	80.96	5	2.15
2016	10.73	2	2.60	2	12.5	1	0.51	4	82.37	5	2.15
2017	12.21	1	2.90	3	12.8	1	0.41	5	87.78	5	2.3
2018	10.34	2	3.20	2	12.2	1	0.45	5	93.15	5	2.3
2019	11.41	1	4.70	4	14.2	1	0.51	4	90.47	5	2.35

Table: 23

BANGLADESH ISLAMIC BANK											
Year	CA	Rating	AQ	Rating	M	Rating	EQ	Rating	L	Rating	CAMEL-R
2010	11.06	1	0.30	4	24.1	1	1.40	5	90.17	5	2.5
2011	13.09	1	2.60	2	25.0	1	1.30	3	89.47	5	1.8
2012	13.49	1	3.60	2	28.0	2	1.20	3	85.18	5	2.05
2013	14.26	1	3.20	2	28.7	2	0.96	4	82.35	5	2.2
2014	12.83	1	4.00	2	21.9	1	0.57	4	79.88	4	1.85
2015	11.66	1	3.60	2	20.8	1	0.44	4	83.59	5	1.95
2016	10.82	2	0.40	3	19.7	1	0.59	5	86.43	5	2.5
2017	11.30	1	0.80	3	17.4	1	0.55	5	87.80	5	2.3
2018	11.97	1	1.10	3	25.1	1	0.64	5	90.80	5	2.3
2019	12.95	1	1.10	3	23.9	1	0.50	1	89.39	5	1.7

Shahjalal, social Islamic bank, Bangladesh Islamic Bank and FSIB are falling in group two, fundamentally sound. Supervisiory apprehensions are Limited to amount that findings are corrected. Exim fall in third category financial, operations or compliance weaknesses.

4.8 Combined Result of CAMEL and MSI

Table: 24

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Combined Results of CAMEL and Maqsid e Shariah Index Pakistani Isalmic Banks

	Meezan Bank		Bank Islami		Bank Alfalah		Dubai Islamic		AL Baraka Bank	
YEAR	MSI	CAMEL-R	MSI	CAMEL-R	MSI	CAMEL-R	MSI	CAMEL-R	MSI	CAMEL-R
2010	0.29	1.05	0.27	1.5	0.29	2.45	0.41	1.45	0.36	2.8
2011	0.28	1.4	0.27	2.25	0.23	2.05	0.27	1.45	0.27	2.85
2012	0.27	1.4	0.27	1.9	0.24	2.05	0.27	1.5	0.27	2.85
2013	0.28	1.65	0.33	2.05	0.24	2.25	0.27	1.65	0.96	2.75
2014	0.32	1.55	0.27	2.05	0.22	2.05	0.30	1.85	0.33	2.6
2015	0.33	1.6	0.28	1.8	0.24	1.75	0.31	1.85	0.32	2.55
2016	0.31	1.9	0.28	1.55	0.24	1.75	0.35	1.85	0.34	2.85
2017	0.33	1.75	0.30	2.1	0.24	1.6	0.35	2.2	0.34	2.3
2018	0.95	1.65	0.31	1.8	0.27	1.95	0.34	2	0.36	2.5
2019	0.63	1.35	0.30	2.4	0.26	1.85	0.34	2.2	0.35	3.05
MEAN	0.40	1.53	0.29	1.94	0.25	1.98	0.32	1.80	0.39	2.71

Meezan is leading in both financial performance and shariah effiency followed by Dubai in financial performance and Albarka in shariah effiency. Bank Alfalah is inefficent in shariah and albaraka bank is poor in financial performance.

Table: 25

Combined Results of CAMEL and Maqsid e Shariah Index Pakistani Isalmic Banks

	EXIM Bank		Shajala Isamic Bank		Social Islamic Bank		FSIB		BIB	
Year	MSI	CAMEL-R	MSI	CAMEL-R	MSI	CAMEL-R	MSI	CAMEL-R	MSI	CAMEL-R
2010	0.33	2.9	0.32	2.55	0.30	2	0.31	2.7	0.53	2.50
2011	0.32	2.55	0.32	2.35	0.31	1.95	0.30	2.3	0.60	1.80
2012	0.31	2.4	0.32	2.00	0.32	1.8	0.30	2.3	0.64	2.05
2013	0.31	2.75	0.31	1.65	0.31	1.95	0.29	2.15	0.77	2.20
2014	0.31	2.60	0.30	1.50	0.31	2.00	0.29	1.75	0.93	1.85
2015	0.31	2.45	0.30	1.65	0.32	2.00	0.30	2.15	1.17	1.95
2016	0.32	2.75	0.31	1.70	0.32	2.15	0.31	2.15	0.93	2.50
2017	0.32	2.75	0.32	1.85	0.32	2.2	0.31	2.3	0.95	2.30
2018	0.31	2.65	0.32	1.90	0.31	1.9	0.31	2.3	0.88	2.30
2019	0.36	2.65	0.32	1.85	0.31	2.3	0.31	2.35	1.07	1.70
MEAN	**0.32**	**2.65**	**0.31**	**1.9**	**0.31**	**2.03**	**0.30**	**2.25**	**0.84**	**2.12**

FSIB is leading in both financial performance and in shariah effiency Bagladesh Islamic bank is at top.FSIB is last in shariah efficency and Exim bank is poor in financial performance.

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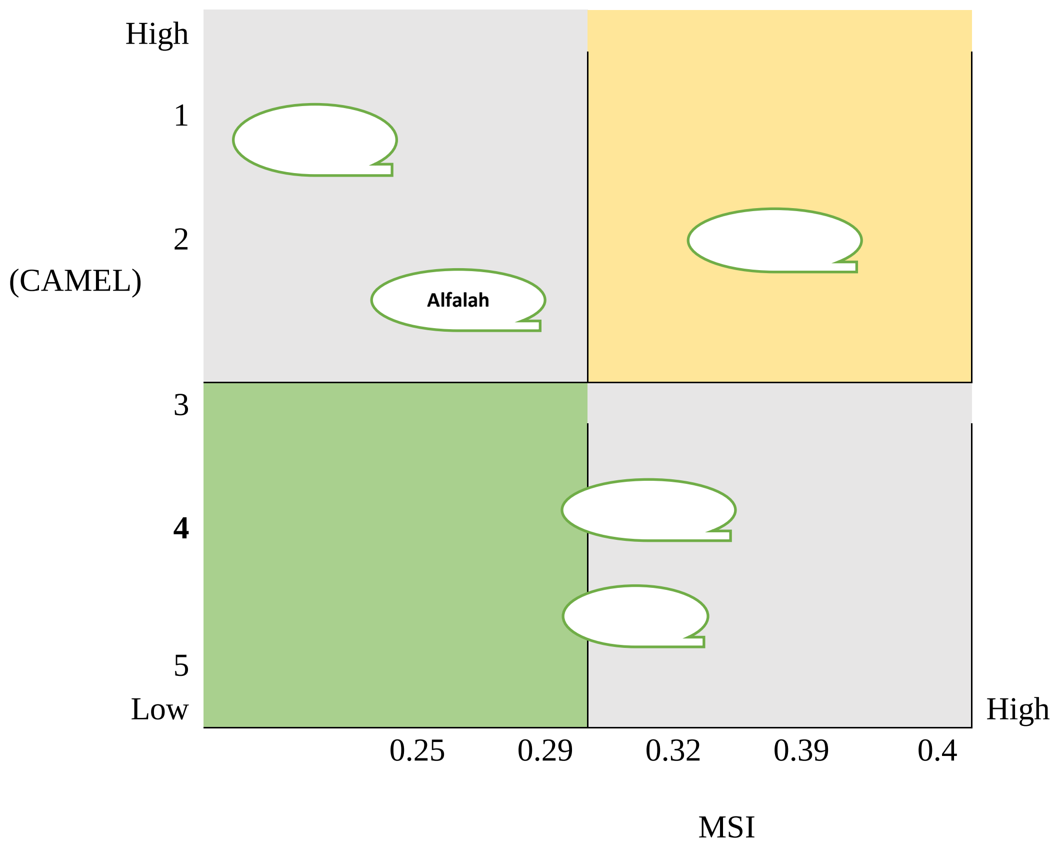
4.9. Quadrant of Performance based on CAMEL and Maqasid e Shariah Index of Pakistani Banks

Figure: 3



Based on industry average of CAMEL and Maqasid e Shariah index score of banks plotted and following situation resluted.

Quadrant# 1 (High MSI & High CAMEL,): Meezan Bank, Benchmark in the industry

Quadrant# 2 (Low MSI & High CAMEL): Dubai Islamic Bank and Alfalah in grey zone

Quadrant# 3 (High MSI & Low CAMEL): Bank Islami, and Albaraka Bank, in grey zone.

Quadrant# 4 (Low MSI & Low CAMEL): No bank lies in this quadrant

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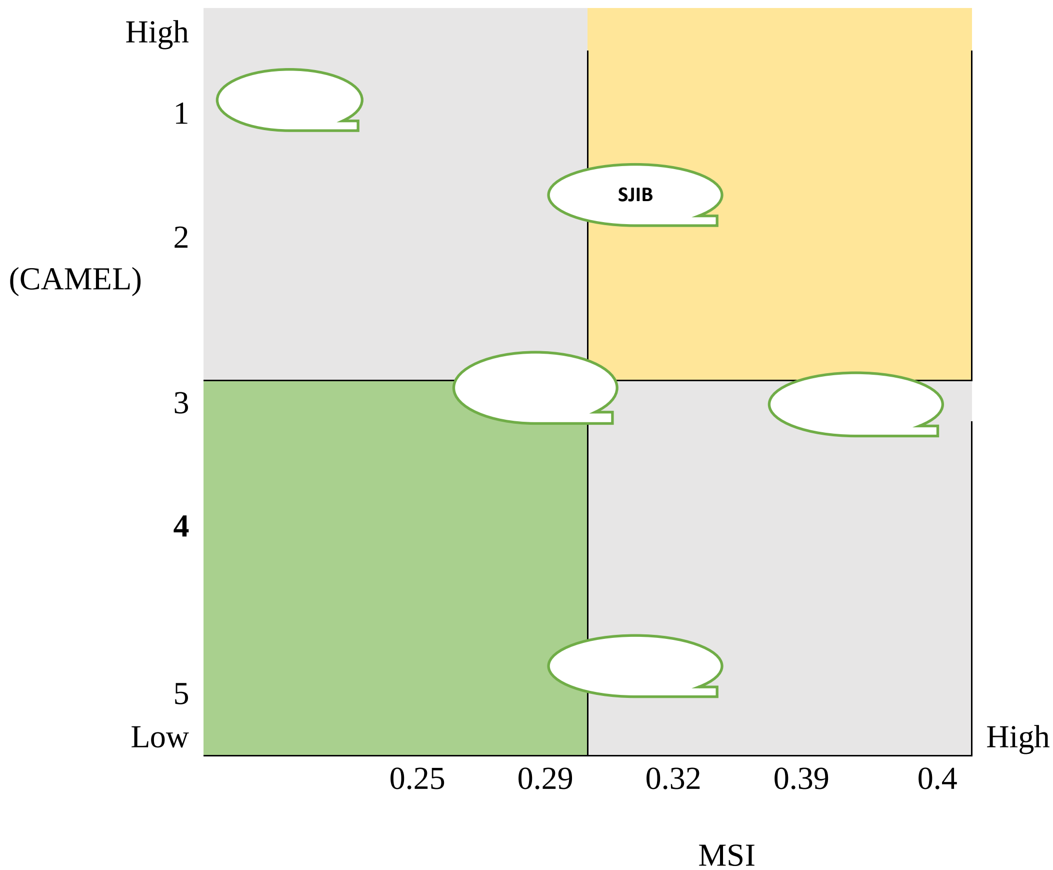
4.10. Quadrant of Performance based on CAMEL and Maqasid e Shariah Index of Bangladesh Banks

Figure: 4



Quadrant# 1 (High MSI & High CAMEL,): IBB and SJIB, Benchmark in the industry

Quadrant# 2 (Low MSI & High CAMEL): Social Islamic Bank and EXIM in grey zone

Quadrant# 3 (High MSI & Low CAMEL): First Security Islamic Bank in grey zone.

Quadrant# 4 (Low MSI & Low CAMEL): No bank lies in this quadrant

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4.11 Impact of Traditional performance on Shariah Performance:

Descriptive Pakistan

EDUCATION	JUSTICE	WELFARE	CAMEL
0.098010	0.129967	0.101014	1.991000
0.078610	0.137261	0.082278	1.900000
0.708695	0.209735	0.750699	3.050000
0.078206	0.015615	0.040931	1.050000
0.099039	0.049637	0.099798	0.466936
5.402271	-0.911777	5.709290	0.465057
31.87183	2.980113	37.47908	2.501434
1979.835	6.928641	2748.315	2.320163
0.000000	0.031294	0.000000	0.313461
4.900493	6.498361	5.050708	99.55000
0.480626	0.120727	0.488018	10.68345
50	50	50	50

Correlation Table

EDUCATION	JUSTICE	WELFARE	CAMEL
1.000000			
0.169020	1.000000		
-0.067053	-0.197445	1.000000	
-0.186044	0.042187	0.281039	1.000000

Bangladesh Descriptive

EDUCATION	JUSTICE	WELFARE	CAMEL
0.210499	0.103705	0.104444	2.186000
0.078701	0.124598	0.105255	2.175000
1.061492	0.175929	0.113333	2.900000
0.078312	0.000269	0.091758	1.500000
0.280392	0.052336	0.005541	0.346710
1.842419	-1.372527	-0.572926	0.112667
4.827999	3.146565	2.665783	2.110102

35.24918	15.74334	2.968082	1.755613
0.000000	0.000381	0.226720	0.415694
10.52497	5.185240	5.222179	109.3000
3.852360	0.134211	0.001504	5.890200
50	50	50	50

Correlation Table

EDUCATION	JUSTICE	WELFARE	CAMEL
1.000000			
-0.934401	1.000000		
0.124732	-0.145432	1.000000	
-0.130408	0.152630	0.203000	1.000000

Regression Results Pakistan

Dependent Variable: (EDUCATION)+(JUSTICE)+(WELFARE)
Method: Panel EGLS (Cross-section weights)
Date: 09/27/20 Time: 22:01
Sample: 2010 2019
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50
Linear estimation after one-step weighting matrix
White cross-section standard errors & covariance (no d.f. correction)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.275671	0.019637	14.03835	0.0000
CAMEL	0.026780	0.010872	2.463317	0.0177

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.487992	Mean dependent var	1.040506
Adjusted R-squared	0.429809	S.D. dependent var	0.741107

S.E. of regression	0.137374	Sum squared resid	0.830349
F-statistic	8.387218	Durbin-Watson stat	1.855302
Prob(F-statistic)	0.000012		
	Unweighted Statistics		
R-squared	0.171088	Mean dependent var	0.328991
Sum squared resid	0.837201	Durbin-Watson stat	1.808966

Regression Results Bangladesh

Dependent Variable: (EDUCATION)+(JUSTICE)+(WELFARE)
Method: Panel EGLS (Cross-section weights)
Date: 09/27/20 Time: 22:06
Sample: 2010 2019
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50
Linear estimation after one-step weighting matrix
White cross-section standard errors & covariance (no d.f. correction)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.389331	0.011236	34.65069	0.0000
CAMEL	0.013411	0.004755	2.820694	0.0072

Effects Specification

Cross-section fixed (dummy variables)

	Weighted Statistics		
R-squared	0.784408	Mean dependent var	1.678481
Adjusted R-squared	0.759909	S.D. dependent var	0.889043
S.E. of regression	0.063237	Sum squared resid	0.175952
F-statistic	32.01782	Durbin-Watson stat	1.586277
Prob(F-statistic)	0.000000		
	Unweighted Statistics		
R-squared	0.851407	Mean dependent var	0.418648
Sum squared resid	0.395135	Durbin-Watson stat	0.818449

We use regression Analysis for checking effect of traditional Performance on Shariah performance. CAMEL as independent variable and education, Justice and Welfare as dependent Variables. The regression result for camel coefficient for Pakistan is statistically significant at 5% significance level with *p-value* (0.0177). The regression result for camel coefficient for Bangladesh is statistically significant at 1% significance level with *p-value* (0.0072).

5- Conclusion:

The primary objective of this study was to evaluate the performance of Islamic banks in Pakistan and Bangladesh using the CAMEL method and the Maqasid Shariah Index (MSI). The CAMEL method assesses banks' performance through Capital adequacy, Asset quality, Earning capacity, and Liquidity ratios. The Maqasid Shariah Index measures performance based on a weighted average of 10 ratios, reflecting adherence to Shari'ah principles. Additionally, this study aimed to analyze the impact of traditional financial performance on Shari'ah compliance through regression analysis. The study's results were categorized into four quadrants to strategize outcomes based on the performance metrics:

In Pakistan, Meezan Bank achieved high scores in both financial performance and the Maqasid Shariah Index, making it the best-performing bank. Similarly, in Bangladesh, Shahjalal Islamic Bank also demonstrated strong performance on both fronts.

Dubai Islamic Bank and Bank Alfalah from Pakistan were placed in this quadrant due to their lower MSI scores, indicating a need for these banks to enhance their focus on Shari'ah compliance. In Bangladesh, Social Islamic Bank also fell into this category, suggesting it too needs to improve its Shari'ah performance.

In Pakistan, Bank Islami and Albaraka Bank, which fell into this quadrant, need to work on improving their financial performance. Similarly, in Bangladesh, Islamic Bank Bangladesh (IBB), EXIM Bank, and First Security Islamic Bank (FSIB) were in this quadrant, indicating they have strong Shari'ah performance but require financial improvements.

No banks from either Pakistan or Bangladesh fell into this quadrant, which is a positive indicator for the industry.

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5.1 Recommendations

While Meezan Bank excels in financial performance, there is room for improvement in Shari'ah compliance. The bank should take strategic steps to enhance its adherence to Shari'ah principles. Dubai Islamic Bank and Bank Alfalah (Pakistan) These banks need to focus on improving their Shari'ah performance to align with their strong financial metrics.

Albaraka Bank (Pakistan) Albaraka Bank should implement strategic measures to improve its financial performance, including cost reduction and operational efficiency enhancements. Islamic Banks in Bangladesh Islamic Bank Bangladesh has achieved high Shari'ah performance and should continue its efforts. However, EXIM Bank and other Islamic banks in Bangladesh need to address their financial, operational, and compliance weaknesses to improve overall performance.

5.2 Industry Implications

The Islamic banking industry in Pakistan and Bangladesh has significant potential for growth due to both religious affinity and market demand. Continuous efforts to balance financial performance with Shari'ah compliance will be crucial for the sustained success of these institutions. Encouraging the operation and expansion of Islamic banks in these countries can leverage their cultural and religious context, fostering a robust financial environment that adheres to ethical principles.

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