

Profitability Determinants of Islamic Banking in Sri Lanka

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Abstract

Amana Investments was established in 1997 as the first Islamic bank in Sri Lanka. Islamic Finance is Sharia compliant finance because and is based on the teachings in the Holy Quran and sacred scripture of the religion of Islam. The aim of this research is to provide an overview on the Islamic Finance Industry of Sri Lanka by identifying the factors that affect the profitability of the industry. The profitability of Islamic banks is measured by three dimensions, i.e. return on assets, and return on equity, earnings per share. Internal explanatory variables include bank size, gearing ratio, asset management, deposit ratio, non-performing loans ratio, asset composition, capital adequacy ratio and operating efficiency, whereas external

explanatory variables include gross domestic product (GDP) and consumer price index (CPI). Since Islamic Banking is a relatively new industry within Sri Lanka, there is a high potential to make profits by considering the components of the ratios used as independent variables in the study. Although some components indicated to be profitable, the risk associated with those variables and the other factors such as liquidity and profitability also have to be considered. Results were similar to the other researches done for other countries

Key words: Islamic banking, Shairia, Murabaha, Mudarabah, Ijara,

JEL:G21,G23,N25

1. Introduction

1.1 Islamic Banking in Sri Lanka

The history of Islamic banking sector in Sri Lanka extends back to 1997 where Amana Investments was established. The amendment of the Banking Act No. 30 of 1988 in 2005 to permit licensed commercial banks and licensed specialized banks to offer selected Islamic finance instruments was a major step towards encouraging Islamic banking in the country and today there are state banks and commercial banks practicing Islamic Banking. There are many other institutions including Islamic Micro Financiers offering Murabaha, Mudarabah, Ijara, Wakal, Musharaka, Diminishing Musharaka, Takaful etc. In order to pursue industrial development in the Islamic Banking sector, the Central Bank of Sri Lanka has given permission to open up a fully fledged Islamic Bank and also a fully fledged Islamic Fund.

Islamic Finance is regarded as Sharia compliant finance because it is developed based on the teachings in the Holy Quran and sacred scripture of the religion of Islam. Amana Bank is the first Sharia compliant bank in Sri Lanka under the local regulations and the only bank that operates with the requirements of the Sharia law. On the 29th July 2011, it has witnessed the official launch as a Central Bank

Licensed Islamic Bank.. Bank Islam Malaysia Berhad, AB Bank of Bangladesh and Islamic Development Bank of Saudi Arabia are three of the strategic stakeholders of Amana Bank PLC. Most of the other banks have established windows for the conduct of Islamic Banking which have created a healthy competition between the players.

Murabaha and Mudarabah and Two Tier Mudarabah are most popular financial products offered. Researchers have found that the most common financial product in the Islamic Finance Industry in Sri Lanka is Mudarabah. Musharakah is another product that is same as Mudarabah but only difference is that partnership finance would be used. In this, the bank and the customer would be jointly invest in funds and management capabilities in a particular project. Diminishing Musharakah is another product where the bank and the customer would own assets or capital under joint ownership with the mutual understanding that the customer will purchase the units of the asset at periodic intervals and at the end becomes the owner of the product. This is commonly used for the purchase of property, plant and equipment. Ijara is also a product that is coming under Islamic Finance which is basically about Sharia

compliant leasing. This is very common in Sri Lanka.

2. Literature Review

To measure a firm's financial performance in terms of how effectively and efficiently the assets of the firm are utilized to generate revenues for the business, profitability measures play an important role. These assess the financial health of an organization and allow comparisons among companies as well as different sectors (Slaper and Hall, 2011). The main motive of an organization is to earn a profit for the betterment of the firm, which allows a firm to expand its activities and operations.

Profitability can be defined as the final measure of economic success achieved by a company in relation to the capital invested in it. Also this is considered as the excess amount over costs of a business. Profit and Profitability are two different measures, where profit is an absolute figure, while profitability is usually expressed as a ratio, explaining the rate of profit using a base measurement, for example, assets, investments or equity. Increase in profitability tends to achieve business success and hence the financial managers

should focus on improving the profitability of the firm. (Uremadu and Enyi, 2012) Profitability ratios can be categorized as profitability on sales, and profitability on investment.

Considering the measures or the ratios employed to assess the profitability of a firm, the theoretical base and researches have suggested using Gross Operating Income Margin and Net Operating Income Margin as profitability measures on sales and Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI) and Return on Capital Employed (ROCE) as profitability measures on investment. However, there are also certain other measures used as proxies for firm profitability.

According to the study of profitability determinants of Islamic Banks in Pakistan by Ijaz et al. (2015) for the period of 2006 to 2013, Bank size, gearing ratio, operational efficiency, asset management, and capital adequacy ratios were used as independent variables along with ROA and ROE as dependent variables.

In the research of Kosmidou and Zopounidis (2008), ROA was used as the dependent variable in measuring the performance of Greek Banks for the period 1990-2002. The independent variables used are the cost to income ratio, the proportion of equity to total assets, the proportion of loans to customers and short term financing, the proportion of ratio of loan loss reserves to gross loans, the bank's total assets accounting value (bank size), the annual change in GDP, inflation rate, growth of the money supply, stock market capitalization, and the proportion of ratio total assets of the deposit money banks divided by the GDP. The results showed that there is a positive relationship between the bank's profitability and bank size and the annual change in GDP and a negative relationship was found with inflation rate.

The study on Thailand Banking sector by Sufian and Habibullah (2009) aimed at analyzing the impact of internal and external factors on the profitability of the bank measures in terms of ROA and ROE considering the period from 1999-2005. The results showed that bank size, economic growth, and capitalization have positively impacted on the profitability while a

negative impact was brought by the non-interest income, per capita GDP, credit risk and overhead costs.

Singh and Chaudhary (2009) have conducted a study for the period of 2001-2007 concerning the profitability determinants of Indian Banks. The results revealed that investments, per capita income, index of industrial production, wholesale price index, foreign exchange reserves, and exports were having a positive impact on profitability of banks in public, private and foreign sectors.

According to the study of ten commercial banks listed on Istanbul stock exchange conducted for the period of 2002-2010, a positive influence was found between the bank profitability and factors such as asset size and non-interest income on banks' profitability and a negative relationship was found between the banks' credit portfolio size and loans under follow-up. (Anber and Alper, 2011). The real interest rate as a macroeconomic variable was found to have a positive relationship too.

Flamini et al. (2009) have studied 389 banks of 41 Sub-Saharan African nations with

considering different variables and concluded that a banks' ROA is linked to the bank size. And also the macroeconomic variables such as regulations, market power, and systematic Risk are having an impact on the profitability. Further banks' size, deposit ratios, and interest picking up ratios were found to be affecting the profitability of banks according to the study of 40 banks by Burki and Niazi (2010) for the period of 1991-2000.

A comparison of accounting profitability measures with economic factors was carried out by Olson and Zoubi (2011) for the period of 2000-2008 focusing on the Middle East and North African (MENA) regions and ROA and ROE were used as the accounting profitability measures. Bank size was found to reflect a positive relationship with the accounting profitability. Same accounting profitability measures were used by Ostadi and Monsef (2014) in their study of Iranian banks and have concluded that the bank size and bank concentration had more impact on the level of profitability among the bank deposits, bank size, bank capital, liquidity concerns, and keeping money prerequisites that were used as independent variables.

According to Nirmali& Rajapakse(2016),there is a clear gap of research on Islamic Banking profitability for Sri Lanka. The relative newness of the industry and the lack of information availability would have caused this gap of knowledge which would be aimed to be bridged with the aid of this study. Islamic Finance Industry is a relatively new area to Sri Lanka. There is relatively less number of researches done.

3. Significance of the study

The aim of this research is to provide an overview on the Islamic Finance Industry of Sri Lanka with the objective of identifying the factors that affect the profitability of the industry through an assessment of the quantitative factors. Promotion of Islamic Finance in a non Muslim country like Sri Lanka would be of great importance because of its ability to contribute to economic development. This is because of the ability of the emerging Islamic Finance Industry to contribute to the Sovereign Sukuk Market where foreign financing could be used as an alternative to the issue of Sovereign Bonds. The transition of Islamic finance into the mainstream global finance has created an opportunity for Sri Lanka to pursue funds

for economic development. The findings are expected bring insights to the Finance Industry as a whole and also to the foreign investors to identify Sri Lanka as one of the potential success hubs for Islamic Finance.

4. Research Problem and Questions

This study tries to assess factors that affect the profitability of Islamic banking industry in Sri Lanka measured in terms of Return on assets (ROA), return on equity (ROE), and earnings per share (EPS) with considering internal and external factors such as Bank's size, gearing ratio, non-performing loans (NPL) ratio, operational efficiency, asset composition, asset management, capital adequacy ratio, deposit ratio, gross domestic product (GDP), and consumer price index (CPI). The question addressed here is whether the above mentioned factors have an association with the profitability of Islamic banking industry in Sri Lanka.

5. Research Objectives

The main objective of this study is to test the profitability of Islamic banking industry in Sri Lanka.

The research question had been decomposed into objectives systematically as follows.

- To examine the relationship between Return on assets (ROA) and Bank's size, gearing ratio, non-performing loans (NPL) ratio, operational efficiency, asset composition, asset management, capital adequacy ratio, deposit ratio, gross domestic product (GDP), and consumer price index (CPI).
- To examine the relationship between return on equity (ROE) and the Bank's size, gearing ratio, non-performing loans (NPL) ratio, operational efficiency, asset composition, asset management, capital adequacy ratio, deposit ratio, gross domestic product (GDP), and consumer price index (CPI).
- To examine the relationship between the earnings per share (EPS) and Bank's size, gearing ratio, non-performing loans (NPL) ratio, operational efficiency, asset composition, asset management, capital adequacy ratio, deposit ratio, gross domestic product (GDP), and consumer price index (CPI).

3. Methodology

Data

The profitability of Islamic banks is measured by three dimensions, i.e. return on assets, and return on equity, earnings per share. Internal explanatory variables include bank size, gearing ratio, asset management, deposit ratio, non-performing loans ratio, asset composition, capital adequacy ratio and operating efficiency, whereas external explanatory variables include gross domestic product (GDP) and consumer price index (CPI). This study is aimed at the analysis of profitability factors regarding Islamic Banking with considering Amana Takaful Bank PLC which is considered to be the only fully Sharia complying bank in Sri Lanka. It is a listed entity in the Colombo Stock Exchange (CSE) and thus the required secondary data on internal variables are collected from the quarterly financial statements obtained from the Colombo Stock Exchange website. A total of 8 internal variables and 2 external variables are used for the research study on annual basis. The data on internal variables are collected from the World Bank website and the publications of the Central Bank of Sri Lanka. Since the bank was established in 2009, data were collected from the year 2011 until 2015 with covering twenty quarters.

Bank Specific Independent Variables

- **Bank Size:** The total asset base of the bank is used to measure the size of the bank. The relationship between the profitability of an entity and its size measured in terms of total assets is regarded to be positive in most of the literature.
- **Gearing Ratio:** The ratio of total liabilities to total equity of the bank is termed as the Gearing Ratio. High gearing will be a positive factor for profitability given that the distress conditions are not reached.
- **Asset Management:** Asset management refers to the management of investments on behalf of the clients of the bank. It is represented by operating efficiency divided by total assets. It is obvious that if the investments are managed properly, it will positively impact on the profitability of the bank.
- **Deposit Ratio:** Deposit ratio is given as the ratio of total deposits to total assets. This is another indicator of liquidity of the bank. Higher amount of deposits would ensure that the bank has more funds which may lead to

more investments and loans and hence increase the profitability.

- **Non-Performing Loans:** A non-performing loan is a loan that has been classified by the bank as default or close to default as per the criteria set in. It is measured as a ratio to the total value of the loans. High ratio means low profitability of the bank.

- **Asset Composition:** Asset composition another measure of the liquidity of the assets that has been linked to loans. The impact of loans on the level of profitability is intended to be measured by incorporating this ratio into the model. It is explained by total liabilities (loans) divided by total assets.

- **Capital Adequacy Ratio:** The relationship between total capital to risk weighted assets is measured by capital adequacy ratio. The ability of the bank to absorb risks generated to shareholders is measured by this ratio. Higher the ability to absorb the risks results in higher profitability.

- **Operating Efficiency:** Higher the operating efficiency of the bank would result in higher profitability. It would be an indication of

Definitions and Notations of variables

how efficiently the bank uses its assets by incurring costs in order to serve the customers and earn profits. It is calculated as operating expenses divided by total assets.

Macroeconomic Independent Variables

Gross Domestic Product: The annual GDP is taken for the study which means the total economic production within the boundaries of the country. Since the significance of the services within the total GDP is rising, it could be expected that the banking industry too contributing more to the total GDP. In a narrow sense, higher the GDP, higher would be the personnel income that would result in more deposits and demand for loans and hence result in bank's profitability. In a broader sense, the factors like tax and others would have to be considered in order to arrive at a conclusion.

Consumer Price Index: Consumer Price Index refers to the Colombo Consumer Price Index in Sri Lanka where it could be measured as the weighted average of prices of a basket of goods and services for a definite time period.

ROA = Return on Assets	$\frac{\text{Annual net income}}{\text{Average total assets}}$
ROE = Return on Equity	$\frac{\text{Annual net income}}{\text{Average total equity}}$
EPS = Earnings per share	$\frac{\text{Net income}}{\text{Weighted Average No. of shares}}$
SIZE = Size of the bank in terms of total assets	Log of total assets
GR = Gearing Ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$
NPL = Non Performing Loans Ratio	$\frac{\text{Non-performing loans}}{\text{Total loans}}$
AC = Asset Composition	$\frac{\text{Total liabilities}}{\text{Total assets}}$
AM = Asset Management	$\frac{\text{Operating income}}{\text{Total assets}}$
OE = Operating Efficiency	$\frac{\text{Operating expenses}}{\text{Total assets}}$
DR = Deposit Ratio	$\frac{\text{Total Deposits}}{\text{Total Assets}}$
CA = Capital Adequacy Ratio	$\frac{\text{Tier I + Tier II capital}}{\text{Risk weighted assets}}$
GDP = Gross Domestic Product	Annual GPD
CPI = Consumer Price Index	Annual CPI

3.1 Methodology

The Data collected will be studied for their nature and behavior using the descriptive statistics. The methodology aims at identifying the determinants of profitability of Islamic Banking, the independent variables involved in the study would be compared against the dependent variables as three separate models. The Pearson's correlation coefficient is calculated for the relevant variables for this purpose. The nature of relationship between each and every component would be tested in the study with the profitability would be identified and then the study would conclude the determinants of profitability of Islamic Banking in particular.

The methodology designed for identifying the determinants of profitability of Islamic Banking would lead to the achievement of the objectives of the proposed study. Further, the analysis of collected data would involve using statistical packages and also an incorporation of qualitative factors for increasing the effectiveness of interpretations.

4. Analysis

4.1 Descriptive Statistics

The analysis of the descriptive statistics relevant to the variables considered in the study is being presented below. Descriptive statistics can be used as a measure to describe and discuss the general characteristics, providing an overview of a sample. Mean and Median values will be used as measures of Central-tendency and the standard deviation would be used to measure the dispersion of the sample. The volatility of the data would be measured through the standard deviation measure. A low standard deviation implies that the data lies close to the mean value.

When considering the ROA, taking 5 annual observations, the mean ROA had been -0.006 with a maximum of 0.010000 and a minimum of -0.020000. This shows the variation caused in ROA since the bank was incorporated. Most of the profitability indicators are having minus mean values. It means that the bank had

been improving over the years since inception with indicating a growth.

The maximum and minimum values of the firm size had not been deviated very much over the five year period although there had been some level of improvement. The maximum and minimum values of Non Performing loans too are not deviated very much from the mean value and it is a very low amount compared to the other peers in the industry. The mean gearing ratio is also high with a high standard deviation of 1.601252 which means that the bank highly depends on debts compared to equity. Since the bank is in the growth

stage of its life cycle with facing high level of business risk where it is earning slight profits and cash flows with competition from new entrants though it finds increasing sales growth rate, high level of financial risk seems to be too risky.

When considering the macroeconomic variables, the natural logarithm of GDP is having a maximum value of 29.97387 and a mean value close to it. The standard deviation is quite high indicating high volatility. In contrast, the natural logarithm of CPI has low volatility indicating a standard deviation of 0.076118.

	ROA	ROE	EPS	SIZE	GR	NPL	AM	OE	CA	DR	AC	LNGDP	LNCPI
Mean	0.006000	0.015017	0.065091	10.39568	5.025209	0.011740	0.044703	0.045447	0.160905	0.797729	0.825180	29.76858	5.133377
Median	0.000000	0.015913	0.064180	10.36918	4.443260	0.011040	0.045285	0.045132	0.207036	0.795727	0.816287	29.79138	5.159917
Maximum	0.010000	0.047592	0.161711	10.68018	7.366668	0.017715	0.075005	0.059196	0.254639	0.837431	0.880478	29.97387	5.201347
Minimum	0.020000	0.077960	0.326985	10.16306	3.622225	0.006948	0.012238	0.028557	0.003882	0.768579	0.783654	29.50946	5.020366
Std. Dev.	0.013	0.054	0.213	0.216	1.601	0.003	0.022	0.013	0.099	0.026	0.042	0.189	0.076

	416	177	158	308	252	943	274	778	908	443	077	028	118
Skewness	0.11111	0.005578	0.090969	0.234001	0.584242	0.459309	0.161060	0.081535	0.796098	0.505026	0.302381	0.298234	0.616533
Kurtosis	1.398148	1.396876	1.411732	1.546486	1.777495	2.336682	2.480731	1.396477	2.196801	2.107932	1.480303	1.680124	1.857460
Jarque-Bera	0.544857	0.535444	0.532437	0.485777	0.595807	0.267469	0.077792	0.541225	0.662545	0.378332	0.557337	0.437051	0.588719
Probability	0.761528	0.765120	0.766272	0.784359	0.742373	0.874822	0.961851	0.762912	0.718010	0.827649	0.756791	0.803703	0.745009
Sum	0.030000	0.075086	0.325453	51.97838	25.12605	0.058700	0.223516	0.227233	0.804527	3.988647	4.125900	148.8429	25.66688
Sum Sq. Dev.	0.000720	0.011741	0.181746	0.187156	10.25604	6.22E-05	0.001985	0.000759	0.039926	0.002797	0.007082	0.142926	0.023176
Observations	5	5	5	5	5	5	5	5	5	5	5	5	5

4.3 Correlation Analysis

The purpose of the Pearson's correlation analysis is to understand the relationship

between the profitability determinants used in the study as independent variables and the profitability measures that are incorporated into the model as dependent variables.

Correlations

	ROA	ROE	EPS	SIZE	GR	NPL	AC	AM	OE	DR	CA	GDP	CPI
ROA Pearson Correlation	1	.960**	.942*	.383	.605	-.570	.669	.816	.309	.532	-.633	.436	.409
Sig. (2-tailed)		.010	.017	.524	.280	.316	.217	.092	.612	.356	.252	.463	.494
N	5	5	5	5	5	5	5	5	5	5	5	5	5

ROE	Pearson Correlation	.960**	1	.996**	.284	.606	-	.759	.662	.662	.089	.488	-	.542	.292	.219
	Sig. (2-tailed)	.010		.000	.644	.278	.137	.224	.224	.887	.404	.346	.633	.724		
	N	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
EPS	Pearson Correlation	.942*	.996**	1	.323	.657	-	.807	.708	.599	.005	.521	-	.573	.317	.228
	Sig. (2-tailed)	.017	.000		.596	.229	.099	.181	.286	.994	.367	.313	.603	.712		
	N	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The overall results of the correlation analysis show that the relationship between the independent variables and the profitability measures show the same results. The profitability indicators of the bank ROA, ROE and EPS are positively correlated with the size measured in terms of the assets of the bank in the particular years. This shows that the increase in the asset base of the bank contributes to the profitability of the bank.

The Gearing Ratio is positively correlated with the ROA. Since the significance level is greater than 0.025, the results could be confirmed to be significant. It could be concluded that the increase in debt

component with compared to the equity in the capital structure results in more performance results or profits. But the gearing ratio is very high with compared to the industry norms and given that the bank operates in a relatively new industry within Sri Lanka and it is in the growth stage, the level of business risk is very high. Therefore the financial risk has to be low whereas the bank has a high level of gearing which is risky.

The NPLs have a negative correlation with the ROA, ROE and EPS. That is, the increase in the level of NPLs result in reducing the profitability measured in terms of ROE, ROE and EPS. Loans are one of the

most contributing sources of the total interest income of the bank. The amount of NPLs in Amana Bank is very low compared to the industry norms which is a positive aspect.

When considering the Asset Composition (AC), it is positively correlated to the profitability of Islamic Banking in terms of ROA, ROE and EPS. Loans bring in interest income to the bank and hence the increase in loans in the asset portfolio of the bank would result in more interest income and thus more profits. Asset Management (AM) is also positively correlated to the profitability of Islamic Banking. Therefore it is clear that the management of investments on behalf of the clients of the bank would result in investor confidence, high returns, increased customer foot fall and thereby increase profitability.

When considering the Operating Efficiency (OE), it shows positive correlation to the profitability. The variable is highly correlated to the ROA and then to the ROE and EPS respectively. This shows the incurring of expenses for the day to day functioning of the bank with the purpose of serving the customers in the best possible manner would result in more profitability.

This would be derived from the increased level of customer satisfaction due to the facilities and service enjoyed by the customers.

The deposit ratio is a key aspect in determining the profitability of Islamic Banking as savings are the primary income earning product of the bank. Deposits act as a source of making investments with which the bank would earn returns. Therefore when the amount of deposits increase within the total assets of the bank, there will be more investments and hence profitability ensured.

The capital adequacy is negatively correlated with the profitability measured in terms of ROA, ROE and EPS. It shows the ability of the bank to absorb risks generated to shareholders. Risk weighted assets had been increasing at a faster phase when compared to the total capital. Therefore the capital adequacy ratio reduced over the latter part of the period concerned. Profitability ratios had also shown mixed results. Therefore without taking the whole picture, as far as the individual data points are concerned, there could be seen a clear negative relationship between the capital adequacy ratio and the profitability

measures as indicated below. The highest impact is generated upon the EPS. When the capital adequacy ratio changes to a specific direction, the EPS moves the opposite direction at a faster rate.

GDP also has a positive relationship to the bank's profitability. It could be inferred that when the total national income rises as shown by the GDP, there will be more purchasing power and thus more ability to save. Therefore the banks would get more funds from customers or making investments and as well, there would be more investment opportunities in the economy.

When considering the CPI, the increase in CPI brings in positive correlation with the ROA, ROE and EPS. Inflation is caused by an increased movement of the CPI. In an Inflationary situation, the returns on investments too increase. Hence it could be concluded that the bank earns more returns in nominal terms.

5. Conclusion

This study has aimed at the analysis of determinants of profitability with regard to Islamic Banking in Sri Lanka. The Amana Bank was chosen for the study which is

considered to be the only fully Sharia complying bank in the country. The profitability measures considered in the study were separated as bank specific and macroeconomic variables. The macroeconomic variables are the nominal GDP and the Consumer Price Index whereas the bank specific factors are the Gearing Ratio, Asset Management, Asset Composition, Deposit Ratio, Non Performing Loans Ratio, Operating Efficiency, Capital Adequacy Ratio, and Size of the bank. Annual data on the components of the ratios were collected since the bank's inception: hence for the period between 2011-2015.

The results were the same as for all of the profitability measures with regard to the determinants considered as independent variables in the study. Out of the bank specific factors, the Gearing Ratio, Asset Management, Asset Composition, Operating Efficiency, Deposit Ratio and Size of the bank shows positive relationship with the level of profitability of Islamic Banking whereas the Non Performing Loans Ratio, Capital Adequacy Ratio shows negative relationship to the profitability of the bank. According to theory, the Capital Adequacy

shows the ability of the bank to absorb the risks and hence the findings seem to be contradictory to the theory. But the theory was justified when the individual data were analyzed. Both of the macroeconomic variables considered in the study; GDP and CPI shows positive relationship with the level of bank profitability.

The research provides insights to the entire banking industry on the components of bank profitability. Since Islamic Banking is a relatively new industry within Sri Lanka, there is a high potential to make profits by considering the components of the ratios used as independent variables in the study. Although some components indicated to be profitable, the risk associated with those variables and the other factors such as liquidity, profitability also have to be considered.

Results were conforming to the other researches done in other countries whereas with regard to Sri Lanka, Islamic Finance Industry is relatively a new area. The inadequacy of data due to the fact that Islamic Banking was established very recently made a limitation to the study. And also this research focuses only on Amana Takaful Bank PLC which is considered to be

the leader in Islamic Finance Industry by being the only organization wholly based purely on the Islamic Finance concept. But when considering the island wide performance, there are many financial institutions which are into both commercial banking and also Islamic banking. There are also village societies among the Muslim community where the same principles of Islamic Finance are being applied. These societies or organizations are most of the time reluctant to disclose information and thus considering the availability of information, the listed bank has been selected for this research.

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