IJCSPUB.ORG ISSN : 2250-1770
INTERNATIONAL JOURNAL OF CURRENT SCIENCE (IJCSPUB)
IJCS PUBLICATION (IJCSPUB.ORG) An International Open Access, Peer-reviewed, Refereed Journal

The Impact of Murabaha Scopes in banking sectors: The Horizontal and Vertical Financial Ratio Analysis (A case study of Bank-e-Milli Afghanistan)

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Abstract: This study examines the impact of Marabah Scopes on Islamic banking sectors using time series data from *January 2011 to February 2021*. The study practices Rader Style to analyze Loan to Deposit Ratios, Cash and Portfolio Investments to Deposit Ratio, Loan to Asset Ratios, Return on Assets Ratios, Return on Equity, Profit to Expanses Ratios, Debit to Equity Ratios, Debit to Total Assets Ratios, Equity Multiplier, Assets Utilizations, Expanses to Income Ratios, and Operating Efficiency Ratios to see the result of Means and Standard Devotion’s with Horizontal and Vertical Financial Analysis besides providing valuable perceptions for Islamic banking sectors.

Design/Methodologies/Approach: The research methodologies used in the study are under the following headings: sample and sampling technique, data collection procedure, used secondary data, and scope and limitations of the study. Male and female managers, as well as operational managers from the Bank-e-Milli central office, are included in the data. Gathering the necessary information and data for the purpose of research in order to uncover new things, prove or test old hypotheses, and solve any problem gives us an idea of what methods or processes the researcher will use in his or her research to achieve research objectives.

Problem Statements: The general perception of the public is that financial solutions and products offered by Islamic banks are similar to those offered by conventional banks, and therefore both contain elements of interest when product prices are considered. As the system is in its evolving stages, there are many factors that hinder its acceptability amongst the general public, as people are confused about the Shariah “law of Islam “compliance of its product because Muslims are against it and due to a lack of knowledge regarding Islamic banking principles. Besides, a significant lack of liquidity instruments is one of the primary issues or difficulties in Islamic banking.

Practical/ implementations Horizontal: The consequences of this instruction upkeep the Marabah Dimensions involvement in banking divisions and suggest how BMA supervisor’s involvement in the Islamic banking systems over decades can significantly impact the horizontal and vertical financial ratio analysis over the last 10 years.

Originality/Value: Though, there is an improved significance to Islamic Banking Consequences in Banking Sectors, around a deficiency of investigation that examines the agreeing factors and outcomes of Marabah practices. The current study is one of the first to determine the financial ratio by using the Rader styles to check out the loan-to-deposit ratios, cash and portfolio investments to deposit ratios, loan-to-asset ratios, return on assets ratios, return on equity, profit-to-expand ratios, debit-to-equity ratios, debit-to-total asset ratios, equity multiplier, asset utilization, expansions to income ratios, and operating efficiency ratios, and find out the means and standard deviations. This is one of the original examination educations that not only empirically inspects the interrelationships between these ratios but also instructs understandings into the current literature by immediate examination of the interceding role of Marabah in Islamic banking sectors.

Key Words: Islamic Banking, Islamic Finance, Economic Growth, Murabaha, Conventional Banking, Financial Ratio, Bank-e-Mali of Afghanistan.

Introductions: Afghanistan, home to the world's largest Muslim population, has a dual banking system with Islamic and conventional systems. Islamic banking is growing due to liberalization, globalization, technology, and market innovation, aiming for an ethical and sustainable economic system. 2020 Michael Armstrong Mwita (2020) (2020) Iftikharullah Ghani et al., 2022; Azim Mommand (2020); This research examines the impact of Marabah Scopes on Islamic banking sectors of Afghanistan BMA, focusing on the Trend analysis from January **2011** to February **2021** to analyze the Secondary Data by applying Rader Style and Analysis the Horizontal and Vertical Financial Ratio to see the (Liquidity Ratio, Profitability Ratio, Risk and Solvency Ratio with Efficiency Ratios and find the Means and Standard Devotion's the result show that BMA has different situations over a period in Ratios Cycles. The loans to deposit ratio for banks have declined due to market fluctuations, with banks using more deposits for advances. (1) The ratio reached **39.46%** in **2018**, but fell to **18.62%** in **2021** due to revolution and absence of banking law. Bank ratios indicate liquidity position for depositor confidence, with higher ratios indicating better liquidity. Islamic banks have a higher loan to asset ratio, suggesting improved liquidity and learning curves. Although conventional banks have higher average loan to asset ratios, the difference is not significant. A higher loan to asset ratio indicates a bank's low liquidity, potentially leading to higher defaults. Islamic banks have a higher loan to asset ratio, suggesting improved liquidity and learning curves. Return on owner investment (ROI) ratios show varying success in different economic situations. BMA's average profit is around **10.25%,** and its operating profitability is measured by profit before tax and operating expenses. (2) The bank's success can be attributed to factors such as foreign aid, peace and reconciliation dialogues, and presidential elections. The bank's performance has been positive, especially in **2021**, as more people want to keep their deposits and trust in the bank. (3) The bank's equity ratio has increased significantly since **2011**, with a **3.18** times higher ratio than debt. (4) The ratio decreased in **2013** due to the government's failure to sign security with the USA and stop peace talks with its opposition. (5) In **2017**, the ratio increased to **3.67** times more than debt due to election issues and the new government signing security with the USA. Overall, the bank's performance is positive, especially in **2021**, as more people want to maintain their deposits and trust in the bank. The total equity of a bank has increased from **3.85** to **4.59**, indicating better management decisions and future plans. (6) In **2019**, the ratio declined from **3.99** to **3.94**, indicating debt as the main reason for peace talks between the government and opposition. In **2021**, it reached **4.00,** indicating no investment and loan issues due to post-banking law post-bonding. The DTAR (Debt to Equity Ratio) for BMA is slightly higher than other banks, with an average of over **70%.** The bank's equity multiplier has a lower EM ratio since **2011**, but has increased to **5.77** after a decrease in assets. The bank's asset utilization ratio has consistently been higher over the 10-year time horizon. The BMA has been efficient in using its assets and generating more revenue per asset invested compared to other private banks. The IER of BMA is well below, except in **2016**, where it decreased by **13.15%.** The BMA's revenue generation ratio shows that they have managed expenses efficiently and generated revenues below one AFN for each AFN of operating expenses. The efficiency ratio has been high in **2011** due to good management steps, but decreased in **2012** due to political and economic issues, and **10.75%** in **2013** due to less investment. In **2014** and **2015**, the ratio increased from **12.12%** to **14.25%** due to the new government signing a security agreement with the USA. In **2016**, it falls to **13.23%,** but in **2017**, it rises to **18.43%** due to increased investment. In the last four years, it dropped **10%** due to restrictions by DAB, banking activity, and unclear banking laws.

RQ1. What is Islamic banking and why there is need for it?

RQ2. Effective contribution of the Islamic banking in economic?

RQ3. Degree of the Islamic banking practices at BMA?

Literature Review /Hypotheses developments: Islamic banking dates back to the seventh century, with its origins in the seventh century when Prophet Muhammad's **(S.A.W)** wife, Khadija, **(R. A.)** used the principles of modern Islamic banking to act as an agent for her business. The concept of Islamic banking and finance emerged in the **1960s**, with the first Islamic institution offering widespread services in the **1960s**. In **1963**, Islamic banking was introduced in Egypt, leading to a separate market in the **1970s.** Today, Islamic banks operate in over sixty countries, with assets of over **$166** billion Furqani and Mulyany (2009), Kassim (2016) and an annual growth rate of **10%-15%.** The market share of Islamic banks in Muslim countries has risen from **2%** in the late **1970s** to **15%** today. Kalim, Mushtaq and Arshed (2016) Islamic banking is a rapidly growing market with numerous studies focusing on interest-free financing, viability, and the ability to mobilize savings, pool risk, and facilitate transactions. However, there is limited coverage on policy implications of eliminating interest payments. Fiqh Maumlat-ul-Malia literature includes terms like Mudharaba, Qirad, and Muqaradah, which are profit/loss sharing arrangements in line with the value system of Islam. These arrangements involve capital provided by one party and enterprise/labor provided by another, with profits divided in proportions agreed upon. The Shirkah arrangement, in line with the value system, involves all parties contributing to capital in equal or varying proportions, with profits shared in pre-agreed proportions and losses borne in proportion to each party's capital contributions financial inclusion has become increasingly important since the **2008** recession, focusing on unbanked and underbanked groups. The **2020** G20 summit endorsed the Global Partnership for Financial Inclusion's G20 High Level Policy Guidance on Digital Financial Inclusion for Youth, Women, and SMEs. Islamic finance has been linked to economic growth, with mixed results. While most studies confirm the positive relationship, mixed results have been found between Islamic deposits and capital accumulation and non-performing loans and economic growth. Studies in Malaysia, Indonesia, Arab Emirates, Pakistan, Qatar and Afghanistan have found positive and significant relationships between Islamic banking development and economic growth, Furqani and Mulyany (2009), Kassim (2016) Iftikharullah Ghani et al., 2022; Azim Mommand with non-performing loans having a negative impact. Islamic finance positively impacts economic growth, with Islamic deposits having minimal short-term effects.

Research Methodologies: The report focuses on the organizational aspect of Islamic banking, focusing on the sharing of Islamic banking and conventional banking with Murabaha in BMA. It emphasizes the importance of significantly analyzing the horizontal and vertical financial ratios over the past 10 years.

Background to the study: Bank-e-Milli Afghanistan (BMA), which has a Window Units department/section for Islamic Banking with the help of Dr. Umar Zakhilwal, Advisor of President, and Khan Afzal Hadwal, CEO of Bank-e-Milli Afghanistan (BMA), succeeded in opening the Islamic Banking Window Units center on October 19, 2008. After a period of time, the Murabaha concept developed on May 24, 2010.The goal of this research capacity is to improve the Islamic banking products from window units to full-system Islamic banking and all other 20 conventional banks in Afghanistan by applying Rader Style and Analysis to the Horizontal and Vertical Financial Ratios to see the liquidity ratio, profitability ratio, risk and solvency ratio, and efficiency ratios.

Relevance of the study: This study helps the Bank-e-Milli Afghanistan (BMA), recognize the significance of Islamic Banking Window units. (BMA) provide different Islamic product over decades and has positively Relationship for the Growth of (BMA) Revenue and Empowered the Economic of Afghanistan.

The Significance of the Research: In today's global economy, we need both conventional and Islamic banking systems to satisfy customer needs and wants, but in Islamic countries, there is a greater need for Islamic banking products in all Muslim countries than conventional banks, Furqani and Mulyany (2009), Kassim (2016) and we can appreciate the significance of this study focusing the benefits of Islamic banking products and their direct effectiveness on economic growth. Iftikharullah Ghani et al., 2022; Azim Mommand the findings of the current study are helpful for the other conventional banks of Afghanistan to fulfill the needs and wants of their customers by providing Islamic banking products to their customers and its effective way of collecting deposits from the external side in Islamic countries, and many more challenges can be reduced by applying this, which they are facing in today's context.

Objectives of the study:

- Exploring the idea of Islamic banking
- Difference between Islamic banking and conventional bank
- Effects of Islamic banking on conventional banking
- What Murabaha is all about
- Profit calculation
- Seeing the results of Ratios

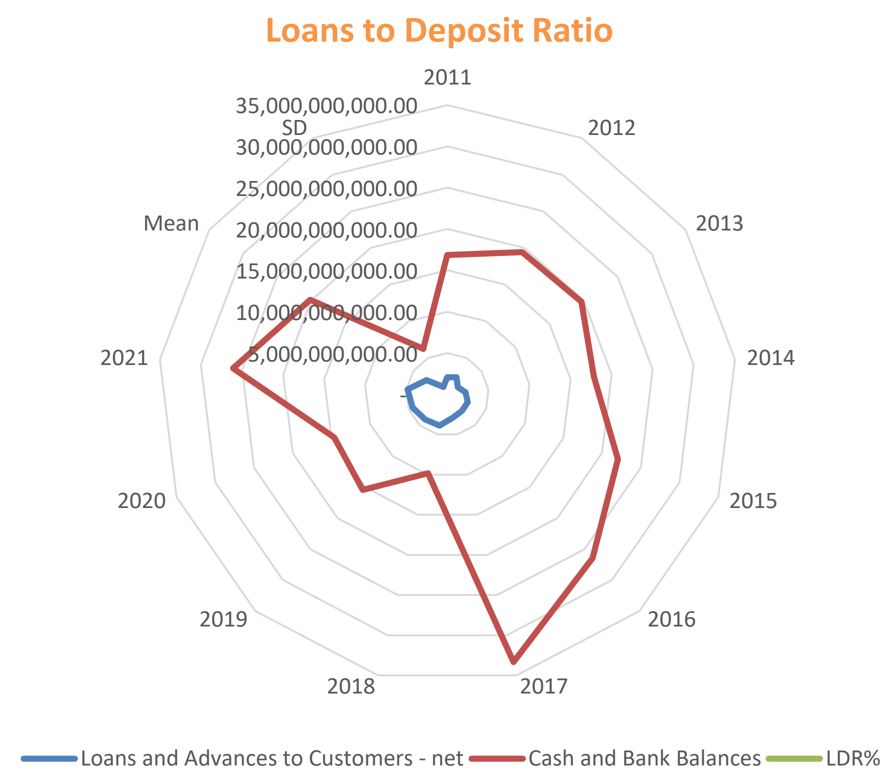
Table 1: Loans to Deposit Ratio

Year	Loans and Advances to Customers - net	Cash and Bank Balances	LDR%
2011	2,074,902,699.00	16,873,432,486.00	12.30%
2012	2,341,931,539.00	19,415,064,410.00	12.06%
2013	1,523,821,305.00	19,692,283,052.00	7.74%
2014	2,225,138,519.00	17,822,201,153.00	12.49%
2015	2,642,372,626.00	22,059,797,985.00	11.98%
2016	2,662,578,675.00	26,465,421,568.00	10.06%
2017	2,889,153,749.00	33,320,673,941.00	8.67%
2018	3,875,153,242.00	9,819,433,696.00	39.46%
2019	4,038,539,141.00	15,455,529,761.00	26.13%

<u>BANK-E- MILLI AFGHANISTAN FINANCIAL RATIO ANALYSIS</u>

<u>EXPERIENTIAL RESULT (1. LIQUIDITY RATIOS)</u>

<u>(1): Loans to Deposit Ratio:</u> The loans to deposit ratio for banks show a decline in liquidity, with banks using more deposits for advances. In **2011**, the ratio was **12.30%** of deposits, and in **2013** was **7.74%** fallen to **4.56%** compared to the starting year because of market fluctuation. but decreased in **2013** due to market fluctuations. In **2018**, the ratio reached **39.46%,** but fell to **18.62%** in **2021** due to revolution and absence of banking law.



2020	4,487,998,836.00	14,628,752,629.00	30.68%
2021	4,856,602,651.00	26,083,845,755.00	18.62%
Means	**3056199362.00**	**20148766948.73**	**15.17%**
SD	**1035428720.31**	**6240309137.84**	**0.099**

Figure 1: Loans to Deposit Ratio

(2): CASH AND PORTFOLIO INVESTMENT TO DEPOSIT RATIO:

Bank ratio indicates the percentage of deposit and short-term funds available for sudden withdrawal. A higher ratio indicates better liquidity position for depositor confidence. In **2011**, the ratio was **108.40%,** Although in **2013** increased significantly to **113.58%** in the highest range and unfortunately but decreased to **0.09** in **2021** due to new government restrictions on borrowing. Bank Milli Afghan has a better liquidity position compared to other private banks, with more funds available for withdrawals.

Table 2: Cash and portfolio investment to deposit ratio

Year	Cash and Bank Balances	Deposits from Banks and Customers	CPID
2011	17,208,249,131.00	15,875,345,937.00	108.40%
2012	19,767,072,447.00	20,245,732,722.00	97.64%
2013	20,074,258,568.00	17,673,625,929.00	113.58%
2014	18,434,344,719.00	18,771,766,522.00	98.20%
2015	22,798,091,653.00	22,491,196,070.00	101.36%
2016	27,540,585,461.00	27,760,008,878.00	99.21%
2017	34,440,117,945.00	35,882,804,380.00	95.98%
2018	33,137,384,135.00	33,341,120,487.00	99.39%
2019	31,701,166,052.00	32,337,422,738.00	98.03%
2020	30,501,003,930.00	32,429,831,991.00	94.05%
2021	32968054.00	35,675,951,680.00	0.09%
Means	**23239567463**	**26589527939**	**91%**
SD	**25259664667**	**37595545867**	**0.671**

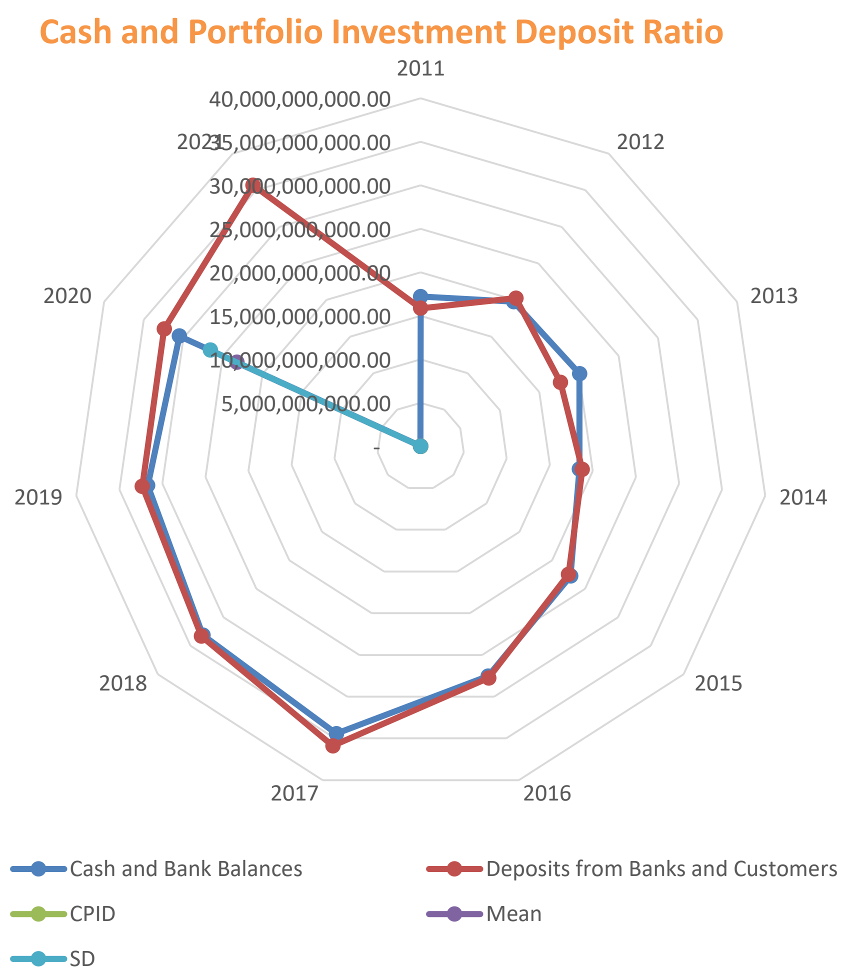


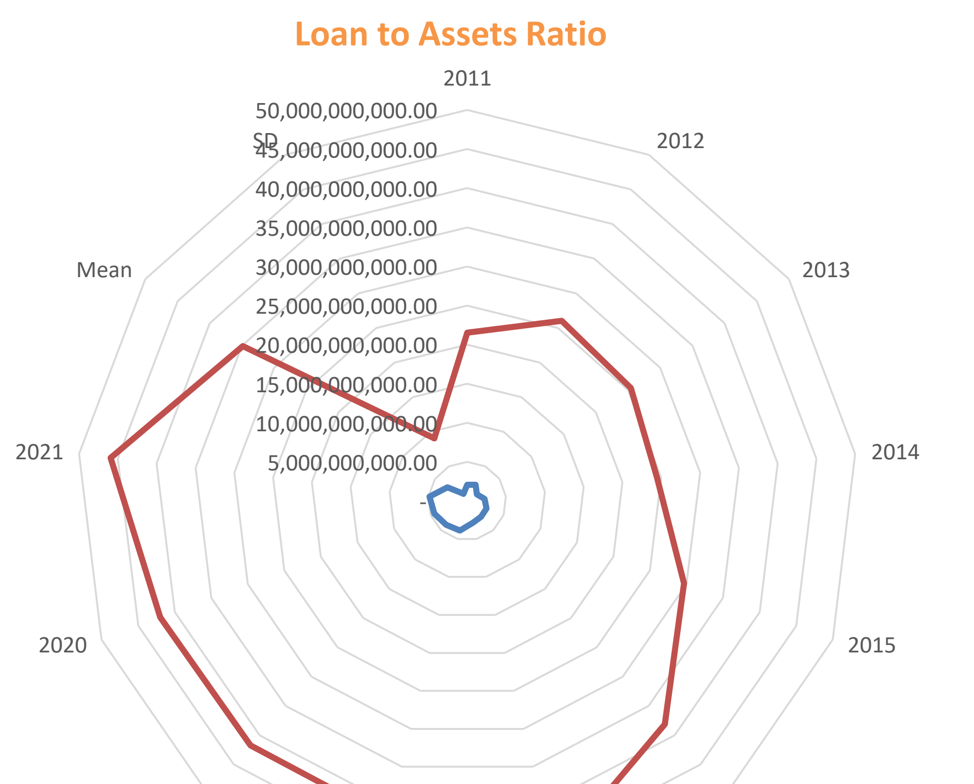
Figure 2: Cash and portfolio investment to deposit ratio

(3): LOAN TO ASSET RATIO (LAR):

The loan to asset ratio measured the total loan outstanding as percentage of total asset. The higher this ratio indicate a bank is loaned up and its liquidity is low. The higher ratio, the riskier a bank may be higher default the reason of that the loan may not refund. Loan to asset ratio has increased for BMA from **9.64%** to **10.58%** indicates that banks have released significant portion of to their assets and to liquid instruments either investments in securities or in cash while non-financial assets are at minimum for both types of banks. The declining trend in LDR of Islamic bank up to **2006** indicates the tendency of comparatively more increase in deposits than loan (financing) and further emphasizes improved liquidity position of Islamic bank. It seems that with the experience in the markets, increased the learning curve of the banks, thereby managing their credit risk to their capacity. Overall result indicates that Islamic banks are more liquid compared to conventional banks. Table **3.3** shows that the average LAR of conventional banks is higher than that of Islamic banks, however the difference in means and dispersions is not significant.

Figure 3: Loan to Assets Ratio (LAR)

Year	Loans and Advances to Customers - net	Total Assets	LAR %
2011	2,074,902,699.00	21,525,861,027.00	9.64%
2012	2,341,931,539.00	26,036,366,463.00	8.99%
2013	1,523,821,305.00	25,439,497,448.00	5.99%
2014	2,225,138,519.00	24,455,528,181.00	9.10%
2015	2,642,372,626.00	29,659,005,082.00	8.91%
2016	2,662,578,675.00	38,115,257,482.00	6.99%
2017	2,889,153,749.00	46,650,278,306.00	6.19%
2018	3,875,153,242.00	41,879,351,674.00	9.25%



2019	4,038,539,141.00	41,761,269,674.00	9.67%
2020	4,487,998,836.00	41,964,983,054.00	10.69%
2021	4,856,602,651.00	45,916,863,163.00	10.58%
Mean	**3,056,199,362.00**	**34,854,932,868.55**	**8.8%**
SD	**1035428720**	**9040041889**	**3.856**

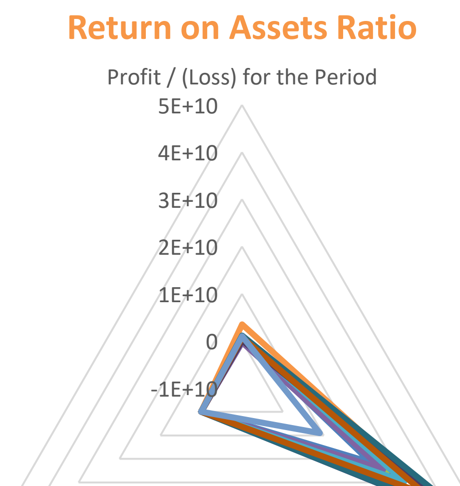
2.PROFITABILITY RATIO:

(4): RETURN ON ASSET RATIO: (ROA):

The loan to asset ratio measures a bank's total loan outstanding as a percentage of total assets. ROA ratio is fluctuating significantly in **2011** positive **1.84%** to **.46%** in **2012**. A higher ratio indicates a bank's low liquidity, which may lead to higher defaults. During **2013** gain raise to **1.27%** to **-1.30% 2014** the reason was some restriction in the banking law. In **2016** total asset covered **9.25%** of Islamic banks have a higher loan to asset ratio, this suggests improved liquidity position and increased learning curves in banks. Although conventional banks have higher average loan to asset ratios, the difference in means and dispersions is not significant.

Table 4: Return on Assets Ratio: (ROA)

Year	Profit / (Loss) for the Period	Total Assets	ROA %
2011	395206901	21525861027	1.84%
2012	120795854	26036366463	0.46%
2013	323836347	25439497448	1.27%
2014	-318567297	24455528181	-1.30%



2015	703642656	29659005082	2.37%
2016	3526921309	38115257482	9.25%
2017	335964633	46650278306	0.72%
2018	683204365	41879351674	1.63%
2019	855226041	41761269674	2.05%
2020	122558132	41964983054	0.29%
2021	1140076007	45916863163	2.48%
Mean	**717169540.7**	**34854932869**	**1.92%**
SD	**966700776.7**	**9040041889**	**0.0255**

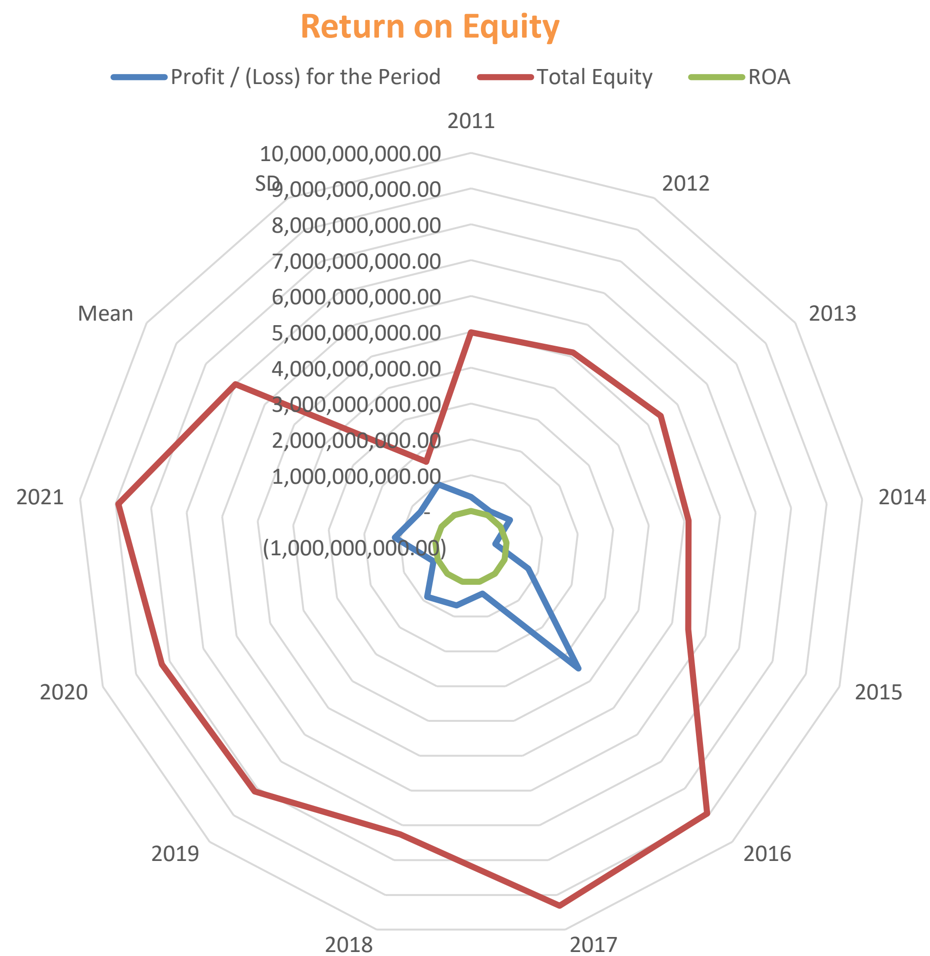
Figure 4:Return on Assets Ratio: (ROA)

(5): RETURN ON EQUITY (ROE):

The return on owner investment (ROI) ratio is a common measure comparing net profit and equity. In **2011**, BMA's profit increased by **7.92%** of total equity. However, from **2012** to **2014**, the bank's profit decreased by **6.22%** due to foreign forces withdrawing and Kabul Bank losing trust. Profits increased in **2015** and **2016**, but fell in **2017** due to political and security issues. In **2018**, **2019**, and **2021**, profits increased due to foreign aid, peace and reconciliation dialogues, and presidential elections. Despite these challenges, BMA's average profit is around **10.25%,** and the ratio is satisfied by analyzing the economic situation.

Table 5: Return on Equity (ROE)

Year	Profit / (Loss) for the Period	Total Equity	ROA
2011	395,206,901.00	4,992,036,669.00	7.92%
2012	120,795,854.00	5,126,585,636.00	2.36%
2013	323,836,347.00	5,433,597,629.00	5.96%
2014	(318,567,297.00)	5,117,640,216.00	-6.22%
2015	703,642,656.00	5,489,381,048.00	12.82%
2016	3,526,921,309.00	8,935,582,467.00	39.47%
2017	335,964,633.00	9,314,315,544.00	3.61%



2018	683,204,365.00	7,256,373,168.00	9.42%
2019	855,226,041.00	8,111,599,209.00	10.54%
2020	122,558,132.00	8,234,157,342.00	1.49%
2021	1,140,076,007.00	8,923,108,402.00	12.78%
Mean	**717,169,540.73**	**6,994,034,302.73**	**10.25%**
SD	**966,700,776.71**	**1,690,763,065.83**	**0.5718**

Figure 5: Return on Equity (ROE)

(6): PROFIT TO EXPENSE RATIO: (PER):

The operating profitability of a bank is measured by its profit earning before tax and operating expenses. In **2011**, the bank's profit was **77.06%** more than operating expenses due to the formation of a Peace and Reconciliation Commission. In **2012**, it decreased to **23.86%** due to the Kabul bank bankruptcy, which led to withdrawals from investors. In **2013**, the bank increased to **142.89%** due to foreign aid and increased business transactions. In **2014**, the profit fell to **-64.88%** due to the presidential election and the new government's focus on internal production. In **2015**, the profit was **174.22%** more than operating expenses due to the government's emphasis on internal production. In **2016**, the bank's profit fell to **715.63%** due to a clash between the two parties within the government. In **2018**, **2019,** and **2020**, the bank's profit increased to **120.75%** and **130.88%,** respectively. In **2021**, the bank's profit reached **98.33%** due to the change of government and the provision of banking activities. Overall, the performance of the bank is positive, especially in **2021**, as more people want to keep their deposits and trust in the bank.

Table 6: Profit to Expense Ratio: (PER)

Year	Profit / (Loss) before Taxation	Total Operating Expenses	PER%
2011	475,157,049.00	616,614,996.00	77.06%
2012	150,994,817.00	632,721,661.00	23.86%
2013	404,900,434.00	283,366,864.00	142.89%
2014	(399,620,315.00)	615,967,710.00	-64.88%
2015	844,618,638.00	484,795,377.00	174.22%
2016	4,455,193,632.00	622,557,900.00	715.63%
2017	472,135,564.00	1,045,002,782.00	45.18%
2018	764,751,800.00	633,344,441.00	120.75%
2019	1,009,344,398.00	771,221,509.00	130.88%
2020	150,807,742.00	984,120,806.00	15.32%
2021	1,207,119,027.00	1,227,632,924.00	98.33%
Mean	**866,854,798.73**	**719,758,815.45**	**120.44%**
SD	**1,212,621,069.25**	**257,223,521.63**	**4.71**

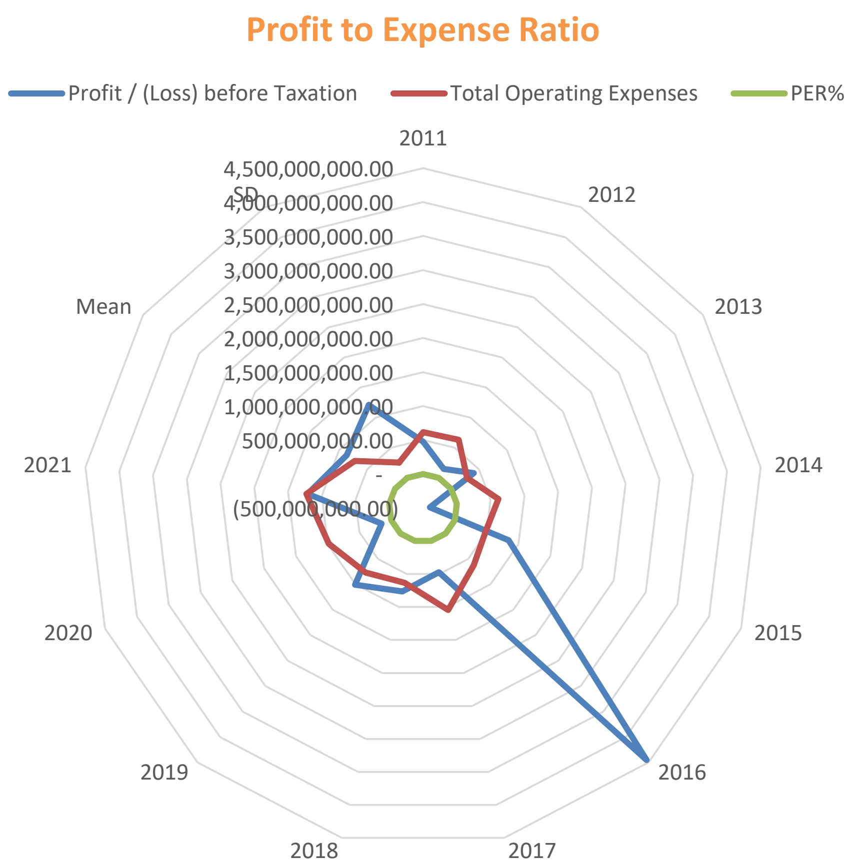


Figure 6: Profit to Expense Ratio: (PER)

3RISK AND SOLVENCY RATIO:

(7): DEBT TO EQUITY RATIO:

The equity ratio of Islamic banks is a tool used to measure their ability to absorb financial shocks and the extent to which a firm uses debt. In **2011**, the ratio was **3.18** times higher than debt due to the regional economic conference in Kabul. In **2012**, it increased **3.95** times more than debt, indicating that BMA does not depend on customer trust. The ratio decreased in **2013** due to the government's failure to sign security with the USA and stop peace talks with its opposition. In **2014**, it increased to **3.67** times more than debt due to election issues and the new government signing security with the USA. In **2017**, the total equity of the bank increased from **3.85 to 4.59,** indicating better management decisions and future plans. In **2019**, the ratio declined from **3.99 to 3.94,** indicating debt as the main reason for the peace talks between the government and opposition. In **2021**, the ratio reached **4.00,** indicating no investment and loan issues due to post-banking law post-bonding.

Table 7: Debt to Equity Ratio

Year	Deposits from Banks and Customers	Total Equity	Debt to expense ratio
2011	15,875,345,937.00	4,992,036,669.00	3.18
2012	20,245,732,722.00	5,126,585,636.00	3.95
2013	17,673,625,929.00	5,433,597,629.00	3.25
2014	18,771,766,522.00	5,117,640,216.00	3.67
2015	22,491,196,070.00	5,489,381,048.00	4.10
2016	27,760,008,878.00	8,935,582,467.00	3.11

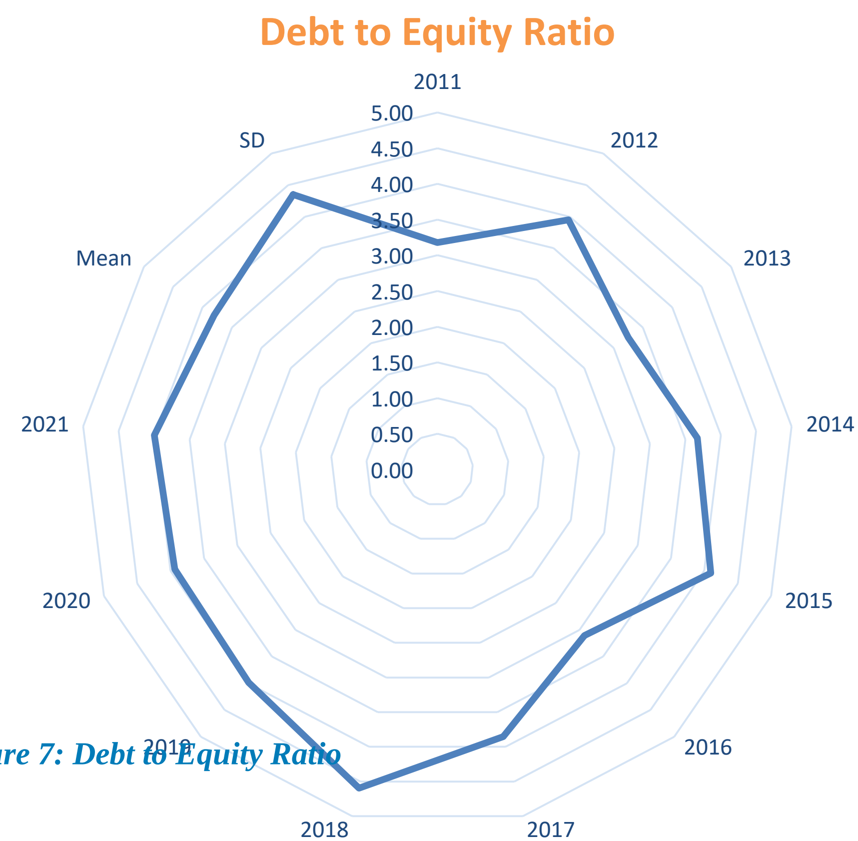


Figure 7: Debt to Equity Ratio

2017	35,882,804,380.00	9,314,315,544.00	3.85
2018	33,341,120,487.00	7,256,373,168.00	4.59
2019	32,337,422,738.00	8,111,599,209.00	3.99
2020	32,429,831,991.00	8,234,157,342.00	3.94
2021	35,675,951,680.00	8,923,108,402.00	4.00
Mean	**26,589,527,939.45**	**6,994,034,302.73**	**3.80**
SD	**7,357,581,229.73**	**1,690,763,065.83**	**4.35**

(8): DEBT TO TOTAL ASSET RATIO (DTAR):

It measures the amount of total debt firm used to finance its total assets and is an indication of financial strength of the bank. It provides information about the solvency and the ability of the firm to obtain additional financing for potentially attractive investment opportunities. The DTAR follows the same pattern for banks as of their respective DER over the period of 10 years from **2011** to **2021** while the overall mean DTAR for BMA is slightly higher than that of other banks. This ratio indicates the percentage of assets financed by debt capital. Overall, the DTAR shows higher and risky compared to other firm its average is more than **70%** The overall mean DTAR for BMA is slightly higher dispersion.

Table 8: Debt to Total Assets Ratio (DTAR)

Year	Deposits from Banks and Customers	Total Assets	DTAR%
2011	15,875,345,937.00	2152586102700.00%	73.75%
2012	20,245,732,722.00	2603636646300.00%	77.76%
2013	17,673,625,929.00	2543949744800.00%	69.47%
2014	18,771,766,522.00	2445552818100.00%	76.76%
2015	22,491,196,070.00	2965900508200.00%	75.83%
2016	27,760,008,878.00	3811525748200.00%	72.83%
2017	35,882,804,380.00	4665027830600.00%	76.92%
2018	33,341,120,487.00	4187935167400.00%	79.61%
2019	32,337,422,738.00	4176126967400.00%	77.43%
2020	32,429,831,991.00	4196498305400.00%	77.28%
2021	35,675,951,680.00	4591686316300.00%	77.70%
Mean	**26,589,527,939.45**	**34,854,932,868.55**	**76.29%**
SD	**7,357,581,229.73**	**9,040,041,888.78**	**0.8139**

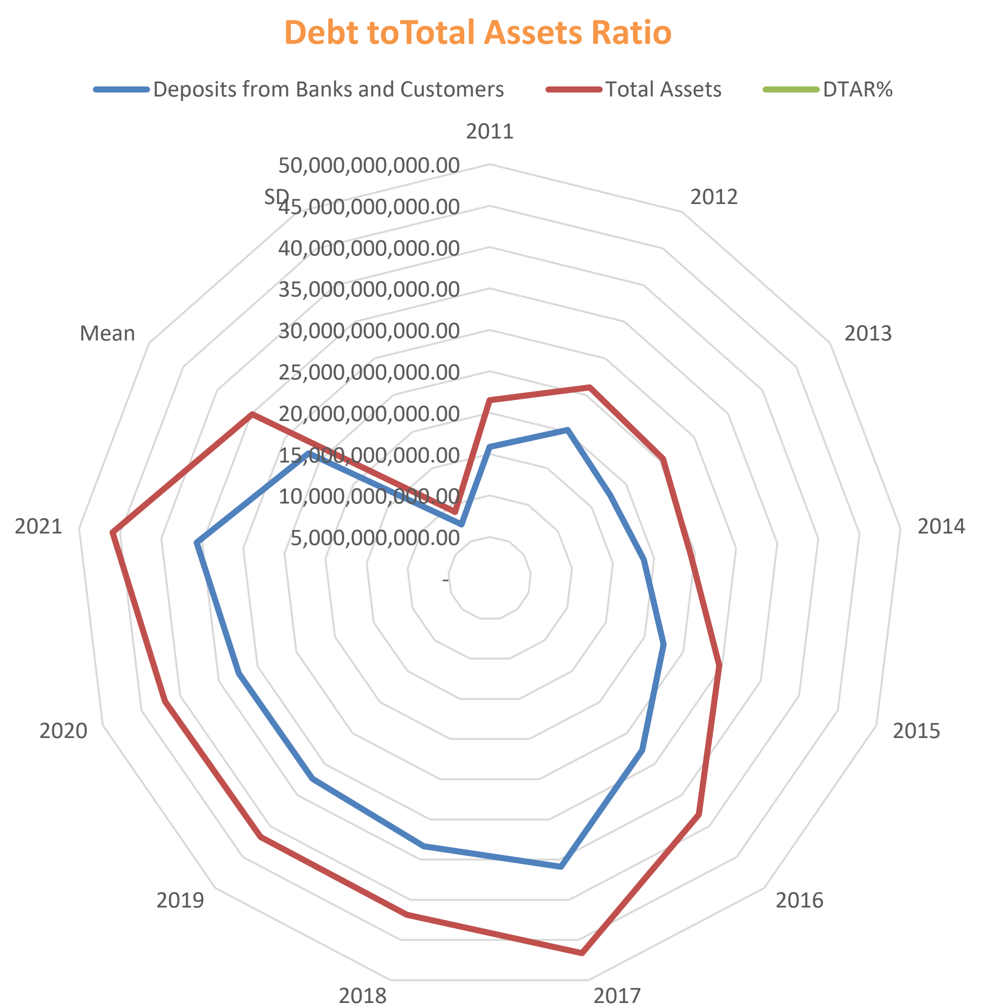


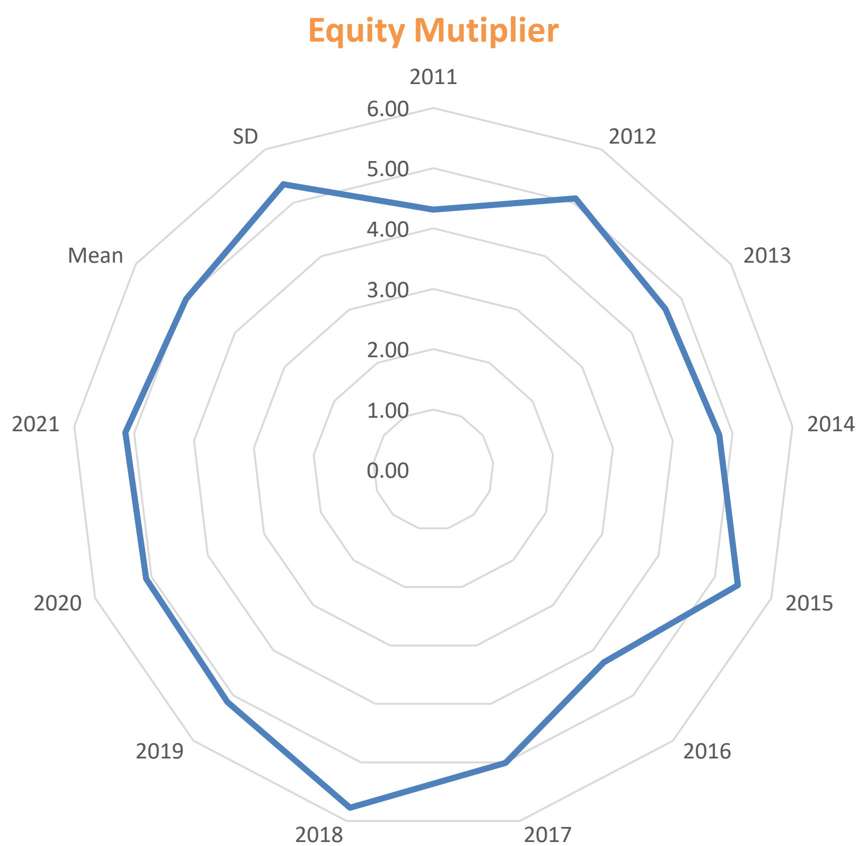
Figure 8: Debt to Total Assets Ratio (DTAR)

(9): EQUITY MULTIPLIER (EM):

Analysis of this measure of risk performance, equity multiplier, shows that BMA has lower equity Multiplier in **2011** as **4.31,** it is Good to be lower EM ratio after that for many years this ratio increases to **5** which is risky to be higher, till **2017** it has constant percentage but after 2017 the mention ratio increases to **5.77** due decrease in assets.

Table 9: Equity Multiplier (EM)

Year	Total Assets	Total Equity	EM
2011	21525861027.00	4,992,036,669.00	4.31
2012	26036366463.00	5,126,585,636.00	5.08
2013	25439497448.00	5,433,597,629.00	4.68
2014	24455528181.00	5,117,640,216.00	4.78
2015	29659005082.00	5,489,381,048.00	5.40
2016	38115257482.00	8,935,582,467.00	4.27
2017	46650278306.00	9,314,315,544.00	5.01
2018	41879351674.00	7,256,373,168.00	5.77
2019	41761269674.00	8,111,599,209.00	5.15



2020	41964983054.00	8,234,157,342.00	5.10
2021	45916863163.00	8,923,108,402.00	5.15
Mean	**34854932868.55**	**6994034302.73**	**4.98**
SD	**9040041888.7843**	**1690763065.8285**	**5.35**

Figure 9: Equity Multiplier (EM)

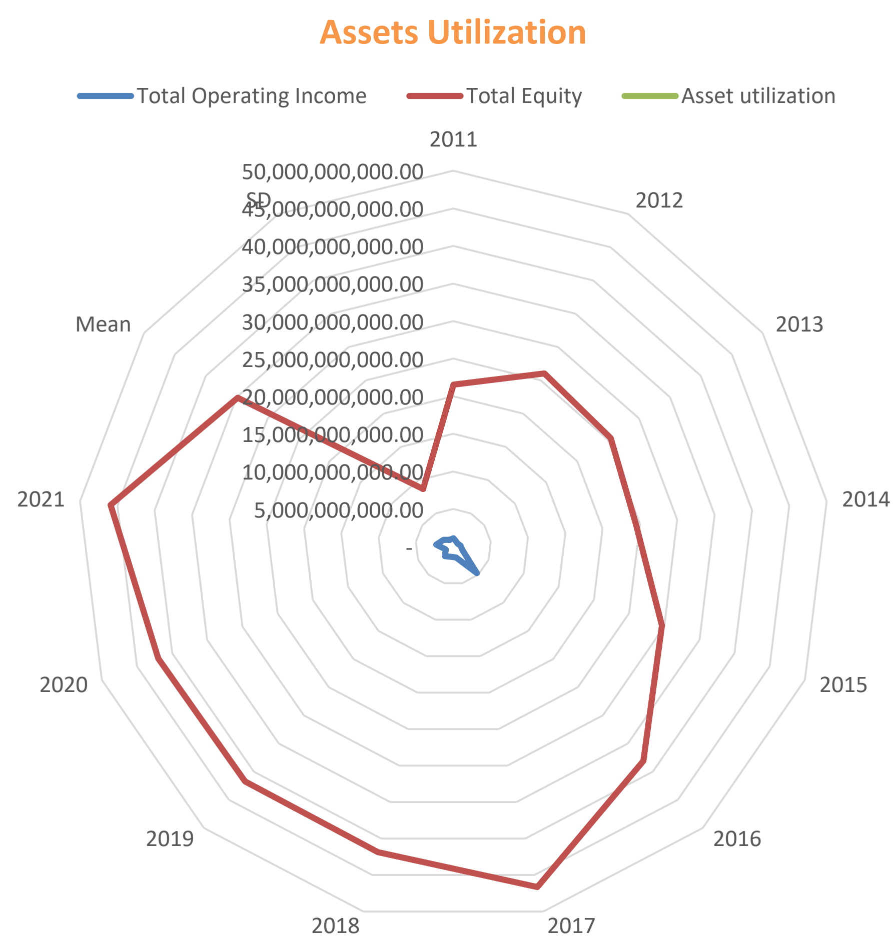
4.EFFICIENCY RATIOS:

(10): ASSET UTILIZATION:

The trend analysis of AU ratio for banks indicate that the BMA performed well in terms of asset utilization over the time horizon of **10** years and the ratio had been consistently higher. Conventional banks revenue has been **3.01%** to **12.43** of their total assets over the period. Indicating that the BMA has properly utilized their assets efficiently and generated more revenue per AFN of Asset invested there in compared to other private banks. The overall average AU ratio of BMA shows clearly in the below table 10:

Table 10: Assets Utilization

Year	Total Operating Income	Total Equity	Asset utilization
2011	1,091,772,045.00	21,525,861,027.00	5.07%
2012	783,716,478.00	26,036,366,463.00	3.01%
2013	688,267,298.00	25,439,497,448.00	2.71%
2014	985,228,683.00	24,455,528,181.00	4.03%
2015	1,280,970,305.00	29,659,005,082.00	4.32%
2016	4,735,865,644.00	38,115,257,482.00	12.43%
2017	1,507,849,109.00	46,650,278,306.00	3.23%
2018	1,389,545,420.00	41,879,351,674.00	3.32%
2019	1,725,755,303.00	41,761,269,674.00	4.13%
2020	1,060,799,474.00	41,964,983,054.00	2.53%
2021	2,279,487,623.00	45,916,863,163.00	4.96%
Mean	**1,593,568,852.91**	**34,854,932,868.55**	**4.57%**



SD	1,036,413,326.98	8,655,181,159.57	0.1197

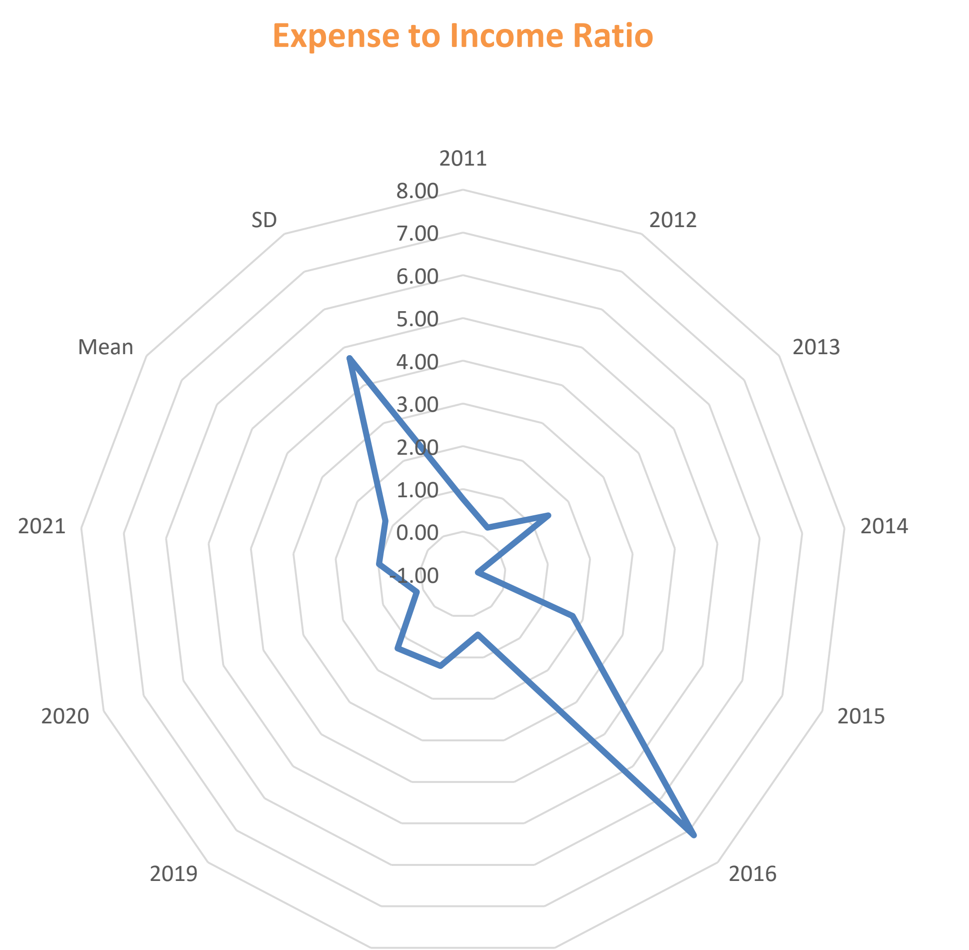
Figure 10: Assets Utilization

(11): Expense to income ratio (IER):

The IER of BMA seem well below except in year **2016**, where it has decreased **13.15%** compared to other year. The ratio for BMA indicates that their management has efficiently used their resources and controlled their variable expenses for every one AFN of operating expense BMA generated revenue of **AFN .77** in **2011**, **AFN 0.24** in **2012**, **AFN 1.43** in **2013**, **AFN-0.65 1.08** in **2014**, **AFN1.74** in **2015**, **AFN 7.16** in **2016**, **AFN 0.45** in **2017**, **AFN 1.21** in **2018**, **AFN 1.31** in **2019**, **AFN 0.15** in **2020** and **AFN 0.98** in **2021** generated revenues below one AFN for each AFN of operating expenses. BMA has been more efficient in managing their expenses and generating revenues which in below table.

Table 11: Expense to income ratio (IER)

Year	Total Operating Expenses	Total Operating Income	Expense to income
2011	616,614,996.00	1,091,772,045.00	0.77
2012	632,721,661.00	783,716,478.00	0.24
2013	283,366,864.00	688,267,298.00	1.43
2014	615,967,710.00	985,228,683.00	-0.65
2015	484,795,377.00	1,280,970,305.00	1.74
2016	622,557,900.00	4,735,865,644.00	7.16
2017	1,045,002,782.00	1,507,849,109.00	0.45
2018	633,344,441.00	1,389,545,420.00	1.21
2019	771,221,509.00	1,725,755,303.00	1.31
2020	984,120,806.00	1,060,799,474.00	0.15
2021	1,227,632,924.00	2,279,487,623.00	0.98
Mean	**542,670,751.33**	**1,594,303,408.83**	**1.20**



SD	**126,437,984.31**	**1,418,276,730.83**	**4.71**

Figure 11: Expense to income ratio (IER)

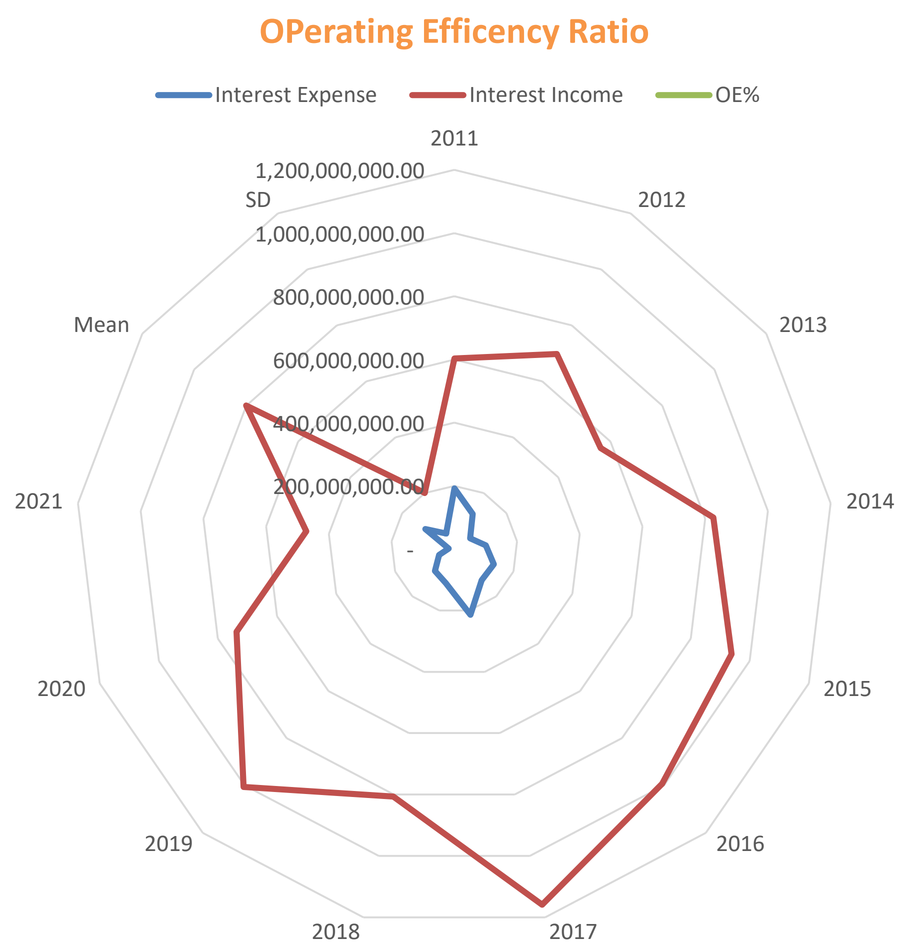
(12): OPERATING EFFICIENCY RATIO (OE):

Operating efficiency shows that the entity incurred how much expense to earn one unit of revenue. As shown by AU ratio, and again showed efficiency in revenue generation per AFN expense. In **2011** the efficiency ratio is high in revenue generated the reason was some good step toke by the management but in **2012** down to **17.97%** there are a lot issue politically economically beside this issue the Kabul bankrupted. Once again in **2013** down to **10.75%** because of less investment there were election in **2014** the political situation was not clear and the government did not the security Agreement and the foreign less their Aid. During **2014** and **2015** again the ratio is raise up from **12.12 % to 14.25 %** the reason the new government signed the security agreement with USA the foreign started their Aid if looking to **2016** the ratio fall to **13.23%** compared to last two year so in **2017** was raised to **18.43 %** because of more investment therefore in last four year it comedown even blew **10%** the reason some restriction by DAB investment except **2021** the fall off previous government and stopping the banking activity unclear banking law there are also some issue of foreign banking.

Table 12: Operating Efficiency Ratio (OE)

Year	Interest Expense	Interest Income	OE%
2011	192,035,423.00	603,789,194.00	31.81%
2012	125,358,993.00	697,619,180.00	17.97%
2013	60,604,796.00	563,512,735.00	10.75%
2014	100,136,455.00	826,141,290.00	12.12%
2015	133,754,763.00	938,419,671.50	14.25%
2016	131,203,584.00	992,046,626.00	13.23%
2017	213,671,129.00	1,159,390,261.00	18.43%
2018	111,055,517.00	806,164,053.00	13.78%
2019	92,017,894.00	1,005,133,271.00	9.15%
2020	51,404,217.00	737,263,149.00	6.97%
2021	17,749,025.00	472,048,732.00	3.76%
Mean	**111,726,526.91**	**800,138,923.86**	**13.96%**
SD	**55,185,519.59**	**200,997,233.53**	**0.27**

Figure 12: Operating Efficiency Ratio (OE)



FINANCIAL RATIO COMPARISON OF BMA FOR THE YEAR 2020 AND 2021 (CONSOLIDATE)

A: Liquidity Ratio

Performance Measure	2020	2021
LDR	30.68%	18.62%
CPID	94.05%	0.09%
LAR	10.69%	10.58%

B: PROFITABILITY

Performance Measure	2020	2021
ROA	0.29%	2.48%
ROE	1.49%	12.78%
PER	15.32%	98.33%

C: RISK AND SOLVENCY RATIO

Performance Measure	2020	2021
DER	393.85%	399.82%
DTAR	77.28%	77.70%
EM	509.65%	514.58%

D: EFFICENCY RATIO

Performance Measure	2020	2021
AU	2.53%	4.96%
IER	92.77%	53.86%
OE	6.97%	3.76%

HORIZONTAL ANALYSIS:

Horizontal analysis is also termed as dynamic analysis under this type of comparison of the trend of each item in the financial statement over the number of years all revived or analyzed this type of comparison helps to identify the trend in various indicators of performance in this type of analysis, current year figures are compared with base you for figures are presented horizontally over a number of columns.

Horizontal Analysis

BMA's Financial Statement (position) for the Year 2020-2021

Asset	2020	2021	Horizontal Analysis
AFN			In Percentage
Cash and Bank Balance	32,429,831,991.00	35,675,951,680.00	10.0%
Loan and advances to customer	4,487,998,836.00	4,856,602,651.00	8.2%
Investment	15,872,251,301.00	6,884,208,978.00	-56.6%
Property and equipment	1,234,910,848.00	1,267,981,081.00	2.7%
Intangible Asset	10,975,538.00	7,769,196.00	-29.2%
Investment property	4,391,960,252.00	5,724,405,630.00	30.3%
Other Asset	1,338,133,650.00	1,092,049,872.00	-18.4%
Total Asset	**59,766,062,416.00**	**55,508,969,088.00**	-7.1%
Liabilities			
Deposit from bank and customer	32,429,831,991.00	35,675,951,680.00	10.0%
Current tax liabilities	12,487,269.00	-	-100.0%
Differed Tax liabilities	684,315,450.00	763,306,670.00	11.5%
Other Liabilities	604,191,002.00	507,989,340.00	-15.9%
Total Liabilities	**33,730,825,712.00**	**36,947,247,690.00**	**9.5%**

Equity			
Share capital	1,000,000,000.00	1,000,000,000.00	0.0%
Retained Earning	6,399,655,565.00	7,039,911,573.00	10.0%
Surplus on revolution of property and equipment	792,247,503.00	792,247,503.00	0.0%
Exchange Translation Reserves	34,313,024.00	82,105,824.00	139.3%
General Reserve	7,941,250.00	8,843,502.00	11.4%
Total equity	**8,234,157,342.00**	**8,923,108,402.00**	**8.4%**

Total Liabilities and equity	**41,964,983,054.00**	**45,916,863,161.00**	**9.4%**

VERTICAL ANALYSIS

BMA's Income statement (for the year 2020-2021)

Income	2020	2021	Vertical Analysis	Vertical Analysis
Interest Income	737,263,149.00	472,048,732.00	107.49%	103.91%
Interest Expense	51,404,217.00	17,749,025.00	7.49%	3.91%
Net Interest Income	**685,858,932.00**	**454,299,707.00**	100.00%	100.00%
Commission Income	207,359,825.00	149,169,526.00	101.34%	101.34%
Commission Expense	2,743,672.00	2,865,103.00	1.34%	1.96%
Net Commission Income	**204,616,153.00**	**146,304,423.00**	**100.00%**	**100.00 %**
Net Income form Trading in Foreign Currencies	1,376,779.00	68,562,748.00	0.13%	3.01%
Unrealized Exchange Gain / (Loss)	(7,146,077.00)	447,662,365.00	-0.67%	19.64%
Gain on Revaluation of Investment Properties	-	1,058,990,863.0 0	0.00%	46.46%
Other Operating Income	176,093,687.00	103,667,517.00	16.60%	4.55%
Total Other Income	170,324,389.00	1,678,883,493.0 0	16.06%	73.65%
Total Operating Income	**1,060,799,474.0 0**	**2,279,487,623.0 0**	**100.00%**	**100.00 %**

Operating Expenses

Impairment (Gain)/ Loss on Loans - net	219,557,406.00	97,445,100.00	56.42%	23.21%
Provision / (Reversal) on off balance sheet items	-	-	0.00%	0.00%
provision / (Reversal) on Other Assets	169,620,000.00	237,743,950.00	43.58%	56.64%
Short time Investments	-	84,569,332.00	0.00%	20.15%
Net interest income	**389,177,406.00**	**419,758,382.00**	**100.00%**	**100.00 %**
Personnel Expenses	303,257,453.00	300,063,904.00	44.54%	32.35%
Finance Cost on Lease Liability	-	2,521,687.00	0.00%	0.27%
Depreciation	21,921,254.00	33,885,159.00	3.22%	3.65%
Amortization	5,297,970.00	3,700,832.00	0.78%	0.40%
Other Expenses	264,466,723.00	467,702,960.00	38.84%	50.42%
Total Operating Expenses	291,685,947.00	507,810,638.00	42.84%	54.75%
Total Operating Profit	**680,863,353.00**	**927,569,020.00**	**100.00%**	**100.00 %**
Impairment (Loss) on Investment	-	-	0.00%	0.00%
Share in Profit of Associate	74,129,074.00	155,264,328.00	9.82%	11.52%
Profit / (Loss) before Taxation	**754,992,427.00**	**1,347,327,402.0 0**	**100.00%**	**100.00 %**
Taxation	(28,249,610.00)	(67,043,020.00)	3.61%	4.74%
Profit / (Loss) for the Period	**783,242,037.00**	**1,414,370,422.0 0**	**100.00%**	**100.00 %**

Conclusion: This study examines the impact of Marabah Scopes on Islamic banking sectors in Afghanistan, focusing on trends from January **2011** to February **2021**. The study uses Rader Style to analyze loan to deposits, cash and portfolio investments to deposits, loan to asset ratios, return on assets, return on equity, profit to expands, debit to equity ratios, debit to total assets ratios, equity multiplier, assets utilization, expands to income ratios, and operating efficiency ratios to find out the Means and Standard devotions. The results show that the Islamic banking sector in Afghanistan has different situations over time, with the loans to deposit ratio declining due to market fluctuations and the absence of banking law. Islamic banks have a higher loan to asset ratio, suggesting improved liquidity and learning curves. The bank's performance has been positive, especially in **2021**, as more people want to maintain their deposits and trust in the bank. The total equity of the bank has increased from **3.85** to **4.59,** indicating better management decisions and future plans. The **DTAR (Debt to Equity Ratio)** for BMA is slightly higher than other banks, with an average of over **70%.** The bank's equity multiplier has a lower EM ratio since **2011**, but has increased to **5.77** after a decrease in assets. The bank's asset utilization ratio has consistently been higher over the **10-**year time horizon, indicating efficient use of its assets and generating more revenue per asset invested compared to other private banks.

Implications: It is suggested under the study findings that the administration of Bank-e- Milli Afghanistan (BMA) and policymakers should develop a considered strategy to deliver better Islamic banking services and development, internal and external communication, with Islamic shariah and law' to work and support rewards in BMA, which simultaneously increase the new methodology of Islamic banking sectors to inspire, shape, and sustain Murabaha processes between their Islamic banking systems (Hume and Hume, 2015; Sahibzada et al., 2019; Azim; Mommand el at; Ghani 2023). Likewise, BMA management should employ a structure well balanced with Musharakah, Mudarabah, Musawamah, Istisna, Bai Salam, Ijarah, Tawarruq, Qardh-ul Hasan, Hawala, Kafala, Rahn, Wakalah, Qard, Wadiah, and Amanah, Sukuk (Islamic bonds), Takaful Maisir., Gharar (Islamic insurance), Islamic credit cards, Islamic funds, Islamic derivatives, Wa'd, Microfinance, and Islamic marketing. Such structure may further lead to increased MS, which ultimately affects research partnerships, idea contributions, and innovative results. Furthermore, this research is an initial effort to bridge this gap and is innovative in the sense that it adds understandings to Murabaha literature explaining how BMA processes contribute to the performance of Murabaha via the mediation of Shariah and Law'. Outcomes of this research demonstrate that executing Deposit Ratios, Cash and Portfolio Investments to Deposit Ratio, Loan to Asset Ratios, Return on Assets Ratios, Return on Equity, Profit to Expanses Ratios, Debit to Equity Ratios, Debit to Total Assets Ratios, Equity Multiplier, Assets Utilizations, Expanses to Income Ratios, and Operating Efficiency Ratios, Islamic Banking Law internally and internationally, can encourage MS capability entailing improved horizontal and vertical FR.

Limitations and future research: The study highlights the limitations of the current study but suggests new research opportunities. Bank-e-Milli Afghanistan (BMA) is a key regulator in Afghanistan's Islamic banking sector, ensuring Murabaha Islamic banking scope. However, challenges in regulating informal Islamic financial transactions like hawala persist. Future studies should explore other indicators such as Musharakah, Mudarabah, Musawamah, Istisna, Bai Salam, Ijarah, Tawarruq, Qardh-ul Hasan, Hawala, Kafala, Rahn, Wakalah, Qard, Wadiah, and Amanah, Sukuk (Islamic bonds), Takaful Maisir., Gharar (Islamic insurance), Islamic credit cards, Islamic funds, Islamic derivatives, Wa'd, Microfinance, and Islamic marketing impact factor citations for vigorous inquiry to measure the MS in BMA instead of those opted for in the current study. further research to improve BMA.

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