

## **Review Report: ‘*IMPACT OF THE ISLAMIC BANKS’ PERFORMANCES ON ECONOMIC GROWTH OF BANGLADESH: PANEL DATA ANALYSIS*’**

- It is a poorly written article; the author should have been asked to refine the submission during its desk review.
- Some of the important citations and references are incomplete. I also find that some references are missing essential details.
- **Problem Statement:** The 'Introduction' section lacks the necessary arguments for this study and is poorly written. It also requires language editing.
- **Literature review**
  - At the beginning, a few sentences state: "This section summarizes the literature on the financial, macroeconomic, and industry-specific factors that affect banks' financial performance. The gaps pertinent to this study have been identified after a review of the literature. Additionally, the shortcomings of the available empirical investigations have been emphasized (Rabaa & Younes, 2016)." However, I find no relevance of the cited paper to this context.
  - A significant part of the table summarizing the findings from the literature (2009 to 2016) appears to be copied exactly from the paper by Yüksel, S., & Canöz, İ. (2017).
  - The citation "the Faculty of Entrepreneurship and Business at Universiti Malaysia Kelantan (2020)" is sloppy. Nothing corresponding to this citation is found in the references.
  - The last paragraph reads: "In line with the literature, the most appropriate empirical model and frequently used variables for the financial results of Islamic banks as well as the variables influencing economic growth were employed in this study. Furthermore, this study contributes to the understanding of the relationship between economic growth and the financial performances of Islamic banks in Bangladesh, which sets it apart from previous research. This makes the study special since it employs this methodology to look into the connection between the financial performance of Islamic banks and economic expansion. As a result, it's believed that the results were more trustworthy and precise."
    - The author should specify the papers and the variables that were adopted from them.

- The claim of employing a sound methodology is quite overstated, which I will address in the 'Methodology' section.
- The review overlooks seminal papers in its field, which are crucial for a comprehensive understanding of the topic and helpful to come up with an effective econometric strategy.
- **Methodology**
  - The design of the methodology is very poor.
  - Initially, the authors state, "For the purpose of this study, a sample of five Islamic banks was selected using a convenient sampling method." However, a few sentences later, it is mentioned, "The randomly selected Islamic banks, which provide a lion's share of the banking services in Bangladesh, are private." This presents an inconsistency in the sampling description.
  - Variables: The selection of variables would have been more compelling if they had been directly linked to the literature.
  - The model specification is based on panel data.  $Y_{it} = \alpha_i + \beta_{it}ROA_{it} + \chi_{it}ROE_{it} + \delta_{it}EPS_{it} + \varphi_{it}ETA_{it} + \eta_{it}CAR_{it} + \theta_{it}IER_{it} + \gamma_{it}AU_{it} + \varepsilon_{it}$ 
    - As the paper claims to follow time series model, this model should be rewritten in the form of Panel ARDL(p, q)
    - $Y_{it}$  doesnot capture the growth. Either it should be  $\ln(Y_{it})$  or growth rate as dependent variables.
    - Under the section 'Model,' it states: 'By analyzing the results, we are able to identify factors that are directly related to the state of the economy, such as the adoption by Islamic banks, by utilizing the study of Demirgüç-Kunt (2013).' However, this crucial citation—Demirgüç-Kunt (2013), upon which the methodology is based—is missing from the references. Thus, I could not verify the paper nor its methodology.
    - Research methods is not justified well
    - The paper uses on 8 data points which are not enough for the estimation method it intended to use. It could use the quarterly/semi-annual data to increase the data point

- **Results and Finding**

- The analysis is quite disappointing. Despite claims of using panel data, there is no analysis conducted on the entire panel. All correlation tables, ARDL tests, and Granger causality tests are based on individual banks, not the panel.
- The results obtained do not support the conclusions claimed.
- A significant issue is the lack of a proper econometric strategy to establish causality between bank performance and economic growth.
- While Granger causality tests are useful for preliminary analysis to identify potential predictive relationships between variables, a positive Granger causality result does not necessarily imply causality. Findings from such tests should be supported with theoretical backing and further robustness checks, especially when informing policy decisions or financial strategies. Considerations such as stationarity, structural breaks, omitted variable bias, sample size, simultaneity, and lag selection should be properly addressed.

- **Suggested papers** (any similar papers) from which authors could be benefited:

- Kassim, S. (2016). Islamic finance and economic growth: The Malaysian experience. *Global Finance Journal*, 30(1), 66–76
- Author(s) can also use the papers referenced in this document, which are published in good journals, to formulate their analysis methods effectively