

# **DIB Coaching: Part 106**



Theory and Practice of Banking:  
Islamic and Conventional  
(Marks- 100)

**Presented by**

**MOHD. ANWAR HOSSAIN SVP  
Faculty Member & Head of DIB  
Islami Bank Training and Research Academy**

# DIB Exam Result Analysis:



## • **Sob: Theory and Practice of Banking: Islamic & Conventional**

Sl.	Session	Apeared	Passed	% of passed
1	April-2019	304	191	62.82
2	October-2019	750	440	58.67
3	April-2021	383	197	51.43
4	October-2021	924	435	47.08
5	May-2022	922	327	35.47

# DIB Coaching: Part 106



- (A) Theory of Banking: Sl. 1 - 3
- (B) Practice of Banking: Sl 4 – 7
- Broad Questions 7
- Short Notes 1 (Compulsory)

# Cash Management



- (A) Theory of Banking: Sl. 1 - 3
- 1. Concepts of Banks & Banking Systems: - History of Banking; Functions of Bank; Classifications of Banks– Unit, Branch & Chain Banking; Central ,Commercial, Specialized Banking; Retail & Wholesale Banking; Relationship & Transactional and Virtual Banking; Universal Banking ; Green Banking; Mortgage Banking; Merchant Banking; E - Banking; Non Banking Financial Institutions..

# DIB Coaching: Part 106

- 2. Concepts of Islamic Banking: Meaning & Objectives, Shariah Concepts & Principles of Islamic Banking, History & Present Status of Islamic Banking in Bangladesh & around the World, Difference & Superiority over the Conventional Banking, Concepts of Profit & Interest (Riba) based Transactions, Distortion in Islamic Banking, Resources Mobilization Principles & Process, Profit Earning & distribution system, Problems of Islamic Banking in dual Banking system & Prospects of Islamic Banking in Bangladesh and Role of Shariah Supervisory Committee, Central Shariah Board, AAOIFI..

# Brief History



- Concept and development of Bank
- Conventional And Islamic Bank
- Principles of Islamic Bank
- Definition of OIC, Prohibition of Riba (Interest)
- Reference from the Verse of the Holy Quran
- 1<sup>st</sup>. Sura ar Room 39, 2<sup>nd</sup>. An Nisa 161
- 3<sup>rd</sup>. Ale Imran 130, 4<sup>th</sup>. And final al Bakara 274-281
- Riba in Hadith. 1. Aan Nasiah 2. Al Fadal

# Present Status of Islamic Banking in Bangladesh & around the World,

## ● Developments of Islamic Banking Segment in Bangladesh April-June 2022:

● Islamic financial sector is now considered as a global industry in terms of its assets like Islamic banks, Islamic bonds, Islamic mutual fund and Islamic insurance etc. The sector is growing globally based on its risk sharing, optimism, inclusiveness and real asset backed transaction features. In line with global trends, Islamic banking sector in Bangladesh has also been witnessing robust growth due to policy supports from the Bangladesh Bank and strong public demand.



- **Overview of Islamic Banking Segment** in Bangladesh At present, 10 full-fledged Islamic banks have been operating with 1682 branches out of total 10963 branches of the whole banking system. In addition, 45 Islamic banking branches of 9 conventional commercial banks and 480 Islamic banking windows of 13 conventional commercial banks are also providing Islamic financial services in Bangladesh



# Table 1: Number of Islamic Banks, Branches and Windows

Sl. No.	Full-fledged Islamic Banks	Islamic Banking Branches in Conventional Banks	Islamic Banking Windows in Conventional Banks
1	Islami Bank Bangladesh Limited (384)	The City Bank Limited (1)	Sonali Bank Limited (58)
2	ICB Islamic Bank Limited (33)	AB Bank Limited (1)	Janata Bank Limited**
3	Social Islami Bank Limited (172)	Dhaka Bank Limited (2)	Agrani Bank Limited (47)
4	Al-Arafah Islami Bank Limited (201)	Premier Bank Limited (27)	Pubali Bank Limited (17)
5	EXIM Bank Limited ( 141)	Prime Bank Limited (5)	Trust Bank Limited (15)
6	Shahjalal Islami Bank Limited (132)	Southeast Bank Limited (5)	Bank Asia Limited (5)
7	First Security Islami Bank Limited(197)	Jamuna Bank Limited (2)	Standard Chartered Bank (1)
8	Union Bank Limited (104)	Bank Alfalah Limited (1)	Mercantile Bank Limited (45)
9	Standard Bank Limited (138)	NRB Bank Limited (1)	Midland Bank Limited (2)
10	Global Islami Bank Limited (180)		NRBC Bank Limited (259)
11			One Bank Limited (2)
12			United Commercial Bank (11)
13			Meghna Bank Limited (3)
14			Mutual Trust Bank Limited(15)

# Activities of Islamic Banking Segment in Bangladesh: April-June 2022

Islamic Banking system has significant contributions towards the growth and economic development of Bangladesh. Briefly discussed below:

- **Total deposits** in Islamic banking system reached to **BDT 4123.41** billion at the end of June 2022 with an increase of BDT 441.77 billion or 12.00% as compared to last year.

- **Total investment** stood at BDT **3818.29** billion at the end of June 2022 which went up by BDT 538.86 billion or 16.43% as compared to the end of March 2022

- Investment-Deposit ratio (Credit-Deposit ratio in conventional sense) stood at 0.93 which was 0.90 at the end of March 2022 and 0.89 at the end of June 2021.

- Excess liquidity of Islamic banking system stood at BDT 260.09 billion at the end of June 2022 which was lower by BDT 39.89 billion (13.30%) and by BDT 103.55 billion (28.48%) than that of the end of March 2022 and the same period of the last year respectively.

- Total **remittances** mobilized by the Islamic banking system stood at BDT **157.17** billion during April-June 2022, which was higher by BDT 22.47 billion or by (16.68%) and lower by BDT 43.23 billion or (21.57%) than that of the previous quarter and the same quarter of 2021 respectively.

- **The number of branches** of Islamic banking system including Islamic branches and windows of conventional commercial banks reached to **2207** at the end of June 2022 which was **1802** at the end June of last year.

- Total employment in the Islamic banking system stood at **48728** at the end of June 2022

which was **47927** at the end of March 2022 and **43909** at the end of June **2021**.

# Modern Concept of Bank



- Booth Banking
- Sub Branch Banking
- Agent Banking
- Branch Banking
- Retail Banking
- Wholesale
- Corporate and Institutional Banking
- Chain Banking
- Virtual Banking and e-Banking
- Green Banking

**NBFI 34**  
**Merchant Bank**  
**Offshore Bank**

# DIB Coaching: Part 106



- 3. Central Banking: Concepts, Objectives, Functions & Role of Central Bank; Banks Examinations & Supervisions: On Site & Off Site, Banks Performance measuring & evaluation - CAMELS Rating, Credit Control, Bank Rate Policy, Open Market Operation; Regulatory Framework & Regulations by Central Bank, Reforms in Banking & Financial Sectors; Guidelines for Islamic Banking; Central Banking in Islamic Framework.



- Function of a Central Bank
- Estt. In 16 December 1972, Bangladesh Bank Order 1972, President Order No. 127 of 1972 (Ammend. 2003)
- Function of a Commercial Bank
  - i. General Banking ii. Investment iii. International Trade & iv. Other Services

# AAOIFI (The Accounting & Auditing Organization for Islamic Financial Institutions )

- Estt. 26 February 1990 in Algiers
- Registered in Kingdom of Bahrain, 27 March 1991
- It is a non profit making corporate body.
- Objectives.
- Structure/ Secretariat
- Code of ethics
- Standards/ General Banking Standard 28.
- 2/1-
- 2/2-
- 2/3
- 2/4-Service of conducting studies and consultation.

# GB as per s-28



- 2/5-Collection and Payment services.
- 2/6Accounts' service
- 2/7- Service of safe deposits vault.
- 2/8-Service of cards and their related boodies.
- 2/9-Zakah account service
- 2/10-Suretyship services
- 2/11-Cheque services
- 3. Date of issuance of the Standard 8June 2006.

# DIB Coaching: Part 106



- (B) Practice of Banking: Sl | 4 – 7
- 4. Branch Banking Operation: Different Types of Deposit, Deposit A/Cs / Deposit Products, Deposit A/C Holders; Types, Uses and Handling of Cheques, Cheque Collection Methods ( Clearing, OBC / IBC, Internal Transfer, IBCA / IBDA, Online Transfer); Collecting & Paying Banker; Remittance & Different Ancillary Services; Cash Management; IBG A/C Reconciliation; Customer Services, Banker Customer Relationship;.



# Cash Management



- What do you mean by cash Management
- Importance of cash Management
- Sorting procedure under BB guideline
- Definition of various counterfeited notes like charred Notes, Damp Note, Alteration Notes.
- Characteristics of Non issuable, Mutilated, and Claims Notes.
- What do you mean by IBG Profit
- Walking Customers

# Definition as per NI Act 1881



- Promissory note (Sec.. 4),
- Bill of Exchange (Sec.. 5),
- Types of Cheques (Sec.-6),
- What do you mean by Special Crossing. What is the procedures to make payment of a Crossed/Special Crossed cheque.
- Drawer (Sec.-7), Holder (Sec.-8), Holder in due course (Sec.-9), Payment in due course (Sec.-10), Negotiable Instrument ec.- 13). What is negotiation
- Endorsement (Section 15.)
- Types of Endorsement; putting signature on the back of the Instrument by the holder or negotiator.
- Who can make Endorse

# Types of Endorsement



- **Mainly 2(Two) types**
- 1.Black Endorsement 2.Full Endorsement
- Full Endorsement
- i. Partial Endorsement
- Ii. Conditional Endorsement
- Iii. Restricted Endorsement
- Iv. Facultative Endorsement
- V. San-recourse Endorsement
- Vi. San-fri Endorsement
- Vii. Pre-pro Endorsement

# Clearing:



- BACH
- BEFTN
- RTGS
- NPSN
- Conducting of Ancillary Services, earn Ancillary Income.

# DIB Coaching: Part 106



- 5. Internal Control & Compliance: Concepts, Functions, Statutory Audit, Preparation & Handling of Audit Report.
- Function of ICCW
- Compliance is a tools of good governance
- Role of Statutory Audit
- Types of BB Audit

# DIB Coaching: Part 106



- 6. Fund Management: Asset – Liability Management (ALM) Techniques: Demand for & Supply of Bank Liquidity in Conventional & Islamic Banking system, Liquidity Problems – Liquidity Management strategies, Factors determining cash reserves of Banks, Profit Rate Risk, Managing Funds: Deposit & Non Deposit Funds, Off Balance Sheet Sources, Management of Capital under Basel Framework; Deposit- Inv Mix, Deposit - Inv Ratio, CRR, SLR.

# Basel-III



- What is BASEL –it is an International accord – Committee on Banking Supervisory
- Esstt. In Basel on 1974 by CB from the G10Countries.
- HQ Basel Switzerland
- What is Capital Adequacy?
- Capital Tire –I Core Capital- Paid up Capital, Non repayable share capital, Statutory Reserve,, retain earning, Dividend Equalization account
- Tire –II General Proviton, Assets revaluation Reserve, Mudaraba sub ordinate Bond
- Tire -III -

# DIB Coaching: Part 106



- 7. Money & Capital Market: (a) Conventional System: Operation by Bank in Money Market Instruments (like Treasury Bill / Bonds, Commercial Papers, Mutual Funds, Certificate of Deposit, Repo / Reverse Repo etc), Call Money Market, Share Trading & Brokerage House Operations etc. (b) Islami Money Market: Islamic Bonds, Mutual Funds etc.



# Short notes



- 1.FintTech
- AAOIFI
- Financial Inclusion
- Islamic Money Market
- Islamic Capital Market
- Call money market
- NI Act 1881
- ICRRS
- CAR/CRAR. RWA
- Holder in Due Course
- Payment in Due Course
- Predicate offences
- Repo & Reverse Repo
- Mandate, P/A (power)
- Security (Lien Mortgage, etc)
- Gharar. Maisir
- CRR SLR Bank Rate
- Sukuk, BGIB
- Green Banking. Virtual Banking
- Mudaraba, Al Wadia
- BACH, EFTN, BPSN, RTGS
- Merchant Bank, NBFIs
- CAMELS Rating, Credit Control, Open Market Operation
- Chain Banking
- AML, CFT, CDD EDD SCDD, Peps
- BFIU 26
- Mutual Fund, Compensation
- Eligible Security

# DIB Coaching: Part 106



## • Books Recommended

- (1) Bedi, et. al. Theory & Practice of Banking. Jeevandeep Prakashan, Bombay.
- (2) Tannan's Banking Law & Practice in India, India Law House, New Delhi.
- (3) Shekhar & Shekhar, Banking Theory & Practice, Vikas Publishing, New Delhi.
- (4) M. Kabir Hassan, Text Book on Islamic Banking, IERB, Dhaka.
- (5) অধ্যাপক আব্দুল মান্নান ইসলামী ব্যাংক ব্যবস্থা।
- (6) Umer Chapra, Towards a Just Monetary System.
- (9) Md. Mahfuzur Rahman, Islamic Financial System, Welfare Publication, Dhaka



Thank  
you

