

**Exploring the Perceptions & Attitudes of Tertiary Students' towards Islamic Banking
in Bangladesh**



Internship Report
On
Exploring the Perceptions & Attitudes of Tertiary Students' Towards Islamic Banking
in Bangladesh

Course Code: BUS400

Summer 2018

Submitted To

N.M. Baki Billah

Lecturer

BRAC Business School

BRAC University

Submitted By

Munira Rahman

ID#14304030

BRAC Business School

BRAC University

Date: August 30, 2018

Letter of Transmittal

30 August, 2018

N.M. Baki Billah

Lecturer

BRAC Business School

BRAC University

66, Mohakhali, Dhaka

Sub: Submission of Internship report.

Dear Sir,

I would like to thank you for giving me the chance to prepare my internship report on “Exploring the Perceptions & Attitudes of Tertiary Students’ towards Islamic Banking in Bangladesh”. I have prepared this report highlighting the overall performance of Islamic financing and the perception of our young generation towards it. I have tried my level best to make the report relevant and authentic that might help the Islamic financing industry to judge their future customer behavior. Without your guidance and support it was not possible for me to complete the report.

I hope you will consider the limitation and mistakes made in this report. It would be my great achievement if you find my report informative.

Thank You.

Sincerely Yours

Munira Rahman

ID#14304030

BRAC Business School

BRAC University.

Letter of Endorsement

The Internship report titled “Exploring the Perceptions & Attitudes of Tertiary Students’ towards Islamic Banking in Bangladesh” has been submitted to BRAC Business School for the partial fulfillments of the requirements for the degree of Bachelor of Business Administration, major in Finance and minor in Accounting from BRAC University on August 30, 2018 by Munira Rahman, ID: 14304030. The report has been accepted and may be presented to the Internship Defense Committee for evaluation.

(Any opinions, suggestions made in this report are entirely that of the author of the report. The University does not condone nor reject any of these opinions or suggestions).

N. M Baki Billah

Academic Supervisor

Lecturer

BRAC Business School

BRAC University

Acknowledgement

All praises go to almighty Allah, the most gracious and the most merciful who has made me able to complete this report.

I would like to express my deepest appreciation to all those who provided me the opportunity to complete this report. The accomplishment and completion of this report would not have been viable without the contribution of some accommodative people, who gave their valuable time from their busy schedule to guide me in doing my project work. I would like to extend my heartiest gratitude to all those who directly or indirectly contributed to the fulfillment of the report.

At the beginning, I would like to convey my gratitude and appreciation to my honorable academic supervisor N. M Baki Billah for providing valuable guidelines in preparing the report. I am deeply grateful to him for his supervision during the internship period. Without his guidance it would not be possible for me to prepare this report.

In addition, I would like to acknowledge to all the respondents for their participation, cooperation and enthusiasm in our questionnaire surveys. I appreciate all the respondents who are willing to spend their precious time to fill up the questionnaire. Last but not the least; I am grateful to every single person for their cooperation, tolerance and contribution towards this research project.

Once again, I would like to express a sincere gratitude to all of you. Thank you.

Executive Summary

Islamic Banking system is in a growing phase not only in Bangladesh but throughout the globe. In Bangladesh the growing rate is even faster. The purpose of this paper is to study the awareness and attitude of young customers who are apparently the future customers towards choosing the Islamic Banks. The report consists of nine chapters. A background of overall performance of Islamic Banking industry both in national and international level, starting from the very beginning of the history is described in the introduction which is entitled as chapter one. Chapter two deals with the research background which explains the “why” of the study. Moreover, the scope and limitations of the research carried with research objective is focused in chapter 2. Chapter three contains literature review. Previous articles and researches that are on the similar field are briefly explained with its findings in the literature review part. The fourth segment of the paper points out the research methodology which combines the research design, sampling technique & data collection method for this particular research. A sample size of 100 respondents is drawn to represent the findings of the report in chapter five including the data analysis and interpretation part. In addition, justification for choosing the variables is provided in this part that has been used to measure the performance level. Furthermore, Chapter six represents the brief summary of the data where the ultimate findings of the research are presented. Later chapter seven summarizes some recommendation based on customers’ point of view as well as overall observation from this research. Lastly, Chapter eight & nine covers references and appendix.

Table of Contents

Chapters	Particulars	Page no.
Chapter 1	Research Overview 1.1: Introduction 1.2: Definition of Concepts 1.2.1: Origin of Islamic Banking 1.2.2: Products of Islamic Banking 1.2.3: Principles of Islamic Banking 1.2.4: Islamic financing & Bangladesh	(1-4)
Chapter 2	Research Background 2.1: Rationale of the Study 2.2 Problem statement 2.3 Scope of the research 2.4 Limitations of the research 2.5 Research objective	(5-7)
Chapter 3	Literature Review	(8-11)
Chapter 4	Research Methodology 4.1: Data collection 4.2: Sample size 4.3: Sampling technique	(12-13)
Chapter 5	Data analysis & interpretation 5.1: Demographic profile of respondents 5.2: Awareness & Preference level 5.3: Efficiency and performance evaluation 5.4: Comparison Between Islamic Bank and Conventional Banking 5.5 Reliability test	(14-22)
Chapter 6	Findings	(23-24)
Chapter 7	Conclusion & Recommendation	(25-26)
Chapter 8	Bibliography	(27-29)
Chapter 9	Appendix	(30-45)

Chapter 1

RESEARCH

OVERVIEW

1.1: Introduction

Islamic banking or sharia-compliant finance is defined as the Banking system that is developed based on the Islamic (Shariah) law and guided for the betterment of Islamic Economics. According to the Organization of Islamic Conference (OIC) “An Islamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations” (Islamic Banking: Some Conceptual Issues). By the definition of International association of Islamic Banks (IAOIB), “Islamic Banking is a Banking system which is established in accordance to Islamic Shariah principle with the objective to improve the Islamic financing system and to help the both Muslims and non-Muslims (Soud, 2017).

Islamic Finance is one of the fastest growing financial systems along with a huge expansion around the world. Currently Islamic Banks are operating in 75 countries through 300 institutions mostly in Middle East & South East Asia. According to Ernst & Young “total Islamic finance assets of commercial banks rose 17% between 2009 and 2013, hitting \$778 billion. Gulf Cooperation Council (GCC) countries account for around \$517 billion, ASEAN countries for \$160 billion and South Asia for \$23 billion (These are the top 9 countries for Islamic finance, 2015). The growth rate is two or three times faster than the growth of conventional banks over the same period (Yueh, 2014). Dusuki& Abdullah (2007) stated that, “The factors that have promoted the growth of Islamic financing are, innovations, research and development and financial deregulations” (Asdullah, 2016). Above all, Islamic financing is showing a positive stimulation in the world economy.

Bangladesh is the third largest Muslim country with around 90% of Muslims. The innovation of interest-free Islamic banking systems has already been able to show its contribution in the money market. Since its inception in 1983 its strong growth is reflected in the increased market share as well as the mobilization in the deposit. Islamic Banking Industry accounted for more than one-fifth share of the entire banking industry in terms of deposits and investments as per the quarterly report (2016) provided by WORLD BANK. Though the Islamic Banking industry has achieved around 20% annual growth rate the country still has the potentials for further expansion being a Muslim country.

Given the above background information the focus of this report is to understand the perception of youth about Islamic banking and thus represent a future prospect of Islamic financing in context of Bangladesh. As such a survey was conducted mostly among secondary and higher secondary students. The remainder of the report provides Literature review, Research design, Findings & Conclusions.

1.2 Definition of Concepts

1.2.1 Origin of Islamic banking

Islamic Banking started with the practice of “Mudaraba” by Prophet Muhammad (Sm). The Prophet (Peace be upon him) himself was “Mudarib” (agent) for his wife. There was another form of partnership called “Musharaka”. Both Mudaraba and Musharaka was the first Islamic financing model developed in the history. As many as 32 mudaraba contracts were practiced in the 17th century and later on the concept of Modern Banking developed. (Islamic Banking, n.d.)

The first Islamic Bank was established in Pakistan in late 1950s in a rural area and any interest wasn't charged from borrowers on credit. Although the initiative was appreciated primarily, it was a failure because of proper monitoring and fixed laws. The second experiment was conducted in Egypt in between 1963 to 1967. On the basis of the success in Egypt more branches started to open in Egypt and soon all over the world. That's where the Islamic Banking made the first movement.

1.2.2 Products of Islamic Banking

Since interest-bearing deposits are prohibited, retail Islamic banks offer customers up to four different kinds of deposits:

Current Accounts: No return is received in this deposit instead a service charge may be imposed. The face value of these accounts is guaranteed. Also, these funds don't follow profit loss sharing principle; instead serve the liquidity needs of the bank.

Savings Accounts: These funds share profit with depositors. Based on the bank's regulations, the bank may decide to pay a premium to holders of a savings account.

Investment Accounts: This represents the major portion of a bank’s financial liabilities which is based on the principle of Mudharaba. A Mudharaba is a contract between two parties whereby one party (the depositor) entrusts funds to another party (the bank) to undertake a particular project. Investment accounts follow a period of maturity and based upon a pre-determined ratio the profits or losses from the project are divided between the bank and the depositors.

Special Investment Accounts: These accounts are offered to high net-worth individuals or institutional clients and are operated under the Mudharaba principle. These accounts are considered as a specified project identified by the bank.

Apart from those Islamic Banks provide various retail products and services like ATMs, internet banking, credit and debit cards, Insurance service and many more without violating any Islamic laws. In addition, some basic instruments include: cost-plus financing (murabaha), profit-sharing (mudaraba), leasing (ijara), partnership (musharaka) and forward sale (bay’salam). These constitute the basic building blocks for developing a wide array of more complex financial instruments. (Islamic Finance, 2015)

1.2.3 Principles of Islamic Banking:

Profit and loss Sharing	The Bank and the entrepreneur share the profit and losses incurred by a project. That’s how the both parties mitigate the business risk.
Prohibition of Gharar and Haram	Activities that are considered sinful (Gambling, Production of alcohol) are considered as haram in Islamic law. Haram activities shouldn’t be financed as well as removal of any asymmetry information by disclosing full information.
Prohibition of Riba	Interest is fully prohibited in Islam. Instead of receiving and paying any fixed interest there is a profit-sharing principle.
Materiality	Every financial transaction will be based upon tangible and real economic activity.
Equality	All party in a financial transaction will be treated with justice.

1.2.4 Islamic financing & Bangladesh

Islamic banking started in Bangladesh with the establishment of the Islami bank Bangladesh Ltd. (IBBL), on 13 March 1983 as a public limited company under the companies' act 1913. As at the end of September 2016, 8 full-fledged Islamic banks are operating with 1006 branches out of total 9515 branches in Bangladesh. At the same time, 20 Islamic banking branches of 9 conventional commercial banks and 25 Islamic banking windows of 7 conventional commercial banks are also providing Islamic financial services. (Mily, 2016)

Haroon (2017) stated reported that the deposit growth rate of Islamic Banking in Bangladesh is nearly 20% whereas conventional Banking grew by around 11%. An adviser at shariah-based Union Bank, SM Aminur Rahman, told that "There had been gradual development in the banking system as both elderly people and new generation are stepping towards the system". BIBM Director General Toufic Ahmad Choudhury Noted that, now a days' a significant number of banks are running Islamic banking operations in Bangladesh, but the members of banks' that follow shariah principle still lack knowledge and competency on this type of banking (Alamgir, 2017).

On another note, DSE & CSE launched S&P Frontier BMI Shariah Index. It is a Shariah compliant version of S&P Frontier BMI Index which constituents are reviewed regularly by the Shariah Board. The DSEX Sariah Index (DSES) provides broad market coverage of Sariah compliant equalities listed on the DSE (Indices). Also, Chittagong Stock Exchange's (CSE) Shariah Index has been revised on the basis of the performance of the bourse listed companies. A total of 128 companies are now in the list of CSE Shariah Index after the revision. The CSE All Shariah index is developed by India Index Services and Products Ltd. (IISL), a group company of the National Stock Exchange of India Limited and a subsidiary of NSE Strategic Investment Corporation Limited (Desk, 2017)

Although there are lot of controversies regarding the laws followed by Islamic Banks, Experts predict that with the rapid rise of Shariah-based systems, the industry in the long run will turn to be the financial mainstream in Bangladesh.

Chapter 2

RESEARCH BACKGROUND

2.1 Rationale of the Study

Banking system played an important role in the economy. Financial sector of Bangladesh is dominated by banks as asset of the banking sector holds more than 60 per cent share in the Gross Domestic Product (GDP) (GULF BASE, 2012) .Since Bangladesh holds majority of Muslim population, Islamic Financing has a great role to play in the path of Development. Till 1983 no Islamic banking was developed though Interest is completely prohibited in Islam.

After the inception OF Islamic financing it is showing a tremendous growth. Islamic banking covers 22.72% market share of the country's entire banking sector in terms of deposits and investments (THE GROWTH OF ISLAMIC BANKING IN BANGLADESH IS PROGRESSING DAY BY DAY., 2013). Because of its immense popularity the research topic "Banking Behavior of Students towards Islamic Banking" came into consideration as students demonstrate the future of the country.

2.2 Problem statement

The study is done based upon the perception of students towards Islamic Banking systems and their preferences. There are controversies that Islamic banking doesn't follow Sariah compliance strictly. Also, there is strong competition in the banking industry which forced the banks to rethink about their customer satisfaction level as well as forecasting their future demands.

2.3 Scope of the research

This study is limited to students mostly among those doing Bachelors and Masters in Both Private and Public University all over Bangladesh.

2.4 Limitations of the research

- The study focused only the students. The findings may not be able to draw an exact conclusion.
- The sample is not properly diversified among the respondents. Universities that are situated in the remote areas didn't come into consideration in this report.
- Being an Online survey, it is not possible to understand the true perception of the respondents.

2.5 Research objective

- To measure the awareness level and perception of students towards Islamic banking in Bangladesh
- To understand the gap of Islamic financing that takes over the conventional Banking System
- To identify the factors that will improve the performance of Islamic banking as per the customers' requirements.

Chapter 3

LITERATURE REVIEW

Various Investigations have explored the important factors that motivate customers to choose Islamic Banking. Erol and El-Bdour (1989) and Erol, Kaynak and El-Bdour (1990) conducted a research on Jordan where they found three important factors that attracted the customers towards Islamic Banking. The Factors are: reputation, confidentiality and efficient services. The study showed that it was not religion that influenced people rather the products and services that is offered by the Banks. On the Other Hand, Omer (1992) explained, “Customers are attracted to Islamic Banking due to religious values whereas they are highly unaware of the products and services that Islamic Financing provide” He further explained the most important factor they consider is the prohibition of Interest (Riba). (Azhar, 2014)

Omer (1992) stated that “the higher the religious commitment and the lower the level of general education, the stronger the preference for Islamic over conventional finance” (Kuehn, CONVENTIONAL VERSUS ISLAMIC FINANCE: STUDENT KNOWLEDGE AND PERCEPTION IN THE UNITED ARAB EMIRATES). He conducted a survey of 300 Muslim respondents in UK and came up with this finding. However, Haron, Ahmad and Planisek (1994) found that the fundamentals factors that influence Muslims for Islamic Banks are the non-religious aspects like transactions peed, service quality & friendliness of personnel. He also added that even though 40% of the total respondents agreed with the fact that religion is the prime factor, they admitted a poor understanding about the difference between Islamic Bank & Conventional Banks as well as lack of knowledge about Islamic banking products.

In a survey conducted in Bangladesh over 500 respondents, Chowdhury (2013), explained that only 25% of the sample were aware about the fact that Islamic and conventional financing fall under two different principles. The research was conducted among both undergraduate (Business Administration) and Masters Students of around 18 universities in Bangladesh including both Private and public. One of the major finding of this research was that out of every three graduates, one was interested to learn about the Islamic financing. The author finally concluded saying that the awareness level among students is very poor and the reason being lack of proper guideline and insignificant presence of Islamic Financing.

Rustam, Bibi, Zaman, Rustam & Haq (2011), analyzed that around 55% of the Muslim population of Pakistan showed their willingness towards Islamic Banking over conventional Banking. He conducted a survey of 60 corporate customers among them 35% respondents were

directly related to the banking system of Pakistan. He further unfolded the fact that many customers commented over the profit-sharing principle of Banking. The author argued with the fact that Islamic Banks must adopt profit maximization policy to survive in the competitive market.(Sehrish Rustam, 2011)

Asdullah.M.A & Yazdifar, H. (2016), illustrated that social circle has a strong influence while choosing banks in Pakistan. He again added that religion is the main reason that main factor that attracts people for Islamic finance. Also, the Islam technique that is followed by the Islamic banks is also a point of attraction for many customers of Pakistan.

Awan & Azhar (2014), noted that the impact of religion, High profit, low service charges service quality, mass media and bank image lead to customer satisfaction. For this research the sample size of the survey was 200 customers of Islamic Bank. The author demonstrated a positive response in his study where high profit and low charges was the most primary factors. (Abdul Ghafoor Awan & Maliha Azhar, 2014)

Bley and Kuehn, (CONVENTIONAL VERSUS ISLAMIC FINANCE: STUDENT KNOWLEDGE AND PERCEPTION IN THE UNITED ARAB EMIRATES) compares the knowledge of students between conventional and Islamic Banking. Seven hundred graduate and undergraduate students of the School of Business and Management at the American University of Sharjah were surveyed to know their preference for banking industry and their knowledge and terms of the concepts of each system. However, students' knowledge of conventional Banking and Islamic Banking was low. In general, the conventional Banking knowledge was moderately high for those students who had poor to no Arabic language fluency and higher level of academic success. In contrast, the knowledge of Islamic Finance was the highest among students with better Arabic language fluency and poor academic success. (Jorg Bley and Kermit Kuehn)

Awan. G (2009) compares between IBS & CBS over six local banks in Pakistan. He mentioned, profitability is the key while choosing a bank whether it is conventional or Islamic. He further explained for ensuring higher profitability the quality of assets and services is a must (Awan, 2009).Moreover, Kahf. M (2004), stated that Sariah and moral issues are the two most important factors for the growth of Islamic Banking. He added, High level of trust & Preservation of Banks and Customers' assets are also playing significant role (Kahf, 2004). Wondmagegn. G &

Tehulu. T (2014), three factors that customers broadly emphasize which are technology-based banking service (ATM service provision & Number of counter Windows), quality and speed of banking services & Bank's reputation and its image(Wondmagegn, 2014).

While the literature that is available in this area is still developing, most of the research that is discussed so far is based on the research done abroad. Bangladesh is still lacking behind in this arena while the growth of Islamic Banking is so strong. Few statements seem clear from the understanding of the literature that religion plays a partial role for Islamic financing. At the same time some other factors are undeniable like reputation, peer pressure, service quality and profitability.

This study seeks to add to this literature the context of Bangladesh by examining the awareness level and their perception for Islamic financing. This study included only the students of undergraduate and post graduate level which to some extent will forecast the future for Islamic Banking and that is the ultimate motivation of this paper.

Chapter 4

RESEARCH METHODOLOGY

For the measurement of knowledge and perception of the respondents' quantitative research method is used in this study. To complete the research both qualitative and quantitative approaches have been followed. A survey questionnaire is developed to frame the understanding of the respondents. Both open ended and close ended questionnaire were developed in the survey questionnaire. The facts that considered while choosing survey methods are high representativeness of large population and convenient data gathering.

4.1: Data collection

Both primary and secondary sources have been used to get the transparency of this report.

Primary sources:

Data were collected from a survey of around 150 respondents (mostly Bachelors and Masters)

Secondary Sources:

- Different Journals, Articles & Publications related to Islamic Financing
- Online web sites and E-paper

4.2: Sample size

The survey questions included 30 questions and 100 respondents. The target population consists both Muslims and non-Muslims though the number of non-Muslims is kept minimal. In order to ensure diversity, respondents are selected from different universities.

4.3: Sampling technique

The technique that is adopted in this research is probability sampling technique. Here a random sampling technique is used to match the research purpose. Simple random sampling involves lesser degree of judgment also it perfectly serves the purpose of this research which is getting an in general perception of how much students are aware about Islamic Banking.

Chapter 5

DATA

ANALYSIS

&

INTERPRETATION

5.1: Demographic Profile of Respondents

The first section of the questionnaire was designed to gather information about the respondent's personal background. Demographic profile [Table-1] includes four attributes. These are respondent's age, Gender, level of education & religion.

Table 1

Particulars	N	%
Age		
Below 20	Nil	Nil
20-30	95	95
30-40	5	5
Above 40	Nil	Nil
Gender		
Male	58	58
Female	42	42
Educational Qualification		
Below secondary	Nil	Nil
Secondary/Diploma	Nil	Nil
Bachelor	77	77
Above Bachelor (Masters/PhD/Others)	23	23
Religion		
Muslim	88	88
Non-Muslim	12	12

Demographic profile gives information about the target population. It helps us to narrow down the research. Jamshidi. D, Hussin. N, Wan. H (2014), "Demographic factors are quietly powerful in explaining the adoption and usage intention of different products."(Dariyoush Jamshidi, 2014)

5.2: Awareness & preference level

The second part represents the awareness level and perception of the respondents towards Islamic financing. This section [Table-2] gives an in general view on how IBS is perceived among the respondents as well as what are the factors that initially influence them to choose IBS. The depth of understanding is presented the next section of questionnaire.

Table 2

Particulars	N	%
Have you heard of Islamic Banking?		
Yes	94	94
No	3	3
May be	3	3
Have you been a customer of any Islamic Bank?		
Yes	66	66
No	34	34
Which kind of banking system do you prefer?		
Islamic Banking	57	57
Conventional Banking	19	19
I don't care	24	24
If you chose Islamic Bank, what is the most important reason that attracts you?		
Religious norm	57	57
Profit	14	14
Secure Deposit	16	16
Corporate social responsibility	13	13
Other	Nil	Nil
If you chose Conventional Bank, what is the most important attribute that attracts you?		
I don't know about Islamic Banking	18	18
I want fix interest	41	41
I don't find Islamic Banking profitable	15	15
Others	26	26

The table shows that maximum numbers of respondents (94%) were aware about the existence of Islamic Banking. It can be considered as a positive sign that Islamic Banking is not something unfamiliar among the youth 66% respondents are the actual user of the products which means the max no of respondents have an idea about the products and services that Islamic Banks offer. In addition, it's an indication of more realistic information based upon experiences given by respondents.57% respondents showed their interest towards Islamic Banking which is less than

the current user of IBS among respondents. It means more than half of the respondents are interested about Islamic Banking in spite some of them are using sub consciously.

In a research conducted by Ahmad, Palil, Bakar & Dolah “Literature review on the knowledge of islamic banking products among Muslim Entrepreneurs” showed the significance of religiosity for choosing Islamic finance. In this research the findings also provide the equal results saying 57% respondents choose IBS for religion.

5.3: Efficiency and performance evaluation

The third section [Table-3] analyzed the efficiency of Islamic Banking. It represents a more concrete understanding of how IBS is judged by its customers. Performance evaluation is an important factor since it creates a bridge between the present and future based upon the preferences of customers.

Table 3

Particulars	N	%
How would you evaluate the efficiency and performance of Islamic Banks in recent times? (5=Excellent,1=Poor)		
1	6	6
2	8	8
3	1	1
4	70	70
5	15	15
<u>Islamic Banks are:</u> Prohibition of Interest based lending		
Excellent	23	23
very good	37	37
Neutral	33	33
Fair	4	4
Poor	3	3
Free from elements of uncertainty and gambling		
Excellent	24	24
very good	40	40
Neutral	28	28
Fair	5	5
Poor	3	3

Profit and Risk sharing models		
Excellent	18	18
very good	43	43
Neutral	30	30
Fair	6	6
Poor	3	3
Low risk because investment covered by actual assets		
Excellent	23	23
very good	48	48
Neutral	24	24
Fair	5	5
Poor	Nil	Nil
Stability and consistency in market		
Excellent	19	19
very good	49	49
Neutral	25	25
Fair	4	4
Poor	3	3
Follow the "Sariah Compliance" properly		
Excellent	29	29
very good	31	31
Neutral	30	30
Fair	3	3
Poor	7	7
Timeliness of payment of debt or delivery of an asset		
Excellent	20	20
very good	42	42
Neutral	29	29
Fair	5	5
Poor	4	4

70% respondents think IBS providing a satisfied service whereas 15% consider it to be an excellent. Though there is scope to improve, this is indeed a satisfactory outcome. The basic function of IBS which is prohibition of interest-based lending is agreed strongly by only 23% respondents. 37% respondents consider it to be maintaining the principle properly but not exactly. This question is also linked with the Sariah principle and it shows a close relation with the previous findings and also an equal perception among respondents. 40% considers the profit-

sharing model of IBS is very effective whereas 28% respondents are neutral about the fact. A significant number of 24% consider it to be an excellent model. 48% respondents agree that the model they are following is efficient and importantly no one considered it as poor while 24% respondents were neutral. 49% respondents agree that the IBS market is well stable and consistent. 19% respondents say it is perfectly stable while 7% respondents are not that much satisfied with the fact. In terms of following the Shariah compliance the findings are more or less neutral. 31% respondents are happy with the principle of IBS and 30% respondents were neutral. 29% respondents believed that its Shariah principle is perfectly followed. 42% respondents marked very well in terms of delivery of an asset. 20% consider it to be excellent and 29% respondents were neutral. Shariful Islam, stated that “Islamic banking, an ideological banking and finance system, based on a frame within the Shariah principles, has been initiated aiming to provide economically viable financial intermediation alternatives to conventional banking” (Islam, 2018)

5.4: Comparison between Islamic Bank and Conventional Banking:

The last part [Table-4] made a comparison between CBS & IBS. The purpose of this comparison is to find out the gap of Islamic Banking where the conventional banking takes over. The questionnaire ends with a suggestion given by the respondents for making the IBS more prominent.

Table 4

Particulars	N	%
Transparency in transaction		
Islamic Banks	69	69
Conventional Banks	31	31
Ethical behavior of employees		
Islamic Banks	77	77
Conventional Banks	23	23
Low service charges		
Islamic Banks	66	66
Conventional Banks	34	34
Convenience ATM location		
Islamic Banks	28	28

Conventional Banks	72	72
Ease of opening current account		
Islamic Banks	46	46
Conventional Banks	54	54
Bank reputation		
Islamic Banks	59	59
Conventional Banks	41	41
Efficient customer service		
Islamic Banks	55	55
Conventional Banks	45	45
Friendliness of bank personnel		
Islamic Banks	58	58
Conventional Banks	42	42
Good product diversification		
Islamic Banks	49	49
Conventional Banks	51	51
Operating efficiently and profitably		
Islamic Banks	53	53
Conventional Banks	47	47
Using modern technology in performing-banking transactions		
Islamic Banks	41	41
Conventional Banks	59	59
Contributing in removing society's inequalities and improving general standard of living		
Islamic Banks	67	67
Conventional Banks	33	33
Contributing to social welfare		
Islamic Banks	71	71
Conventional Banks	29	29

Transparency in transaction plays an important role in choosing banking service. A case study conducted by Hussain Rammal shows that Transparency is one of the most important factors while choosing banks by the Muslim citizen of Australia. The findings that I got here present the similar opinion.

“Awareness and willingness towards Islamic banking among Muslims: An Indian perspective” an article written by Jamid Ul Islam, says that ethical behavior of the bank personnel motivates customers to choose the bank. Here, 77% respondents agree with the same point researched by the author in India.

There the result showed a positive relation among the three variables. 66% respondents preferred IBS for fewer service charges. A research conducted in Malaysia among non-Muslims based on their awareness & preferences that shows low service charge was an important factor that attracted non-Muslims as well.

A research titled “Customer satisfaction and awareness of Islamic banking system in Pakistan” pointed out two major factors that attract customers which includes convince ATM location and Bank reputation. In case of Bangladesh the findings show that conventional banks are way developed than Islamic Banking in terms of ATM convenience.

Efficient customers service has its role to play as mentioned in the research by Sudipta Roy on “Customers Preference towards Islamic Banking: Religious Belief or Influence of Economic Factors”. Jamid Ul Islam, also mentioned the friendliness of the employees is a significant factor. 58% of these survey respondents agreed with the same.

“Customers Preference towards Islamic Banking: Religious Belief or Influence of Economic Factors” further explains that good product divarication and profitable operation is very important to gain customers trust and reliability. This research finds out that conventional banks are providing diversified products than Islamic banks. Since the country is going towards digitalization. “Using modern & updated technology will help the banks to earn trust of customers” (Sattar, 2010). From the findings we can see IBS is lacking behind in terms of new technological adaptation.

“Islamic Financial Literacy and its Determinants among University Students: An Exploratory Factor Analysis” found that now a day’s people are more conscious about social welfare and development. It is also a good way of promoting the brand. In this case, Islamic Banks are very prompt in Bangladesh since most of the respondents voted on IBS for social welfare activities.

5.5: Reliability Statistics

Cronbach's Alpha	N of Items
.975	30

The above figure shows that the reliability coefficient is .975. Whenever the value of Cronbach alpha is closer to 1, we will say that greater is the internal consistency of the item in the scale (Gliem and Gliem, 2003). Our calculated value is greater than 0.7 which is considered as standard for reliability and consistency, thus the data we have obtained fulfills the conditions for being tested.

Chapter 6

FINDINGS

From the data analysis it is found that the demographic factors have narrowed down the research more specifically. The research constitutes age group between (20-30). This is basically the youth of our country. Similarly, the male & female participation in survey was ensured. Moreover, the survey includes maximum number of undergraduate students along with max Muslims (88%). This will give the research a specific target group.

In the second phase the questions are designed to analyze the awareness and preference level of the target customers. Most of the respondents were aware about the Islamic banking system and also a significant number of students showed their interest for IBS. Chowdhury & Arifuzzamanin the research “Examining Awareness regarding Islamic Banking among Business Graduates in Bangladesh” found that undergraduate students have a poor awareness about IBS which does not match with this survey findings.

The third segments discuss about the efficiency and performance of IBS. Most of the features that brought in the questionnaires ranged four (very good) out of five (excellent). This portion of the questionnaire focused on the shariah compliances that Islamic Banks follow and the outcomes contains more positive opinions. In the article “Are Islamic Banks Truly Shariah Compliant? An Application of Time Series Multivariate Forecasting Techniques to Islamic Bank Financing” Rafi & Masih discovered that IBS are Sariah non-compliant which is also different from the findings that I got here (Masih, 2014)

Furthermore, there is made a comparison between IBS & CBS. In few cases like Ethical behavior, Transparency in transaction, contributing in social welfare respondents ranked IBS higher than the CBS. On the other hand, For Factors like Convenience ATM location, updated technological use, ease of opening Bank accounts customers choose CBS. Quresh Hussain & Rehman in the study “A Comparison between Islamic Banking and Conventional Banking Sector in Pakistan” reveals that consumers in Pakistan prefer first their comfort and ease to transact with IBs or IBS which also support this finding (Abdul Hafeez Quresh, 2012).

Last of all, an open-ended suggestion was asked among the respondents where many of them suggested about the promotional activities and the proper maintenance of Sariah compliance. Some other recommendations are discussed in the concluding note.

Chapter 7
CONCLUSION
&
RECOMMENDATION

The prime intention to conduct this research was to highlight the factors that how the youth consider the Islamic Banking system in Bangladesh. Apart from reviewing different literature that has been studied previously this research incorporated primary data gathering which will help IBS with significant approach development.

Based on the findings it can be concluded that the IBS products are well received mostly because of the religious perception. To ensure long term growth and prosperity overcoming widespread ignorance of IBS concepts seem crucial. Educating the market along with the selection of more market friendly packaging of products will help to survive the competitiveness in the market.

Overall, the study suggests the IBS to develop in certain area which might be helpful for its future customers to meet the future demands. The recommendations are as follow:

- Though the concepts of Islamic banking system are known among many of individuals a clear knowledge about its functions will ensure the growth even faster.
- Islamic Banks should work on its promotional approach with new thoughts and transforming slogans. An idea for shaping a new digital Bangladesh with Islamic financing can be a motto.
- Islamic Banking should follow the Sariah compliance properly since it's the base of Islamic Banking system in Bangladesh. Also, it can create awareness among people about what Sariah compliance is and its importance in Islamic Law. Different workshops & seminars can be a good strategy for this purpose. Even including Sariah compliance in the academic curriculum will also be a good initiative.

Lastly, the research met its objectives whereby the consumer perception, knowledge and understanding on products and services and acceptance level towards Islamic banking in Bangladesh has been examined. The results of this research could be used as a guideline for future researchers to further investigate the acceptance level of individual consumers towards Islamic banking in Bangladesh.

Chapter 8

BIBLIOGRAPHY

References

- Abdul Ghafoor Awan & Maliha Azhar. (2014). CONSUMER BEHAVIOUR TOWARDS ISLAMIC BANKING IN PAKISTAN. *European Journal of Accounting Auditing and Finance Research*, 42-65.
- Abdul Hafeez Quresh, Z. H. (2012). A Comparison between Islamic Banking and Conventional Banking Sector in Pakistan. *Information Management and Business Review*, 195-204.
- Alamgir, M. (2017). *Islamic banking growing rapidly*. Dhaka: Star Business Report.
- Asdullah, M. (2016). *Evaluation of factors influencing youth*. UK: University of Salford Manchester.
- Awan, A. G. (2009). *COMPARISON OF ISLAMIC AND CONVENTIONAL BANKING IN PAKISTAN*. Pakistan.
- Azhar, A. G. (2014). CONSUMER BEHAVIOUR TOWARDS ISLAMIC BANKING IN PAKISTAN. *European Journal of Accounting Auditing and Finance Research*, 42-65.
- Dariyoush Jamshidi, N. H. (2014). ISLAMIC BANKING EXPANSION AND DEMOGRAPHIC FACTORS. *SINGAPOREAN JOURNAL OF BUSINESS ECONOMICS, AND MANAGEMENT STUDIES*.
- Desk, S. B. (2017). *Chittagong Stock Exchange's Shariah index revised*. Dhaka.
- Frikha, S. D. (2016). Banks and economic growth in developing countries: What about Islamic banks? (D. McMillan, Ed.) *Cognet Economics & Finance*, 4, 2. Retrieved June 20, 2018, from <https://www.tandfonline.com/doi/full/10.1080/23322039.2016.1168728>
- GULF BASE. (2012, November 30). Retrieved from THE ROLE OF BANKS TOWARDS DEVELOPMENT OF BANGLADESH: <https://www.gulfbase.com/news/the-role-of-banks-towards-development-of-bangladesh/222242>
- Haroon, J. U. (2017, November 23). Shariah-based banking entails double-digit deposit growth. *The Financial Express*. Retrieved from <https://thefinancialexpress.com.bd/trade/shariah-based-banking-entails-double-digit-deposit-growth-1511410613>
- Indices, S. D. (n.d.). *Methodology of DSEX Shariah Index*. Dhaka Stock Exchange, Dhaka.
- Islam, S. (2018, August 1). The 'flexible' Shariah practice of Islamic banking in Bangladesh. *Dhaka Tribute*.
- Islamic Banking*. (n.d.). Retrieved from Investopedia: <https://www.investopedia.com/terms/i/islamicbanking.asp>
- Islamic Banking: Some Conceptual Issues*. (n.d.). Retrieved from Islamic Bank Bangladesh Limited.
- Islamic Finance*. (2015, March 31). Retrieved from The World Bank: <http://www.worldbank.org/en/topic/financialsector/brief/islamic-finance>

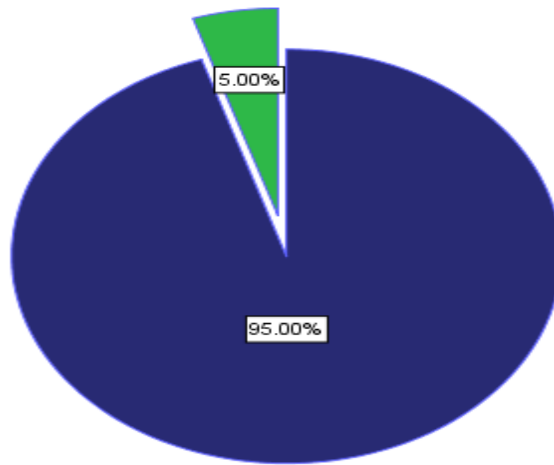
- Jorg Bley and Kermit Kuehn. (n.d.). CONVENTIONAL VERSUS ISLAMIC FINANCE. *International Journal of Islamic Financial Services* .
- Kahf, M. (2004). *SUCCESS FACTORS OF ISLAMIC BANKS* .
- Kuehn, J. B. (n.d.). CONVENTIONAL VERSUS ISLAMIC FINANCE: STUDENT KNOWLEDGE AND PERCEPTION IN THE UNITED ARAB EMIRATES. *International Journal of Islamic Financial Services*, 4. Retrieved from <https://pdfs.semanticscholar.org/fd53/4d33f092515ffa7498fa2a298dedfe190753.pdf>
- Kuehn, J. B. (n.d.). CONVENTIONAL VERSUS ISLAMIC FINANCE: STUDENT KNOWLEDGE AND PERCEPTION IN THE UNITED ARAB EMIRATES. *International Journal of Islamic Financial Services*. Retrieved from <https://pdfs.semanticscholar.org/fd53/4d33f092515ffa7498fa2a298dedfe190753.pdf>
- Masih, U. R. (2014). *Are Islamic Banks Truly Shariah Compliant? An Application of Time Series Multivariate*. Malaysia.
- Mily, N. N. (2016). *Developments of Islamic Banking in Bangladesh*. Bangladesh: Quarterly Report Preparation Committee.
- Sattar, M. M. (2010). Factors Paving the Way towards Islamic. *World Academy of Science, Engineering and Technology International Journal of Economics and Management Engineering*.
- Sehrish Rustam, S. B.-u.-H. (2011). Perceptions of Corporate Customers Towards Islamic Banking Products and Services in Pakistan . *The Romanian Economic Journal* , 114-118.
- Soud, N. S. (2017). Perceptions of Islamic Banking Among Muslim and Non-Muslim Citizens in Tanzania . *INTERNATIONAL JOURNAL OF ISLAMIC ECONOMICS AND FINANCE STUDIES*, 16.
- THE GROWTH OF ISLAMIC BANKING IN BANGLADESH IS PROGRESSING DAY BY DAY*. (2013, DECEMBER 29). Retrieved from LAWYERS & JURISTS: <http://www.lawyersjurists.com/article/the-growth-of-islamic-banking-in-bangladesh-is-progressing-day-by-day-2/>
- These are the top 9 countries for Islamic finance*. (2015, JULY 20). Retrieved from WORLD ECONOMIC FORUM: <https://www.weforum.org/agenda/2015/07/top-9-countries-islamic-finance/>
- TYPES OF ISLAMIC FINANCIAL PRODUCTS*. (n.d.). Retrieved from Dummies: <https://www.dummies.com/personal-finance/islamic-finance/types-of-islamic-financial-products/>
- Wondmagegn, T. A. (2014). Factors Influencing Customers' Bank Selection Decision in Ethiopia: The Case of Bahir Dar City . *Research Journal of Finance and Accounting* .
- Yueh, L. (2014, july 18). Islamic banking: Growing fast but can it be more than a niche market? *B.B.C NEWS*.

Chapter 9

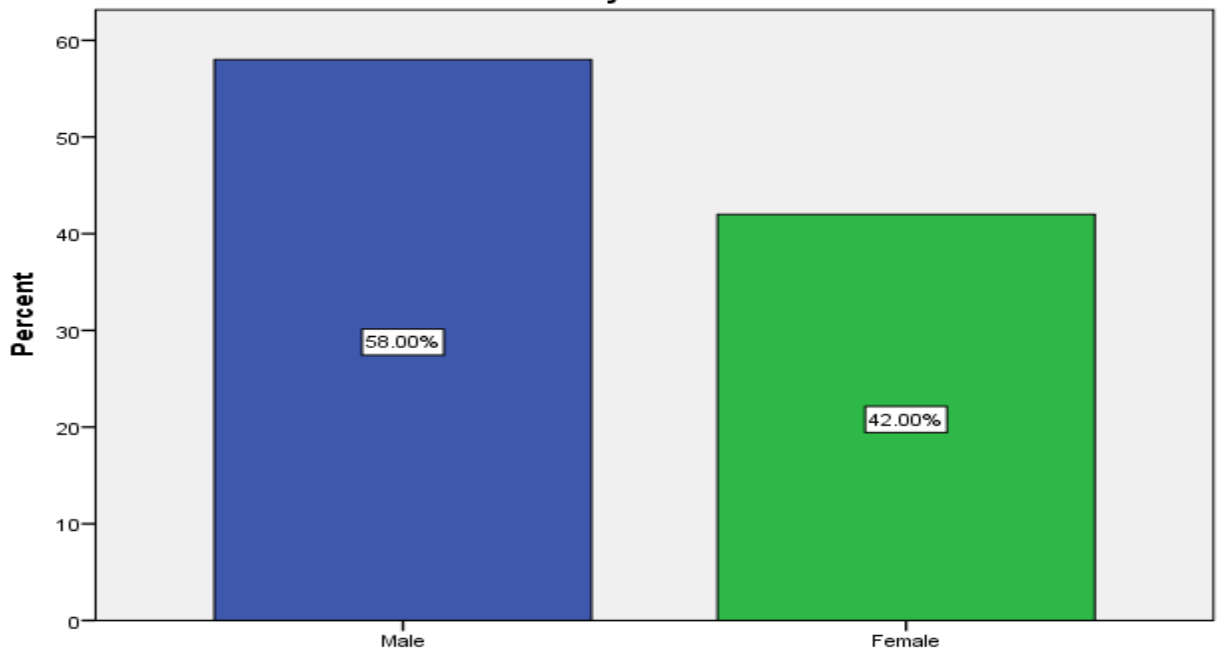
APPENDIX

What is your age?

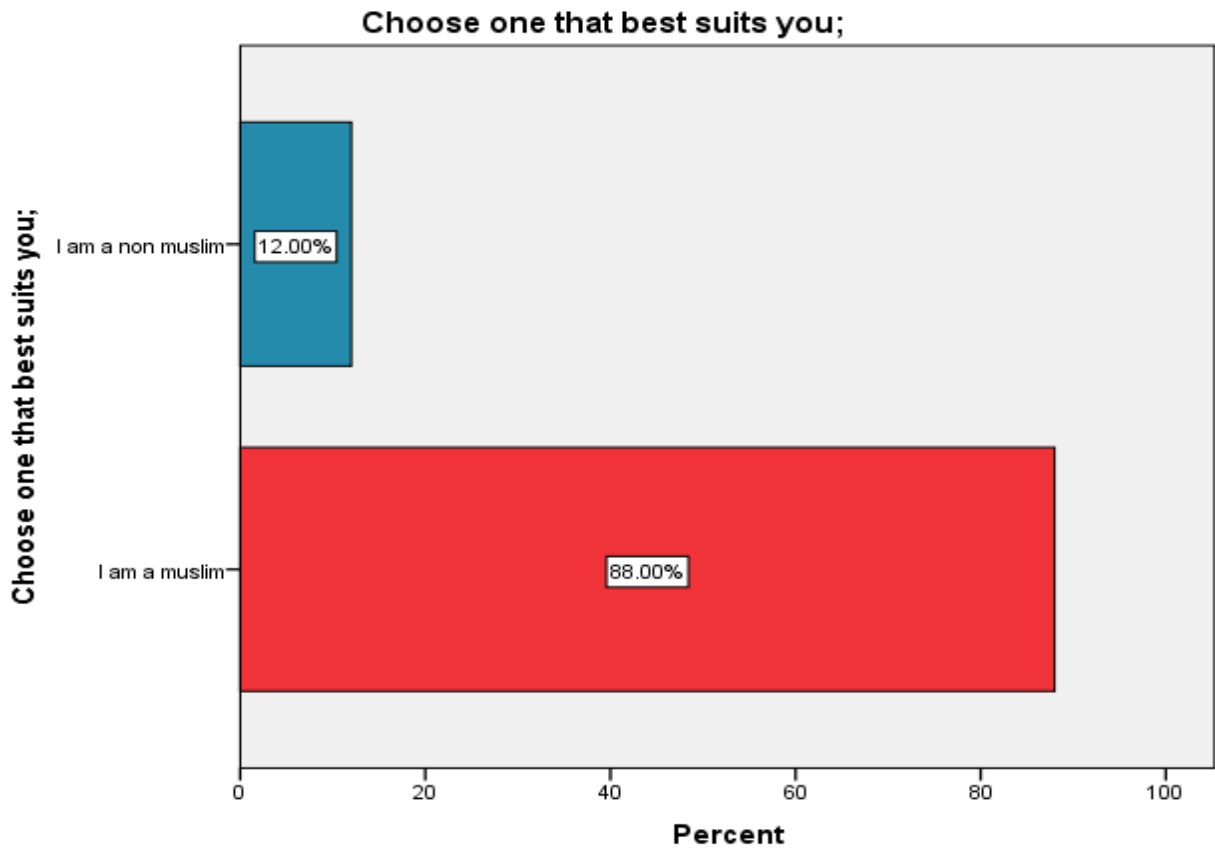
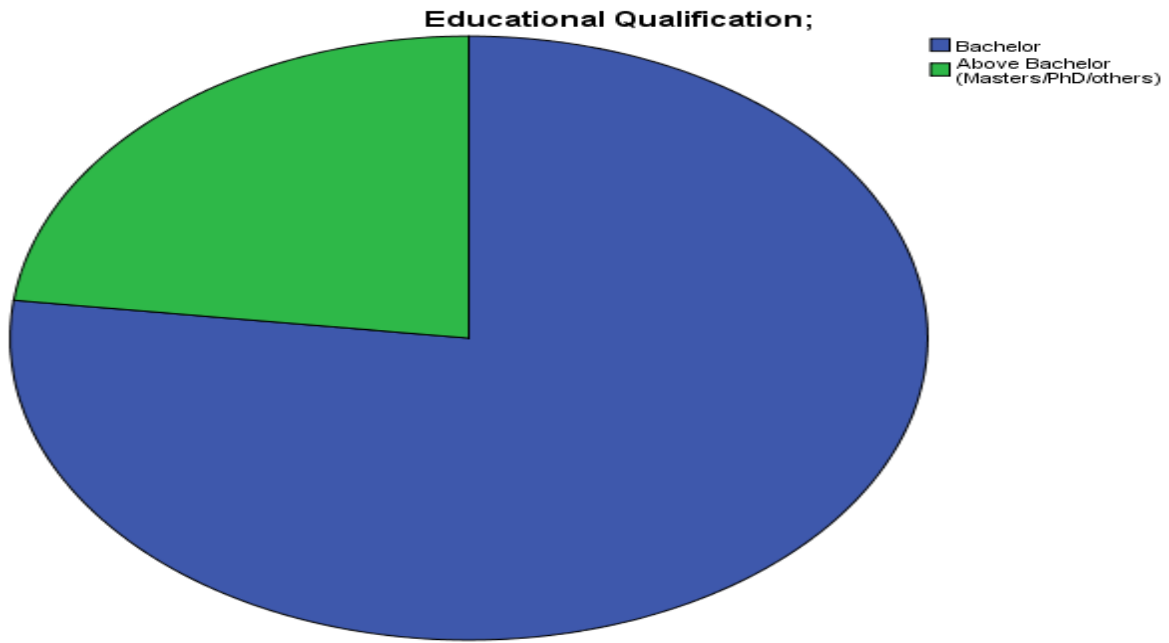
20-30
30-40



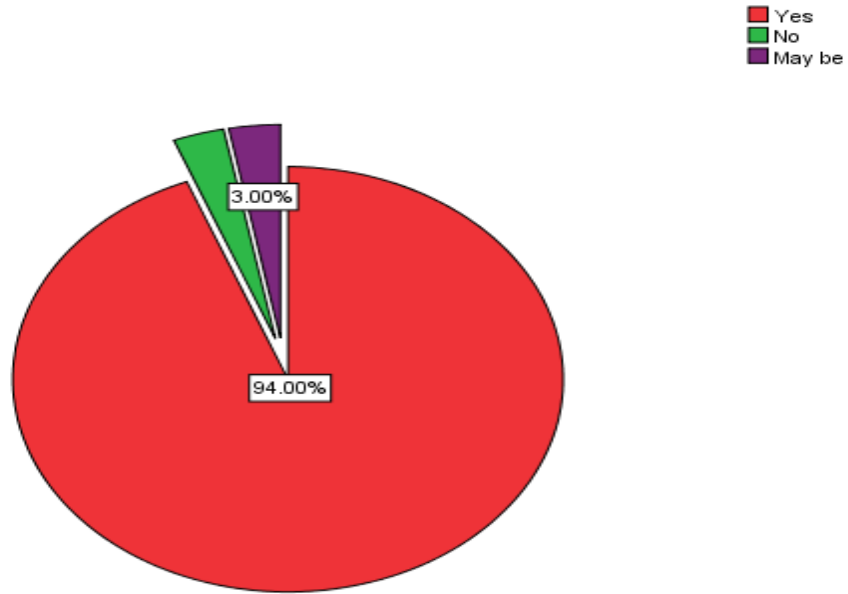
Please select your Gender:



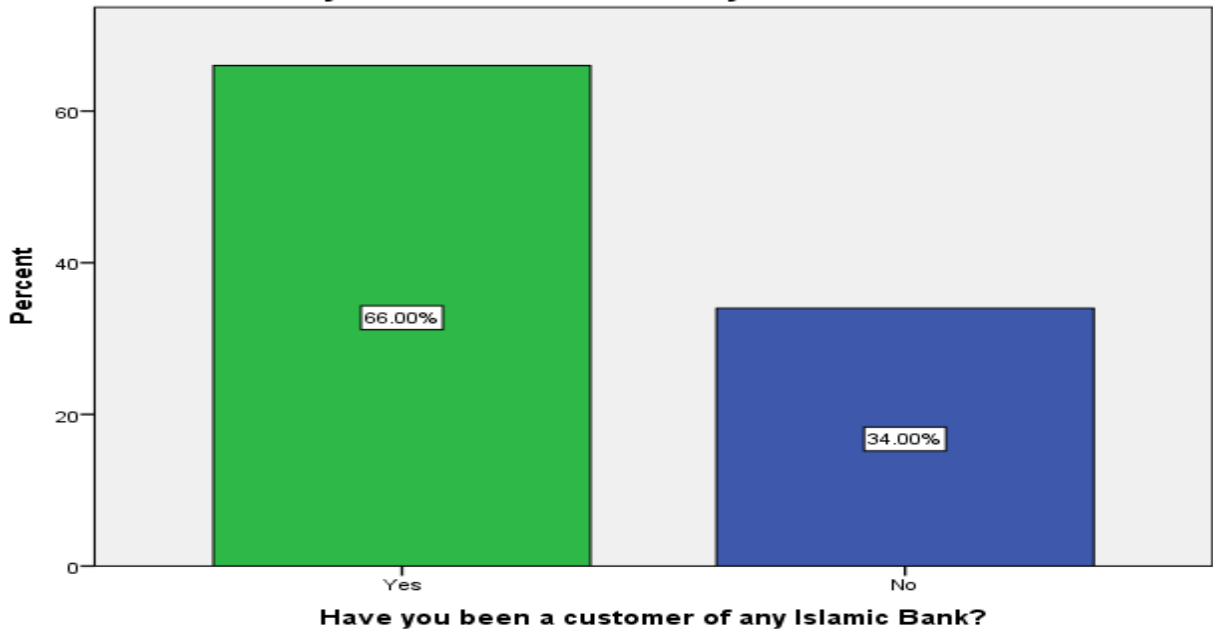
Please select your Gender:



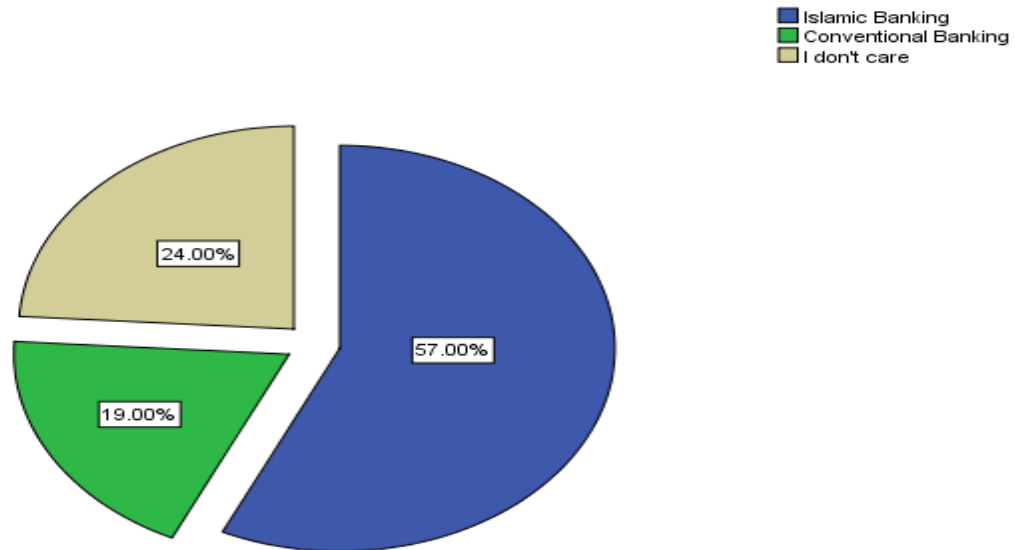
Have you heard of Islamic Banking?



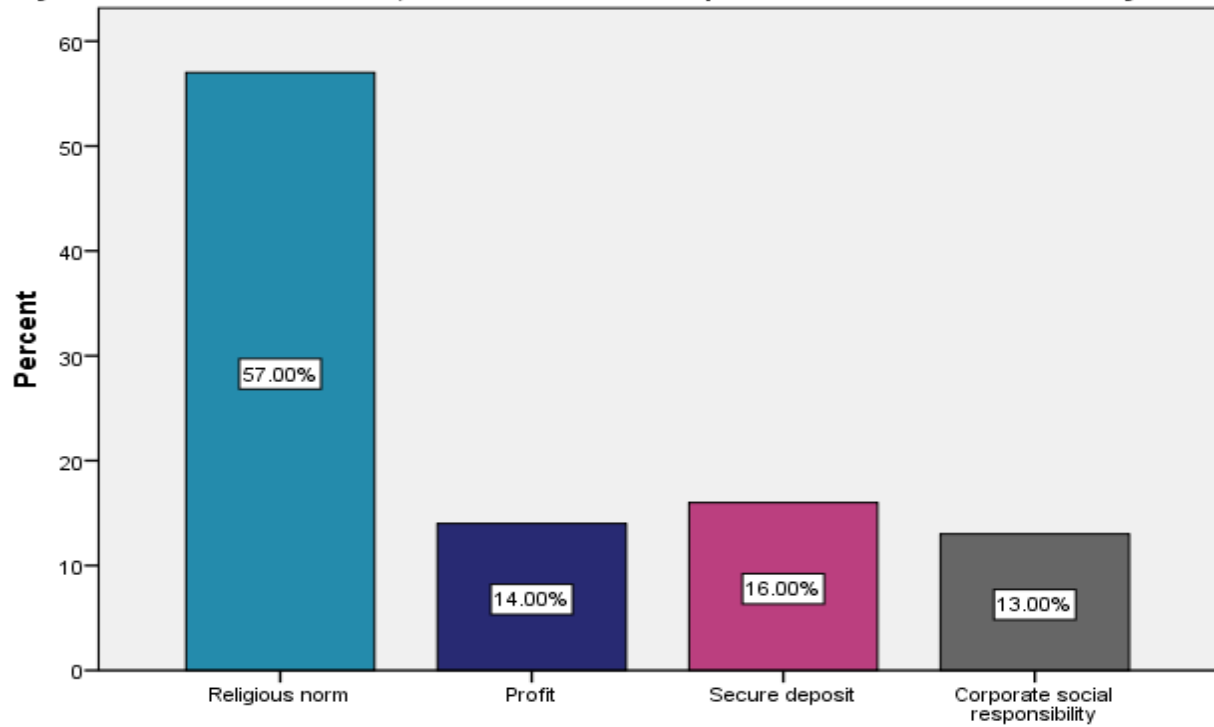
Have you been a customer of any Islamic Bank?



Which kind of banking system do you prefer?

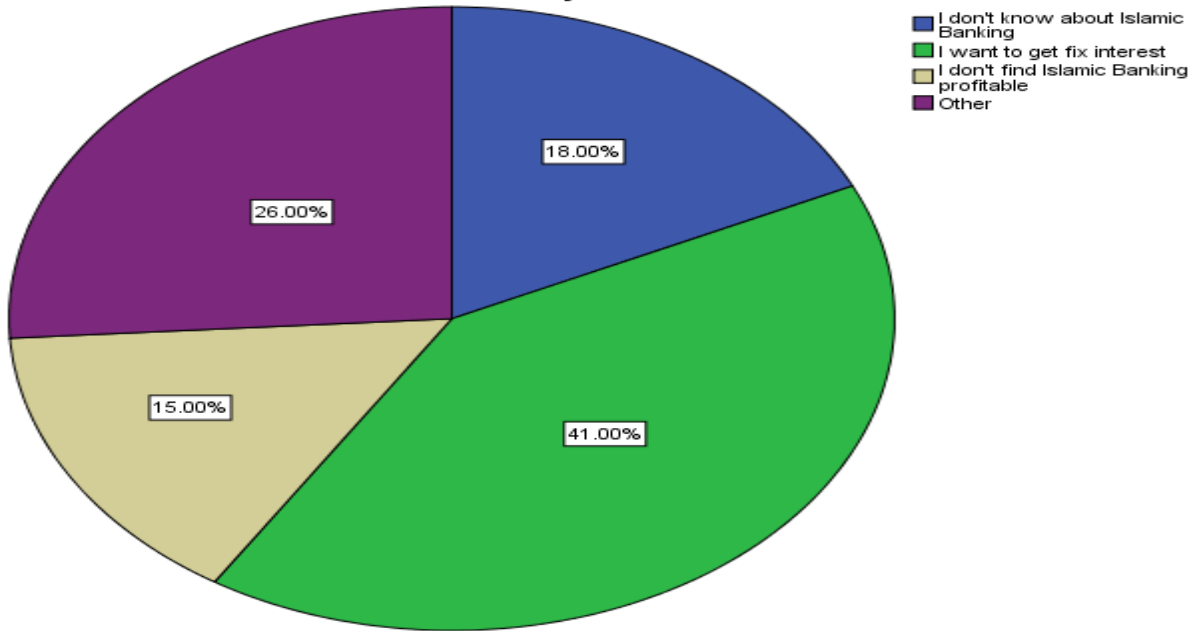


If you chose Islamic Bank, what is the most important reason that attracts you?

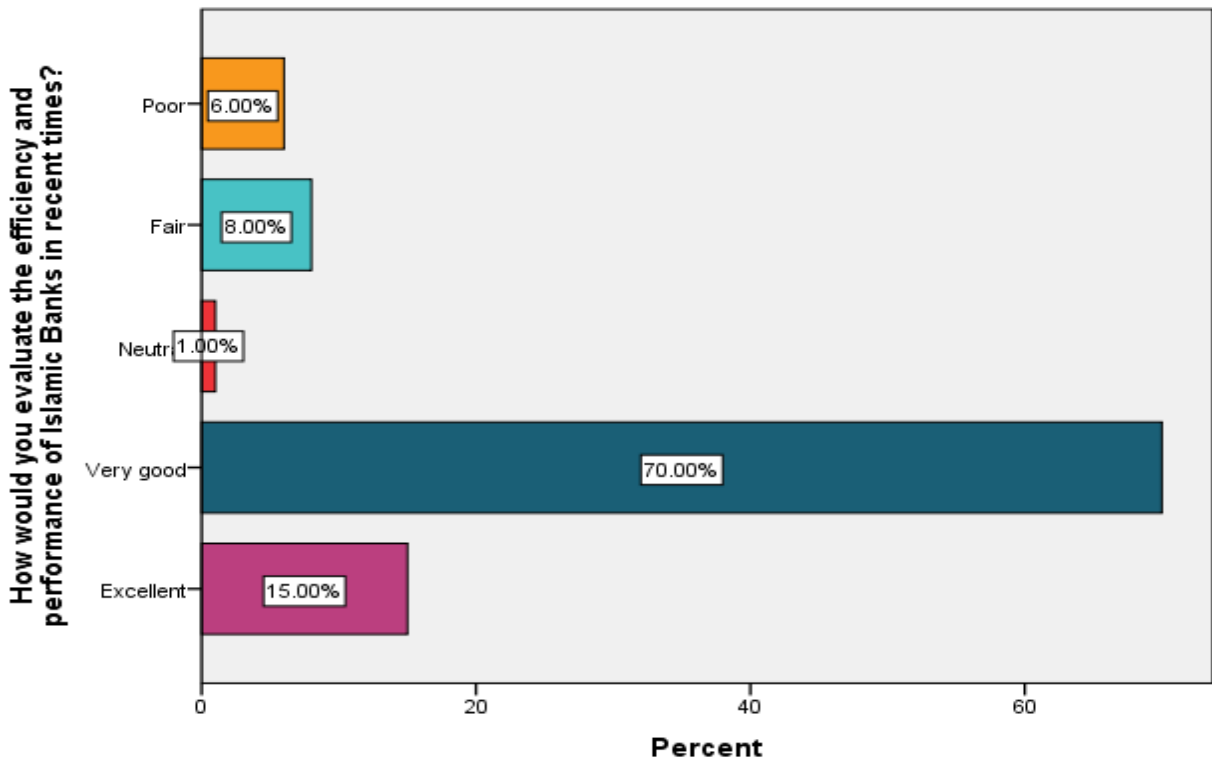


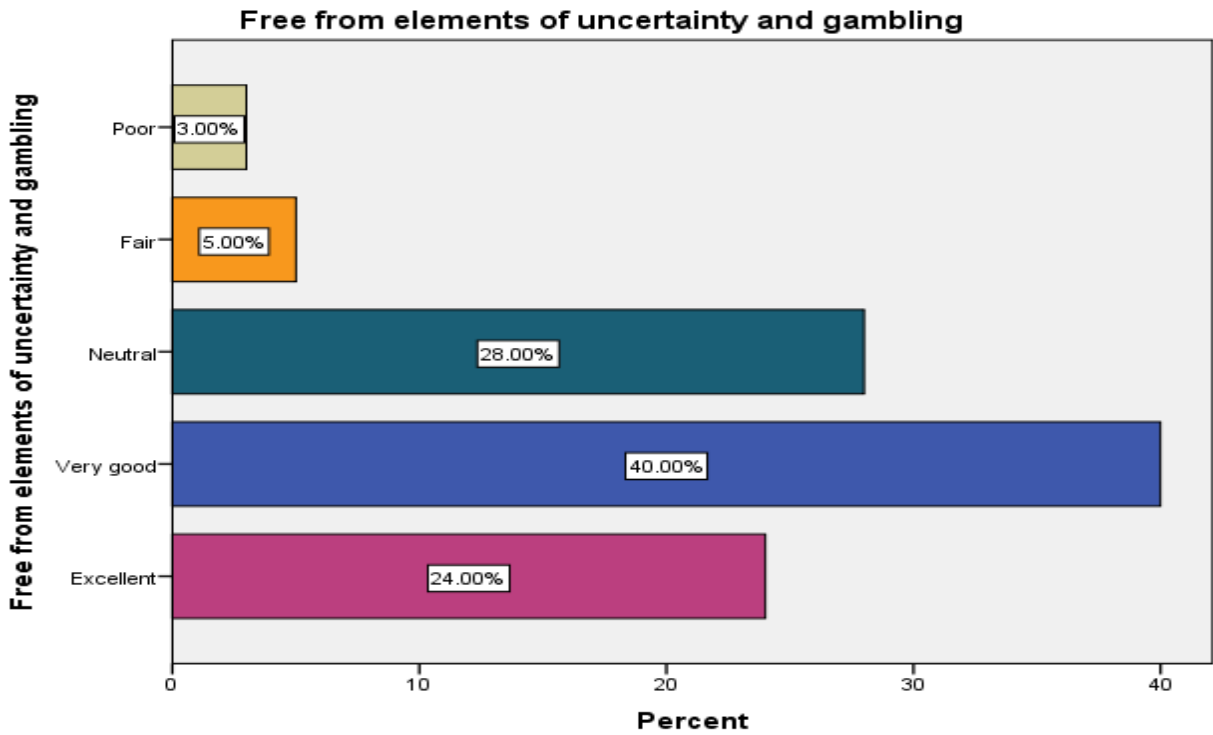
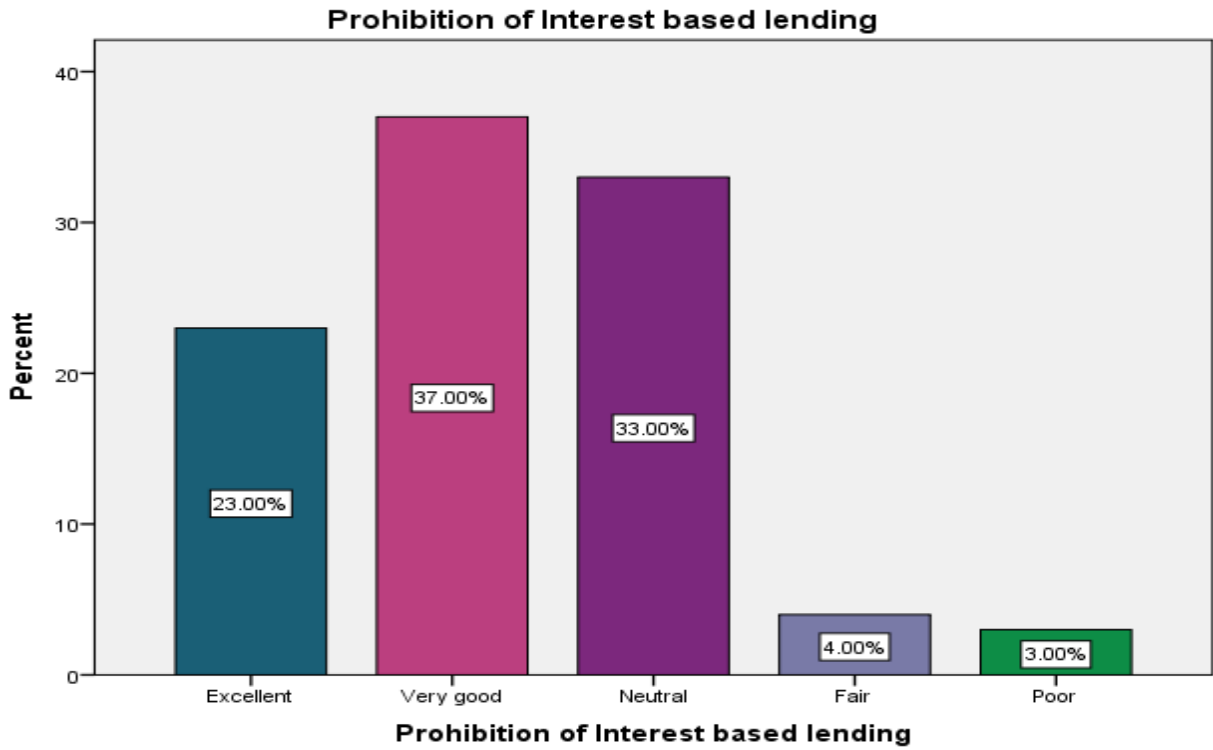
If you chose Islamic Bank, what is the most important reason that attracts you?

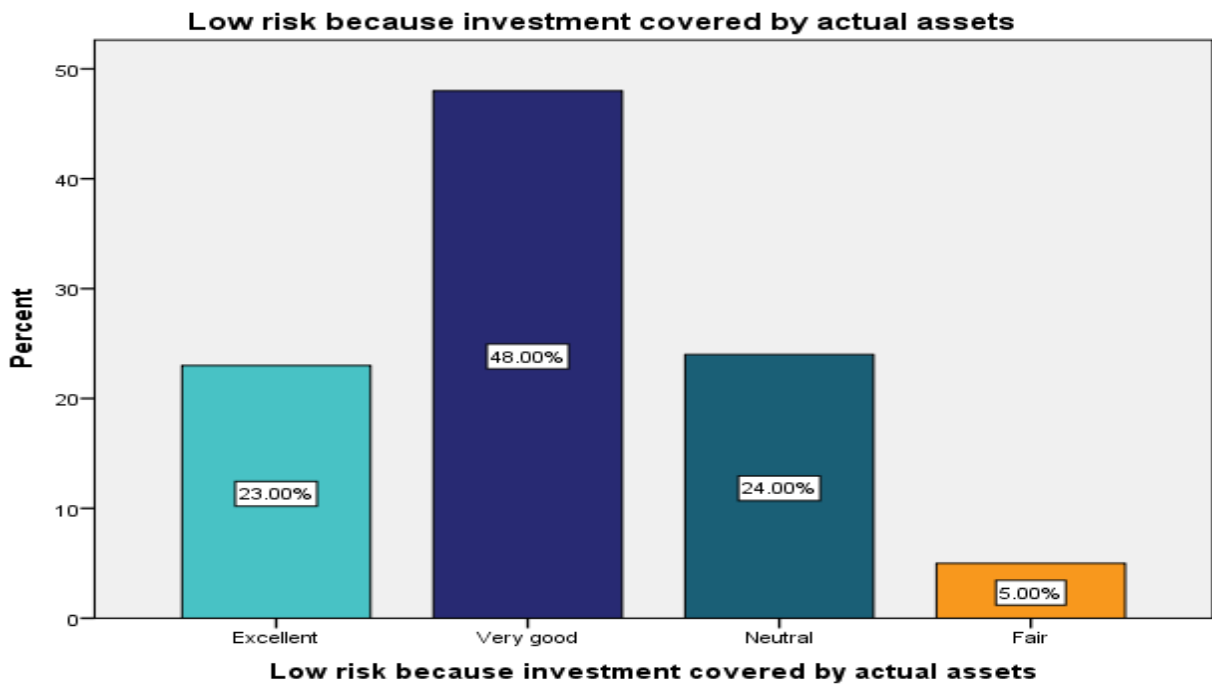
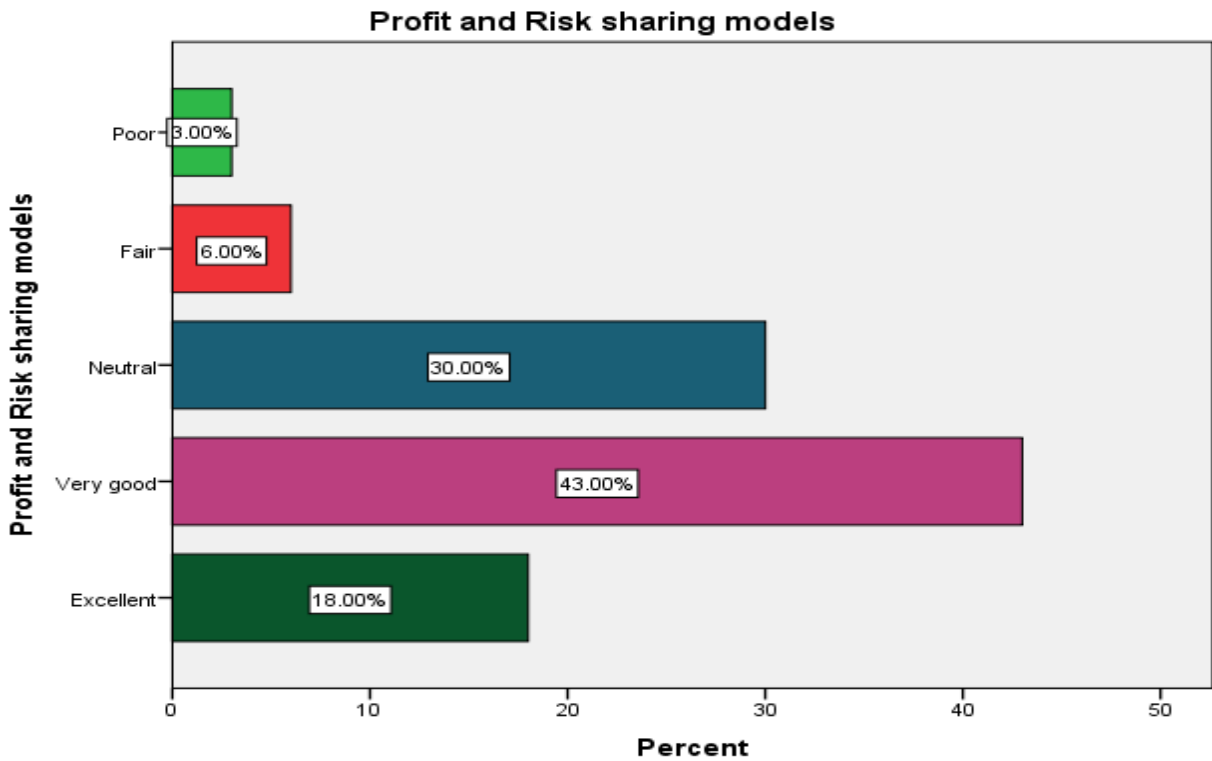
If you chose Conventional Bank, what is the most important attribute that attracts you?

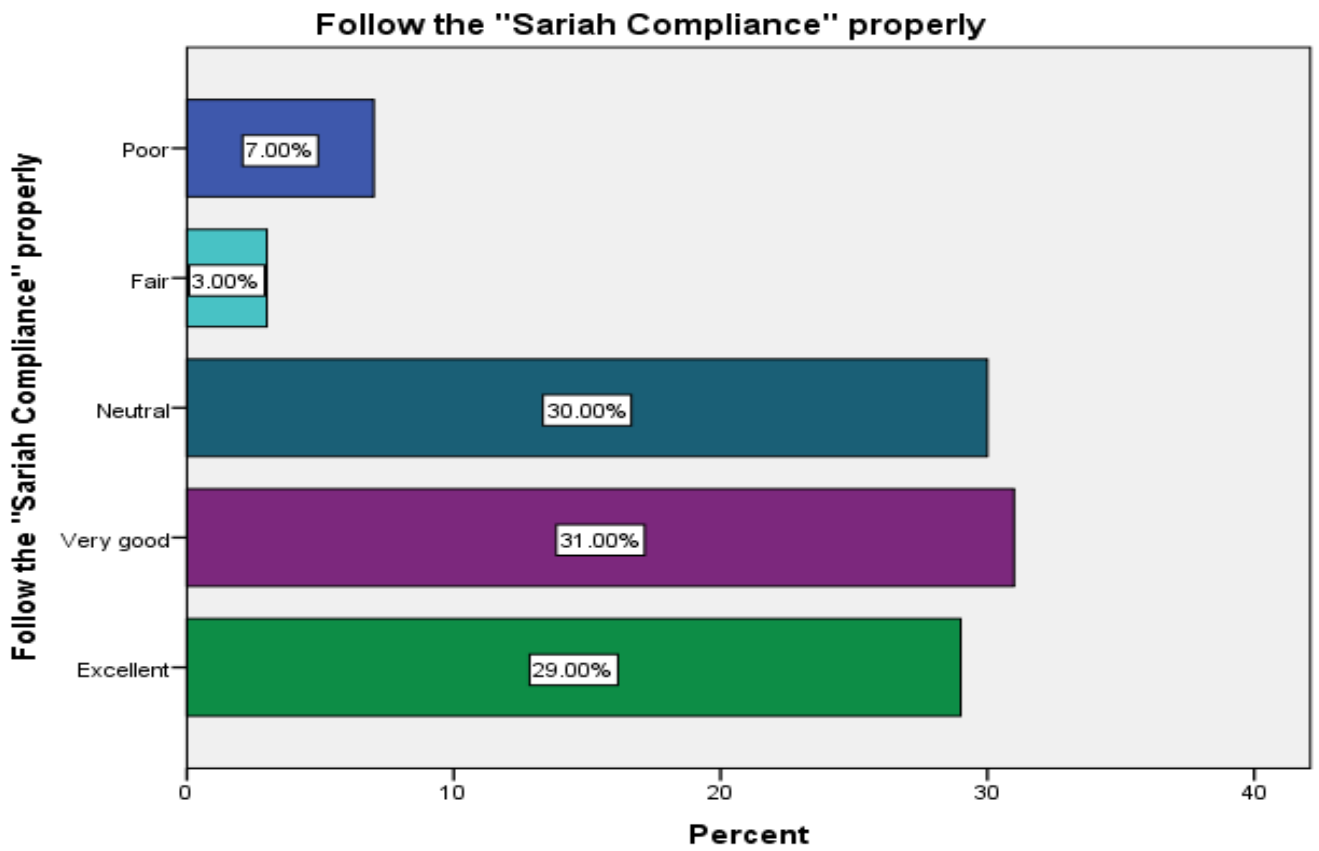
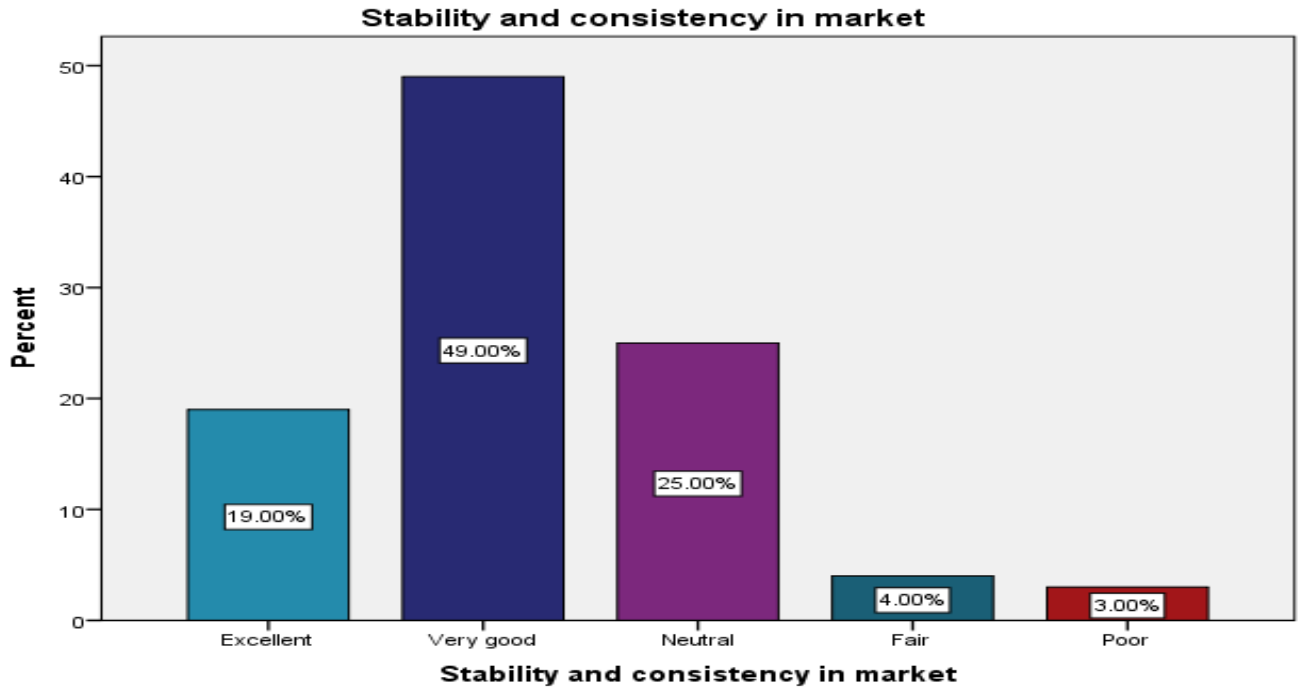


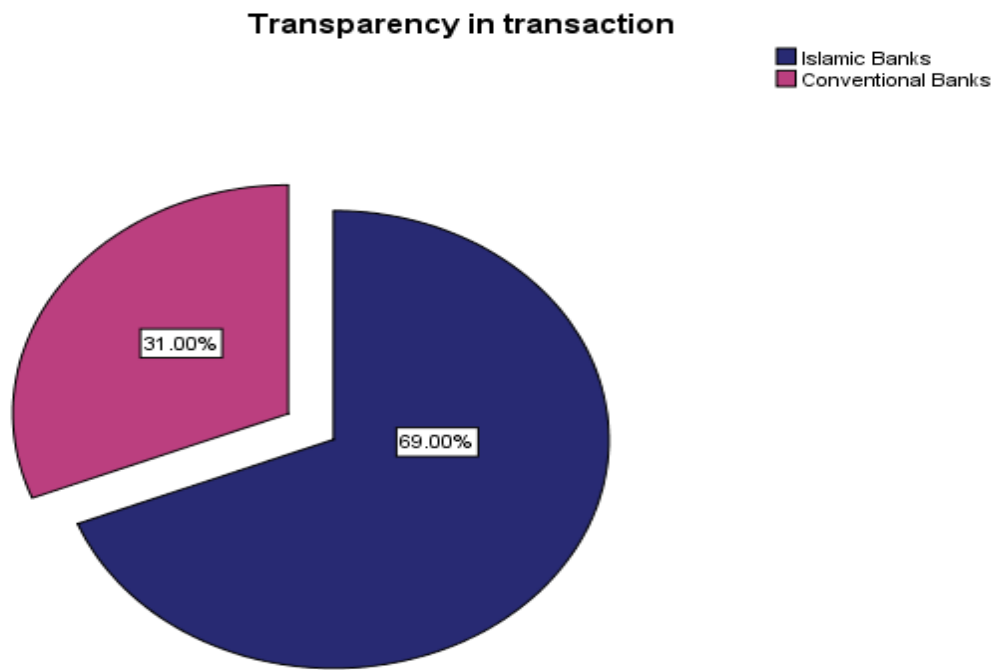
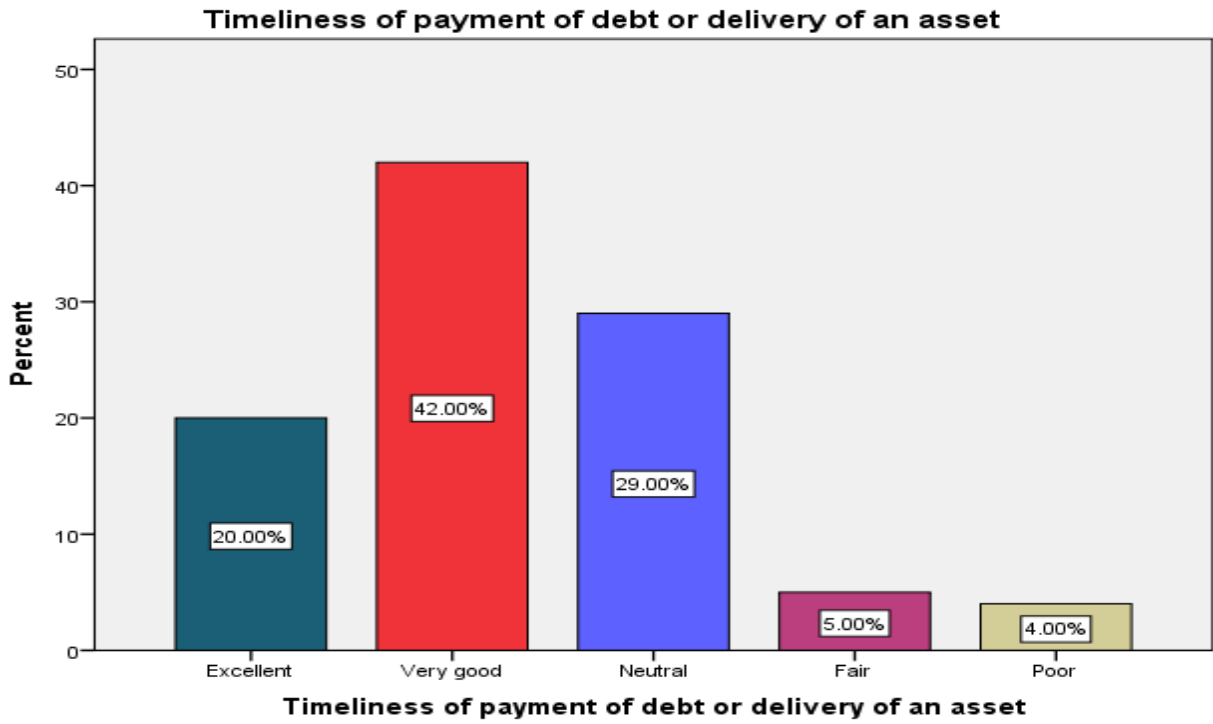
How would you evaluate the efficiency and performance of Islamic Banks in recent times?



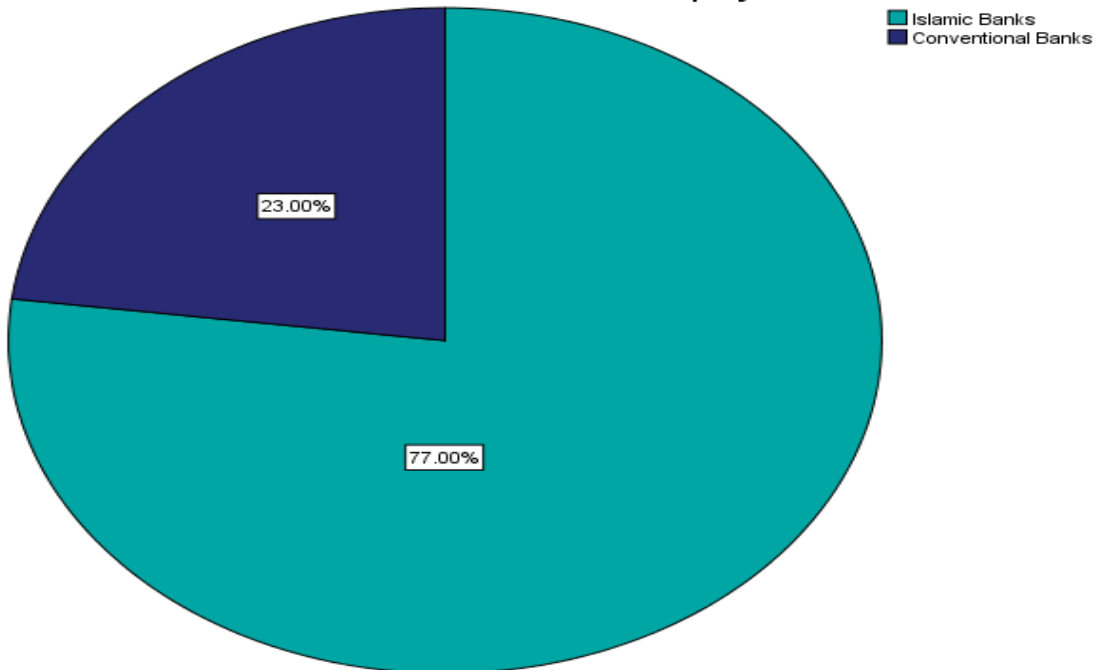




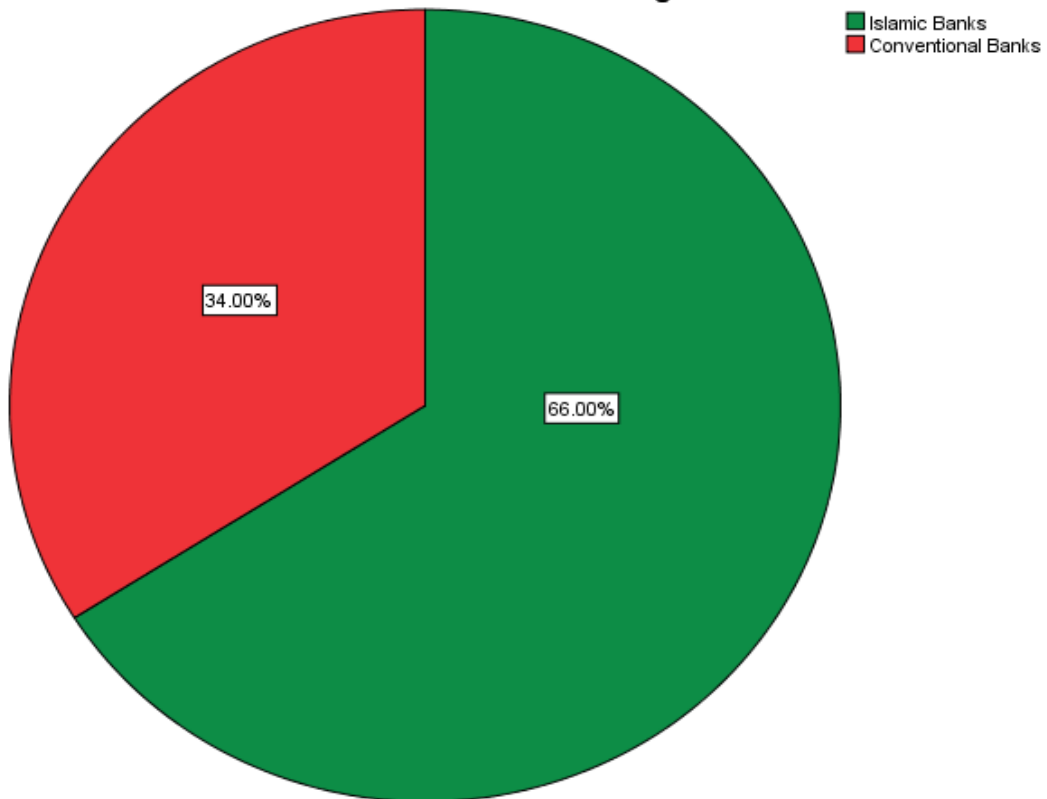




Ethical behavior of employees

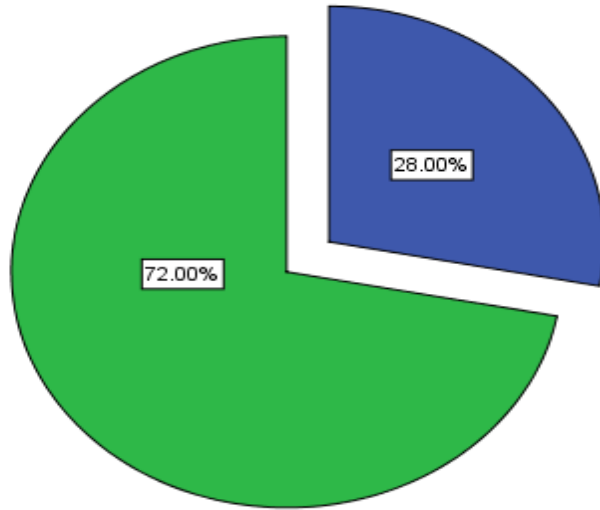


Low service charges



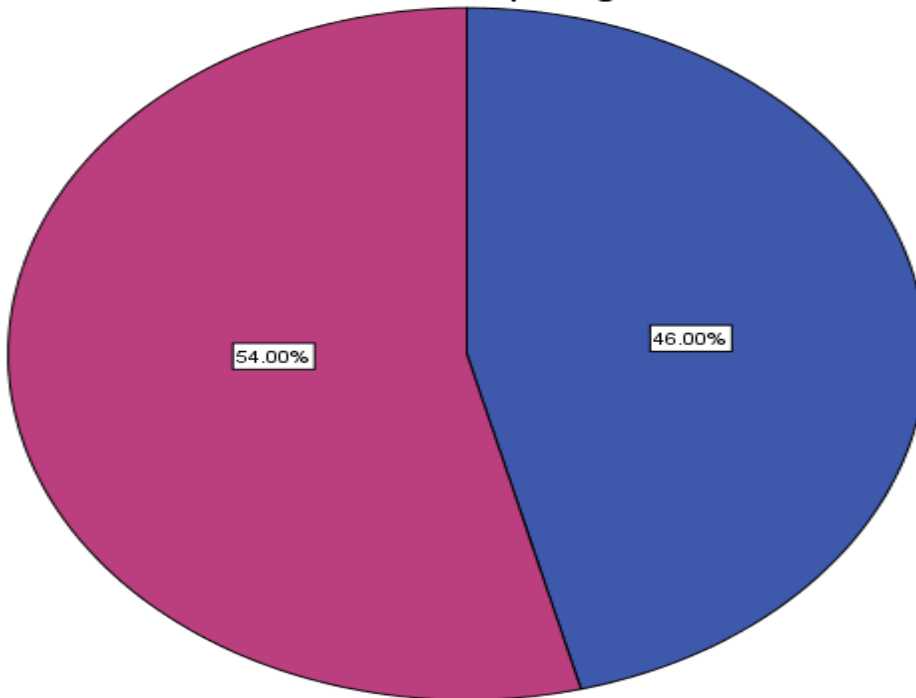
Convenience ATM location

- Islamic Banks
- Conventional Banks



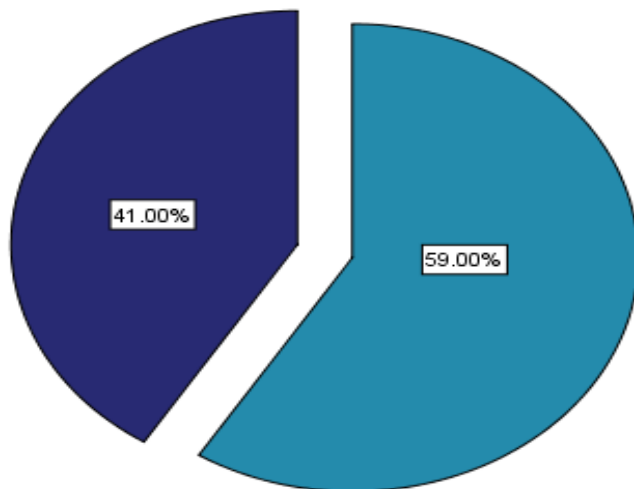
Ease of opening current account

- Islamic Banks
- Conventional Banks



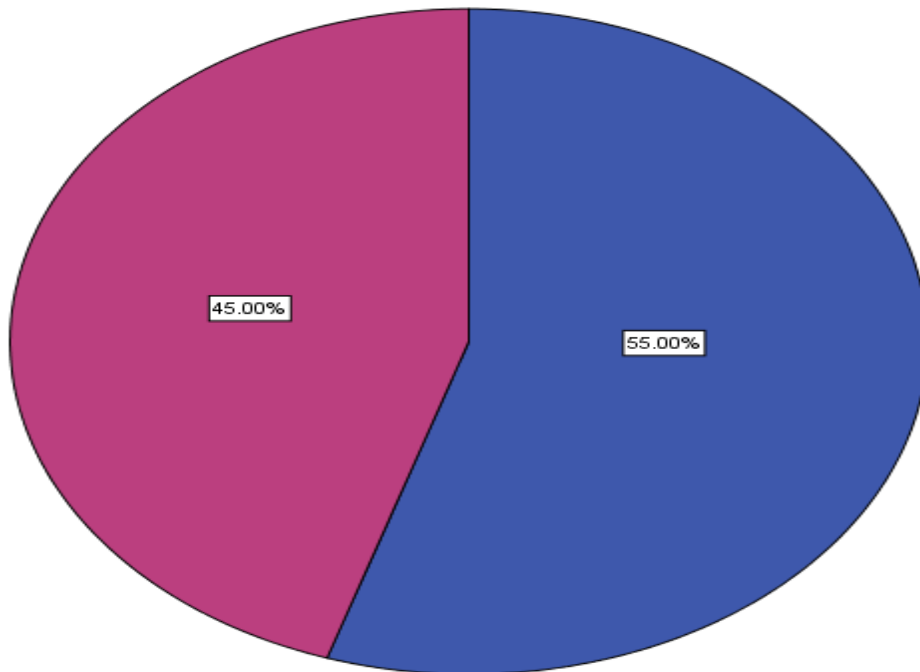
Bank reputation

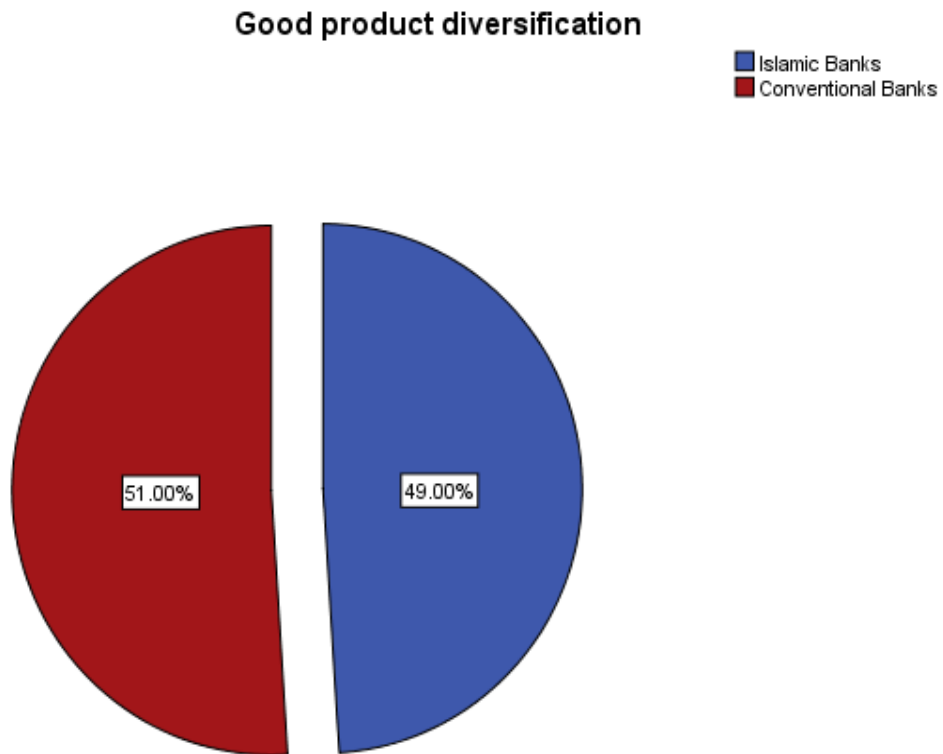
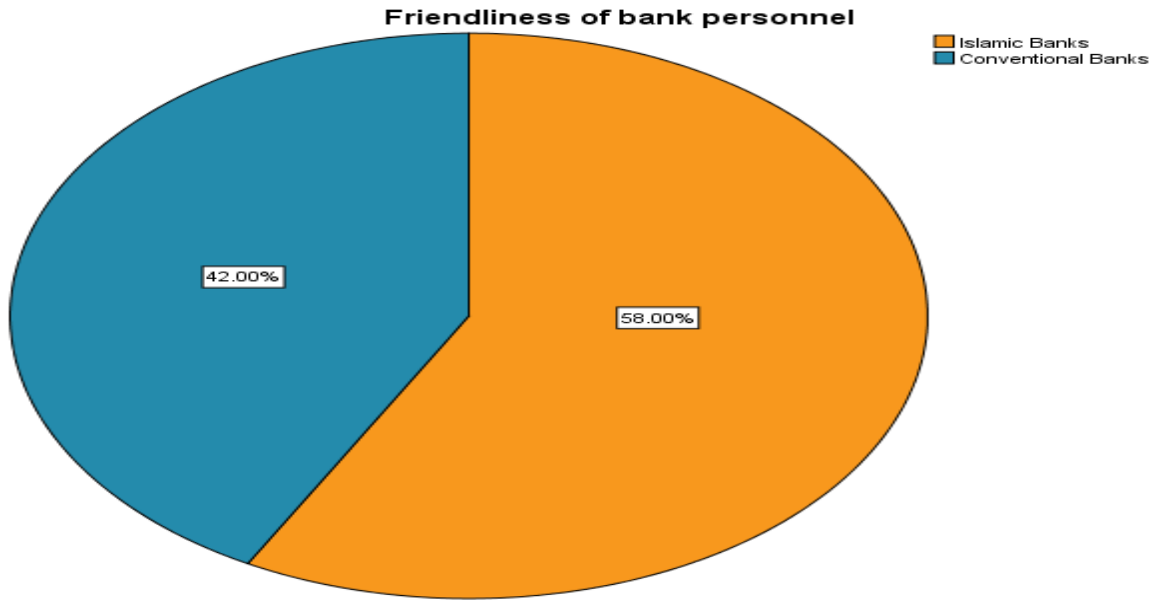
■ Islamic Banks
■ Conventional Banks



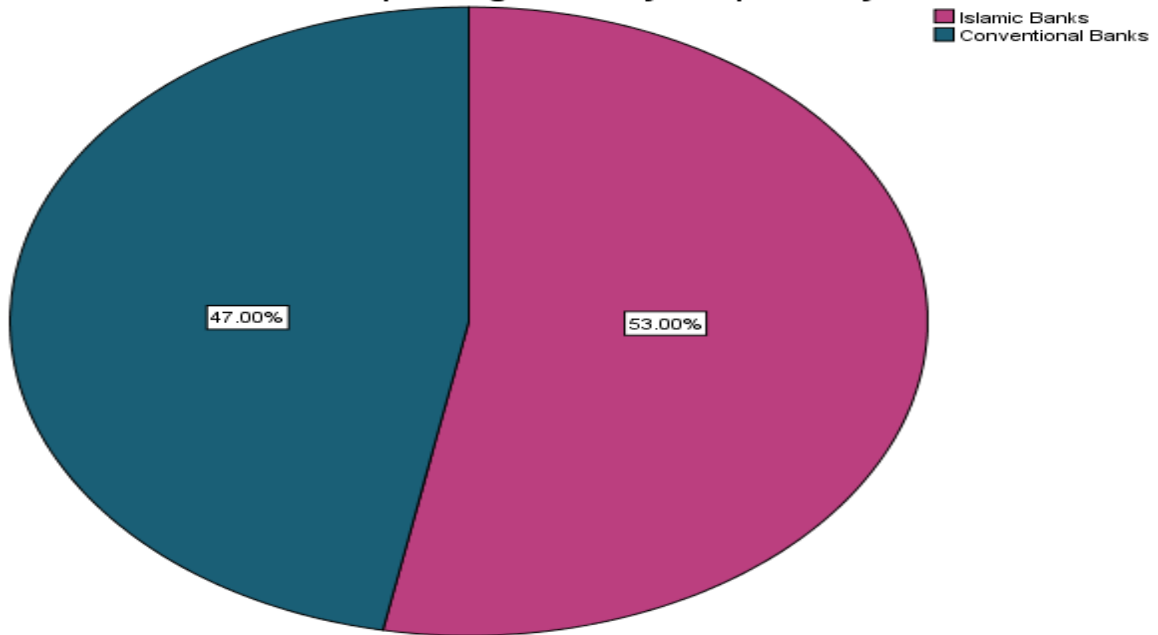
Efficient customer service

■ Islamic Banks
■ Conventional Banks

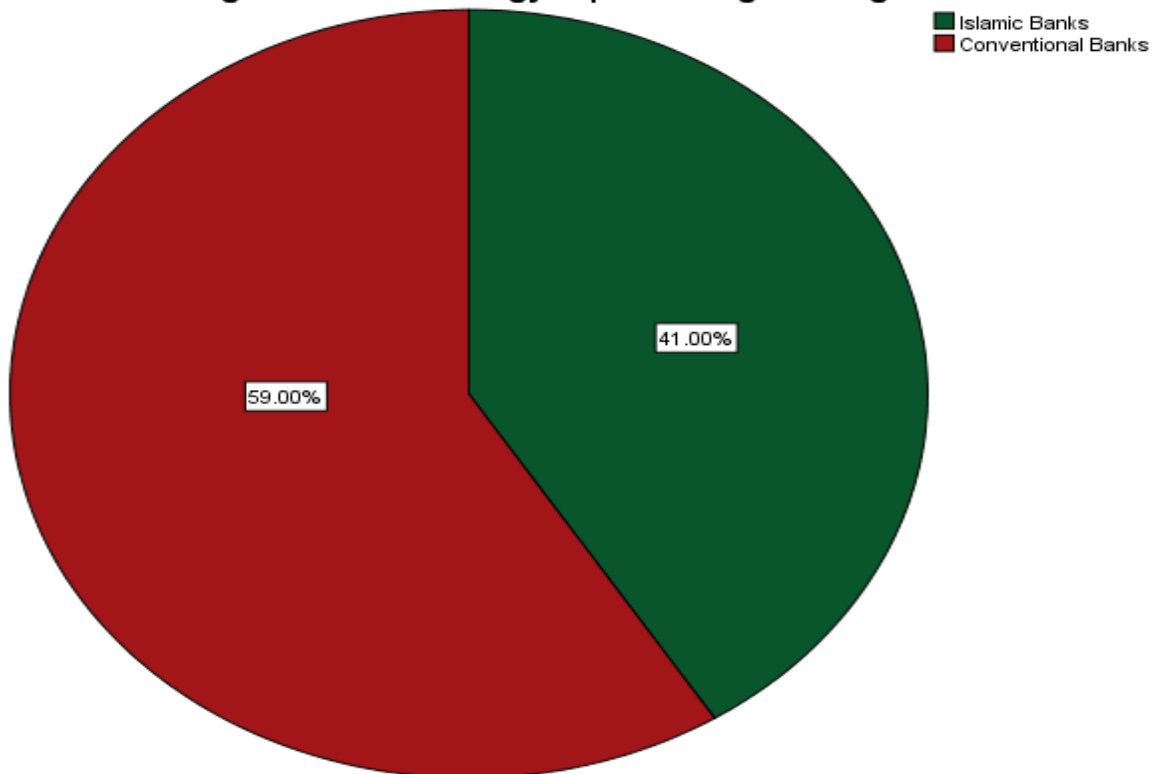




Operating efficiently and profitably

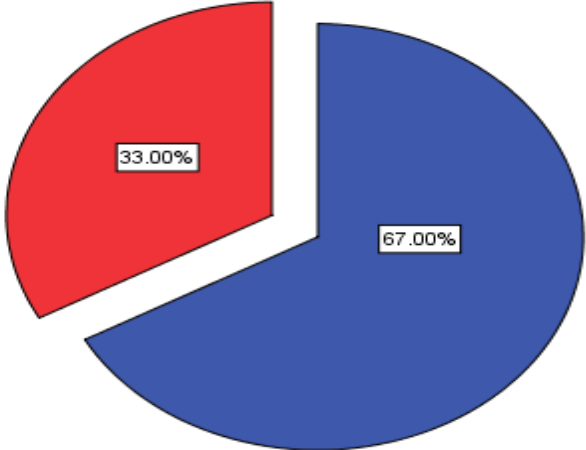


Using modern technology in performing banking transactions



Contributing in removing society's inequalities and improving general standard of living

■ Islamic Banks
■ Conventional Banks



Contributing to social welfare

■ Islamic Banks
■ Conventional Banks

