

Report On
The Impact of Alternative Delivery Channels (ADC) Toward
Cashless Banking: In the Light of Islami Bank Bangladesh Ltd.

By

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ID: 17 304 152

An internship report submitted to
Brac Business School in partial fulfillment of the requirements for the degree of
Bachelor of Business Administration (BBA)

Brac Business School
Brac University
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Abdullah Shatib Fyaz
Student ID: 17 304 152

Supervisor's Full Name & Signature:

Saif Hossain
Assistant Professor & Director (BBA Program)
BRAC Business School
BRAC University

Letter of Transmittal

To,

Saif Hossain

Asst. professor and Director (BBA program)

Brac Business School

Brac University

Subject: Report on the Internship.

Dear Sir,

With all due respect, allow me to present the report on “The Impact of Alternative Delivery Channels (ADC) Toward Cashless Banking: In the Light of Islami Bank Bangladesh Ltd.”

I made every effort to ensure that the report was comprehensive, clear, and meaningful while still containing every relevant detail and suggestions.

Thank you for allowing me to work on this report under your guidance. If you could kindly take time to read the report and evaluate my work, I would be extremely grateful to you.

Sincerely yours,

Abdullah Shatib Fayz

Student ID: 17 304 152

Brac Business School

Brac University

Non-Disclosure Agreement

Mr. Abdullah Shatib Fyaz, an internship candidate from BRAC University with Student ID 17-304-152, will be participating in an internship program with the Islami Bank Bangladesh Ltd. During the period the Intern may have access to confidential and proprietary information belonging to the Bank. Therefore, the Intern Agrees to the following non-disclosure agreements (NDA).

I, Abdullah Shatib Fyaz, hereby declare to agree the following conditions.

1. I understand that I might have access to sensitive and proprietary Bank information while interning. So, I Agree to remain confidential any kind of financial information, client records, company plans, software, technology, and other trade secrets.
2. I undertake to keep any private information learned during the internship a secret from other parties, both during and after the internship, without the bank's prior written approval.
3. I pledge not to utilize any private information learnt during the internship for my own gain or the gain of any other party, unless it's necessary to carry out my internship tasks for the bank.

Abdullah Shatib Fyaz

Name and Signature of the Intern

Acknowledgement

All praise to Almighty Allah for forgiving me the strength to complete my internship report successfully. I'm grateful to my Family, who continuously supported me till this day. My gratitude to my supervisor and co- supervisor, Mr. Saif Hossain and Mr. Riyashad Ahmed who gave me ongoing guidance and assistance as I completed the internship report.

My best regards to Islami Bank Bangladesh Traing and Research Academy (IBTRA) and its faculty members for giving me through academic knowledge on Islamic banking and allowing me as an internship candidate for three long months. My earnest gratitude to all the members and staffs of IBBL Banani Brach, for helping me in every possible way while continuing my internship. Also, I am also thankful to Mr. Kazi Mohammad Siddiq Ullah, FAVP & Manager-Operation of IBBL Banani branch for giving me overall practical knowledge on Islami Bank Bangladesh Ltd. Without, him I couldn't have successfully completed my internship.

I convey my sincere thanks to my dear friend Abid Md Albab Haque who inspired me in so many ways to complete the internship report and the course as well.

Finally, I will always be grateful to my university and the writers of the books, journals, articles, and report papers from which I received assistance and learned important information in order to compile this report.

Executive Summary

This internship report investigates Islami Bank Bangladesh Limited's (IBBL) alternative banking services, with a particular focus on their use of fintech to provide a cashless banking opportunity. The report digs into the challenges and opportunities IBBL faces as it adapts to the digital age. It takes a deep dive into the necessity for doing Cashless banking.

To compile this comprehensive report, a mixed-methods research approach was used, which included reviewing existing literature, analyzing website data, and conducting semi-structured interviews with the bank officials in the field. The findings reveal that IBBL has made significant steps in embracing fintech solutions for cashless banking. It has improved financial inclusions, increased convenience and strengthened security expanding their customer base. In addition, this paper helps to know IBBL's alternative banking products, discuss their advantages and disadvantages about cashless banking, and evaluate how successful IBBL has been to reduce cash dependency.

In conclusion, the report discusses the implications of its findings for the future of banking in Bangladesh and suggests that IBBL should continue to invest in fintech solutions to remain competitive. Overall, this report suggests valuable insights into overall IBBL's banking position and potential impact on the banking sector in Bangladesh. The recommendations provided can be a valuable resource for IBBL and other stakeholders as they work to enhance their services and promote financial inclusion in the country.

Keywords: ADC; Cashless-Banking; Digital-Banking, Fintech; IBBL

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List of Acronyms

ADC- Alternative Delivery Channels

ATM- Automated Teller Machine

AWCA- Al Wadiah Current Account

CRM- Cash Recycle Machine

CSE- Chittagong Stock Exchange

DSE- Dhaka Stock Exchange

EMV cards- Euro-pay, Mastercard and VISA cards

FEX- Foreign Exchange

Fintech- Financial Technology

GB- General Banking

IBBL- Islami Bank Bangladesh Limited

IBTRA- Islami Bank Training and Research Academy

IBF- Islami Bank Foundation

KYC- Know Your Customer

e-KYC- Electronically Know Your Customer

MIB- Mobile Internet Banking

MSA- Mudarabah Savings Account

NPSB- National Payment Switch Bangladesh

PLC- Public Limited Company

POS- Point of Sale

Chapter 1: Overview of Internship

1.1 Student information

Name: Abdullah Shatib Fyaz

ID: 17 304 152

Program: Bachelors in Business Administration (BBA)

Major: Finance and Human Resource and Management

1.2 Internship Information

1.2.1

Period from 01-Jan-2023 to 31-Feb-2023

Organization Name: Islami Bank Bangladesh Ltd. (IBBL)

Department: General Banking

Office Address: House#56, Level #5 Road #11, Block #F, bti The Laureate, Unit # C-2 & C-3,
House # 56, 11 Road No. 11, Banani, Dhaka 1213

1.2.2 Organization's Supervisor's Information

Name: Kazi Mohammad Siddiq Ullah

Designation: First Asst. Vice President

Post: Manager Operation, IBBL Banai branch

Email: ksiddi@islamibankbd.com

1.2.3 Scope of Internship

Obtaining an internship from IBBL, a prominent bank in Bangladesh, can provide insightful knowledge and real-world experience in the banking industry. The scope of obtaining an internship from IBBL is broad and encompasses wide range of area, such as

- It can provide skill development
- Helps Understand Banking activities
- Builds strong networking
- Illustrate academic knowledge
- Bring Exposer to corporate and business world
- Prepares for diversified role and position

1.3 Internship Outcomes

1.3.1 Contribution to the Organization:

As an internship candidate I tried my level best to contribute in the organization from my position. For the first few days, I used to stay close to my supervisors and they taught me all their banking activities in different departments. Soon, I started helping them in various activities such as receiving the clearing and transferring checks from the customers, filling up their Account opening and closing forms, DPS and TDR forms, KYC forms, calling clients on behalf of the bank, disbursing debit and credit cards to the clients, receiving the mobile banking complains and helping clients on internet banking, even helping illiterate clients according to my supervisors' guide. My duties used to rotate on weekly basis. On the last week of my branch deposition, I was assigned to the investment and foreign exchange department where I gathered the basic knowledge about their investment mechanism and foreign trade but was not able to participate in any significant activities as the time was limited.

1.3.2 Learning outcome:

Getting the Internship opportunity with Islami Bank Bangladesh is very fortunate as it provides real life exposure to the corporate world. So, I feel very fortunate to enroll myself as an internship candidate at IBBL. This internship has improved my skills and enhanced my abilities adding value to my bookish knowledge. My Financial analysis, customer dealing, time management and communication skills have gone through polishing while this period. It has exposed me to professional people in finance and business sector which ultimately increased the radius of my networking. On the other hand, as an intern my duties used to rotate to different department which allowed me to play diverse roles in areas like customer service, marketing, investment which gave me an overall experience of how a corporate organization works.

While my internship, I was introduced to latest banking technologies and digital platform which gave me the idea about the current and future of the aspects of banking. It made me aware of Alternative Delivery Channels (ADC) and the importance of Cashless banking. This helped me write this report about the Impact of Alternative Delivery Channels (ADC) of IBBL Ltd for Cashless banking. In this paper helps to know IBBL's alternative banking products, discuss their advantages and disadvantages about cashless banking, and evaluate how competitive they are in relation to other Bangladeshi banks.

1.3.3 Limitations

Time Limitation: Internships at Islami Bank are only available for a two-month period. It is really challenging to learn about all departments in such a short time. Information extraction in such a short period of time is quite challenging.

Busy professionals: The banking industry has a high level of activity. The professionals are so very busy that they do not have time to respond to my query. This is why some of the information was unclear.

Confidentiality: Because of the bank's confidentiality, not every detail was shared with intern candidates. Therefore, some information may remain untouched which may lead to lack of knowledge.

1.3.4 Suggestions for new interns

For new internship candidates in Islami Bank Bangladesh Ltd. I would like to suggest them to immerse the principles of Islamic finance and banking. It is essential that they familiarize with Sharia-compliant financial practices and regulations, as it is the foundation of the institution. I would also suggest them to seek mentorship from every individual within the organization, since their advice can offer insightful information about the distinctive features of Islamic banking. Demonstrate strong commitment to ethical conduct, integrity, and adherence to Sharia principles is all IBBL need. Proactively engaging in learning about IBBL's products and services and be open to play diversified roles in different departments. Embracing technological advancements like, Cell-fin, i-banking, POS will leverage their skills to contribute positively to the organization. Lastly, maintain a professional and respectful demeanor, recognizing the importance of collaboration and teamwork will help any candidate achieve a successful Internship from Islami Bank Bangladesh Ltd.

Chapter-2: Islami Bank Bangladesh Ltd. (IBBL)

2.1 Introduction

Islami Bank Bangladesh Limited, abbreviated as IBBL, was established to comply with Islamic Shariah in the Banking industry. Its establishment on 13th March, 1983 is marked as a crucial milestone in the financial landscape of Bangladesh. It was founded as an alternative to conventional interest-based banking and promote ethical and Sharia-compliant financial practices to the predominating Muslim population. The bank's core operations are reflected on 'profit-loss sharing' and partnership arrangements integral to Islamic finance. To ensure that its operations remain consistent with Islamic principles, IBBL has established Sharia Supervisory Committee tasked with overseeing and guiding its financial activities. It also serves as a global pioneer of Islamic micro finance by providing Islamic banking services to root level population. Islami Bank Bangladesh stands apart from conventional banking mainly by maintaining the Islamic principles known as Sharia Principles. The main difference is that in Islamic finance, "interest," or "Riba," is forbidden. In technical terms, "Riba" is the additional charge that has to be paid in order to receive a loan or to have the loan's maturity extended (MU Chapra, 2008). Instead, as an alternative, IBBL uses the profit-and-loss sharing model, in which clients and the bank split the rewards and risks associated with investment. Sharia compliance, a fundamental theory, ensures that all financial activities align with ethical and moral guidelines, prohibiting investments in sectors like alcohol, gambling, pork and other forbidden activities. Additionally, it focuses on financing that is supported by real assets or actual economic activity, or asset-backed lending. This facilitates a more concrete foundation for investments and eliminates speculative activity. The concept of risk-sharing is key element in Islamic banking, with various partnership arrangements like Mudarabah, Musharakah, and others where profits and losses are shared. This promotes a more equitable distribution of risks, and transparency and disclosure are more supreme. Thus, IBBL is guided by Islamic banking principles and ethical considerations, focusing on economic development while avoiding excessive risk and unethical investments. Moreover, its commitment to the ethical banking along with the religious belief has made it extremely demandable and necessary in a Muslim majority country like Bangladesh. Therefore, the Bank continues to grow and expand its horizons into more advancement with sustainable Islamic finance.

2.2 Overview of Islami Bank Bangladesh Ltd.

2.2.1 IBBL at a glance:

Over the time IBBL has developed into one of Bangladesh's top banks, providing a comprehensive range of Islamic banking-compliant financial products and services along with 394 physical branches, 228 sub-branches, 2,706 agent outlets and 2121 ATM booths (IBBL, 2022). Besides, IBBL's extensive branch network, it provides cutting-edge technology and digital banking products promoting cashless banking. IBBL has introduced many Alternative Delivery Channels (ADC) such as mobile-banking, internet banking, ATM, CRM, POS, cards, SMS banking for cashless banking experience. It provides the second highest bank employee after Shonali Bank, so it has been a huge source of employment solution for the country. Currently, it has 2,878 number of employees which is the highest employment among all the privet banks in Bangladesh (IBBL,2022).

IBBL is listed on the Chattogram Stock Exchange (CSE) Limited Aswell as the Dhaka Stock Exchange (DSE) Limited. With a strong base of 30,126 shareholders, IBBL's financial strength is demonstrated by its authorized capital of Tk. 20,000.00 million and paid-up capital of Tk. 16,099.91 million (IBBL,2023). Bangladesh securities and exchange commission has permitted IBBL to rise capital of 8 billion taka through issuing perpetual Mudarabah bond for 7 years from January 2023 (Star Business Report, 2023). IBBL currently has 160,000 outstanding bonds trading at face/par value 5000 taka. IBBL has also previously raised capital 300 million taka through perpetual Mudarabah bond with face value 1000 taka which is still trading in the market. In short, IBBL's strong capital structure proves that it not only provides viable and ethical alternative to conventional banking but also meet the standards of sustainable banking.

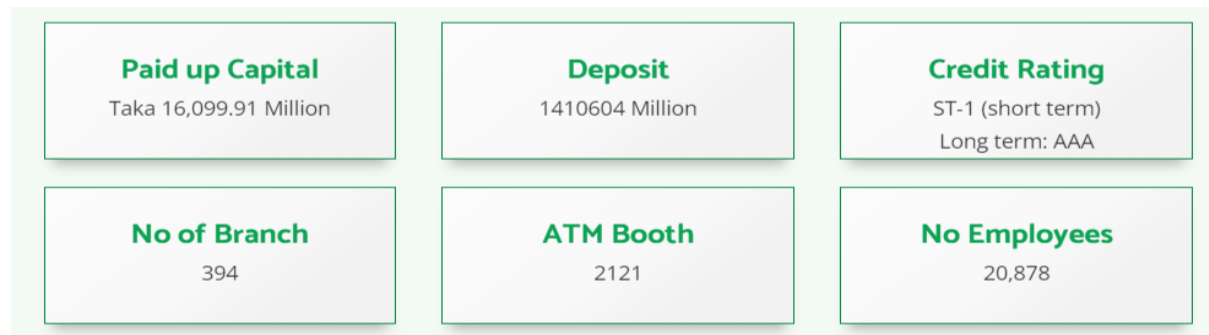


Figure 10: IBBL at a glance

2.2.2 IBBL's Vision, Mission and Commitment

According to Islami Bank Bangladesh Limited's official website, clear vision and mission, demonstrates IBBL's commitment, Towards Universal Banking, followed by Islamic principles. The vision of IBBL centers on striving for exceptional financial performance and establishing a solid reputation in the banking sector. Its mission is to service modern banking techniques while upholding the principles of Islamic finance, contributing to the financial system's soundness and development. The bank aims to evolve into an efficient and robust organization with a highly motivated workforce, ultimately benefiting the people. This mission emphasizes accountability, transparency, and integrity as the cornerstones of ensuring financial system stability. Additionally, IBBL seeks to promote direct investment savings and encourage investments in projects that can potentially create more job opportunities. IBBL's broader mission revolves around establishing an Islamic banking system that promotes social welfare and economic justice. with a particular focus on priority sectors and underdeveloped regions, especially those residing in rural areas.

2.2.3 organizational structure:

Being of the largest bank in Bangladesh IBBL has one of the most well-constructed and complex organizational structure to maintain this large sharia compliance organization. IBBL is a public limited company so the common shareholders are the owner of the company. Among the board of directors one member is elected as Chairman and 2 members as vice-Chairman. IBBL has thirteen directors, four Independent Directors, one Managing Director and one Company Secretary. Besides Board of Directors IBBL has a separate Shariah Supervisory committee to compliance with Shariah. Every new and existing IBBL products have to go through and get approved by the Shariah Supervisory committee before it finally launched. There are also Risk, Executive committee, Management Committee, and Management committee, supervised and monitored by the directors. IBBL has two subsidiary companies of IBBL, and a charity foundation. The Chief Executive Officer (CEO) also the Managing Director (MD) is the Head of IBBL's management. Under CEO's secretariat there are AMD's and DMD's office, Human Resources Division, Zone, Anti Money Laundering division, and IBTRA. The Additional Managing Directors (AMD)'s and Deputy Managing Directors (DMD)'s offices look after multiple divisions and wings of the bank

situated at the Head Office located at Islami Bank Tower, 40 Dilkusha, Motijeel Commercial Area, Dhaka (IBBL,2022). Each of these wings are established to process banking activities smoothly.

IBBL's benches/sub-branch are divided into 16 Zones throughout the country for the ease of its operation. Branch Managers have to report to its weekly, monthly and yearly detail activities and financial position to its assigned Zonal office. Branches are divided into three main departments, General Banking, Foreign Exchange department and Investment department. Those branches are Authorized to deal with foreign exchanges and trade like issuing Letter of Credit (LC) are called AD (Authorized Dealer) branches. Every AD branch has a specialized department for Foreign Exchange. Currently IBBL has 73 AD branches situated in important commercial locations for foreign exchange and trade. Again, General banking deals with regular banking activities like account opening, deposit collection, fund transfer, cash disbursement, clearing check, RTGS, Remittance withdrawal and more. On the other hand, the investment department sanctions the deposited money to the potential investors on different sharia-modes with a view to earn profit. The specific Department and wings of IBBL monitor and supervise branch activities to maintain the transparency and meet the banking standards. So, this is how IBBL maintains such a large and complex organization from bottom to top with a strong organizational structure.

Organogram of IBBL

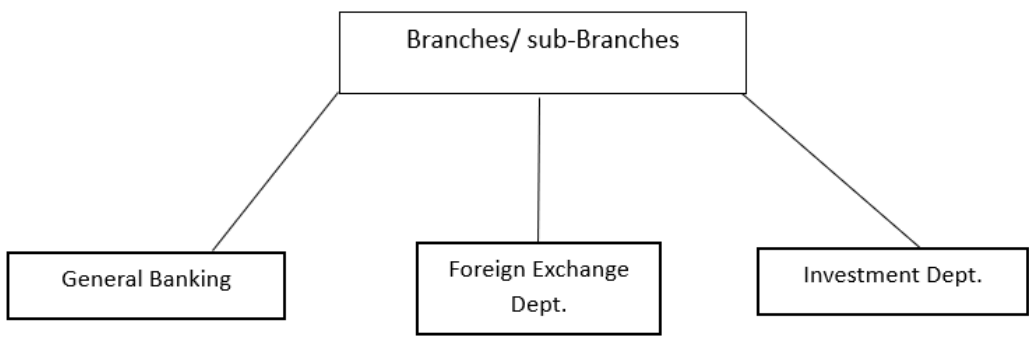
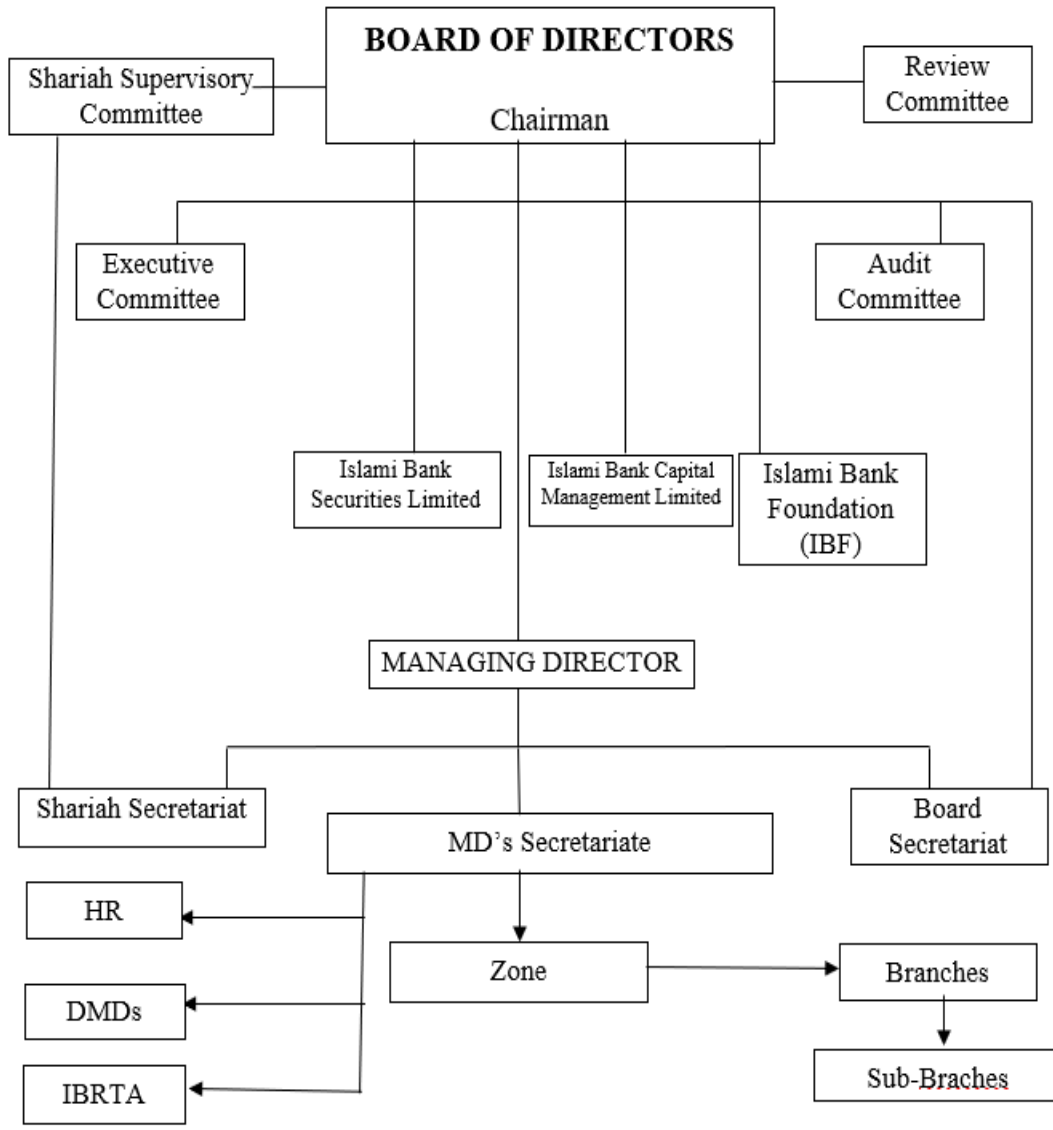


Figure 11: Organizational structure of IBBL

2.3 Management Practices

2.3.1 Leadership Style:

Success of a company depends on many aspects and Management Style is one of the key aspects. Because of highly sensitive business a proper leadership approach is necessary for the banking industry. As the banking industry continues its evolution, IBBL is well-positioned to maintain its leadership. Among most common leadership styles Islami Bank Bangladesh Ltd. is observed to follow the Autocratic approach and Transactional approach.

One of the leadership styles IBBL follows is the Autocratic leadership approach where leaders have all the power for decision-making, the employees are typically excluded from decision making process. In order to maintain total control over subordinates, managers emphasize compliance with rules and regulations and their enforcement. Through force, control, and occasionally fear, loyalty is developed. Chain of command is strictly maintained from the top senior to junior employees throughout the organization. This clear chain of command makes no confusion for each individuals role in the organization. Managers can make decisions quickly, effectively, and with great authority and confidence since they do not need help from their subordinates. This autocratic leadership approach helps to influence and support employees enthusiastically to achieving IBBL objectives, 'Towards Universal Banking'. This type of leadership helps IBBL to unify the whole organization situated at Different parts of the country. However, this autocratic leadership sometime can cause some confusion. This type of decision making does not involve the opinion of junior employee which diminish the creativity of individuals and mix of knowledge. It can also demoralize employees, creating an unhealthy toxic organizational environment leading employee dissatisfaction and disengagement.

Islami Bank Bangladesh Limited also appears to adopt a transactional leadership style which emphasizes conventional role of managers in maintaining organizational structure, supervising performance, and achieving predefined goals. This approach of IBBL can be characterized by three distinct components like contingent reward, active management by exception, and rewards and punishments are motivators. In the context of contingent reward, IBBL focuses on motivating employees through recognition and rewards tied to goal achievement. The bank closely monitors individual performance and offers incentives when set objectives are met. This creates a clear link

between employee efforts and the overall growth and success of the organization. Active management by exception involves carefully monitoring of employees' performance to identify errors or deviations from expectations. IBBL takes corrective actions promptly to address issues, ensuring that operational standards are consistently met. This proactive management approach contributes to maintaining a high level of performance and compliance. Islami Bank Bangladesh Limited (IBBL) utilizes rewards and punishments as potent motivators. The contingent reward system is a key component of IBBL's leadership approach. Conversely, IBBL employs get penalties within its management framework to address deviations from expected performance. This ensures that employees understand the consequences of non-compliance or underperformance, maintaining a disciplined and goal-oriented work environment. The use of rewards and punishments by IBBL underscores the transactional leadership model's efficacy in driving consistent results and maintaining a structured organizational culture. However, while IBBL's transactional leadership ensures a structured and disciplined work environment, it may pose limitations in fostering creativity, innovation, and individuality among employees. This leadership style tends to be more rigid, focusing on compliance and goal attainment rather than inspiring employee creativity or long-term job satisfaction.



Figure 12: Management Hierarchy of IBBL

2.3.2 Human Resources Planning Process:

Islami Bank Bangladesh Limited (IBBL) strategically manages its human resources through a comprehensive human resource planning process that encompasses recruitment and selection, a strong compensation system, training and development initiatives, and a performance appraisal system.

I. Recruitment and Selection Process:

One of the main responsibilities of the IBBL's HR division is recruiting. IBBL employs a careful recruitment and selection process to ensure the acquisition of qualified individuals who resonate with the bank's Islamic values. This process includes six steps starting from Identifying the Hiring requirement. Then creating the job description that will attract the best fitted candidates, sourcing for talent where candidates are searched through various channels, short listing and screening suitable candidates from the talent pool, then selecting, Hiring and finally Onboarding the finalist is the total process of recruitment.

IBBL usually hire any senior vacant position from internal recruitment. Internal recruitment makes existing employees happy and confident about their job. It also makes the succession transition smooth and bring no change to the organizational culture. So IBBL out source for two basic positions. The first position is for Probationary Officer for entry level management and the second position is for Trainee Assistant Officer. Although a lot of companies outsource their hiring, IBBL uses its own hiring team. When IBBL predicts any positions going to be vacant very soon, it publishes website circulars, press ads on social media, and daily news to find qualified candidates for open positions. In the circular detailed job specification and job description are mentioned to attract the talented and suitable candidates. After receiving online applications comes the first screening the recruiting team eliminates all the unfit candidates. Then for the second screening candidates appear for the preliminary and written test Followed by final Interview. Those who can pass all three tests are finally selected for the positions. Then the company sends an offer letter to them to join the company. Then last step is onboarding that means welcoming the new employee and start developing the organizational culture and principles of Islamic banking. Though

recruitment process is sound and fair, sometimes it can be a lengthy process, it may take several weeks or months to complete the whole process.



Figure 13: Recruitment process of IBBL

II. Compensation system:

The bank has designed a competitive compensation system that considers market trends and employee performance. IBBL's compensation structure includes a mix of fixed and variable components, rewarding employees for their contributions. This approach ensures that employees are fairly remunerated, fostering motivation and commitment. The bank regularly conducts market analyses to ensure that its compensation structure remains competitive within the banking industry. This practice helps IBBL attract and retain top talent by offering remuneration packages that are in line with industry standards. The bank incorporates performance bonuses, festival bonus, incentives, and allowances according to motivate employees and foster a sense of equity. The compensation system is regularly reviewed to stay responsive to employee performance.

IBBL offers a variety of benefits to improve its workers' general well-being. These consist of welfare programs, health insurance, House rent, Transportations, Low-cost House loan and contributions to provident funds. In addition to financial compensation, IBBL invests in the professional development of its employees. Training programs, workshops, and skill development initiatives contribute to the growth and career advancement of the workforce. IBBL acknowledges and appreciates employee contributions through recognition programs. These initiatives go beyond monetary rewards, fostering a positive workplace culture where employees feel valued and

motivated to excel. In short, by offering a comprehensive benefits package and quality compensation structure, IBBL aims to create a supportive and favorable work environment.

III. Training and Development Initiatives:

IBBL's Human Resource Division invests in the continuous development of its employees through structured training programs. These initiatives cover a range of areas, including Islamic banking principles, regulatory compliance, customer service, risk management, technological advancements, and soft skills development. The bank's dedication to training makes sure that staff members stay current with developments in the sector and make valuable contributions to the objectives of the company. The Human Resource Division ensures that training programs are thorough, focused, and by the changing demands of the banking industry, regardless of whether they are intended for front-line employees or managers.

The Islami Bank Training and Research Academy (IBTRA) plays a key role in enhancing IBBL's training initiatives. As the dedicated training arm of IBBL, IBTRA focuses on providing in-depth academic knowledge, research, and practical insights into Islamic banking processes. It serves as a hub for learning, offering specialized courses, seminars, and workshops that contribute to the professional development of not only IBBL employees but also individuals within the broader financial community. According to the IBBL's annual report 2022 it took plan to conduct 441 training courses for 49,615 participants for the year. It also targets to take 360 training programs on the following year 2023 focusing on quality, e-learning, and online self-study. To plan traing programs IBRTA conduct TNA (Traing Need Assessment) by taking feedback from Zone, Corporate branches and division Head Offices. Then Human Resource Division complies with that TNA after getting authorization from Head office. In summary, the training and development initiatives arranged by IBBL's Human Resource Division, in collaboration with IBTRA, reflect the bank's commitment to fostering a knowledgeable, skilled, and dynamic workforce.

IV. Performance Appraisal System:

IBBL's performance appraisal system is a structured and objective process that evaluates employee contributions against established goals and key performance indicators. The appraisal system at IBBL aligns individual contributions with organizational objectives. It goes beyond quantifying achievements, as regular and constructive feedback between supervisors and employees take place.

The appraisal process involves periodic reviews where supervisors and employees engage in discussions about individual performance, career development, and areas for improvement. This approach ensures that the evaluation process is transparent, fair, and aligned with both individual and organizational objectives.

IBBL's Performance Appraisal System is geared towards fostering a performance-driven culture within the organization. It not only recognizes high-performing individuals through incentives, bonuses, and other performance-related benefits but also identifies areas for development and improvement. This constructive feedback loop is integral to the professional growth of employees. The bank's commitment to a fair and effective performance appraisal system underscores its dedication to maintaining a motivated, skilled, and engaged workforce. In conclusion, Islami Bank Bangladesh Limited demonstrates a complete approach to human resource planning, focusing on recruitment, compensation, training, and performance appraisal.

2.4 IBBL's Financial Performance and Accounting practices:

2.4.1 Financial performance:

A company's financial conditions can be understood from its financial ratios. Ratio analysis is a quantitative method that measures the data provided in the financial statement to evaluate the company's liquidity and solvency, efficiency, profitability, leverage, market value, etc. But best financial ratios for a bank can vary based on the specific aspect of the bank's performance. Being a Shariah compliance bank IBBL's financial performance can be analyzed through liquidity, Price to Earning, efficiency and Profitability ratios.

- **Liquidity ratio (Investment to Deposit Ratio):**

This ratio indicates IBBL's ability to measure the proportion of a bank's deposits that are used to fund investment. It assesses the bank's reliance on deposits for lending activities. From analyzing IBBL's five years liquidity ratio it is visible that IBBL use up its 80% - 90% of deposits to investment activities. This demonstrate that IBBL's funds are well managed to earn more profit. In 2022 IBBL seems to invest heavily reaching its highest nearly 92%. The change in the interest rate or lower investment in previous years may have led to this decision by its management.

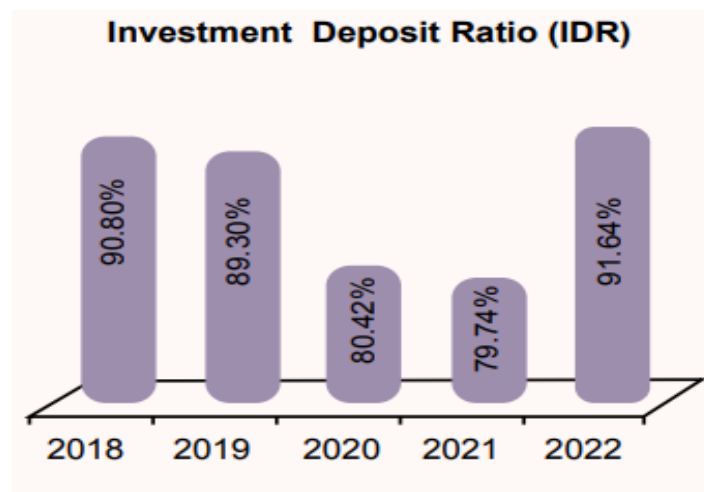


Figure 14: IBBL's Liquidity Ratio for last five years (IBBL,2022)

- **Price to Earnings Ratio or P/E ratio:**

The price-to-earnings ratio evaluates IBBL by comparing its market value per share to its EPS. It offers perceptions on how the market assesses bank profits. Managers use this ratio to assess if IBBLs share price are cheap, overpriced, or appropriately valued. a low ratio suggests that the market has lower expectations in future profit growth and vice versa. From the last five years P/E ratio it is clear that IBBL has been giving positive Price to Earning throughout the. However, it is also observed that both its Liquidity ratio and P/E ratios went little down during 2019 and 2020 assuming the side effect from CORONA Pandemic. Again, the ratios are seemed to be rising from 2021 years which represents a good demand for its stakeholders in the upcoming future.

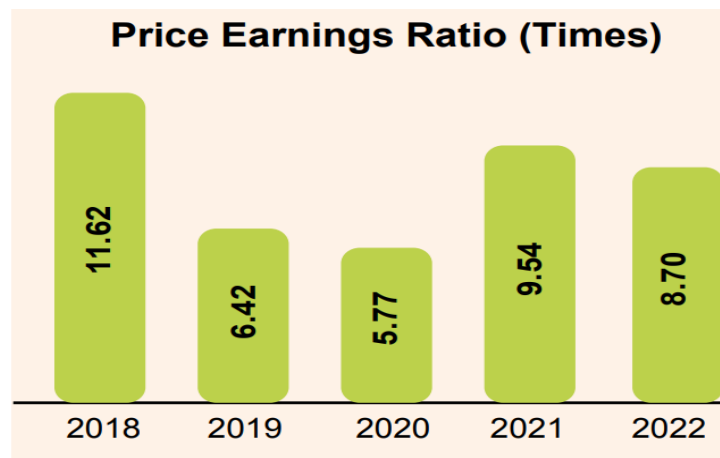


Figure 15: Last five years P/E ratio of IBBL (IBBL, 2022)

- **Efficiency Ratio (Cost to Income Ratio):**

cost to income represents the percentage of operating costs relative to total income. This ratio measures how well the bank controls its expenses to earn the revenue. A lower ratio indicates better cost efficiency and a higher ratio represents a poor cost efficiency of the company. From IBBL's last five years efficiency ratio it is noticed that all though Islami Bank's are very low, it was doing better cost management in the previous years. And the rising number of the ratio indicates that it should pay more attention to its cost efficiency.

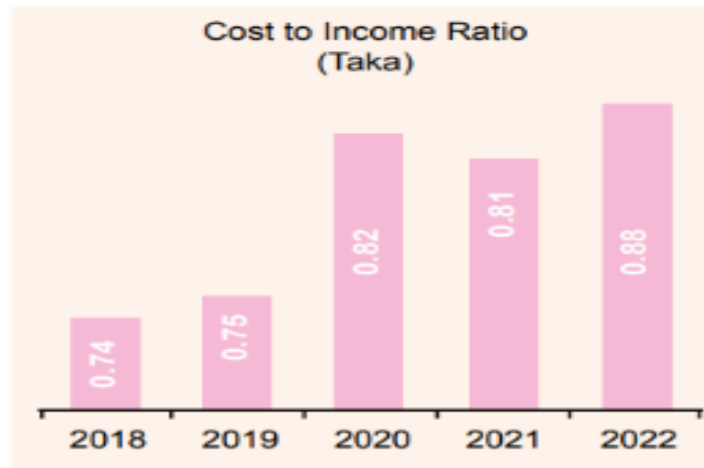


Figure 16: last five years Efficiency Ratio of IBBL (IBBL, 2022)

- **Return of Asset (ROA) and Return on Equity (ROE)
(Profitability Ratio)**

ROA and ROE are used to measure profitability of IBBL. ROA evaluates the IBBL's ability to generate profits from its assets and ROE Measures the return generated on shareholders' equity. A higher ROA indicates that the bank is efficient in converting its assets into earnings. It also reflects that management is capable to use assets efficiently and generate returns for shareholders. ROE, on the other hand, calculates the return on equity held by shareholders. ROE influences in the impact of leverage, as it relates net income to shareholders' equity. A higher ROE is generally favorable for IBBL, indicating efficient use of equity capital. But decreasing ROE suggests stability and effective capital deployment.

However, IBBLs last five years ROA and ROE ratio shows that 2018 and 2019 IBBL was able to generate more return on assets and Equity compared to the following years. It refers that the bank is not generating returns compared to the cost of equity as before. It can be foretold that 2020 and 2021 had not been such a very good business year for IBBL assuming the unforeseen pandemic. But as the pandemic crisis is gone an upward ratio from 2022 gives a hope that soon the bank will be as profitable as before.

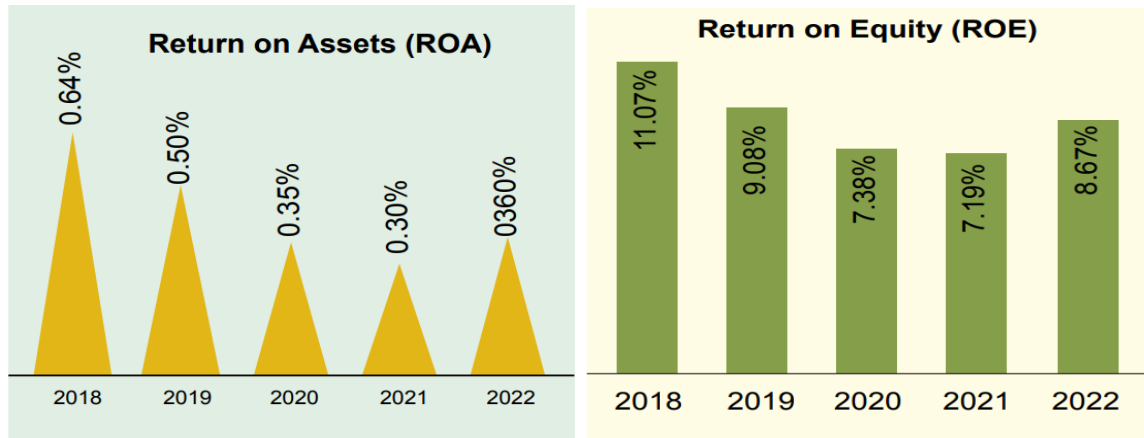


Figure 17: last five years profitability ratios of IBBL (IBBL, 2022)

2.4.2 Accounting practices by IBBL

Accounting practices include various features such as financial reporting, adherence to accounting standards, internal control processes, and compliance with regulatory requirements. In general, IBBL follows stringent accounting standards and regulations to ensure transparency, accuracy, and accountability in their financial reporting. IBBL follows International Financial Reporting Standards (IFRS) and local accounting standards (IBBL,2022). Islami Bank, follows to Sharia-compliant accounting practices. This involves ensuring that financial transactions comply with Islamic principles, such as the prohibition of interest (Riba) and adherence to profit and loss-sharing arrangements.

IBBL's account officers usually use Microsoft Excel application to do most of its activities. IBBL maintain detailed accounting records for their financial transactions, encompassing areas such as loans, deposits, investments, and other financial instruments. Internal control mechanisms are in place to safeguard against errors and fraudulent activities. Regular audits, both internal and external, are conducted to verify the accuracy and reliability of financial information. M/s. Howlader Yunus & Co. and M/s. ACNABIN Chartered Accountants are two statutory auditors of the company for ensuring all the transparency in IBBL's accounting process (IBBL,2022).

2.5 Marketing Practices of IBBL

2.5.1 Marketing strategy

As a service provider company Islamic bank's Marketing strategies are not similar many other organizations. However, IBBL manages to align with 4Ps (Product, Price, Place, Promotion) of marketing mix with their unique value proposition, emphasizing Sharia-compliant financial solutions. The strategy may focus on building trust, promoting ethical banking, and highlighting the social responsibility aspects of Islamic finance.

i. Product/ Services:

For IBBL, the product component involves a range of Sharia-compliant financial products and services. IBBL delicately provides financial services like branch banking, agent banking, fund transfer, balance inquiries, clearing checks, pay orders, RTGS, clearing checks, remittance collection, sms, Cards, ATM, CRM, POS, mobile banking and many more. These convenient services make customers financial transactions easy and comfortable creating high customer satisfaction.

The bank continually innovates its product offerings to meet the diverse financial needs of its customers while maintaining compliance with Islamic finance rules as interest on credit is haram in Islam. They prepare their products with the message "Allah has forbidden Interest and made business legal". With this proposition they build unique set of products which has a value within itself. This includes various types of savings accounts, investment products, and financing solutions that adhere to Islamic principles.

Islamic banking stands apart from conventional banking and so as its products. IBBL operates on Sharia compliance, the principle of profit and loss sharing. Basically, its products are agreement deeds between the bank and the client on different modes of trading like Mudarabah Savings account, Al-Wahidah Current Account. On the basis of Mudaraba principle, IBBL provides all its saving accounts and on the principle of Al'Wahida it provides Current Accounts. This unique feature adds a distinctive value to its products making it extremely demandable for the Muslim population.

ii. Price:

The pricing strategy at IBBL consider factors such as the cost of providing Sharia-compliant financial services, market conditions, and competitive pricing. Pricing transparency is crucial in Islamic banking, and IBBL may adopt a fair and competitive pricing approach while ensuring compliance with Islamic financial principles. IBBL usually don't charge or charge a little form their customers for providing services like fund transfer, balance inquiries, clearing checks, pay orders, RTGS, clearing checks, remittance collection, sms, Cards, ATM, CRM, POS, mobile banking and many more. IBBLs products pricing are designed considering competitive market standards. However, with only a little a costing customers can get immense facility and convenience of banking services.

iii. Place:

The distribution channels for IBBL's products involve the physical branches, online banking platforms, and mobile applications. The bank strategically places its branches in locations accessible to its target customers. Additionally, the online and mobile banking channels provide convenience for customers to access services remotely. IBBL's Agent Banking service is designed to extend basic banking services to underserved and unbanked areas, as well as cater to individuals who prefer in-person transactions. Therefore, with a impression of Sariah compliance IBBL has created a positive atmosphere for marketing throughout the country.

iv. Promotion:

Promotion strategies at IBBL involve creating awareness about its Sharia-compliant products and services. This includes advertising campaigns through various channels, educational initiatives to inform the public about Islamic banking principles, and participation in community events to strengthen the bank's brand image. IBBL also leverage digital marketing and social media platforms for promotional activities. To create public awareness and uphold its products, IBBL uses branding tools like TV commercials, animated video, social media ad, news advertisements, banners and road shows etc. In 2022, six new national TV commercials for Cell-fin were widely promoted. Also, in the same year 1600 content on Facebook, 641 contents on LinkedIn and 581 content were uploaded on X (Tweeter) to promote the bank and its ADC products.

2.5.2 Marketing segmentation: Targeting customer and positioning strategy

Islami bank mainly focus demography and psychography segmentation for targeting customers. According to Wikipedia there are 15 crore Muslim live in Bangladesh. Muslims disregard interest as it is forbidden but they also need a financial institution. So, this plays a major role for market segmentation strategy. they give interest free investment becoming partner of the business. being a Muslim Majority country IBBL gets full priority. Therefore, demography plays an important role for IBBL's market segmentation. On the other side, for Sharia compliance and maintaining strong ethical reputation non-Muslims also trust IBBL. IBBL's banking process are easy and traditional so that the local and rural people as well as all aged groups can participate in financial activities easily. With this psychological segmentation IBBL has captured a large market share of customers.

Islami Bank Bangladesh Limited (IBBL) positions itself as a leading force in Islamic banking, emphasizing its commitment to Sharia-compliant financial products and services. The bank focuses on a customer-centric approach, providing personalized and innovative solutions to meet diverse financial needs. IBBL aims to contribute to financial inclusion by reaching a broad spectrum of individuals and businesses, including underserved areas. First, it selects the segmentation of the market. According to Wikipedia, Islami bank has 16.2 million deposited customers. The main target customer is Majority Muslim. They target two segments: one is psychography and the other is demography. Then they differentiate their service from other conventional banking by using the segmentation. Then they target customers. By targeting rural areas, Islami bank is the only targeted rural areas. With the changing of time, they focused on youth for growing entrepreneurs. Now IBBL provides student accounts for minors who were not able to open accounts previously. By using this strategy, they are growing their customer base. The institution also highlights its use of technology and digital innovation to enhance customer experiences. Moreover, IBBL positions itself as a socially responsible entity, engaging in corporate social responsibility activities and adhering to ethical banking practices.

2.5.3 Marketing channel:

Islami Bank Bangladesh Limited (IBBL) has actively engaged in product and service promotion through various marketing channels. The bank collaborates with 24 renowned TV channels, utilizing avenues such as TV commercials, branding news segments, sponsoring talk-shows, and featuring in Islamic and Ramadan programs. In 2022, IBBL heavily publicized TV advertisements focusing on services like Cellfin. The bank's top executives participated in interviews and TV talk-shows, underscoring its commitment to engaging with the audience. This proactive approach aligns with industry standards, emphasizing visibility and customer education.

2.5.4 Branding Activity:

Sariah Compliance creates the main brand image for Islami Bank Bangladesh Ltd. As the pioneer of Islamic banking IBBL gets the first moves advantage in this sector. In early 90's Islami Bank was not only a bank but also the brand image of Islamic finance. The large number of branches, sub-branches and agent outlets distributed throughout the country has helped to create more positive brand image.

IBBL extends its reach to online news portals, with animated advertisements featured in approximately 40 prominent platforms. The bank also partnerships with news portals, tv channels, public figures and continuous participation in public events uphold the brand image of organization to the public.

2.6 SWOT Analysis on IBBL

In navigating the intricate landscape of the financial industry, Islami Bank Bangladesh Limited (IBBL) undertakes a strategic examination of its internal strengths and weaknesses, coupled with external opportunities and threats. This SWOT analysis serves as a compass for IBBL, guiding its strategic planning and fostering the development of effective initiatives.



Strengths and Opportunities:

IBBL's commitment to Islamic banking principles stands as a cornerstone of its strength. The moral appeal stemming from Sharia-compliant practices positions IBBL as an ethical choice for customers, fostering trust and customer loyalty. The bank's established reputation further fortifies its position, with credibility and brand recognition acting as potent assets. Diversifying its product range adds another layer of strength, catering to a diverse customer base and ensuring a competitive edge. A robust customer base becomes not just a testament to IBBL's strength but also a gateway to cross-selling opportunities, contributing to sustained growth.

The opportunities on the horizon present IBBL with avenues for expansion and collaboration. Market expansion into underserved regions and neighboring countries promises untapped potential. Collaborating with fintech entities opens doors to innovation and operational efficiency, aligning IBBL with the ongoing digital transformation of the financial industry. Government support, manifested through regulatory stability and policy alignment, creates an environment conducive to the bank's operations.

Weaknesses and Threats:

However, no entity is without its challenges. The limited global presence of IBBL poses a weakness, constraining its access to global markets and potentially exposing the bank to risks associated with economic fluctuations in Bangladesh. Dependency on the local economy, while a strength in stability, becomes a weakness in the face of economic downturns, requiring meticulous risk management. Technological infrastructure, a critical component in the era of digital banking, emerges as a potential weakness, demanding investment for sustained competitiveness.

In the realm of threats, economic instability presents a considerable challenge. Potential impacts on borrowers and decreased consumer confidence necessitate resilient risk management practices and proactive responses. Regulatory changes, while indicative of the evolving landscape, may pose challenges in terms of compliance costs and adaptation. Fierce competition, both from Islamic and conventional banks, poses a threat to margins, necessitating a continuous focus on innovation to maintain market share.

Strategic Recommendations:

To address weaknesses and fortify against threats, IBBL must strategically expand its global operations, spreading its reach systematically. Diversification strategies, both in terms of market presence and economic focus, will mitigate risks associated with localized economic downturns. A focused investment in technology infrastructure is essential, ensuring IBBL remains at the forefront of digital banking.

Leveraging opportunities requires a targeted market entry approach and the tailoring of products to meet the unique needs of new markets. Collaboration with fintech entities should be approached strategically, with seamless technological integration for enhanced operational efficiency. Engaging with regulatory authorities to advocate for supportive policies aligns with government initiatives, fostering a collaborative relationship.

2.7 Analyzing Porter's Five forces model on IBBL

Porter's Five Forces Model provides a holistic framework to assess the competitive dynamics of an industry, and when applied to Islami Bank Bangladesh Limited (IBBL), it offers valuable insights into the factors influencing its business landscape.



- **Threat of New Entrants:**

IBBL is like a strong castle in the banking world, and it's not easy for other banks to enter its territory. There are some tough challenges that act like big stop signs. Rules about money, following the law, and how things are done make it hard for new banks to start up. Also, banks need a lot of money to run, and IBBL already has a lot, which makes it even harder for new banks to compete. People trust and like IBBL because it has been around for a long time and is known for doing Islamic banking. IBBL is also really good at using its size to do things efficiently, like offering lots of services. And because IBBL started using new technology early on, it's tough for new banks to catch up. All of these things together make it unlikely that new banks can compete strongly with IBBL.

- **Bargaining Power of Suppliers:**

IBBL's relationship with suppliers is influenced by several factors. The reliance on specialized inputs, such as technology providers and service providers crucial for banking activities, can elevate the bargaining power of these suppliers. A limited supplier base or dependencies on specific suppliers for critical components intensify their control over pricing and terms.

Suppliers' integral to IBBL's value chain wield considerable influence, especially when alternatives are scarce. Switching costs associated with changing suppliers also play a role; if the process is complex or expensive, existing suppliers gain an upper hand. The uniqueness of a supplier's offering, be it in terms of quality or specialized expertise, further determines their bargaining power. Considering these dynamics, IBBL must carefully manage its relationships with suppliers to ensure a favorable and stable supply chain.

- **Bargaining Power of Buyers:**

The bargaining power of IBBL's customers is influenced by various factors. In the banking sector, customers often have limited bargaining power due to the nature of the service. However, factors like the availability of alternative banking options, the significance of individual customers to IBBL, and the ease of switching between banks can impact buyer power. Additionally, in the context of Islamic banking, customers who prioritize ethical and religious considerations may have unique expectations, influencing their bargaining position. IBBL needs to continuously enhance its services and offerings to maintain customer satisfaction and loyalty, mitigating potential shifts in bargaining power.

- **Availability of Substitutes:**

The availability of substitutes is a critical consideration for IBBL. While Islamic banking itself represents a distinctive choice, conventional banking and other financial instruments can be viewed as substitutes. The ease with which customers can switch between Islamic and conventional banking, as well as the competitive landscape in the broader financial services industry, impacts the availability of substitutes. IBBL must monitor market trends and continually innovate to ensure its offerings remain compelling and differentiate itself from potential substitutes.

- **Nature of Competition:**

The competitive landscape within the banking industry significantly influences IBBL's positioning. The intensity of competition from both Islamic and conventional banks shapes market dynamics. Differentiation in services, innovative product offerings, and the ability to adapt to evolving customer needs define the nature of competition. IBBL must actively engage

in strategic planning, focusing on innovation, customer experience, and operational excellence to maintain a competitive edge.

2.8 summary and Conclusion

Islami Bank Bangladesh Limited (IBBL) stands as a prominent player in the banking sector with a strong organizational structure guided by Islamic principles. The bank adopts a transactional leadership style and emphasizes marketing practices to uphold its strong brand image with ethical banking practice. Islami Bank Bangladesh Limited (IBBL) positions itself as a leading force in Islamic banking, emphasizing its commitment to Sharia-compliant financial products and services. The bank focuses on a customer-centric approach, providing personalized and innovative solutions to meet diverse financial needs. IBBL aims to contribute to financial inclusion by reaching a broad spectrum of individuals and businesses, including underserved areas. The institution also highlights its use of technology and digital innovation to enhance customer experiences. However, a comprehensive SWOT analysis reveals areas for improvement, including limited global presence and potential challenges in technology infrastructure. Porter's Five Forces model highlights IBBL's strong position with barriers to entry and a well-managed supplier relationship. In short, to strengthen its position, IBBL should consider further investments in digital transformation, expanding its global reach, and diversifying its Islamic banking products.

2.9 Implications for IBBL:

Diversifying Islamic banking products aligns with the evolving needs of a diverse customer base, promoting financial inclusion and ensuring IBBL remains at the forefront of innovation in the industry. Strengthening risk management practices is vital for long-term stability, especially in navigating economic uncertainties, regulatory changes, and operational challenges.

Investing in talent development reflects a commitment to creating an innovative and adaptable organizational culture. Community outreach and social responsibility initiatives not only contribute positively to society but also enhance IBBL's reputation as a responsible corporate entity.

To enhance its overall performance and adapt to the evolving financial landscape, embracing digital transformation is crucial, not only for operational efficiency but also to meet the growing expectations of tech-savvy customers. Improved customer engagement through personalized services and targeted marketing campaigns can foster stronger relationships and loyalty.

Regular assessments through SWOT and Porter's Five Forces analyses enable IBBL to proactively respond to market dynamics, identifying areas for improvement and refining strategies. Strategic collaborations and partnerships, particularly with fintech entities, can unlock synergies and keep IBBL ahead in the competitive landscape.

Adapting swiftly to regulatory changes and actively participating in shaping industry regulations demonstrate IBBL's commitment to compliance and its proactive role in the regulatory environment. Regular financial performance reviews, supported by data analytics, provide insights that inform strategic decision-making, ensuring IBBL remains strong and competitive in the dynamic banking sector. This comprehensive approach positions IBBL for sustained success, resilience, and continued relevance in the evolving financial landscape.

Chapter- 3: Report

3.1 Introduction to Cashless Banking and Alternative delivery Channel

3.1.1 Concept of cashless:

When a nation adopts a 'cashless' society, it indicates that cash will no longer be widely recognized as a form of payment moreover, its population refusing to use it (Pieal,2023). 'Cashless', as a concept, trace their roots to the dawn of human civilization, where various methods of exchange have been employed to facilitate trade and economic transactions. This historical perspective reminds us that the notion of conducting financial affairs without physical currency is not a recent development (Pieal,2023). However, in our modern era, the term "cashless" takes on a more distinct meaning. It refers to societies in which financial transactions are conducted using digital information as the medium of exchange. In this context, money exists primarily as electronic data, rather than in the form of tangible banknotes, coins, or paper checks. This transformation has been facilitated by advancements in digital technology and the widespread adoption of electronic payment methods. Moreover, 'cashless' represents a shift towards a more efficient, convenient, and technologically driven way of managing financial transactions. It reflects the growing digitization of the economy and the evolving preferences of individuals and businesses for the ease and speed of digital financial interactions over the use of physical cash.

3.1.2 Cashless Banking and Alternative delivery Channel (ADC):

A cashless banking system is the pioneer for a 'cashless' society. It is the process of doing necessary banking activities without going to banks physically. The modern day's idea of a 'cashless', revolves around electronic transactions. While digital currencies, such as Bitcoin, have gained attention in recent years, the broader idea of a cashless society encompasses a much broader range of digital financial transactions. It includes everyday activities like making purchases with debit or credit cards, conducting online banking, transferring funds electronically, and even using mobile payment apps. Most of these cashless transactions are connected through banks, and banks control the transactions. So, a cashless banking system is a pioneer of a cashless society. However,

with the introduction of numerous Fintech firms and Mobile Financial Services it is getting very competitive for the traditional banking sector. By providing services that are more innovative, practical, available, and affordable than traditional banking products Digital Financial Institutions and Mobile Financial Services are replacing traditional banking. So, the banks had to introduced Alternative Delivery Channels With technological advances, to get redemption from tangible banknotes, coins, or paper checks to hold its firm position in the business.

ADC, or Alternative Delivery Channels, has given the customers access to banking without even going to bank. It refers to a set of innovative channels and methods that extend banking services outside physical branches. In today's modern banking landscape, ADC has become an integral component. These alternative channels offer customers the flexibility to access financial services conveniently, irrespective of location or time. The products and services associated with ADC include ATMs, Mobile banking, Internet Banking, SMS banking, Electronic or Mobile Wallets, Cash by QR code etc. ADC has enhanced accessibility to banking services, reaching remote and underserved areas where physical bank branches might be lacking. This inclusivity aligns with the goal of providing financial services to a broader population, fostering financial well-being. It also allows customers to conduct transactions and access banking services at their convenience, regardless of traditional branch hours. By reducing banking procedures, minimizing the time and effort needed for transactions, and improving all aspects of the client experience.



Figure 18: A cobbler is using QR code to collect digital payment in Motijheel area, the center of Dhaka city (collected from The Business Standard, 2023, January 18)

3.2 Background of the study:

As the banking industry continues to evolve into cashless-digital banking, there is a need to explore and evaluate the performance of alternative banking products, including their challenges and limitations. This report provides IBBL's alternative banking products, discuss their advantages and disadvantages about cashless banking, and evaluate how competitive they are in relation to other Bangladeshi banks. Furthermore, I will talk about how cashless banking and fintech will develop in the future and how it could replace the traditional banking.

This research report is split into three important sections to aid with this inquiry. The first segment discusses about the overview of the internship. The overall organizational overview of IBBL is described in the second part. Then the third and last part explains the concept of cashless banking and the impact of ADC on it and then the final portion presents an insightful analysis of the results

and involves in significant discussions. Finally, the paper's conclusion part offers insightful observations, recommendations in relation to IBBL's ADC and electronic banking.

3.3 Objective of this report:

- I. to identify, 'Why cashless banking is so important', is the first objective of this report is. So, the report will include an in-depth discussion of the many advantages and benefits of moving towards cashless transactions, including improved financial inclusion, increased convenience, decreased costs, increased transparency, and potential economic stimulation
- II. The second objective is to Assess the Current State of Alternative Delivery Channels (ADC) of Islami Bank Bangladesh Ltd. This objective aims to comprehensively evaluate the existing alternative delivery channels (ADC) implemented by Islami Bank Bangladesh Limited (IBBL) for facilitating cashless banking.
- III. The third and last objective is to determine the degree of which Islami Bank Bangladesh Ltd has contributed, reducing cash-dependency through its Alternative Delivery Channels (ADC).

3.4 literature review

Banking was previously limited to collecting money from depositors and distributing credits in tradition ways. But now time has changed, and with the touch of the digitalization, banking has changed its horizons in to multiple directions to meet the growing public demands. Because of the advancement of ICT tools and techniques, the old banking system has given way to the electronic and automated banking system (Graven, 2000). Bill Gates mentioned in 1994 that "Banking is necessary, but banks are not." (Gani, 2020). In "Business @ the Speed of Thought,"(1999) Bill discussed the future of banking and financial services. In the book, he talked about how digital technology and the internet would transform various industries, including banking, by making services more accessible and efficient. Since fintech was not even a thing at the time, his comment was difficult to realize but, turning Bill's dreams into reality, banks have now introduced many alternative delivery channels (ADC) in additions to its financial technological advancement that

allows access to banking services by not even going to the banks. Due to its cutting-edge, affordable advantages and services, electronic banking is currently being adopted by industrialized nations (Salehi & Azary, 2008; Salehi et al., 2008). By replacing the outdated method of clearing bank draughts, checks, pay orders, and dividend payments with an effective and computerized system, the Bangladesh computerized Clearing House (BACH) procedure signified a substantial transition. The current trend in Bangladesh towards cashless transactions offers great promise, providing a wide range of advantages and benefits that have the ability to change the country's financial environment. Adopting cashless banking not only fits with the worldwide trend of digital transformation but also resolves important socio-economic problems in the nation. These advantages—which include better financial inclusion, more convenience, lower costs, increased transparency, potential economic stimulation, decreased corruption, improved disaster resilience, promotion of financial literacy, and environmental sustainability—serve as strong proof for Bangladesh's move towards cashless banking.

3.5 Methodology

3.5.1 Methodology 1: Interviewing

To Find the first objective of the report, why cashless banking is so important, I had face to face conversation with my onsite supervisor, manager-operation Mr. Kazi Mohammad Siddiq Ullah, FAVP in person. I have done my utmost to highlight the key points from the discussion that are directly related to how crucial cashless banking is.

According to him banks are the back bone of an economy. In the current day, where many industries are becoming increasingly digital and intelligent, financial sectors also need to keep up with that. He says that customers have now become very smart and losing the interest to carry cash with them all the time. It increases the risk of theft or mugging specially, in a country like Bangladesh. He continues that one of the biggest risks associated with cash is that it can be easily faked or counterfeited which is a nightmare for both banks and its genuine clints. Disadvantages like getting physically damaged, destroyed, thorn, washed out or burnt easily, makes physical cash extremely vulnerable. So, people wanted an alternative way carrying cash which will be more convenient as well increase the security. When the banks introduced ATM cards to provide a

solution to this problem the result was tremendous. He says that seven out of ten customers were interested in it. Gradually, when the digital payment methods and POS machines were introduced the hassle of carrying cash for shopping reduced significantly. He adds that now people are more relaxed to go to shopping as they do not need to carry any load of cash with them, as a simple plastic card is able to make the payment. The introduction of digital mobile banking has taken this step even further. Now, Customers are able to conduct most of the banking activities without even coming to the bank. Functions such as account opening, cash withdrawals, balance inquiries, funds transfers, and even bill payments can be easily operated from anywhere at any time. Since then, banking has become so easy that not only the customers but also the banking has improved significantly.

On the other hand, when Mr. Siddiq was asked about “if there are any drawbacks or negative sides of going cashless”, he mentioned few concerning which can be pointed as negative sides that need to be improved. At first, he mentions that the networking system is still under developed in this country comparing the large scale of growing smart population. He also adds that Cashless banking will fully operational unless the internet is cheap and easily available. Then he explains another concern that though most of the customers are going digital but there is also a large number of customers that are not properly literate about technologies or have the digital knowledge. Therefore, the lack of awareness often creates a scope for fraudulence. He continues that funds can be transferred easily even from slightest negligence and some dishonest group of people try to take advantage from it. those who lack of digital literacy scammers target them. He adds that fake calls, sms, online fishing are often leading to financial cybercrimes. In this regard Mr. Siddiq suggests his clients not to share any confidential information with anyone else. He highly suggests using two factor authentication while using digital financial services. Finally, Mr. Siddiq came with few suggestions for both parties, bank and clients. Banks should provide more ease of access of digital information and strengthen the customer service backups so that clients don't have any misconception, two-factor authentication should be used for secure transactions. For the customers he suggests that clients should immediately inform when any suspicious calls or transactions are made. Not sharing password or confidential information with anyone is the best way to avoid from scams. However, just by maintaining few precautions anyone can enjoy a relax and quick cashless experience by doing cashless banking, Mr. Siddiq concluded.

3.5.2 Methodology 2: Web Scraping

The second objective of this article, "The Current State of Alternative Delivery Channels (ADC) of Islami Bank Bangladesh Ltd.", is done by the data extraction from the IBBL website. Generally, Islami Bank provides all the information about all of its products and their features on its website and web portal, www.islamibankbd.com. IBBL actively updates all the information, so web scraping is a good method to get detailed idea about its ADC products. Also, various prominent news Articles about IBBL and Digital Banking in Bangladesh has been used as resources to support the evidences. According to the bank's website, the bank offers a variety of ADC products, such as ATM services, debit cards, online banking, internet banking, mobile banking, text banking, and point-of-sale (POS), agent banking. The below information is collected from IBBL's website.

IBBL offers a wide network of ATMs across the country, currently IBBL has 2,856 own and 12000+ ATM booths, Connectivity with NPSB & VISA network that provides 24-hours support service. Clients are able to easily access their accounts, transfer money between accounts, check the balances in their accounts, and withdraw cash from these ATMs using debit cards. IBBL has introduced three debit cards with EMV chip technology: the "Silver Debit Card", the "Gold Debit Card" and the "Platinum Debit Card." These debit cards offer capitals of up to Tk. 50000, 100000 and 200,000 respectively and give users the ability to conduct POS transactions, get cash from ATMs, make payments using electronic payment gateways. IBBL has also introduced 'World Khidmah Card' to lower the risk associated with carrying physical cash in home and abroad.

CRM (Cash Recycle Machines) are multipurpose devices that have the ability to process notes, accept deposits, and make withdrawals and IBBL is now ranked first in the CRM network in Bangladesh. From IBBL's 595 live CRM Customers can make deposits up to BDT 2 Lacs and withdraw up to 40,000 in a single transaction.

Name of service	Quantity	Ranking in the country
CRM / ATM	2856	1 st
Live CRM	770	1 st
Agent Outlet	2694	3 rd

Table 2: IBBL's ATM, CRM and Agent Outlet Position

'Cellfin', a digital wallet service, is currently the most popular ADC product of IBBL since its introduction from 30th November 2020. It is operated through android and IOS operating devices with mobile phone apps. It allows customers to send money digitally, withdraw money from accounts, make payments, recharge mobile, pay utility bills, buy online tickets and many more digital financial services. Customers can open any kind of IBBL accounts within few minutes through 'Cellfin' app without having to go to a physical branch. 'Cellfin' allows users to pay without the necessity for cash transactions because users can transfer money to any mobile wallet, including bKash, Nagad, or Cash, as well as any bank account. Cellfin also offers a virtual VISA card, cellphone recharge, ticket sales, international remittance, card-less ATM cash withdrawal, account statements, balances, and more.

Besides 'Cellfin' IBBL's other popular mobile banking platforms are 'IBBL iSmart', 'IBBL iBanking' and 'Mcash'. These software applications can be downloaded from the Google Play Store or the Apple Store. Checking balances, transferring money, paying bills, mobile phone recharge, account statements and managing debit and credit cards can be possible with these mobile apps. As a result, IBBL holds the 3rd highest numbers of internet banking customers and transactions in the country.

IBBL started Agent Banking services from 2017 which is designed to extend basic banking services to underserved and unbanked areas, as well as cater to individuals who prefer in-person transactions through authorized agents. Till the end of 2022 IBBL has successfully launched 2694 Agent outlets among which 93% (2514) are situated in rural areas.

IBBL offers POS (Point of Sale) facility to its customers, as an ADC product. This allows merchants to accept card payments from customers for their purchases. IBBL provides POS terminals that are connected to the bank's network, allowing real-time authorization and processing of card transactions. IBBL has deployed 4,082 POS machines to merchants, 995 POS machines to branches, and 970 POS machines to agent points.

IBBL's QR Payment System offers QR codes, which are easily scanned by mobile devices, enabling fast and hassle-free payments. With the 'Cellfin' app clients can effortlessly scan QR codes at merchant locations or other payment points, facilitating payments for various purposes, including purchases, bill payments, and fund transfers. By 2023, IBBL hopes to have 10,000 'Bangla QR Merchant' in place, having already deployed 870 of them. Notably, IBBL's QR

Payment System prioritizes security and user-friendliness, allowing customers to make payments without the need for physical cash or cards.

3.5.3 Methodology 3: Document Analysis

To identify the third objective, “IBBL’s Contribution in Reducing Cash-Dependency through its Alternative Delivery Channels (ADC)”, I have used ‘document analysis’ especially, analyzing the Annual reports of IBBL. I have also used document and journals from Islami Bank Research and Training Academy to analysis of the usage and benefits of ADC products received by Islami Bank Bangladesh Ltd. In addition to support the evidences I have used the Chairman’s and CEO’s declaration about the company’s current activities and contributions in reducing cash dependency, from its Annual Report (2022). https://www.islamibankbd.com/public/assets/annual-report/Annual_Report_2022.pdf

According to the annual report 2022, IBBL has expanded its service points of Alternative Delivery Channels (ADC) to rural areas, with approximately 93% of its 2,694 Agent outlets located in rural regions, exceeding the national average of 85%. Within this very short span of time IBBL has reached to 3,354,992 new clients through agent banking and 42% of them are female. The bank's extensive network also includes near 3,000 ATM/CRM locations, providing access points to more than 6,000 areas across the entire country. There, the CEO highlights in the annual report that a large portion of their customer is now comfortable with digital interactions, which is a result of their continued investment in digital technologies. The number of accounts opened with the CellFin app has grown rapidly in 2020 is 20,091, in 2021 is 174,615, and in 2022 is 367,946. The Call Centre Division of IBBL has been offering 24/7 customer support to all its clients, including overseas remitters, so they can get answers to their queries outside of the bank's physical location from 2013. More than 17 million calls have been handled by IBBL Contact Centre since then. To create public awareness and uphold the ADC products IBBL uses branding tools like TV commercials, animated video, social media ad, news advertisements, banners and road shows etc. In 2022, six new national TV commercials for Cellfin were widely promoted. Also, in the same year 1600 content on Facebook, 641 contents on LinkedIn and 581 content were uploaded on X (Tweeter) to promote the bank and its ADC products.

Sl.	ADC Products & Services	Number		
		2020	2021	2022
1	Debit Card (Active only)	820,748	1,121,894	1,166,708
2	SMS Banking	1,210,435	1,523,211	2,620,512
3	Khidmah Card	4,151	7,412	9,433
4	Prepaid Card	199,527	384,033	2,147,074
5	e-KYC Account By CellFin	20,091	174,615	367,946
6	CellFin Customers	278,824	580,907	1,356,383
7	iBanking Customers	143,746	150,045	177,418
8	mCash Customer	121,023	112,005	135,596
9	mCash Agent	3,299	4,632	4,911
10	mCash Distributor	1000	405	10
11	No. of ATM (Cumulative)	1,346	1723	2,086
12	No. of CRM (Cumulative)	406	595	770

Table 3: IBBL's ADC product usage in last 3 years

3.6. Findings and analysis

3.6.1 Findings of 1st objective:

Cashless banking has offered numerous advantages and benefits, by opening new horizon of financial advancement. This part shows the main three finding of the first objective, showing detailed exploration of them. The main three significant reasons for Cashless Banking being so important are:

- improved financial inclusion
- increased convenience
- strengthen security

Improved Financial Inclusion:

From the interview with Mr. Siddiq, it is clear that cashless banking has improved financial inclusion. Giving definition by The World Bank, “Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their

needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.”

Going cashless has improved financial inclusion by providing equal access, easy usage, affordable and sustainable financial system. From the investigation we can see that IBBL’s cashless banking has provided equality and removed barriers to access by embracing digital transactions. Individuals who were excluded from traditional banking systems due to external circumstances can now participate in equal financial opportunities. Ease of usage has been obtained while transaction, payment and deposits of clients by using IBBL’s alternative delivery channels (ADC) like ATM, cards, mobile banking, digital wallet, CRM, point of sale (POS), QR codes. Cashless transactions have also reduced the costs associated with physical cash handling, transportation, and security. For IBBL, the costs of managing physical cash were significant. Cashless transactions have minimized the expenses related to cash counting, transportation, and protection against theft, reducing overhead costs. Moreover, cashless transactions have extended financial services to those who lack access to traditional banking. ‘iBanking’ and ‘Cellfin’ have reached remote regions which has empower individuals and made the financial system more sustainable.

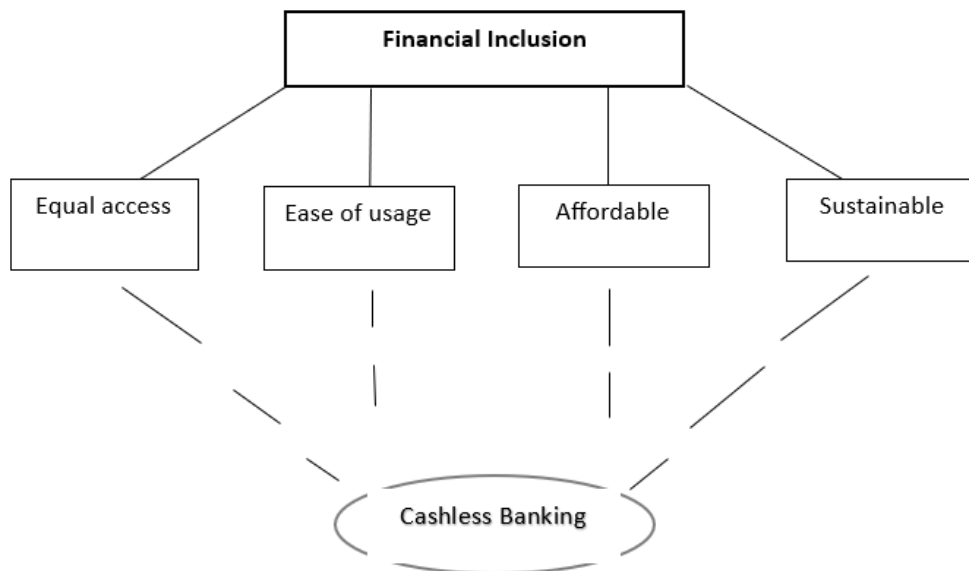


Figure 10: Financial Inclusion

Increased Convenience:

Introduction to IBBL's ATM, POS and digital payment has shown significant positive result on its clients. Every 7 out of 10 Customers has shown interest when they can access their accounts, make payments, and manage finances using digital devices. Customers are found more relaxed to go to shopping as they do not need to carry cash with them, as a simple plastic card is able to make the payment. Going cashless has reduced the hassle of carrying cash. The convenience of cashless banking has eliminated the need to visit physical bank branches, saving time and effort. This has been especially advantageous for urban areas with traffic congestion and rural areas with limited access to banking services.

strengthen security:

Cashless banking has become unparalleled because of the integrated security which has differentiated it from traditional cash-based banking. This research finds that previously IBBL's clients were unsatisfied using cash as it can be easily faked or counterfeited, destroyed, torn, washed out or burnt. The risk of getting mugged or theft were also a big security issue while carrying cash with them. Now cashless banking has eliminated all these security issues. Digital payment with Mobile wallet, plastic card or QR code has minimized all the risks associated with cash transactions. Cashless transactions leave a clear, traceable digital trail, enhancing transparency and accountability in financial dealings. The transparency of cashless transactions makes it more challenging for individuals to engage in hidden or unrecorded transactions.

3.6.2 Findings of 2nd objective:

Finding from the second objective of this report is that the Current State of Alternative Delivery Channels (ADC) of Islami Bank Bangladesh Ltd is undoubtedly, among the top in Bangladesh. From web scraping IBBL's website it is found that IBBL has a huge variety of ADC products like ATM, cards, mobile banking, digital wallet, agent banking, CRM, point of sale (POS), QR code etc. which ensures the good cashless banking experience.

IBBL's most popular ADC product, mobile app, 'Cell-fin' has changed the way of its banking. It has accelerated the pace of cashless banking by offering most of the banking process operated through mobile phone. In addition, with the app, customers can effortlessly scan QR codes or use virtual cards at merchant locations or other payment points. IBBL's other existing ADC products for mobile banking 'IBBL i-Smart', 'IBBL i-Banking' and 'Mcash' also plays important role in cashless banking. As a result, IBBL holds the 3rd highest numbers of internet banking customers and transactions in the country.

IBBL's 'World Khidma Card' and 'Debit Card' provide dual currency facilities allowing its clients to operate cashless card transactions inside and also outside the country according to customers demand and capacity. IBBL own and shared POS terminals that are connected to the bank's network, allowing real-time authorization and processing of card transactions. Then, the country's largest ATM and CRM set up by IBBL throughout the country make sure 24 hours of alternative banking service. Besides, the well spread agent outlets have given banking facilities to the rural underserved and unbanked areas. In short, the above all evidences points that IBBL holds a high standard for providing quality ADC products in the country.

3.6.3 Finding of the 3rd objective:

The 3rd and most important finding of this report is that IBBL has been playing a noteworthy role, removing cash dependency through Its Alternative Delivery Channels (ADC). From the second finding we can see how IBBL has introduced many excellent alternative delivery channels and deployed them throughout the country for cashless banking. Now by further analyzing the Annual report, in recent years, it is found that the usage rate of alternative delivery channels of IBBL is growing very rapidly which represents that its clients are getting more and more comfortable with cashless banking. Specially, the usage of IBBL's mobile banking app 'Cell-fin' has been growing in an abnormal rate since it started. Besides, the usage rate of Khidma card, debit cards, SMS banking, i-Banking, ATM and CRM has also increased very steeply.

Name of the product	2020	2021	2022	growth (2021)	growth (2022)
Debit Card (active)	820,748	1,121,894	1,166,708	37%	4%
SMS Banking	1,210,435	1,523,211	2,620,512	26%	72%
Khidmah Card	4,151	7,412	9,433	79%	27%
e-KYC Account (CellFin)	20,091	174,615	367,946	769%	111%
CellFin Customers	278,824	580,907	1,356,383	108%	133%
iBanking Customers	143,746	150,045	177,418	4%	18%
mCash Customer	121,023	112,005	135,596	-7%	21%
No. of ATM (Cumulative)	1,346	1723	2,856	28%	66%
No. of CRM (Cumulative)	406	595	770	47%	29%
No. of Account (Agent)		2,368,947	3,354,992		42%
No of Deposit (agent)		9,049	10,959		21%

Table 4 IBBL'S ADC performance

On the other hand, IBBL's agent banking has significantly improved the banking quality of rural community. It has been able to reach countries 83% of unbanked or remote areas where carrying cash was the only options. Now instead of carrying cash rural people can enjoy cashless transactions where banks are not available through agent outlets. Specially, the rural women who were previously deprived of smart banking facilities, are found almost equally participating as men. Moreover, IBBL's social media publicity, TV commercials, news articles, campaign and advertisements have been playing important role to create public awareness to reduce cash dependency. With this rate of IBBL's ADC advancement and effective social publicity it can be expected that removing cash dependency from its users is only a matter of time.

3.7 Conclusion:

This study has explored the Alternative Banking Products of Islami Bank Bangladesh Limited (IBBL) in the context of cashless banking. The report has examined the importance of cashless banking, IBBL's current position of Alternative Delivery Channels and the contribution level of IBBL towards removing cash dependency through Alternative Delivery Channels.

The findings are clear that the future of banking is cashless and Alternative Delivery Channel (ADC) are the key stone to it. First of all, the report finds three main crucial reasons of cashless banking which include, improved financial inclusion, increased convenience and strengthen security. Interviewing IBBL's management personal it is found that going cashless IBBL has improved financial inclusion by providing equal access, easy usage, affordable and sustainable financial system to its customers. it has increased customer convenience and security by removing the inconvenience of bearing cash which can be easily faked, counterfeited, damaged, theft or mugged. Then in the second and the third finding reflect that IBBL has strongly adapted many creative alternative delivery channels which is playing a vital role in removing cash dependency. In short, it can be said that the future of banking has been started and the reflection of it is quite clear that Islami Bank Bangladesh Ltd. has adopted the right strategy towards cashless banking. As the world continues to move towards a more digital economy, IBBL's alternative banking products provide a glimpse of the future of banking, where convenience and innovation meet the principles of banking.

3.8 Recommendations:

Being the largest privet sector bank in Bangladesh IBBL serves all classes and all religions, covering the total country. So, the pressure of the customers is immense. Because of the heavy pressure sometimes IBBL's server lags, jams or shuts down which often creates a large amount of customer dissatisfaction. Therefore, it is hoped that soon IBBL will be able to have a lag free, superfast banking service by upgrading its technology and infrastructure to stay competitive in the rapidly evolving fintech industry.

Islami Bank Bangladesh Ltd. serves everyone with a good motive. Cellfin works like magic and it is very secure. One's money cannot be withdrawn without their permission. Then again, there is always some room for improvement. Cellfin does not support all devices, which needs attention. Because customers use different devices and they would demand to run the app in their designated devices.

What's important to keep in mind is, not everyone is comfortable with handling the technology. In that case many customers require assistance. For helping customers like them detailed printed hand notes can be provided with pictures. Because there are people who can barely sign their names, come to open accounts and take service from the bank. There can be campaigns to teach them and make them familiar with the internet banking process which will improve the digital literacy, so that they do not get scammed by any dishonest group of people. The employees can travel to underdeveloped areas where people lack education and guide them. In order to get input from customers and pinpoint areas where its alternative banking products need to be improved, IBBL can conduct customer surveys. In this way, there will be more customers and effective transactions.

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