

Internship Report





Inspiring Excellence

Internship Report

On

“Difference between Islamic & Conventional Banking Sector in Bangladesh with Regard To customer Satisfaction”

Comparison with Social Islami Bank Limited

SUBMITTED TO:

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Subject: Submission of Internship Report

Dear Sir,

I am here by submitting my Internship Report, which is a part of the BBA program curriculum. It is a great achievement to work under your active supervision.

This report is based on, “Difference between Islamic & Conventional Banking Sector in Bangladesh with Regard To customer Satisfaction “comparison with Social Islamic Bank Ltd. I have got the opportunity to work in Social Islami Bank Limited General Banking Department and Foreign Exchange Department for twelve weeks, under the supervision of Mr.Showeb Mohammad (Assistant Officer, General Banking Department).

This project gave me both academic and practical exposures. First of all I learned about the organizational culture of prominent banking organization of the country. Secondly, the project gave me the opportunity to develop a network with the corporate environment.

I shall be highly obliged if you are kind enough to receive this report and provide your valuable judgment. It would be my immense pleasure if you find this report useful and informative to have an apparent perspective on the issue.

Sincerely Yours

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Executive Summary

A Bank is an economic institution whose main aim is to earn profit through exchange of money & credit instruments. It is a service oriented as well as profits oriented organization.

The internship report has been prepared on “difference between Islamic banking and conventional banking”. As Social Islami Bank (SIBL) is an Islamic bank. So, it is easy for me to find the difference between the Islamic banking system and conventional banking system.

SIBL was introduced in Bangladesh on 22nd November 1995 as a conventional bank. As in Islam interest is prohibited that is why Shariah rule introduces profit sharing system.

The motto of Islamic banking is profit sharing and loss bearing. The main objective of Islamic banking is as same as conventional banking system which is profit making. To follow the shariah system Islamic banks actually follow certain terms which is known as Mudharabah, Wadiah, Musharakah, Murabahah, Ijar.

SIBL actually divides their whole work into 3parts which is General banking, investment and foreign exchange. In this report I try to show that how the Islamic banking system differ from conventional banking system. Where in conventional bank we get fixed amount of interest which is also known as RIBA, there in Islamic bank we get a certain share of banks total profit. Moreover, in this report I also included my job description which I did to complete my internship.

Chapter 1

Introduction

1.1Introduction:

Islamic banks have been operating since ninety century in Bangladesh. Besides conventional banks six Islamic banks operate their banking operation based on Islamic principles and shariah. Comparing with any other conventional banks Islamic banks do same banking operation like deposits and producing loans but following Islamic principles. There are 6 Islamic banks in Bangladesh.(Md. Ibrahim, 2014). Social Islami Bank Limited is one of them .Social Islami Bank Limited (SIBL) is a private owned bank. SIBL is a second generation Islami bank operating since 22 November, 1995 (Social Islami Bank Ltd, 2012) based on Shariah Principles. Now SIBL has 108 branches all over the country with two subsidiary companies-SIBL securities ltd (Social Islami Bank Ltd, 2012). For coordinating my internship I have been placed in Social Islami Bank Limited, Banani Branch, Dhaka. There are 03 sections in Banani Branch. They are: 1) General Banking .2) Investment Department 3) Foreign Exchange Department. Accordingly I had worked on general banking sections and Foreign Exchange Department. I devoted my utmost effort and attention to learn banker's functions. After completion of the internship, I am using my all knowledge to present the report on Overall banking System of Social Islami Bank Limited- a Special Focus on general banking.

1.2 Origin of the report:

As a part of the Bachelor of Business Administration (BBA) course requirement, it is a 12 weeks long internship program to introduce the students with the real life organization environment. I took the internship with Social Islami Bank Limited which stands a prominent name in banking industry. I am proud to work as an internee with SIBL and this experience will surely help me in my future career. This advance working report has been prepared as a part of the Internship Program. Being an intern the main challenge was to translate the theoretical concepts into real life experience. The internship program and the study have following purposes:

- To get and organize detail knowledge on the job responsibility.
- To experience the real business world.
- To compare the real scenario with the lessons learned at BRAC University.
- To fulfill the requirement of BBA Program.

1.3 Scope of the Study:

In my internship period, the scope of the work was as vast as I was assigned to work in two departments of the bank in Banani Branch, I have tried to observe and understand the all banking activities especially General banking activities and foreign exchange functions perform in this branch. I also tried to understand different topic from the bank personnel.

1.4 Objectives of the Report:

Broad:

Customer Satisfaction Analysis on General Banking activities of Social Islami Bank Limited.

Short:

The Short objectives are:

- To get knowledge about how bank perform its operation.
- To get ideas on the activities of General banking.
- To get ideas of Foreign exchange department
- To analysis customer satisfaction of Social Islami Bank Limited.
- To analysis general banking activities of Social Islami Bank Limited.

1.5 Sources of Data:

I have collected the information/data from the following sources, which has helped me to make this report. The source is divided into two parts:

- Primary Source: Data collected for the first time is called primary data. The methods used to collect such data are given below:
 - Face-to-face conversation with the respective officers and staffs of the Branch.
 - Informal conversation with the clients.
- Practical work exposures from the different desks of the departments of the Branch covered.
 - Secondary Source :

The secondary data are collected from different sector. The data is collected from Annual Report of Social Islami Bank Ltd and Internet.

1.6 Limitation:

It is obvious that every study has some limitations. The study I have made is of great importance and required me huge work. Those limiting factors that hampered my smooth workings in bank and finally in preparing this report are as following:

- The organization maintains strict confidentiality about their financial and other information. They are afraid of any type of information leakage to their competitors. So there was always difficulty to have appropriate information from them.
- Large scale analysis is not possible due to constraints & restrictions posted by the banking authority
- Duration of the study was too short to have a sound understanding of the overall banking.
- This study completely depended on official records and annual reports
- Lack of sufficient books, papers and journals etc.
- In many cases, up to date information may not be available
- Lack of information

Chapter 2

The Organization Overview

2.1 History of Organization:

The SOCIAL ISLAMI BANK LTD (SIBL), a second-generation bank, operating since 22 November, 1995 based on Shariah Principles, has now 108 branches all over the country with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. Targeting poverty, SOCIAL ISLAMI BANK LTD. is indeed a concept of 21st century participatory three sector banking model in one. in the formal sector, it works as an Islamic participatory Commercial Bank with human face approach to credit and banking on the profit and loss sharing: it is a Non-formal banking with informal finance and credit package that empowers and humanizes real poor family and create local income opportunities and discourages internal migration; it is a Development Bank intended to monetize the voluntary sector and management of Waqf, Mosque properties and introducing cash Waqf system for the first time in the history. In the formal corporate sector, this Bank would, among others, offer the most up to date banking services through opening of various types of deposit and investment accounts, financing trade, providing letters of guarantee, opening letters of credit, collection of bills, leasing of equipment and consumers' durable, hire purchase and instalment sale for capital goods, investment in low-cost housing and management of real estates, participatory investment in various industrial, agricultural, transport, educational and health projects and so on(Social Islami Bank Ltd, 2012).

SIBL is a pioneer in introducing on-line banking among all the Islami Banks of the country with state-of-the-art banking software, which will enable the bank to perform as any branch real time banking service to the clients. The state-of-the-art banking software of the bank will enable to perform as any branch real time banking service to the clients. SIBL is supported by core banking solutions and our products & services are strongly backed by IT infrastructure, which are upgraded & expanded on continuous basis. (Social Islami Bank Ltd, 2012).

2.2 Organization Profile:

Name of the Organization: Social Islami Bank Limited

Bangladesh Head Office: City Center, Level: 19-22, 90/1, Motijheel Commercial Area , Dhaka-1000, Bangladesh

Year of establishment: 1995

Industry: Banking

Slogan: Utkorsho Abiram (Journey toward Excellence)

Competitor: Islami Bank Bangladesh LTD, Al- Arafa Islami Bank LTD, Shahjalal Islami Bank LTD etc.

Corporate Website: www.siblbld.com

2.3 Vision:

In SIBL journey towards continuous excellence it is striving to become the Country's leading Islamic Bank offering one-step service of an wide range of value added products and services meeting the needs of its customers; conducting its business ethically in accordance with the laws of Shariah while optimizing best utilization of the most modern state-of-the-art technological solutions through creation of a pro-active organizational culture based on sound team spirit, fairness, mutual understanding and pragmatic leadership always remain open to new ideas and adaptable to the best practices in the market ensuring recognition and quality banking experience to its customers and deliver best value to all its stakeholders as well. “**Working together for a caring society**” (Social Islami Bank Ltd, 2012)is the vision of SIBL.

2.4 Mission:

- ❖ Establishing Three Sector Banking Model
- ❖ Transformation to a service oriented technology driven profit earning Bank
- ❖ Optimum return on shareholders' equity
- ❖ Fast, accurate and satisfactory customer service
- ❖ Introducing innovative Islamic Banking Products

- ❖ Balanced & sustainable growth strategy
- ❖ Attracting and retaining high quality human resources
- ❖ Empowering real poor families and creating local income opportunities

Source:(Social Islami Bank Ltd, 2012)

2.5 Values:

- **Honesty:** To be honest is ordained by the scripture – we stick to this value in all our service provision.
- **Transparency:** Remaining transparent in all acts is a virtue that's builds trust - we adhere to it.
- **Efficiency:** Efficiency implies perfection in any job done - we strive to render full satisfaction with it.
- **Accountability:** To be accountable is to be responsible and above any suspicion - we are dutifully there.
- **Religiousness:** SIBL enhances economic well being with regard to the bliss of religious ethics.
- **Innovation:** Our minds and eyes are open to the evolution in quality of life to innovate further benefits for the service takers.
- **Flexibility:** Flexibility leads to better understanding and greater satisfaction - we pursue the quality.
- **Security:** Customers must feel secure with all our products and services - we keep on ensuring it.
- **Technology:** Modern life is technology dependent - we keep looking for the latest development to provide the best in ease to our clients.

Source:(Social Islami Bank Ltd, 2012)

2.6 Product and Services:

Investment Products: SIBL investment products are given below-

- Bia – Muajjal
- Hire Purchase under ShirkatulMelk
- Bia-Murabaha
- Musharaka
- Bill Purchase
- Bai-Salam (PC)
- Quard
- SIBL Employees' House Building Investment Scheme
- SME & Agriculture Finance

Deposit Products: SIBL deposit products are given below-

- Mudaraba Scheme Deposits
- Al Wadiah Current Account
- Mudaraba Savings Deposit
- Mudaraba Term Deposit
 - a) 1 month
 - b) 3 month
 - c) 6 month
 - d) 12 month
- Mudaraba Notice Deposit
- Cash Waqf. Deposit
- Mudaraba Monthly Profit Deposit Scheme
- Mudaraba Millionaire Savings Scheme
- Mudaraba Educational Scheme
- Sonali Din Special Deposit Scheme
- Mudaraba Special Deposit Pension Scheme
- MudarabaBashsthan Savings Scheme
- Mudaraba Hajj Savings Deposit (Kafela)
- Mudaraba Term Deposit Receipt
- MudarabaLakhopati Deposit Scheme

- Mudaraba Double Benefit Deposit Scheme
- ShamridhirShopan Special Deposit Scheme
- Mudaraba Marriage Savings Scheme
- MudarabaMohorana Savings A/c (10 Years)
- MudarabaMohorana Savings A/c (5 Years)
- Shanchita Special Deposit Scheme
- Subarnalata Special Deposit scheme
- SubarnaRekha Special Deposit Scheme
- SabujChaya Special Deposit scheme
- SabujShayannaya Special Deposit Scheme
- ShukherThikana Special Deposit Scheme
- ShachandaProtidin Special Deposit Scheme
- SIBL Young Star Account

Cards:

- SIBL Credit Card
- Visa Islamic Credit Card (Dual)
- Visa Islamic Credit Card (Local)
- SIBL Zameel Debit Card

E-Banking:

- Mobile Banking
- Internet Banking
- SMS Banking
- Electronic Fund Transfer

Other Services:

- ATM Services
- Locker Services
- SWIFT
- School Banking
- Remittance

- Student File
- Offshore Banking
- Capital Market Services through SIBL Subsidiaries
- ADR (Alternate Delivery channel)

Source: (Annual Report 2014, 2014)

2.7 Corporate Governance & Structure:

❖ Corporate Governance:

- Board of Director
- Executive Committee
- Audit Committee
- Risk Management Committee
- Core Decision Making Committee
- Management

Source: (Social Islami Bank Ltd, 2012)

❖ Corporate Structure:

The organization is headed by its Chief Executive designated as the Managing Director entrusted with overall responsibilities of business direction of the organization and leading dynamically towards the attainment of its purpose and principles. The Banani Branch of SIBL is operating with following departments:

1. General Banking Department
2. Investment Department
3. Foreign Exchange Department

The corporate structure is given below:

Managing Director
Additional Managing Director
Deputy Managing Director
Senior Executive Vice President
Executive Vice president
Senior Vice president
Vice President
Assistant Vice President
First Assistant Vice President
Senior Executive Officer
Executive Officer
Senior Officer
Officer
Junior Officer
Assistant Officer
Officer Assistant

2.8 Corporate Social Responsibility of SIBL:

Corporate Social Responsibility or CSR means that a company has a responsibility towards the society. Now a day's most of the company has their own CSR activity because they know and also fill that they have to do something for the society. Like other company SIBL also has CSR activity. As an Islamic Bank, Social Islami Bank Limited is quite conscious of its social responsibility and always trying to participate in social cause program in the country. The bank is committed to serve the society at large through its family empowerment Micro Investment, Micro Enterprise and SME programs under non- formal sector, Social capital mobilization through Cash waqf and other programs under voluntary sector. The bank has already formed CSR Desk with the aim to serve humanity through different philanthropic activities giving emphasis on health and education. (Social Islami Bank Ltd, 2012). So, this bank is also responsible to do something towards the society and they understand that responsibility properly because of this reason they try their best to fulfill their responsibility.

Chapter 3

Job Description

3.1 Internship and Job Responsibility:

The BBA program is designed to focus on theoretical and professional development of people open to take up business as a profession as well as service as a career. The course is designed with an excellent combination of theoretical and practical aspects. This internship provides the Students to link up their theoretical knowledge into practical fields. In this connection, I was assigned to Social Islami Bank Ltd. Banani Branch. This chapter will give a brief idea about my duties and responsibilities over the three month in Social Islami Bank Ltd. Banani Branch. From the first day of my joining in Social Islami Bank I have given some responsibilities. Through this internship program I have gathered practical knowledge about the corporate world. I work there for 12 Weeks. For these 12 Weeks I worked in various departments. In this branch I worked mainly in two departments' General Banking department and foreign Exchange department. My work experience and responsibilities are given below:

3.1.1 General Banking Department:

In SIBL I started my internship firstly in General banking Department. Here I was learned and also had some job responsibility which is given below:

- Account Opening – The first thing I have learned how to open an account in Social Islami Bank Ltd. I was instructed about the procedures and the requirements of every different types of account. (Current, Savings etc.) I had also taken part in completion of some of the account opening form. After the finishing the procedures of the forms I have also learned how to process and store into the software named Ababil which Social Islami Bank Ltd use for their online banking.
- Inward and outward – Besides learning the procedures of account opening I was also learning how to do all the documents both inward and outward marking. The responsibility of this desk is to mark all the documents and give those documents an official trespass number and send those documents to appropriate places.
- Introduction to the Banking software – I was given bit information about how the online Banking software works and what is the function of it. I was also allowed to browse the software for my proper leaning about the procedures of the account opening and online transaction.

- Cheque Book processing – After the introduction with the banking software I learned how to process a Cheque book. I have learned the processing of the Cheque book requisitions and other formalities. I have also took part in the delivering the Cheque book when a client comes to acquire it.

3.1.2 Foreign Exchange Department:

After completing 1 month in General Banking Department, I was appointed in Foreign Exchange Department for rest of the time of my internship. The learning and responsibilities of this department are given below:

- L/C opening – The first thing I learned in foreign exchange section was how to open a letter of credit or documentary credit for both local and international purpose. I learned about the requirement of opening a letter of credit or documentary credit and how it operates in business and transactions.
- Filling The Export forms – Filling the forms is basically an online process which Social Islami bank reports to Bangladesh bank. The total procedure is web based. Forms need to be filled with their realization and authorization dates. My duty was to record the data like FBC number, invoice number and value, BL number and Date of shipment in the EXP form by manual process.
- Filling The Import forms- I also filling the import form for a short period of time. Here I recorded all the data into the collecting from the documents.
- Register The Export Forms- After learning how to filling a EXP form, I was also learned how to register EXP number, realization value and date into the register copy of the bank.

Chapter 4

Project Analysis

The project analysis part is divided into two parts, one is literature review and the second part is project analysis.

4.1 Literature Review:

Islamic banks have been operating since the nineteenth century in Bangladesh. Besides conventional banks, eight Islamic banks operate their banking operations based on Islamic principles and shariah. Comparing with any other conventional banks, Islamic banks do the same banking operations like deposits and producing loans but following Islamic principles. There are 6 Islamic banks in Bangladesh. Muslims are the main customer of Islamic Bank, but Non-Muslims are also starting banking in Islamic banks (Khan, n.d). Moreover, most of the Muslims prefer Islamic banks because of following Islamic shariah. In 1983, Islamic Bank Bangladesh Limited started Islamic banking in this country. Comparing with conventional banks, Islamic banks have shown better performance in the areas of deposits, loans recovery and other financial functions. On the other hand, there are some commercial banks which also follow Islamic principles for some of their banking functions.

The main focus of this literature review is the function of Islamic banking in Bangladesh. The products or services of Islamic banks are given below:

Deposit mobilization

Deposit mobilization in Islamic banks is done through current accounts, savings accounts, and savings deposits. (Khan, n.d)

Current account: Islamic banks accept deposits from customers on current accounts as conventional banks do. However, Islamic banks operate current accounts under Al-Wadia principle. According to the principle, banks receive the deposits with the promise to repay them on demand by the customers. Banks use such funds with the permission of the customers and at the sole risk of the banks. (Khan, n.d)

Savings account: Islamic banks accept saving deposits from customers under Al-Wadia and Al-Mudaraba Shariah principles. In saving accounts under the Al-Wadia principle, the bank is given an authorization by depositors to use the fund at the bank's own risk. Al-Wadia savings deposit is almost similar to a 'current Account' or 'demand Deposit' except that the bank guarantees its customer the full return of the deposited fund with any voluntary profit. Murabaha savings deposits give the banks exclusive rights to manage the deposits. In this service the profit or loss

from the use of such deposit is shared between the banks and the depositors at a pre agreed-upon ratio.(Khan, n.d)

Term deposits:Islamic banks also source funds through term deposits as like as the conventional banks do. However, Islamic bank apply Al-Mudaraba principle. (Khan,n.d)

Savings bond: This is another type of savings scheme offered by Islamic banks to the savers. Islamic banks follow Al-Mudaraba principle in offering this product.(Khan,n.d)

Other financial facility:

Islamic bank also provide different type of financial facilities like conventional bank but following shariah. Those facilities are given below.

Musharaka: The word Musharaka stands for a partnership that shares both profit and loss. Such joint venture way of financing is designed to limited production or commercial activities of long duration. Under Musharaka, the bank and the customer jointly contribute capital as well managerial expertise and other essential services at agreed proportions. Profit or losses are shared according to the contract agreed upon. (Khan,n.d)

Mudaraba: Mudaraba refers to a contract between at least two parties in which the bank as the investor supplies the entire capital of the business. Hence, a relationship is formed in which banks act as the supplier of capital. The entrepreneur acts as the manager of capital only. When the venture ends, the manager of capital i.e. the entrepreneur pays the entire capital back to the bank, along with an agreed proportion of profit. If there is any loss, it is borne by the bank. (Khan, n.d)

Bai-Murabaha: The word ‘Murabaha’ means a cost-plus profit/mark-up contract. In this system of financing the bank agrees to purchase for a client. The client will then repay the bank within a stated time period at an agreed upon profit margin. The mark-up price that the bank and the buyer agree to is mainly based on the market price of the commodity. Thus, under Bai-Murabaha mode of financing, the bank earns a profit without bearing any risk. (Khan,n.d)

Bai- Salam: Bai-*Salam* means a sale in which an advance payment is made for a later delivery. Usually the seller is an individual or business and the buyer is the bank. Bai-Salam benefits both the banks and seller. The banks locks in the price at which the commodities will be purchased and upon delivery can profit for selling the commodities. On the other hand, by receiving advance payments for commodities, the seller can use the money for

meeting various financing needs, particularly any working capital requirements. (Khan, n.d)

A study conducted in semi-urban Pennsylvania, indicates that commercial bank managers can utilize the evaluative criteria used by bank customers in selecting a commercial bank to patronize. The six evaluative constructs extracted from importance measures can be used to explain customers' commercial bank choices. Commercial banks' efforts to attract or retain existing customers should focus on the following issues (Kaynak&Harcar, 2004): behavior of bank employees, bank service charges; extra services offered by the bank; confidence in the bank; positive bank image; and convenience. Journal of Islamic Economics, Banking and Finance. Cited in the journal Kaynak and Harcar (2004) also added that managing service quality in a commercial bank is rather challenging because so much depends on how well the bank employees (internal customers) respond to the needs and expectations of the customers. Bank customers, in most cases, evaluate commercial banks on the bank employee dimension when they place a heavy emphasis on positive staff attitude, knowledgeable staff, friendliness of bank personnel, employee professionalism, courtesy of personnel, and timely employee responses to correspondence(Khan,n.d).The writer also cited in the journalArasli, Katircioglu, and Mehtap-Smadi (2005) asserted that customer contact personnel played a vital role in the delivery of high quality service(Khan, n.d).

The writer cited in the journal following a similar study conducted by Metwa and Almosawi (1998), the current study measured customer satisfaction with various products/services of Islamic banks, and with four basic elements of the service delivery system of Islamic bank: employees, physical facilities of the bank, location, and evening (late) banking hours. These criteria tend to cover a broad array of factors to be considered for customer satisfaction in a service industry like Islamic banking.(Khan,n.d). Based on this journal we find out the difference between commercial bank and Islamic bank's customer satisfaction.

To conclude we can say that the foremost factor making Islamic banking attractive to customers is adherence to the rules of Shariah. Convenience of opening accounts or the quality of the services offered does not have much impact on the consumer's decision of choosing an Islamic banking system. However, commercial banks have more customer than Islamic banks and the customer satisfaction is also more than Islamic bank in some part of services. Because of limited

information about these research my broad research question is “What is the difference between Islamic and conventional banking sector in Bangladesh with regards to customer satisfaction”

In order to answer the broad research question, the following specific questions need to be answered:

- What is the difference between profit Vs interest?
- What is the difference between general banking, consumer loan of conventional bank and Islamic bank?
- How has Islamic banking developed over the years?
- How do customers think about the interest rate and profit concerns involved in Islamic banking?

4.2 Project Analysis:

Bangladesh is a Muslim country. Most of the people of this country are Muslim. Since ninety century Islamic banking operating in Bangladesh. Islamic banks are following Islamic principles and shariah to operate their banking system. However, there is some difference between Islamic and conventional banking. My broad research question of this project analysis is "What is the difference between Islamic and conventional banking sector in Bangladesh with regard to customer satisfaction". To answering this research question, some specific question also need to be answered which is given below:

Profit VS interest:

To know Islamic banking at first we have to realize the difference between profit and interest. Where conventional bank gives certain percentage of interest to its depositors there Islamic bank share certain percentage of its profit to its depositors. Interest is known as **RIBA** which is completely forbidden (**Haraam**) in Islamic terminology. **Riba** means excess increase or addition. According to Islamic Shariah terminology, **Riba** is any excess compensation without due consideration of time value of money. In our country interest is set at the beginning of the year by conventional bank and it is fixed if any economic disaster does not happened. But on the other hand profit is completely different from the interest. Bank invests its depositor's money as their fund to a business and earns profit, than share some percentage of this earned profit to the depositors. Profit is also set at the beginning of the years but it is not fixed as interest is. It may change if bank earn more and less. It depends on bank efficiency. Islamic bank in Bangladesh also give the percentage of their profit at the beginning of the year as per as Bangladesh bank rules. But sometimes it changes its percentage due to their profit making efficiency. This is actual difference between the profit and interest. The motto of Islamic banking is profit sharing and loss bearing, where conventional banking main motto is to make profit.

General Banking and Consumer Loan:

- **General Banking:**

Bangladesh is one of the less development countries. So the economic development of the country depends largely on the activity of conventional banks. On the other hand, recently besides conventional banks Islamic banks also have a great impact on our economy.

The general banking department does the most important and basic works of the bank. All other department is linked with this department. It also pays a vital role in deposit mobilization. of the branch. SIBL provides different types of accounts, locker facilities and special types of saving scheme under general banking. For proper functioning and excellent customer service.this department is divided into various sections namely as follows:

1. Deposit Section.
2. Account Opening Section.
3. Cash Section.
4. Bills and Clearing Section.
5. Remittance Section.
6. FDR Section.
7. Accounts Section.

In this report I mainly focus on deposit section of general banking to differ it from conventional bank's deposit sector. The difference between Islamic and conventional banking given below:

Deposit:

The deposits that are accepted by SIBL Bank is as like as other banks. Some types of deposits are:

- Al -Wadiah Current Account
- Mudaraba Savings Deposit
- Mudaraba Term Deposit
 - e) 1 month
 - f) 3 month
 - g) 6 month

- h) 12 month
- Mudaraba Monthly Profit Deposit Scheme
- Mudaraba Educational Scheme
- Mudaraba Hajj Savings Deposit (Kafela)
- Mudaraba Term Deposit Receipt, etc.

Al - Wadiah Current Account: In SIBL bank, it is known as AL-WADIAH current account. The main feature of this account is depositors can deposit and withdraw any amount of their deposits any time as much time they wanted to do. Bank will not provide any kind of profit to this account. Bank has the rights to use the deposits of this account. This is specially designed for the business people. Normally SIBL bank opens this account in the name of organization. Bank has the rights close any account if it has zero balance or inactive more than 1 year.

Difference:In conventional banking system it is known as current account. Some conventional bank gives interest to these accounts. Some conventional bank also opens this account in personal name of their customer.

Mudaraba Savings Deposit:The main feature of this account is depositors can deposit any amount of their deposits as much time they wanted to do but in terms withdrawn there is some barriers. No depositor can withdraw more than 5 lacs in a week or more than twice in a day. Bank provides small amount of profit to this account. Bank has the rights to use the deposits of this account. This is specially designed for the mass people.

Mudaraba Term Deposit:It is special type of savings account. Here depositor opens this account for a short period of time such as 1 month, 3 months, 6 months or 12 months and gain profit. Bank provides profit for the deposits. The profit rate is more than Mudaraba savings deposit. Bank has the rights close any account if it has zero balance or inactive more than 2 years.

Difference:In conventional banking system it is known as savings account. Some conventional bank gives interest to this account. Conventional bank opens this account only in name of individuals.

Mudaraba Monthly Profit Deposit Scheme: SIBL bank designed this product for those who has a lots of idle money or need monthly fixed income. The main feature of this account, here

bank promise to give same amount of profit every month to its customers. Any adult person (jointly or individually) having 50,000 Tk. can open this account one or more account can be open in one name.

Difference: It is known as monthly income scheme in conventional banks. Where in SIBLbank monthly benefit is not fixed there conventional bank ensure their customer to give certain amount of money every month against their customers deposit. As the interest rate is fixed that's why conventional bank can do that.

Mudaraba Hajj Savings Scheme (kafela):Its is specially designed for hajj. Persons eager to perform Hajj within the period of 1 to 15 years may build up savings equivalent to approximate expenses of hajj for a particular year by monthly installment. The scheme can be opened only in the name of the person. The monthly installment for this scheme is given below:

Years	Monthly Deposit	Provisional Return After Maturity
1	24,000	2,88,000
2	12,600	3,21,300
3	8,600	3,49,913
5	5,500	4,23,473
6	4,600	4,43,650
7	4,050	4,97,935
10	3000	6,47,228
12	2500	7,46,374
15	2,050	9,54,830

Mudaraba Educational Savings Scheme: The most gratifying experience for parents are proper education of their children. Educational expense is rapidly increasing and therefore appropriate planning needs to be done by all parents. SIBL offers customer 'Education Savings Scheme' to assist customer in financial planning well ahead in time for customer's children's higher education. Deposit of Tk. 25,000/- and multiples thereof at a time will be accepted under the scheme. The instrument shall be issued for 3 years, 5 years, and 10years term. After maturity client will be given principal amount with maturity.

Difference: In conventional banking system it is known as deposits pension scheme account. Conventional bank gives interest to this account. That's why conventional bank can ensure the actual amount to be paid to their customers. There is no product specially designed for hajj in conventional banking system because interest income is prohibited (Haram) in Islam.

Mudaraba Term Deposit Receipt: The main feature of this account is depositor can deposit and withdrawn only for one time in this account. MTDR will be auto renewed for the same period, if it is not encashed within one month after maturity. Profit shall be calculated on daily balance of deposit but applied at the anniversary or maturity. If profit is not withdrawn after maturity, the same shall be added with the principal and considered for getting profit.

Difference: In conventional banking system it is known as fixed deposits. As like other accounts conventional bank gives interest to this account. To open this account in conventional bank one individual needs at least taka 50000. There is no need for saving account or current account to open this kind of account in conventional banking system.

Consumer Loan:

SIBL also provide consumer loan for their customer. If someone want a loan for buying car, house, or other commodities they must have an savings account in this bank. SIBL divided the consumer loan in three sector and they are:

- Islami Consumer Fund (ICF)
- Islami Automobile Fund (IAF)
- Islami Housing Fund (IHF)

The consumer loan is also called retailer banking. This loan is included in Bai Mujjal law of Islamic banking which mean i a contract between Buyer and Seller under which the seller sells certain specific goods (permissible under Shariah and Law of the country), to the Buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installments. The seller may also sell the goods purchased by him as per order and specification of the Buyer. In Bank's perspective, Bai-Muajjal is treated as a contract between the Bank and the Client under which the bank sells to the Client certain specified goods, purchased as per order and specification of the Client at an agreed price payable within a fixed future date in lump sum or by fixed installments (Social Islami Bank Ltd, 2012).

In the ICF loan investment equity ratio is 30:70, its mean bank provide 30% loan and client give 70% of the investment for the consumer product. The client age must be minimum 25 to maximum 60 years. Investment repayment tenor is 5 years.

In the IAF loan investment equity ratio is 50:50, its mean bank provide 50% loan and client give 50% of the investment for the consumer product. The client age must be minimum 25 to maximum 65 years Investment repayment tenor is 5 years.

In the IHF loan investment equity ratio is 70:30, its mean bank provide 70% loan and client give 30% of the investment for the consumer product. The client age must be minimum 25 to maximum 65 years Investment repayment tenor is 25 years.

Here, the installment rate is called proposed profit rate and the rate is 14% but this rate is fluctuated. Moreover, in SIBL they buy the product for their customer and always present when customer buys that product. so, here every buy and sell is visible

Difference: In conventional banking they only provide or invest the money which is asked by their client but they never present at that time when client buy that product with this investment. This is the biggest difference between Islamic and conventional banking. However, conventional bank also ask interest on per installment of the loan.

Customer Satisfaction:

Now a day's Islamic banking is becoming more popular day by day as more people want to lead their life in terms of Islamic rule. SIBL is doing excellent job in terms of Islamic banking system. But in my point of view people do not have the clear idea about the difference between interest and profit as banks do not promote this in their marketing strategy. As Islamic banking becoming more popular to the people of Muslim countries, many multinational bank like HSBC, Standard chartered bank now a day's open Islamic banking section (like AMANAH) in their bank. Even many conventional banks in Bangladesh have already open Islamic banking section. It is become new marketing strategy for banks to attract new customer. SIBL is playing a leading role in economic development of the country along with maintaining standard level of services. It understands the needs of the customers and thus it understands the needs of the nation. SIBL bank and its contribution to the economy of Bangladesh along with high level of corporate social responsibility are providing it a way to move forward in faster than other banks in the country.

So, we can say that the customer satisfaction of Islamic banking is increasing day by day besides conventional banking in Bangladesh.

Development of Islamic Banking:

Islamic Banking Industry has been playing a crucial role in mobilizing deposits and financing key sectors of the economy in Bangladesh since its inception in 1983. This report gives an overview of the Islamic Banking Industry regarding the developments taking place during the April-June 2015 quarter. At present, Islamic banking industry comprising 8 full-fledged Islamic banks, 19 Islamic banking branches of 9 conventional commercial banks and 25 Islamic banking windows of 7 conventional commercial banks is providing Islamic financial services in Bangladesh. At the end of April-June 2015 quarter, deposits, investments and surplus of liquidity of Islamic banking industry grew by 3.89%, 3.46% and 3.29% respectively compared to the previous quarter. Islamic Banking Industry accounted for more than one-fifth share of the entire banking industry in terms of deposits and investments at the end of the quarter under review.(Dr. Md. Akhtaruzzaman, n.d)

Highlights of Islamic banking in Bangladesh:

- **Total Deposits** in Islamic banking industry reached at Tk. 152448.47 crores at the end of April-June 2015 quarter, which increased by Tk. 5714.11 crores or by 3.89% compared to previous quarter and by Tk. 18792.41 crores or by 14.06% compared to corresponding quarter of the last year (Dr. Md. Akhtaruzzaman,n.d).
- **Total Investments** (Loans in conventional sense) in Islamic banking sector stood at Tk. 131090.91 crores at the end of April-June 2015 quarter, which went up by Tk. 4381.57 crores or by 3.46% and by Tk. 17290.34 crores or by 15.19% compared to previous quarter and same quarter of the preceding year respectively (Dr. Md. Akhtaruzzaman,n.d).
- **Investment-Deposit Ratio** (Credit-Deposit Ratio in conventional sense) reached at 0.86 in April-June 2015 quarter which remained same at the previous quarter and was 0.85 at the end of June 2014(Dr. Md. Akhtaruzzaman,n.d).

- **Surplus Liquidity** of Islamic banking industry stood at Tk. 12403.96 cores at the end of April-June 2015 quarter, which was higher by Tk. 395.41 cores (3.29%) and Tk. 1646.25 cores (15.30%) compared to the previous quarter and corresponding quarter of the preceding year respectively (Dr. Md. Akhtaruzzaman,n.d).
- **Total Remittances** mobilized by the Islamic banking sector stood at Tk. 9318.64 cores at the end of April-June 2015 quarter, which was higher by Tk. 652.62 cores or by 7.53% and by Tk. 426.27 cores or by 4.79% compared to previous quarter and same quarter of the preceding year respectively (Dr. Md. Akhtaruzzaman, n.d).
- **The Number of Branches** of Islamic banking sector including Islamic branches/windows of conventional commercial banks stood at 960 at the end of the quarter under review which was 934 during the previous quarter and 887 during the same quarter of the last year (Dr. Md. Akhtaruzzaman,n.d).
- **Total Manpower** in Islamic banking sector was 27487 in number at the end of the quarter under review which was greater by 150 persons than that of the last quarter and by 1140 persons compared to the same quarter of the last year. (Dr. Md. Akhtaruzzaman,n.d)

So, we can say that Islamic banking is developing in Bangladesh competing with conventional bank. From above discussion, the total investment in this sector is also growing which reflects so many things including money supply, remittance, and employment and so on. However, one interesting and surprising thing is that who do not follow Islamic guideline also investing in this field for making money. As a result the sector is growing day by day.

Customer perception about interest rate and profit:

The perception of interest rate and profit for the customers can be varying person to person.

First of all, a traditional bank makes money by lending people money and charging interest on that. And they provide various services and charges money for that also. Again they take money from other people and pay them interest, with lesser rate.

On the other hand, An Islamic bank also lends money to people. But it is kind of a business agreement between the bank and the borrower. The borrower will run the business while bank will look over. The profit of that business will be shared between the bank and the borrower in a prefixed rate documented earlier in the agreement. Islamic bank also provide services and charge money.

However, when people keep money in an Islamic bank, they become kind of share-holder of the bank's overall business. And share profits in a prefixed rate. Sometimes, a person can invest in a specific project and profits will be calculated specifically for that project.

Therefore, the customer who thinks with Islamic principles that receiving interest is Haram, they perceived the outcome of investment at Islamic bank as profit of business. Here we can say that customer think Islamic banks are different from conventional banks because the former don't charge interest is accurate, but it's only the tip of the iceberg. That difference is just one of many ways that the fundamentals of Islamic banking differ from those of conventional commercial banking. A bank serves no purpose at all if it can't stay in business! Islamic bank run for those people who wants to lead their life with Islamic regulations. Islamic banks operate based on Islamic business law (called *fiqh-u-muamalat*) for their basic transactions, and they also follow the financial laws and regulations of the countries in which they operate. Conventional banks likewise operate based on a country's financial laws and regulations, but they don't have contact with any religious body. Islamic scholars recognize that money has value, but with limitations. For example, money can't become more valuable simply because time is passing. However, the value of money can increase if it's invested in a project that itself is increasing (in size, in success, and so on).

Finally we can say that, people who encourage investing at Islamic bank treat the interest rate as profit of business not conventional outcome following Islamic guideline.

CHAPTER: FIVE

5.1 Findings:

Though the entry of Islamic Banking into the field of local financial market of Bangladesh and international financial markets has been well received, it has yet to cross many hurdles before it can claim to be an institution capable of handling the needs of world financial markets. I have identified those positive and negative findings during my study of differentiating Conventional banking from Islamic Banking. However those findings are tried to depict below-

- The Islamic Banks in Bangladesh have good prospects in our country. As the Islamic Banks meet both banking & ethical expectation, the people of the country have reposed a great deal of trust & confidence on them.
- Islamic banks operate on Islamic principles of profit and loss sharing, strictly avoiding interest, which is the root of all exploitation and is responsible for large-scale inflation and unemployment.
- An Islamic bank is committed to do away with disparity and establish justice in the economy, trade, commerce and industry; build socio-economic infrastructure and create employment opportunity.
- But like their counterparts around the world, the Islamic Banks in Bangladesh as well as in Islamic Banking branch of SIBL are also facing some legal and practical constraints.
- Absence of Islamic money market, shortage of skilled manpower, lack of regulatory supervisory framework & shortage of link institutions are some of example of constraints for practicing Islamic banking operation
- Sometimes people become discouraged to deposit their money to the Shariah practiced bank as are to share the loss if any, incurred out of investment made from Mudaraba Deposits
- The Islamic Banks need a distinct organization & management structure to suit their purposes, but the branch is established on traditional organization & management structure.
- Sometimes some investment clients even being Muslims have no Shariah knowledge especially in respect of Riba, Permissible, and Prohibition etc. in financial transaction. It is a fact that without the basic knowledge of Shariah and adherence of the clients to the concepts of Halal and Haram Islamic Banking has become a difficult task.

- Most of the Islamic Banks operate on Bai- Murabaha, BaiMuazzal, Bai- Salam, Hire Purchase or Leasing mode of Investment , Islamic Banks prefer to run on markup guaranteed profit basis. For this reasons, sometimes, the conventional Economists and general people fail to understand the real difference between the Islamic Banking and conventional Banking.
- Due to the application of limited modes of investments, Bai-Murabaha Bai-Muajjal ,clear distinction could not yet be made to the general people

5.2Recommendation:

To sustain and develop the Islamic banking system with its ethical and intrinsic values system, Islamic banking practiced banks and branch of the country have to strive to solve the problems mentioned in the findings, which stand in the way of their growth and survival. However, the recommendations may be the following-

- It requires complete examination on the Islamic Banks whether they are run by Shariah Council and competent professionals who are really practicing Muslims.
- The initiative, drive, farsightedness and relentless efforts of the people who are associated with the Islamic banking system may give it a great boost & momentum.
- The personnel should be equipped enough with proper Islamic Banking knowledge to meet the growing demands of Islamic Banking
- All of the people working in Islamic Banks should be well conversant with Islamic Banking modes and its operations
- The inspection and supervision of Bangladesh Bank and its massive training program on Islamic banking both at home and abroad should be equally familiar with different operational methodologies of the Islamic banking system.
- People should be made convinced and understood about the justification of real meaning and practice of Islamic Banking. They should really understand the basic difference between Conventional and Islamic banking.
- Lack of Regulatory and Supervisory Framework for Islamic Banking, Shortage of Supportive and Link Institutions are to be met up to meet the growing demand and sustain the growth of Islamic Banking.

5.3 Conclusion:

The concept of Islamic Banking is a very recent innovation to the Banking world. At the beginning the world was not familiar with Islamic Banking. In the very recent stage banking system was only understood a Capitalist system based on interest. Islamic Banking system emerged with its unique feature of interest free system. The focal point around which Islamic banking system revolved is the straight departure from interest. Based on the Shariah law all dealing, transaction, business approach, product feature, investment focus, responsibility of Islamic Banking lead to the significant difference in many part of the operations with as of the conventional. The growth of Islamic banking in Bangladesh is progressing day by day. The remarkable shifting or conversion of the conventional banks and their branches into the Islamic lines, signals high acceptance of the interest-free banking by the public in general. Moreover like their counterparts around the world, the Islamic Banks in Bangladesh as well as in Islamic Banking branch of SIBL are also facing some legal and practical constraints. But with only minor changes in their practices, Islamic banking can get rid of all their obstacle, and sometimes doubtful forms of financing and offer a clean and efficient interest-free banking. All the necessary ingredients are already there. The modified system will make use of only two forms of financing — loans with a service charge and *Mudaraba* participatory financing — both of which are fully accepted by all the Muslims. Thus such a system will offer an effective banking system where Islamic banking is obligatory and a powerful alternative to conventional banking where both co-exist. Additionally, such a system will have no problem in obtaining authorization to operate in non-Muslim countries.

CHAPTER SIX: Appendix

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