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## Editorial Notes

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*Md. Alamgir*

### What Defines Banking Behavior? Insight into Determinants Driving Customers' Decision on Who to Bank with

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### REER Index Based Exchange Rate and Financial Consequences in Bangladesh Economy

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### Policy Advocacy, Challenges, Threats, and Policy Directions on Risk Management for smallholder Farmers and communities : The Bangladesh Bank Experience

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## Call for Papers and Notes to the Contributors

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## *Editorial Notes*

Financial inclusion is defined as access of unbanked people and enterprises to quality financial services provided responsibly and equitably at affordable prices. This in turn will ensure shared growth by reducing poverty, empowering women, and enhancing investment and consumption. The various financial services include but not limited to saving, loans, insurance, money transfer, payments, and remittance facilities etc. to be provided through technology driven varied delivery channels of formal financial system. Micro and Small enterprises (MSEs) in Bangladesh are still the ‘missing middle’ not being fully catered by banks and NBFIs despite the initiatives of Bangladesh Bank (BB). Financial inclusion strategy should always be for pro-poor and pro-growth. Currently banking sector in Bangladesh provides Agent Banking, MFS, directed credit to SMEs, refinancing scheme for SMEs, school banking and no-frill accounts targeted toward financial inclusion. It is my firm belief that Banks and NBFIs need to drive financial inclusion of unbanked “bankable” people and MSEs in ways that are sustainable commercially for the banking industry. Where it requires market intervention through Govt. in order to increase financial inclusion of unbanked people and enterprises, it must be through budgetary support, which not only ensure sustainable financial inclusion but also make banking industry responsible, transparent, and accountable in discharging efforts in a way of providing effective delivery channels of achieving goals.

The first article of this issue identifies the dearth of standard and harmonized guidelines and tools for expansion of Islamic banking in the country. Many of these may be needed to satisfy the Islamic banking needs of the Islamic finance industry. The study recognizes the role of Shariah compliant bonds to manage the liquidity of the Islamic banks effectively while activating interbank money market of the country for them. In this aspect, the author draws the attention of the regulator and policy makers of the country of allowing Shariah compliant bonds like Sukuk in Bangladesh along with the establishment of frameworks for Shariah compliant bonds in the interbank money market.

The second article provides insights into the factors that drive customer’s decision on the choice of bank to bank with. From a very limited survey, the study identifies empirically perceived determinants driving the choice of bank, that are client data confidentiality, pleasant bank environment, providing accurate bank statement, friendliness of employees and reputation of the bank, CSR involvement of the bank, personalized service, credit card facility, in-premise parking facility. Factors that customer think least importance in their choice of bank are either having no perceived benefits to customers or bankers are yet to make them value adding. Channeling banking efforts to these factors while influential factors remain unattended is what is furthest away from banking prudence and will amount to nothing more than waste of resource unless banks make the clients aware of those values.

The Third article focuses on economic analysis to address stochastic and deterministic exchange rate and rational expectation in arriving SWAP and forward contracts rates. Real Effective Exchange Rate (REER) based exchange rate determines appreciation and depreciation probability taking purchasing power parity into account. In REER calculation, log linear function is used to get appropriate index by solving the exponent (trade weight) of exchange rate index (ERI) and consumer price index (CPI) of related countries, and capturing momentum change. This will help evaluate the exchange rate appreciation and depreciation in managed float environment, as volatility clustering exchange rate of Bangladesh is market driven based on managed float.

The last and final paper deals with sharing Bangladesh Bank (BB) experiences for policy directions of BB on risk management in agriculture sector for marginal/small farmers and sharecroppers. The paper highlights the BB initiatives that include guidelines for the bankers regarding sub-sectors of agriculture to be financed, preferred group farmers, crop-wise credit norms and crop calendar, technique for managing risk etc while identifying challenges and threats in agriculture sector of Bangladesh. Bangladesh Bank is trying to make contract farming system effective and beneficial for the farmers in order to increase the bargaining power of the farmers. In addition BB is trying to introduce some high level risk management technique in agriculture such as weather index based crop insurance.

**Mahmood Osman Imam**  
*Editor*

30 October, 2016