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Part-I
Paper: 101-Alternative Financial System

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Suggestion

- ***Read 4 star and 5 star marked chapter if you have time shortage to read all chapter.***
- ***Must read short notes from all chapter.***
- ***MetaMentor Center suggest to read whole note to find 100% common in exam. We cover everything in our note.***

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Chapter One:
Introduction to the Alternative Financial System:

Q-01. "Islamic Financial System may be treated as an Alternative Financial System" Justify. (April-2018, May-2025)

Or, It has been argued that the present financial system failed to address the fundamental needs of society and Islamic Financial System is the viable alternative"-Do you agree? Why or why not? November-2025

"Shari'ah Foundation: The Islamic financial system is rooted in the principles of Shari'ah, which ensures justice, equity, and ethical conduct in financial transactions.

1. **Prohibition of Unethical Elements**: It prohibits riba (interest), gharar (excessive uncertainty), and Maysir (speculation), which are commonly found in the conventional system.
2. **Asset-Backed Transactions**: All financial contracts are backed by real assets, linking finance with productive economic activities and ensuring stability.
3. **Risk Sharing Mechanism**: It promotes profit-and-loss sharing through modes like Mudaraba and Musharaka, replacing fixed interest with shared responsibility.
4. **Ethical and Inclusive Finance**: The system supports financial inclusion and avoids exploitation, making finance accessible to underserved populations.
5. **Focus on Social Welfare**: It contributes to social objectives such as equitable distribution of wealth, poverty alleviation, and community development.
6. **Sustainable Alternative**: Its emphasis on ethics, stability, and social justice positions it as a viable and sustainable alternative to conventional finance.

Q-02. What is alternative financial system? Why is it important in a country like Bangladesh? (April-2019)

Or Define alternative financial system. Why is it important to study Islamic finance in today's global financial context? (May-2026)

An alternative financial system is a system that works differently from the conventional interest-based financial system. The Islamic financial system is a key example. It follows Shari'ah rules and avoids interest (riba), gambling (Maysir), and unfair risk (Gharar). Instead, it promotes profit-sharing, real asset-based finance, and ethical investments. For example, in a Mudaraba contract, one person provides capital and another runs the business. They share the profit, but if there is a loss, the investor bears it—showing fairness and shared responsibility.

Importance of Alternative Financial System:

1. **Religious alignment:** As a Muslim-majority country, many people in Bangladesh prefer financial services that comply with Shari'ah. An alternative financial system like Islamic finance provides options that avoid interest and uphold religious values.
2. **Financial inclusion:** Many people avoid conventional banks due to interest-based operations. Islamic finance offers Shari'ah-compliant products, increasing participation in the financial system.
3. **Support for small businesses and agriculture:** Risk-sharing modes such as Mudaraba and Musharaka help fund SMEs and rural entrepreneurs, which is essential for poverty reduction and employment.
4. **Ethical and stable finance:** The system avoids speculation and promotes real asset-based transactions, ensuring economic stability and ethical growth.
5. **Contribution to national development:** By promoting justice, inclusion, and fairness, the alternative financial system helps achieve balanced and sustainable economic progress in Bangladesh.

Q-03. What are the factors contributing to the growing popularity of the Alternative Financial System in Bangladesh?

1. **Religious Alignment**: As a Muslim-majority country, Bangladesh sees a preference for financial systems that comply with Shari'ah principles, leading many to choose Islamic banking over conventional options.
2. **Financial Inclusion**: Islamic finance offers interest-free products, attracting individuals who avoid conventional banking due to religious beliefs, thereby broadening access to financial services.
3. **Support for SMEs and Agriculture**: Through profit-and-loss sharing modes like Mudaraba and Musharaka, Islamic banks provide essential financing to small businesses and the agricultural sector, fostering economic growth.
4. **Ethical Investment Practices**: By prohibiting speculative activities and ensuring transactions are asset-backed, Islamic finance promotes ethical investments and economic stability.
5. **Government and Regulatory Support**: Bangladesh Bank's policies and the establishment of Shari'ah-compliant frameworks have facilitated the expansion of Islamic banking services.
6. **Public Trust and CSR Initiatives**: The commitment of Islamic banks to social welfare programs and corporate social responsibility has enhanced public trust and contributed to their growing popularity.

Q-04. Analyze the growing interest in alternative financial system in other jurisdictions of the world. (November-2024).

Analyze the growing interest in alternative financial system in other jurisdictions of the world.

1. **Ethical Foundation:** Many countries are adopting Islamic finance due to its ethical principles, including prohibition of interest, speculation, and unjust gain.
2. **Crisis Resilience:** The system gained global attention after the 2008 financial crisis for its stability and risk-sharing approach.
3. **Global Expansion:** Countries like the UK, Malaysia, UAE, and Bahrain have become international hubs for Islamic finance.
4. **Non-Muslim Participation:** Non-Muslim-majority countries adopt Islamic financial products to diversify markets and attract Shari'ah-compliant investments.
5. **Support from International Bodies:** Institutions such as AAOIFI and IFSB promote global standards and boost investor confidence.
6. **Sustainable Finance Trend:** The global rise of ESG and ethical investing aligns closely with the principles of Islamic finance.

Q-05. Alternative financial system is based on principles of Islamic Shariah. Explain. (November-2024)

1. **No Interest (Riba):** The system strictly prohibits charging or paying interest in any financial transaction.
2. **No Speculation (Maysir):** It avoids gambling or highly uncertain transactions that may cause harm.
3. **No Uncertainty (Gharar):** All terms and conditions in contracts must be clear to avoid disputes.
4. **Real Economic Activity:** Money must be linked to real assets or services—finance cannot exist without purpose.
5. **Ethical Contracts:** It uses Shari'ah-approved contracts like Mudaraba, Musharaka, Ijarah, and Murabaha.
6. **Fairness and Risk Sharing:** Profit and loss are shared fairly between parties involved in a transaction.

7. **Social Justice:** It promotes justice, discourages exploitation, and supports welfare through charity and zakat.

Q-06. Is there any difference between Interest Free Banking and Islamic Banking? Justify your answer. (May-2023).

Yes, there are few differences between Interest Free Banking and Islamic Banking.

Point of Difference	Interest-Free Banking	Islamic Banking
1.Basic Concept	Only avoids interest (riba)	Follows full Shari'ah principles
2.Scope of Compliance	May not avoid other forbidden elements like Gharar or maysir	Avoids interest, Gharar, maysir, and all non-compliant activities
3.Types of Contracts Used	Limited or modified conventional contracts	Uses Shari'ah-approved contracts like Mudaraba, Musharaka, Murabaha
4.Investment Screening	May not screen all sectors	Avoids unethical sectors (e.g., alcohol, gambling, pork)
5.Social Objectives	Focus mainly on interest-free transactions	Aims at justice, equity, social welfare, and ethical finance

Q-07. What are features and characteristics of Alternative Financial System? (April-2020, May-2022, October-2021)

Or Enumerate the features and objectives of Islamic Banking. (November-2022)

Or Discuss the main features of Islamic Banking. (November-2025)

1. **Shari'ah-Based:** All financial activities must follow Islamic principles, ensuring fairness, justice, and ethics.
2. **Prohibition of Riba:** Interest (riba) is strictly forbidden in any form of transaction.
3. **No Gharar or Maysir:** Uncertainty (Gharar) and gambling (maysir) are not allowed to avoid injustice and risk of harm.
4. **Asset-Backed Transactions:** All contracts must be linked with real goods or services, avoiding speculative finance.
5. **Risk Sharing:** Profits and losses are shared fairly through modes like Mudaraba and Musharaka.
6. **Ethical Investment:** Investments in haram sectors like alcohol, gambling, and pork are not allowed.
7. **Social Welfare:** Supports zakat, waqf, and charity to reduce inequality and help the poor.
8. **Financial Inclusion:** Provides access to finance for all, including people who avoid conventional banking.

Q-08. What do you mean by "Ethical Banking"? "Islamic banking is born to be ethical" – explain. (May-2023, October-2023)

Or, It is often argued, 'Alternative Financial System promotes Ethical Finance'. Give your opinion. (May-2023)

Or Explain the value proposition of the Islamic Financial System.

Or 'Alternative Financial System' is a value driven financial system.' Explain. (April-2024)

Or How does the Islamic Financial System promote social justice and ethical conduct?

Or Discuss the value proposition of the Islamic financial system compared to the conventional system. (May-2026)

Ethical banking means providing financial services in a way that is honest, fair, and responsible. It avoids activities that harm people or the environment. Ethical banks do not invest in sectors like gambling, alcohol, tobacco, or weapons. Instead, they support projects that help society, such as education, healthcare, and small businesses. These banks care about people, not just profit.

Example: An ethical bank may give a loan to a poor farmer without charging interest, under a profit-sharing agreement, instead of giving a high-interest loan that increases the farmer's debt.

Yes, the alternative financial system, especially Islamic finance, promotes ethical finance.

1. **Shari'ah-Based Rules:** The system follows Islamic principles that ensure fairness, justice, and transparency in all financial dealings.
2. **Avoids Harmful Elements:** It prohibits interest (riba), gambling (maysir), and uncertainty (gharar), which are considered unjust and unethical.
3. **Asset-Linked Finance:** Financial transactions must be linked to real goods or services, avoiding speculation and promoting stability.
4. **No Investment in Harmful Sectors:** It does not allow financing in areas like alcohol, gambling, or tobacco.
5. **Supports Social Welfare:** The system encourages charity, zakat, and waqf, which help reduce poverty and promote equity.
6. **Promotes Trust and Honesty:** Contracts are built on partnership, risk-sharing, and mutual benefit, making finance more ethical and responsible.

Q-09. Discuss the role of Financial System in an Economy. (April-2018).

The financial system plays a vital role in the growth and stability of an economy. It connects savers and investors, helping money move from those who have excess funds to those who need them for productive use.

1. **Mobilization of Savings:** It collects savings from individuals and channels them into useful investments like businesses, factories, or infrastructure.
2. **Efficient Resource Allocation:** It ensures funds are used in areas with the highest return, improving overall economic productivity.
3. **Support for Trade and Commerce:** Through banks and financial institutions, it facilitates payments, credit, and international trade.
4. **Promotes Investment:** By providing loans and credit facilities, it helps entrepreneurs start and grow businesses.
5. **Economic Stability:** A sound financial system manages risks and promotes confidence in the economy.

Q-10. Discuss the efficiency of 'Alternative Financial System'. (October-2018).

The alternative financial system, especially Islamic finance, is considered efficient because it combines economic activity with ethical and social responsibility.

1. **Risk Sharing:** Instead of shifting all risk to one party, contracts like Mudaraba and Musharaka promote fairness through profit and loss sharing.
2. **Real Asset Linkage:** Transactions are backed by real goods or services, reducing speculation and strengthening the link between finance and the real economy.
3. **Stability:** By avoiding interest (riba), excessive uncertainty (gharar), and gambling (maysir), the system reduces the chance of financial bubbles and crises.
4. **Social Impact:** It promotes justice and financial inclusion, especially for those who avoid conventional banking due to religious reasons.
5. **Ethical Investment:** The system avoids harmful industries and supports responsible, productive sectors, ensuring long-term economic sustainability.

Q-11. "Alternative Financial System aims at achieving the balanced economic growth". (May-2023, October-2023).

The alternative financial system, mainly Islamic finance, works to ensure that economic growth benefits all segments of society fairly.

1. **Equity and Justice:** It promotes fairness through risk-sharing contracts like Mudaraba and Musharaka, where profit and loss are shared, not fixed in advance.
2. **No Exploitation:** Interest (riba) is prohibited, protecting the poor from debt traps and ensuring ethical lending.
3. **Wealth Distribution:** Tools like zakat, waqf, and charity support the needy, reducing inequality and encouraging inclusive development.
4. **Real Economy Focus:** It links finance with actual goods and services, promoting employment and productive investment rather than speculation.
5. **Support for Small Enterprises:** It provides financing to small businesses, farmers, and rural entrepreneurs, leading to balanced growth across regions and sectors.

Q-12. How Shari'ah based banking system can contribute towards better growth and development in an economy? Justify your answer. (April-2024).

1. **Prohibits harmful practices:** It avoids interest (Riba), speculation (maysir), and uncertainty (Gharar), promoting safe and responsible finance.
2. **Supports real economy:** All financial activities are linked to real assets, encouraging investment in trade, industry, and services.
3. **Promotes entrepreneurship:** Through risk-sharing contracts like Mudaraba and Musharaka, it provides capital to small businesses and startups.
4. **Ensures financial inclusion:** It offers ethical banking services to people who avoid interest-based finance, increasing access for all.
5. **Reduces poverty:** Social tools like zakat and charity help support the poor and reduce income gaps.
6. **Encourages stability:** Since investments are asset-based, the system avoids financial bubbles and supports long-term development.

Q-13. "Islamic banking is a solution to global financial crises" – Discuss. (October-2019).

Islamic banking offers a stable and ethical alternative that can help prevent global financial crises.

1. **No Interest (Riba):** By prohibiting interest, Islamic banking avoids the debt traps and over-leveraging that often cause financial collapses.
2. **Asset-Backed Transactions:** All financing must be linked to real economic activity, preventing speculation and financial bubbles.
3. **Risk Sharing:** Contracts like Mudaraba and Musharaka promote shared responsibility between banks and clients, reducing pressure on any single party.
4. **Ethical Investments:** Islamic banking avoids harmful sectors such as gambling or alcohol, and focuses on socially responsible financing.
5. **Financial Discipline:** It encourages transparency, fairness, and accountability, reducing the chance of fraud and instability.

Thus, Islamic banking promotes a more resilient financial system that supports real growth and avoids harmful speculation.

Q-14. How can the alternative financial system play role in NPI reduction? (October-2019).

1. **Risk Sharing Model:** Islamic finance uses contracts like Mudaraba and Musharaka, where both bank and client share profit and loss. This reduces pressure on clients and ensures careful project selection.
2. **No Fixed Interest Burden:** As Islamic banking avoids riba (interest), clients are not forced to repay fixed amounts, which lowers the chance of default.

3. **Asset-Backed Financing:** Modes like Murabaha and Ijarah are tied to real assets, ensuring that loans are used for productive purposes.
4. **Ethical Use of Funds:** Shari'ah-compliant rules discourage misuse of funds, reducing intentional default and misreporting.
5. **Continuous Monitoring:** Islamic banks monitor business performance closely to protect both parties, which helps detect early risks.
6. **Client Selection Based on Partnership:** Islamic banks treat clients as partners, which leads to better screening, selection, and support throughout the investment period.
7. **Focus on Real Economy:** Since financing must be linked to real trade or production, it reduces unproductive lending and promotes repayment from real income.

Q-15. Are Alternative Delivery Channel and Alternative Financial System same? Give your opinion. (November-2022, May-2023, October-2023).

No, Alternative Delivery Channel (ADC) and Alternative Financial System are not the same, though both bring changes to the financial sector.

Point of Difference	Alternative Financial System	Alternative Delivery Channel
1. Concept	A value-based financial system following Shari'ah principles	A method of delivering banking services using non-branch channels
2.Main Example	Islamic banking system	Mobile banking, ATM, agent banking, internet banking
3. Focus	What type of financial system is practiced	How banking services are delivered to customers
4. Purpose	Ensure ethical, fair, and inclusive finance	Improve accessibility, convenience, and cost-efficiency
5. Shari'ah Compliance	Fully guided by Shari'ah principles	Not necessarily Shari'ah-based; can be used in any banking system

Q-16. What are the types of Islamic Financial Markets? Distinguish between money market and capital market in this context.

Islamic financial markets are places where financial products are traded in a way that follows Islamic principles. These markets avoid interest (Riba), gambling (maysir), and uncertainty (Gharar). There are mainly two types:

1. **Islamic Money Market:** This market deals with short-term funds. Banks and financial institutions use it to manage their liquidity. Common products include Islamic interbank transactions, Mudaraba deposits, and Sukuk with short maturity.
2. **Islamic Capital Market:** This market handles long-term investments. It includes equity financing (like shares) and long-term Sukuk. It helps raise funds for infrastructure, industry, and development projects.

Difference between money market and capital market:

Point of Difference	Islamic Money Market	Islamic Capital Market
1. Duration	Deals with short-term funds (less than 1 year)	Deals with long-term funds (more than 1 year)
2. Purpose	Helps banks manage daily liquidity	Helps raise long-term capital for businesses and projects
3. Instruments	Mudaraba deposits, short-term Sukuk, interbank funding	Equity (shares), long-term Sukuk, investment funds

4. Participants	Mainly banks and financial institutions	Companies, governments, and investors
5. Risk Level	Lower risk and return	Higher risk and pot

Q-17. Explain the roles of primary and secondary markets in the Islamic Financial System.

Primary Market in Islamic Financial System

1. **First-Time Issuance:** This is where Islamic financial instruments like Sukuk and Shari'ah-compliant shares are issued for the first time to raise capital.
2. **Fundraising Tool:** Helps governments, corporations, and financial institutions collect funds for infrastructure, development, or business expansion.
3. **Shari'ah Compliance:** All issuances must avoid Riba (interest), Gharar (uncertainty), and maysir (gambling), and must be backed by real assets.
4. **Contracts Used:** Common contracts include Ijarah, Murabaha, and Musharaka-based Sukuk structures.

Secondary Market in Islamic Financial System

1. **Trading Platform:** Investors buy and sell previously issued Sukuk or Islamic shares, creating liquidity.
2. **Price Discovery:** The market helps in determining the fair value of instruments through supply and demand.
3. **Shari'ah Restrictions:** Only instruments that remain compliant (e.g., asset-backed Sukuk) are tradable.
4. **Investor Flexibility:** Provides an exit option for investors and encourages active participation in the financial system.

Q-18. Define Islamic Financial Intermediaries. What are the different types of intermediaries?

Islamic financial intermediaries are institutions that help connect people who have money (savers or investors) with those who need money (borrowers or entrepreneurs), following Islamic rules. They collect funds through Shari'ah-compliant contracts like Mudaraba (profit-sharing) or Wadi'ah (safe-keeping) and invest in halal (permissible) sectors. These intermediaries do not deal with interest (riba) and only finance real economic activities.

Example: An Islamic bank collects deposits from clients and invests them in a business through a Musharaka (partnership) contract, sharing profits instead of charging interest.

In Islamic finance, intermediaries are of different types based on their roles and services:

1. **Islamic Commercial Banks:** They collect deposits and offer financing through Shari'ah-compliant contracts like Murabaha, Ijarah, Mudaraba, and Musharaka.
2. **Islamic Investment Banks:** They manage large investments, offer advisory services, and help issue Sukuk and other Shari'ah-compliant securities.
3. **Islamic Insurance Companies (Takaful):** These provide protection against risk using cooperative and donation-based models instead of conventional insurance.
4. **Islamic Microfinance Institutions:** These provide small loans to low-income people without charging interest, using ethical and inclusive methods.
5. **Islamic Mutual Funds:** These collect monies from many investors and invest in halal sectors like healthcare, education, and manufacturing.

Q-19. What are the preconditions/requisites of a sound Islamic Financial System?

1. **Strong Shari'ah Governance:** A system of Shari'ah boards is needed to check that all financial activities follow Islamic rules.

2. **Qualified Human Resources:** Skilled professionals with knowledge of both Islamic law and modern finance are essential.
3. **Supportive Legal Framework:** Laws and regulations must recognize Islamic contracts and ensure proper dispute resolution.
4. **Shari'ah-Compliant Products:** A variety of approved financial tools like Sukuk, Mudaraba, and Ijarah must be available.
5. **Transparency and Disclosure:** Clear information must be provided to all parties to build trust and accountability.
6. **Focus on Social Justice:** The system should avoid exploitation and promote fairness, inclusion, and ethical use of money.

Q-20. Describe the role of international infrastructure institutions (AAOIFI, IFSB, CIBAFI, IIFM) in promoting the Alternative Financial System.

1. **AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions):** It sets Shari'ah, accounting, and auditing standards for Islamic financial institutions. Its guidelines help ensure transparency, comparability, and compliance in Islamic banking and finance.
2. **IFSB (Islamic Financial Services Board):** It issues global prudential standards and risk management guidelines for Islamic banks, capital markets, and Takaful. It helps improve financial stability and sound governance in the Islamic financial system.
3. **CIBAFI (General Council for Islamic Banks and Financial Institutions):** It represents Islamic financial institutions globally and promotes industry growth through research, training, and advocacy.
4. **IIFM (International Islamic Financial Market):** It develops standard contracts and market practices for Islamic money and capital markets, helping increase cross-border investment and liquidity.

Q-21. Do you think that a separate legal and regulatory framework is essential for growth of an alternative financial system in Bangladesh? Why? (April-2019).
Or A supportive legal framework is necessary for sound expansion of Islamic Financial System – Discuss. (April-2018).

Yes, a separate legal and regulatory framework is essential for the proper growth of the alternative financial system in Bangladesh, especially Islamic finance.

1. **Shari'ah Compliance:** Islamic finance follows specific rules like prohibition of interest (Riba), uncertainty (Gharar), and gambling (maysir). A general legal framework may not fully support these requirements.
2. **Dispute Resolution:** A dedicated legal system is needed to settle disputes in line with Islamic contracts and principles.
3. **Product Approval and Standardization:** Separate guidelines help ensure that financial products are properly reviewed, approved, and standardized according to Shari'ah.
4. **Market Confidence:** Clear legal backing builds trust among investors, clients, and global partners in the Islamic financial sector.

Q-22. How does robust accounting disclosure and taxation regime support the Islamic Financial System?

1. **Ensures Transparency:** Proper accounting and full disclosure allow all parties to clearly understand the terms, risks, and financial position of Islamic contracts like Mudaraba or Ijarah.
2. **Builds Trust:** When financial reports follow standard formats and are regularly audited, it increases confidence among investors, depositors, and regulators.

3. **Supports Shari'ah Compliance:** Accurate financial records help Shari'ah boards verify whether transactions follow Islamic principles, such as avoiding Riba and Gharar.
4. **Improves Market Discipline:** Clear reporting holds institutions accountable, reducing the chance of fraud or misuse of funds.
5. **Fair Taxation:** A suitable tax system ensures Islamic financial products are not unfairly taxed compared to conventional ones, encouraging growth and competition.

Q-23. What are the challenges faced by Alternative Financial System in Bangladesh and their remedies? (October-2021)

1. **Lack of Legal and Regulatory Framework:** Current laws are mainly designed for conventional finance.
   Remedy: Develop separate laws and regulatory guidelines for Islamic finance that support Shari'ah-compliant operations.
2. **Shortage of Skilled Manpower:** There are few experts with knowledge of both Shari'ah and modern finance.
   Remedy: Offer professional training, academic programs, and certification in Islamic banking and finance.
3. **Limited Shari'ah-Compliant Instruments:** Few investment tools are available for liquidity and long-term financing.
   Remedy: Introduce more products like Sukuk, Islamic mutual funds, and Shari'ah-compliant bonds.
4. **Weak Shari'ah Governance:** Inconsistent fatwas and lack of centralized supervision weaken public trust.
   Remedy: Strengthen the role of central Shari'ah boards and ensure uniform Shari'ah standards.
5. **Public Awareness:** Many people are unaware of Islamic finance principles.
   Remedy: Launch awareness campaigns and educational programs.

Q-24. Describe how the alternative financial system is different from conventional system. (May-2022, May-2025)

Point of Difference	Alternative Financial System	Conventional Financial System
1. Interest (Riba)	Prohibits interest in all forms	Allows charging and paying interest
2. Risk Sharing	Promotes profit and loss sharing between parties	Transfers risk to the borrower
3.Shari'ah Compliance	Follows Islamic laws and ethical guidelines	No religious or Shari'ah-based restrictions
4.Asset-Backed Finance	Transactions must be linked to real assets or services	Often allows money to make money without real assets
5.Social Responsibility	Aims at fairness, justice, and welfare (e.g., zakat, charity)	Primarily profit-driven with less focus on social justice

Q-25. What are the basic differences between Islamic Financial System and Conventional System? (April-2020). (November-2025)

Point of Difference	Islamic Financial System	Conventional Financial System
1. Interest (Riba)	Completely prohibited	Interest is allowed and commonly used
2. Risk Sharing	Based on profit-loss sharing	Lender earns fixed return; borrower bears risk

3.Shari'ah Compliance	Must follow Islamic law and ethical principles	No religious restrictions
4. Investment Rules	Cannot invest in haram sectors like alcohol, gambling, etc.	Can invest in any profitable sector
5. Example	Murabaha: Bank buys and sells a car to customer with profit	Loan: Bank gives money with fixed interest to buy a car

Q-26. Do you think that the alternative financial system is more resilient than the conventional banking system? Explain. (November-2022).

1. **No Interest (Riba):** Islamic finance avoids interest, which reduces the risk of debt crises and financial stress.
2. **Asset-Backed Financing:** Every transaction is linked to real assets, preventing speculation and financial bubbles.
3. **Risk Sharing:** Contracts like Mudaraba and Musharaka share both profit and loss, reducing pressure on any one party.
4. **Ethical Investment:** It avoids investing in harmful sectors like gambling and supports socially responsible activities.
5. **Stable During Crises:** Islamic banks were less affected during the 2008 financial crisis due to their strict principles and real-economy focus.

Q-27. Write short notes green banking vs. Islamic Banking. (May-25)

Green banking focuses on environmentally friendly banking practices. It encourages loans for green projects, supports renewable energy, and minimizes paper use to protect nature. Its main aim is to promote sustainability and reduce a bank's carbon footprint.

Islamic banking, on the other hand, follows Shariah law. It avoids interest (riba), does not finance harmful activities (like alcohol or gambling), and uses profit-and-loss sharing modes instead of traditional interest-based loans. Its goal is to maintain fairness, ethics, and social justice in financial transactions.

In short, green banking targets environmental sustainability, while Islamic banking targets ethical and interest-free financial systems based on Islamic principles. Both promote responsible finance, but from different perspectives — one environmental, one religious.

Q-28. What do you mean by "Sustainable Banking System"? Do you agree with this statement that Islami Banking system is sustainable in changing world economy? (May-2026)

Sustainable Banking System: A Sustainable Banking System is a banking system that promotes long-term economic growth, financial stability, and social welfare through ethical and responsible banking practices.

Islamic Banking is sustainable because:

1. It is free from interest (Riba).
2. It uses asset-backed financing.
3. It promotes risk sharing.
4. It supports ethical investments.
5. It enhances financial stability.
6. It promotes social justice and financial inclusion.

Therefore, Islamic Banking is considered a sustainable banking system in the changing global economy.

Q-29. How many steps of Shari'ah-based banking system. Write their fundamental features. (May-2026)

Steps of Shari'ah-Based Banking System

A Shari'ah-based banking system has **two main steps**:

1. Deposit Mobilization

The bank collects money from customers under **Al-Wadiah** and **Mudarabah** principles.

Features:

1. No fixed interest is paid.
2. Profit is shared at an agreed ratio.
3. The bank acts as a trustee or Mudarib.

2. Investment of Funds

The bank invests the collected money through Shari'ah-compliant modes.

Features:

1. Investment must be interest-free.
2. Funds are used in real trade, assets and services.
3. Common modes are Murabaha, Musharakah, Mudarabah and Ijarah.
4. Investment in prohibited businesses is not allowed.
4. Thus, the two steps are **deposit collection and investment of funds**.

Short Note:

Q-1. Interest vs. Profit in Banking (April-2018)

Point of Difference	Interest (Riba)	Profit
1.Definition	Fixed return charged on loan regardless of outcome	Return earned from business after sharing risk and effort
2.Risk Sharing	Lender does not share risk; gets paid even if loss occurs	Profit is earned only if the business succeeds
3.Shari'ah Status	Prohibited in Islam	Allowed in Islam if earned through lawful business
4.Transaction Type	Money is lent for money (without real asset involvement)	Based on trade, investment, or asset-based transaction
5. Example	Interest on personal loan	Bank earns profit from selling a car under Murabaha contract

Q-2. Islamic Capital Market (October-2018, October-2019, MAY-2025) (November-2025)

The Islamic Capital Market (ICM) is a part of the financial system where long-term Shari'ah-compliant financial instruments are issued and traded. It follows Islamic principles, avoiding interest (Riba), uncertainty (Gharar), and unethical businesses like alcohol or gambling. The market includes instruments like Sukuk (Islamic bonds), Islamic equity (shares), and mutual funds. It plays a vital role in mobilizing savings for productive investment, infrastructure development, and economic growth, while ensuring ethical and social responsibility.

Example: A company issues Sukuk to raise funds for building a hospital, and investors earn profit based on project income—not fixed interest.

Q-3. Economic man (April-2019)

The concept of **Economic Man** refers to an imaginary individual in classical economics who always acts logically and rationally to maximize personal benefit. This person is fully informed, self-interested, and makes choices that provide the highest satisfaction (utility) or profit. The Economic Man does not consider emotions, ethics, or social concerns—only material gain. This model is used to explain consumer and producer behavior in traditional economic theories.

Example: If the price of mangoes decreases, an economic man will buy more mangoes to get more benefit at a lower cost.

However, Islamic economics criticizes this view for ignoring moral values, social welfare, and accountability in the Hereafter, which are key parts of human decision-making in Islam.

Q-4. Islamic Bank (October-2021, November-2022)

An **Islamic bank** is a financial institution that operates according to the principles of Islamic Shari'ah. It does not deal in interest (riba), which is strictly prohibited in Islam. Instead, it earns profit through trade, investment, and partnership contracts such as Murabaha (cost-plus sale), Mudaraba (profit-sharing), and Musharaka (joint venture). Islamic banks avoid uncertainty (Gharar) and unethical businesses like alcohol, gambling, and pork-related industries. Their operations are supervised by a Shari'ah board to ensure compliance with Islamic principles. Islamic banks aim not only to earn profit but also to promote justice, fairness, and social welfare.

Example: Instead of giving a loan with interest, an Islamic bank buys a car and sells it to the customer at a profit (Murabaha).

Q-5. Fintech (May-2022)

Fintech stands for Financial Technology. It refers to the use of modern technology to deliver financial services in faster, cheaper, and more efficient ways. Fintech includes mobile banking, digital payments, online lending, blockchain, robo-advisors, and cryptocurrency platforms. It helps both individuals and businesses manage money, transfer funds, invest, and access credit without visiting a bank physically. Fintech improves financial inclusion by reaching unbanked and underbanked populations through smartphones and apps.

Example: Using bKash or Nagad in Bangladesh to send money, pay bills, or buy goods through a mobile phone is a practical example of fintech in everyday life.

Q-6. Alternative Delivery Channel (ADC) (April-2024)

An Alternative Delivery Channel (ADC) is a modern and branchless method of providing banking and financial services. Customers can receive banking services through these channels without visiting a bank branch. Common ADCs include ATM, mobile banking, internet banking, agent banking, and Point of Sale (POS) machines.

These channels reduce the operating cost of banks, help serve a larger number of customers, and make 24-hour banking services possible. ADCs are especially useful in rural and remote areas where opening a bank branch is difficult. They make banking services faster, easier, and more accessible, thereby promoting financial inclusion.

Example: When a customer uses a mobile banking app such as Rocket or Islami Bank mCash to transfer money or check account balance, it is an example of an Alternative Delivery Channel (ADC).

Q-7. Digital Banking (April-2024).

Digital banking means providing banking services through digital platforms such as mobile apps, internet banking, and smart devices without the need to visit a physical branch. It allows customers to perform tasks like opening accounts, transferring money, paying bills, applying for loans, and checking balances anytime and anywhere. Digital banking improves speed, convenience, and reduces operational costs for banks. It also helps reach more people, including those in remote areas.

It is secure, user-friendly, and supports paperless transactions, making banking more efficient and environmentally friendly.

Example: A customer using Islami Bank's Cell Fin app or Nagad app to send money, pay utility bills, or recharge mobile balance is using digital banking.

Q-8. BGIBB. (May-2025)

BGIB, or Bangladesh General Insurance Islami Board, supervises Shariah-based general insurance (takaful) in Bangladesh. It ensures insurance companies follow Islamic rules, avoiding interest (Riba), gambling (maysir), and uncertainty (Gharar). BGIBB helps develop takaful products where members contribute to a mutual protection fund and share risk, instead of paying premiums to a profit-seeking insurer. It guides, regulates, and monitors Islamic insurance operations to keep them fair, ethical, and Shariah-compliant.

BGIBB also trains and educates the industry to build a transparent, trusted takaful sector in Bangladesh. In simple terms, BGIBB supports a cooperative, ethical insurance system under Islamic law rather than traditional commercial insurance practices.

End of First Chapter