Diploma In Islami Banking (DIB)
Part-I
Paper: 106- Theory and Practice of Banking: Islamic and Conventional

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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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Ancillary Services; Cash Management; IBG A/C Reconciliation; Customer Services, Banker Customer Relationship.

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Module- A
Concepts of Banks & Banking Systems

Q-01. What is a Commercial Bank? Write a note on the 'Evolution of Banking'. – (May-2023). Or Discuss in brief the history of banking industry. – (October-2021).

A **commercial bank** is a financial institution that accepts deposits from the public and gives loans to individuals, businesses, and government bodies. Its main goal is to earn profit by charging interest on loans and offering lower interest on deposits. It also provides services like cheque facility, fund transfer, locker service, and issuing credit/debit cards. Commercial banks play a key role in economic development by mobilizing savings and supporting trade and industry.

Evolution of Banking:

1. **Ancient Times**: Banking began with moneylenders in temples of Babylon, Greece, and Rome who accepted deposits and gave loans.
2. **Medieval Period**: Italian merchants and goldsmiths started modern banking practices like keeping money safe and issuing receipts.
3. **Modern Banking**: In the 17th century, banks like the Bank of England were established, introducing cheque and note systems.
4. **Indian Context**: Modern banking in India began with the Bank of Bengal (1806) followed by other Presidency Banks.
5. **Today**: Banks are fully digital, offering global services.

Q-02. What is Banking? Define Islamic banking. Discuss the functions of a Commercial Bank. – (May-2022, May-25) (November-2025)

Banking is the business activity of accepting deposits from the public, safeguarding money, and lending it to individuals, businesses, or governments. Banks also offer services like money transfer, cheque clearing, bill payments, and foreign exchange. The main goal of banking is to act as a financial intermediary—mobilizing savings and channeling them into productive investments. Modern banking supports economic growth by providing credit, managing risks, and ensuring smooth payment systems. It operates under legal and regulatory frameworks to maintain trust and stability in the financial system.

F**unctions of a Commercial Bank**:

1. **Accepting Deposits** – Takes money from people in savings, current, and fixed deposit accounts.
2. **Providing Loans and Advances** – Gives money to individuals and businesses with interest.
3. **Credit Creation** – Creates money through lending more than actual deposits.
4. **Cheque and Payment Services** – Helps transfer money using cheques, drafts, NEFT, RTGS.
5. **Foreign Exchange Services** – Buys and sells foreign currency for import-export business.
6. **Safe Custody Services** – Offers lockers to keep valuables safe.
7. **Agency Services** – Pays bills, collects cheques, manages investments for customers.

Q-03. What are the sources of non-investment income of a commercial bank? – (April-2019).

Non-investment income means income earned without giving loans or financing projects. Commercial banks earn this income from the following seven sources:

1. **Service Charges** – Fees for account maintenance, ATM, cheque book issue, etc.
2. **Commission Income** – From selling insurance, mutual funds, and remittance services.
3. **Locker Rent** – Rent charged for providing safe deposit lockers.
4. **Exchange Gain** – Profit from buying and selling foreign currency.
5. **Penalty Charges** – Late payment fines or not maintaining minimum balance.

6. **Account Closing Charges** – Fees for closing accounts before the required period.
7. **Consultancy and Advisory Fees** – Charges for financial advice or project reports.

Q-04. How can a commercial bank minimize its cost of fund? – (October-2021, October-2023April-2019). (May-2026)

A commercial bank can reduce its cost of fund by using the following seven ways:

1. **Increase Low-Cost Deposits** – Encourage savings and current accounts.
2. **Maintain Proper Deposit Mix** – Use more low-interest deposits than high-interest ones.
3. **Promote Digital Banking** – Reduce branch cost by offering online services.
4. **Borrow from Cheaper Sources** – Use central bank refinance schemes or interbank borrowing at low rates.
5. **Improve Credit Rating** – A good rating helps borrow at lower interest.
6. **Efficient Fund Allocation** – Invest funds wisely to avoid idle money.
7. **Control Operational Expenses** – Reduce unnecessary staff and branch costs.

Q-05. How can a bank maintain an ideal Investment Deposit Ratio (IDR)? – (April-2019).

A bank can maintain an ideal IDR by managing investments and deposits carefully. The following seven ways help:

1. **Increase Deposit Mobilization** – Attract more deposits through campaigns and better services.
2. **Select Quality Investment Clients** – Invest in reliable and low-risk clients.
3. **Diversify Investment Portfolio** – Spread investments in various sectors to reduce risk.
4. **Follow Shariah Guidelines** – Ensure Islamic investments are compliant and profitable.
5. **Monitor Investment Recovery** – Ensure timely repayments to keep IDR balanced.
6. **Regular Review of IDR** – Check IDR regularly and adjust investments or deposits as needed.
7. **Use Technology** – Track and manage IDR using banking software.

Q-06. What are the components of Cost of Fund and Cost of Deposit? – (October, 2019, April-2020).

Cost of Fund means total expenses a bank bears to arrange money for investment. Main components are:

1. **Profit paid on deposit** – Share of depositors in income.
2. **Administrative cost** – Salaries, rent, utilities.
3. **Cost of reserve requirement** – Funds kept idle with Bangladesh Bank.
4. **Depreciation** – Cost of using fixed assets.
5. **Cost of capital** – Return expected by shareholders.

Cost of Deposit includes all costs related to collecting and maintaining deposits:

1. **Profit paid to depositors**
2. **Marketing and promotional expenses**
3. **Account maintenance cost**
4. **Cost of branch operation for deposit services**

Q-07. What are the main ancillary services of a bank? How foreign remittances through banking channel contribute in economic development? – (October-2023).

Or What are the main ancillary income from digital baking services? What are the challenges of increasing ancillary income? (May-2026)

Ancillary services are additional services offered by banks, aside from traditional deposit-taking and lending. The main ones include:

1. **Payment Services** – Facilitating money transfers, bill payments, and fund remittances.
2. **Foreign Exchange Services** – Buying and selling of foreign currencies for customers.
3. **Investment Services** – Offering mutual funds, bonds, and insurance products.

4. **Locker Services** – Providing safe deposit lockers for storing valuables.
5. **Trade Finance** – Assisting businesses in international trade, like issuing letters of credit.
6. **ATM and Debit Card Services** – Enabling cash withdrawals and online payments.
7. **Consultancy Services** – Offering financial advice for individuals and businesses.

Foreign remittances through banking channels help the economy in several ways:

1. **Increase Foreign Currency Reserves** – Remittances add to the country's foreign exchange reserves.
2. **Boost Consumption** – Families receiving remittances can increase spending on goods and services.
3. **Support Small Businesses** – Remittances often help small businesses grow by providing capital.
4. **Improves Standard of Living** – Remittances can improve the quality of life for recipients by funding education, healthcare, and housing.
5. **Promotes Financial Inclusion** – Using formal banking channels encourages savings and access to other financial services.
6. **Stabilizes the Economy** – Remittances act as a buffer during economic downturns.

Q-08. State capital structure of a bank company. – (November-2022).

The capital structure of a bank refers to how it finances its operations through a mix of debt and equity. The key components are:

1. **Equity Capital** – Funds raised by issuing shares to shareholders. This is the owner's equity in the bank.
2. **Retained Earnings** – Profits kept in the bank rather than distributed to shareholders, used for future growth.
3. **Debt Capital** – Loans or bonds issued by the bank, including subordinated debt.
4. **Deposits** – Customer deposits are a significant part of the bank's funding, treated as liabilities.
5. **Preference Shares** – These are shares that pay dividends before common stockholders but do not have voting rights.

This mix ensures the bank has sufficient resources for its operations while managing risk.

Q-09. Differentiate between unit banking and branch banking. – (October-2018, October-2019).

Aspect	Unit Banking	Branch Banking
Definition	A bank operates with a single office.	A bank operates with multiple branches.
Size	Smaller scale, typically local.	Larger scale, with a wide network.
Flexibility	Limited service offerings due to fewer resources.	More flexible with a variety of services.
Management	Managed centrally by the head office.	Managed with decentralized control.
Economies of Scale	Limited economies due to single location.	Benefits from economies of scale with many branches.

Q-10. 'Unit Banking and Branch Banking have their own advantages and disadvantages' – Explain.

Unit Banking

- **Advantages:**
    1. **Personalized Service**: Customers enjoy a more personal and direct relationship with bank staff.
    2. **Lower Operational Costs**: With only one location, administrative and operational costs are lower.

3. **Simpler Management**: Managing a single unit is easier and more streamlined.

- **Disadvantages:**
    1. **Limited Reach**: The bank serves a smaller customer base, typically confined to a local area.
    2. **Limited Services**: Due to fewer resources, the range of services offered is often restricted.
    3. **Risk of Local Economic Changes**: The bank is highly dependent on the local economy.

Branch Banking

- ***Advantages***:
    1. **Wider Reach**: Multiple branches allow the bank to serve customers from different locations.
    2. **Variety of Services**: Branches can offer a wider range of financial products and services.
    3. **Economies of Scale**: With many branches, costs can be distributed, reducing per-branch expenses.
- ***Disadvantages***:
    1. **Higher Costs**: Multiple locations mean higher administrative and operational costs.
    2. **Complex Management**: Managing many branches can be challenging and requires sophisticated systems.

Q-11. Define the concept of Sub Branch Banking. How it will be a viable banking system for commercial banks? – (November-2022).

Sub-Branch Banking refers to a small banking outlet operated under the control of a full-fledged branch. It provides basic banking services such as cash deposit, withdrawal, fund transfer, and account opening. Sub-branches are usually established in rural or semi-urban areas where opening a full branch may not be cost-effective. These outlets function under limited authority and depend on the main branch for complex banking operations. The main purpose is to improve financial inclusion by extending banking services to underserved areas.

How Sub-Branch Banking Can Be a Viable System for Commercial Banks:

1. **Low Setup Cost:** Sub-branches require less investment in rent, furniture, and staff compared to full branches.
2. **Wider Reach:** Helps banks expand into rural and remote areas where full branches are not feasible.
3. **Financial Inclusion:** Supports inclusion by offering basic services like deposit, withdrawal, and remittance to unbanked people.
4. **Efficient Supervision:** Operates under the control of a main branch, making it easy to manage and monitor.
5. **Supports Digital Banking:** Sub-branches use mobile banking, agent banking, and central systems to provide fast service.
6. **Increases Deposit Base:** Helps banks collect more small savings from new areas, improving deposit growth.

So, sub-branch banking helps banks grow at low cost and serve more people efficiently.

Q-12. What is Specialized Banking? How does it differ from Commercial Banking? – (April-2019, April-2020, October-2019).

Specialized Banking refers to a type of banking where financial institutions focus on serving a specific sector, purpose, or group of people. Unlike general commercial banks, specialized banks are set up to fulfill targeted financial needs such as industrial development, agriculture, housing, or export-import activities. These banks provide customized services, loans, and guidance in their focus areas. Examples include

Agricultural Banks, Industrial Banks, Export-Import Banks, and Microfinance Institutions. Specialized banking supports inclusive growth by catering to specific economic goals.

Difference between **Specialized Banking** and **Commercial Banking**:

Point	Specialized Banking	Commercial Banking
1.Objective	Focus on specific sector (e.g., agriculture)	Serve general public and businesses
2. Services	Limited and sector-based	Wide range of financial services
3. Clients	Specific group (farmers, exporters, etc.)	All types of customers
4.Loan Policy	Tailored to sector needs	Standardized loan policy
5.Examples	Bangladesh Krishi Bank, BHBFC	Sonali Bank, Islami Bank Bangladesh Ltd.

Q-13. Mention the names of some specialized banks operating in Bangladesh. Discuss in brief regarding its roles and functions. – (October-2021).

Some Specialized Banks in Bangladesh:

1. Bangladesh Krishi Bank (BKB)
2. Rajshahi Krishi Unnayan Bank (RAKUB)
3. Bangladesh Development Bank Ltd. (BDBL)
4. Bangladesh House Building Finance Corporation (BHBFC)
5. Probashi Kallyan Bank

Roles and Functions:

- These banks support specific sectors like agriculture, industry, housing, and remittance.
- BKB and RAKUB give loans to farmers and help in rural development.
- BDBL helps in financing industrial and commercial projects.
- BHBFC gives loans to build or buy houses.
- Probashi Kallyan Bank supports overseas workers with savings and loans.

These banks help the economy grow by giving special financial support where it is most needed.

Q-14. Differentiate between retail banking and corporate banking. Which of the above two systems is beneficial for a bank and the society. Justify. – (October-2018, October-2019).

Point	Retail Banking	Corporate Banking
1.Customer Type	Individual customers	Business and large companies
2. Services	Savings, personal loans, credit cards	Business loans, working capital, trade finance
3.Transaction Size	Small and personal	Large and high-value
4. Relationship	Standardized and limited	Personalized and relationship-based
5.Risk Level	Lower risk due to many small accounts	Higher risk due to few large accounts

Retail Banking vs. Corporate Banking: Which is More Beneficial?

1. **Stability**: Retail banking offers a steady income from individual customers, making it more stable. In contrast, corporate banking depends on large businesses that can be more volatile.
2. **Financial Inclusion**: Retail banking is more inclusive, offering services to a wide range of individuals. Corporate banking primarily benefits large corporations, limiting access for small or individual clients.
3. **Risk Diversification**: Retail banking spreads risk across many customers, making it less risky. Corporate banking, however, has concentrated risk from a few large clients.

4. **Societal Impact**: Retail banking supports financial literacy and accessibility for the general population, while corporate banking mainly benefits large companies.
5. **Profitability**: Retail banking tends to be more consistent in profitability, whereas corporate banking can offer high profits but with higher risk.

Q-15. Briefly discuss about 'Retail deposit' and 'Corporate deposit'. What are the threats that may be associated with the 'Corporate deposit' of a bank? – (April-2020).

Retail Deposit refers to funds deposited by individual customers in a bank. These deposits are typically in the form of savings accounts, fixed deposits, or current accounts. They are usually smaller in amount but more numerous, contributing to a stable source of funds for the bank.

Corporate Deposit involves funds deposited by businesses or organizations. These deposits are generally larger in amount and can include business savings accounts, term deposits, or cash management accounts. Corporate deposits often have different terms and conditions, including higher interest rates, and are more volatile compared to retail deposits.

The threats associated with **corporate deposits** include:

1. **Liquidity Risk**: Corporates may withdraw large sums at once, creating liquidity challenges for the bank.
2. **Concentration Risk**: A few large corporate clients could dominate the bank's deposit base, making the bank vulnerable if they withdraw funds or face financial problems.
3. **Interest Rate Sensitivity**: Corporate deposits may be more sensitive to changes in interest rates, leading to sudden withdrawals if more favorable options arise.
4. **Credit Risk**: Banks may face higher credit risk if corporate clients are financially unstable.
5. **Regulatory Risk**: Banks must comply with complex regulations concerning large corporate deposits.

Q-16. What are the retail and wholesale banking? – (April-2020).

Retail Banking refers to the banking services provided to individual customers, including savings and checking accounts, personal loans, mortgages, credit cards, and investment products. The focus is on serving the general public with small-scale banking needs.

Wholesale Banking deals with the banking needs of large businesses, corporations, and government institutions. It involves services such as corporate loans, treasury management, trade financing, and commercial real estate loans. Wholesale banking clients usually require larger financial transactions and complex services compared to retail banking clients.

Q-17. What is Relationship Management in banking? – (April-2020).

Relationship Management in banking refers to the practice of managing and nurturing long-term relationships with clients to enhance customer satisfaction and loyalty. It involves understanding clients' financial needs and providing personalized banking services to meet those needs effectively. Relationship managers act as a liaison between the bank and the client, offering tailored products, investment advice, and support. Their role also includes cross-selling banking products, addressing any concerns, and ensuring the client's overall financial well-being. The goal is to create a strong bond, increase customer retention, and drive business growth for the bank.

Q-18. Does the importance of banker-customer relationship compromise the profitability over the quality of customer service in a bank? – (April-2020).

No, the importance of the banker-customer relationship does not compromise profitability over the quality of customer service. In fact, maintaining a strong relationship with customers often enhances profitability.

1. **Customer Retention**: A strong banker-customer relationship ensures customer loyalty, leading to long-term business and reduced costs of acquiring new customers.

2. **Increased Revenue**: Satisfied customers are more likely to purchase additional services, such as loans or investment products, boosting the bank's profitability.
3. **Trust Building**: Providing excellent service helps in building trust, encouraging customers to share their financial needs, which can open doors to cross-selling opportunities.
4. **Referrals**: Loyal and satisfied customers tend to refer new clients, which benefits the bank's growth and profitability.
5. **Cost Efficiency**: Happy customers require less effort in retaining, lowering the bank's operational costs, thus improving overall profitability.

Q-19. Define post dated and stale Cheque. – (April-2019, April-2020).

1. **Post-dated Cheque:**
   A cheque bearing a future date. Payment cannot be made until that date.
   Example: A cheque drawn on 10th April 2022, but dated 5th May 2022.
2. **Stale Cheque:**
   A cheque becomes stale if not presented within **6 months** from its date. Such cheques are returned unpaid for confirmation from the drawer.
   Example: A cheque dated 1st January 2022 becomes stale after 1st July 2022.

Q-20. What are lapses of a banker for which asset quality of bank may go down? – (April-2020). What are the indicators of poor asset quality? What are the early warning signals in asset quality?(Nov-2025)

Indicators of poor asset quality are as follows:

1. **Increase in overdue loans:** When borrowers fail to repay loans on time and the amount of overdue loans increases, it indicates poor asset quality.
2. **Increase in classified loans:** Growth in substandard, doubtful, and bad/loss loans shows deterioration in asset quality.
3. **Increase in interest suspense:** When interest remains unrealized and transferred to suspense account, it indicates higher credit risk.
4. **Frequent loan rescheduling:** Repeated rescheduling of loans reflects the weak financial condition of borrowers.
5. **Irregular loan repayment:** Failure of borrowers to pay installments regularly is a major sign of poor asset quality.
6. **Decline in collateral value:** Decrease in the value of collateral reduces loan security and indicates weak asset quality.

The lapses of a banker that can negatively affect the asset quality of a bank include:

1. **Poor Credit Assessment**: Inadequate evaluation of borrowers' ability to repay loans can lead to high default rates.
2. **Weak Loan Monitoring**: Failing to monitor loans regularly can result in missed signs of financial stress in borrowers.
3. **Over-lending**: Lending too much to a single borrower or sector increases risk exposure.
4. **Lack of Proper Documentation**: Insufficient or incorrect documentation of loan agreements can lead to legal issues.
5. **Ignoring Collateral Quality**: Not properly assessing the value of collateral can result in insufficient coverage in case of default.
6. **Failure in Risk Diversification**: Concentrating loans in one area or sector increases the risk of significant losses.

Q-21. What are the obligations to maintain the secrecy of customer's accounts? – (April-2020).

Bankers have a legal and ethical obligation to maintain the secrecy of customers' accounts. The key obligations include:

1. **Confidentiality**: A bank must not disclose any information about a customer's account without their consent unless required by law.
2. **Privacy Protection**: Banks should protect customer data from unauthorized access and misuse.
3. **Disclosure Restrictions**: Banks should not share customer information with third parties without a valid legal reason.
4. **Account Safety**: Banks must implement security measures to prevent fraud and unauthorized access to account details.
5. **Legal Compliance**: Banks must follow regulations and laws that mandate confidentiality, such as the Banking Companies Act and data protection laws.

Q-22. What is risk grading in opening of accounts? – (April-2020).

Risk grading in the opening of accounts, as per the Bangladesh Bank guidelines, involves assessing the potential risk associated with a customer or a business when they open an account. It is part of the bank's due diligence process to ensure compliance with anti-money laundering (AML) and combating the financing of terrorism (CFT) regulations.

In Bangladesh, the following factors are considered when determining the risk grade:

1. **Customer Profile**: Analyzing the customer's financial status and history.
2. **Nature of Business**: If the customer is a business, the type of industry and operations are reviewed.
3. **Geographical Location**: The risk associated with the customer's location, particularly if they are from high-risk countries.
4. **Transaction Behavior**: Examining the expected transaction pattern of the account holder.
5. **Purpose of Account**: Understanding why the customer is opening the account and the expected type of transactions.

This helps banks assess and mitigate any potential risks linked to money laundering or financial crimes.

Q-23. What is Green Banking? Describe its importance in banking and in the society. – (October-2019, April-2020).

Or Define green banking and describe its importance for the banking industry. – (November-2024).

Or What is Green Banking? – (October-2018) (April-2024) (this also covers short note)

Green banking refers to the practices adopted by banks to promote environmental sustainability and reduce their ecological footprint. It involves offering eco-friendly financial products, such as loans for renewable energy projects or energy-efficient initiatives. Banks may also encourage customers to use digital banking channels to reduce paper usage and manage resources more efficiently. Additionally, green banking includes reducing energy consumption in bank operations, investing in sustainable projects, and supporting environmental conservation efforts. Overall, it aligns financial services with the goal of fostering a greener and more sustainable future.

Here are five points highlighting the importance of Green Banking:

1. **Environmental Sustainability**: Green banking supports projects that promote sustainable energy, reducing the environmental footprint of banking operations and financing.
2. **Cost Reduction**: By using digital banking and reducing paper-based processes, banks save on costs, which also reduces waste production.
3. **Social Responsibility**: It helps banks enhance their corporate social responsibility, contributing positively to society and creating a reputation for eco-conscious practices.
4. **Attracting Eco-Conscious Customers**: Green banking attracts customers who prioritize environmental issues, offering them services that align with their values.

5. **Compliance with Regulations**: It ensures that banks comply with national and international environmental regulations and financial policies, contributing to global climate goals.

Q-24. Describe some main green products declared by Bangladesh Bank. – (October-2023).

Bangladesh Bank has identified several green products to promote environmentally sustainable practices. These products are eligible for financing under various refinance schemes, including the Green Transformation Fund (GTF) and the Refinancing Scheme for Environmentally-Friendly Products, Projects, and Initiatives. Key green products include:

1. **Renewable Energy Systems**: Solar home systems, solar irrigation pumps, wind power plants, and biogas plants.
2. **Energy and Resource Efficiency**: Energy-efficient machinery, LED lighting, and improved rice parboiling systems.
3. **Waste Management**: Effluent treatment plants (ETPs), sewage treatment plants, and solid waste management initiatives.
4. **Green Building Initiatives**: Construction of green buildings and retrofitting existing structures with energy-efficient technologies.
5. **Sustainable Agriculture**: Projects promoting organic farming and sustainable agricultural practices.

These initiatives aim to reduce environmental impact, promote sustainable development, and align with global climate goals.

Q-25. Mention some steps the banks can take to promote green and ethical banking products. – (November-2024).

Banks can promote green and ethical banking products by taking the following steps:

1. **Offer Green Loans**: Provide loans for renewable energy projects, eco-friendly homes, and green technologies.
2. **Invest in Sustainable Initiatives**: Invest in projects that focus on environmental sustainability and social responsibility.
3. **Promote Paperless Banking**: Encourage customers to use digital banking services to reduce paper usage and lower the bank's carbon footprint.
4. **Green Bonds**: Issue green bonds to fund environmentally friendly projects, like solar or wind energy.
5. **Eco-friendly Products**: Offer products like green credit cards, which contribute to environmental causes with a portion of the fees.

Q-26. What is Sustainable Finance? Why is it important? Why is it getting popularity now a days? – (October-2023).(Nov-2025)

Sustainable finance refers to financial services and investments that prioritize environmental, social, and governance (ESG) criteria, aiming to support long-term sustainable economic growth. It includes providing funding for projects that promote sustainability, such as renewable energy, eco-friendly infrastructure, and climate change mitigation. Sustainable finance also involves integrating ESG factors into the decision-making process of banks and investors to manage risks and create positive social impact. The goal is to align financial activities with the broader objective of promoting sustainability, reducing environmental harm, and fostering social equity.

Sustainable finance is important because:

1. **Environmental Protection**: It supports eco-friendly projects, reducing environmental degradation.
2. **Long-term Stability**: Encourages investments that provide long-term financial and economic benefits.

3. **Social Impact**: Focuses on supporting projects that benefit society, such as poverty alleviation and healthcare.
4. **Risk Mitigation**: Helps banks and investors manage risks related to environmental and social factors.
5. **Reputation**: Promotes a positive image for financial institutions, aligning with global trends toward sustainability and ethical practices.

Sustainable finance is gaining popularity due to the following reasons:

1. **Climate Change Awareness**: Growing concern about environmental issues has pushed businesses and governments to invest in green initiatives.
2. **Regulatory Pressure**: Governments and financial regulators are encouraging or requiring sustainable investment practices.
3. **Risk Management**: Investors are realizing the financial risks of ignoring environmental, social, and governance (ESG) factors.
4. **Consumer Preference**: More consumers are choosing businesses that align with ethical, sustainable practices, pushing banks to follow suit.
5. **Profit Potential**: Sustainable projects are seen as long-term profitable investments, offering stability and growth.

Q-27. Describe the role of bank officials in green and sustainable finance. – (October-2023).

Bank officials play a vital role in promoting green and sustainable finance by:

1. **Advising Clients**: Bank officials help clients understand the benefits of investing in eco-friendly and socially responsible projects.
2. **Assessing Risks**: They assess the environmental and social risks of investments to ensure they align with sustainable practices.
3. **Promoting Green Products**: Bank staff encourage customers to invest in green bonds, loans, and other sustainable financial products.
4. **Monitoring Compliance**: They ensure that projects funded by the bank comply with environmental and sustainability standards.
5. **Reporting**: Officials track and report the bank's sustainable finance activities to stakeholders, showcasing its commitment to green practices.

Q-28. What are the differences between:

i) Power of Attorney and Mandate

Aspect	Power of Attorney	Mandate
Definition	Legal document allowing one to act on behalf of another.	A contract giving authority to perform specific tasks.
Scope of Authority	Broad or specific authority over actions.	Limited to a specific act or purpose.
Duration	Can be permanent or until revoked.	Usually temporary or for a specific task.
Revocation	Can be revoked at any time by the principal.	Automatically ends once the task is completed.
Formality	Requires notarization or legal formalities.	Less formal, may not require legal paperwork.

ii) Simple Mortgage and Registered Mortgage.

Aspect	Simple Mortgage	Registered Mortgage
Legal Registration	No need for registration.	Requires legal registration with government authorities.

Ownership	Borrower retains possession of property.	Property is transferred to lender as security.
Procedure	Simple, does not require formal registration.	Formal legal process with registration fees.
Priority	Lower priority over registered mortgages.	Higher priority in case of default.
Enforceability	Lender can sell property to recover debts after legal notice.	Lender has stronger rights to sell the property.

iii) Lien and Assignment – (April-2024).

Aspect	Lien	Assignment
Nature	A right to retain possession of property until a debt is paid.	Transfer of rights to property or a claim to another party.
Possession	The creditor retains possession of the property.	The assignee gets the rights, not possession.
Purpose	Secures a debt or obligation.	Transfers ownership of rights or interests.
Scope	Limited to specific property or goods.	Can transfer full ownership or rights to the subject matter.
Revocability	Can be revoked once the debt is paid.	Once transferred, the rights cannot be taken back without consent.

Q-29. What is Merchant Bank? How does brokerage house work in Bangladesh?–(April-2024). (November-2025)

A **merchant bank** is a financial institution that provides specialized services to businesses and high-net-worth individuals. These services include raising capital, underwriting securities, issue manager, mergers and acquisitions, financial advisory, and investment management. Unlike commercial banks, merchant banks focus more on corporate clients rather than individual consumers. They also assist in international trade and offer structured financing solutions. Merchant banks are essential for companies seeking to expand or navigate complex financial markets, providing them with the necessary tools for growth and stability.

A **brokerage house** in Bangladesh works as an intermediary between buyers and sellers in the stock market.

Here's how it operates:

1. **Intermediary Role**: It helps clients buy and sell stocks, bonds, and other securities.
2. **Trading Account**: Clients open trading accounts with the brokerage house to invest in the stock market.
3. **Commission**: Brokerage houses charge a commission for every transaction.
4. **Advisory Services**: They provide investment advice, market research, and portfolio management services.
5. **Regulatory Compliance**: Brokerage houses are registered with the **Bangladesh Securities and Exchange Commission (BSEC)**, ensuring they follow legal and regulatory guidelines.

Q-30. Define virtual banking and merchant banking. – (April-2018, May-2025) (October-2021).

Virtual Banking refers to banking services offered online without the need for physical branches. Customers can perform various banking transactions, such as transferring funds, paying bills, and checking account balances via the internet or mobile apps. This system provides convenience and accessibility.

Merchant Banking involves offering financial services to companies, particularly in areas like business financing, mergers, and acquisitions. Merchant banks also provide advisory services and assist in raising capital through the issuance of stocks or bonds. They cater to larger corporations and businesses rather than individual customers.

Q-31. Distinguish between virtual banking and E-banking. – (May-2022).

Aspect	Virtual Banking	E-Banking
Definition	Provides banking services online without a physical branch.	A broader term for all electronic banking services.
Platform	Primarily accessed through websites or mobile apps.	Includes internet banking, ATMs, and mobile banking.
Access	Limited to online platforms, no physical branches.	Accessed via multiple electronic channels (internet, ATMs, mobile).
Customer Interaction	No face-to-face interaction with bank staff.	Can include interaction via phone, email, or ATMs.
Services Offered	Includes basic banking services like fund transfers and payments.	Includes all banking services such as loans, account management, and investments.

Q-32. What are the advantages and disadvantages of virtual banking? – (October-2018, October-2019).

Advantages of Virtual Banking:

1. **Convenience**: Access banking services anytime, anywhere, without visiting a physical branch.
2. **Cost-effective**: Reduces operational costs for banks, which can translate into lower fees for customers.
3. **Time-saving**: Fast transactions and instant access to account information.
4. **24/7 Availability**: Services available round the clock, including weekends and holidays.

Disadvantages of Virtual Banking:

1. **Security Risks**: Increased risk of cyberattacks and fraud.
2. **Lack of Personal Interaction**: No face-to-face customer support for complex issues.
3. **Technical Issues**: Dependence on stable internet connections and technology.
4. **Limited Services**: Some services may not be fully available online.

Q-33. Describe the importance of E-banking in the prevailing socio-economic scenario. – (October-2021).

E-banking plays a crucial role in the modern socio-economic environment, offering many benefits.

1. **Convenience**: E-banking allows users to conduct transactions anytime and from anywhere, enhancing accessibility.
2. **Cost-efficiency**: It reduces the operational cost for banks, leading to lower fees for customers.
3. **Economic Growth**: E-banking helps stimulate the economy by promoting financial inclusion and easy access to banking services.
4. **Faster Transactions**: It accelerates financial processes like payments, fund transfers, and investments.
5. **Technology Adoption**: Encourages the adoption of technology in rural and urban areas, enhancing digital literacy.

In the current economy, E-banking is essential for both individuals and businesses in simplifying financial activities and ensuring efficient financial management.

Q-34. Mention the advantages and risks of Online banking. – (April-2018).

Advantages of Online Banking:

1. **Convenience**: Access banking services 24/7 from anywhere with an internet connection.
2. **Time-Saving**: No need to visit the bank; transactions can be completed in minutes.

3. **Cost-Effective**: Reduced operational costs for banks, which may lead to lower fees.
4. **Quick Transactions**: Instant transfers and bill payments.
5. **Secure**: Advanced encryption methods ensure data protection.

Risks of Online Banking:

1. **Cybersecurity Threats**: Risk of hacking, phishing, and malware attacks.
2. **System Downtime**: Possible service interruptions or technical glitches.
3. **Privacy Issues**: Personal data may be vulnerable to breaches.
4. **Fraud**: Risk of unauthorized access to accounts.
5. **Dependency on Technology**: Issues with internet connectivity can hinder access.

Q-35. Differentiate between 'Banks' and 'NBFIs' conceptually, in terms of their functional areas in Bangladesh. – (May-2023)
Or, What are the differences between Bank and NBFI? – (November-2022)
Or, Describe the differences between bank and non-bank financial institutions. – (October-2019)
Or, What are the basic differences between a Bank and a Non-bank Financial Institution? – (October-2018).

Aspect	Banks	NBFIs
Function	Accept deposits and provide loans.	Provide financial services like leasing, insurance, and investment.
Regulation	Regulated by Bangladesh Bank.	Regulated by Bangladesh Securities and Exchange Commission (BSEC) and other regulators.
Deposit Services	Offer savings, current, and fixed deposits.	Do not accept deposits from the public.
Loan Services	Provide loans to individuals and businesses.	Provide loans, mainly for specific purposes like leasing or micro-financing.
Capital Structure	Rely on customer deposits and capital.	Rely on borrowed funds, issued bonds, and equity capital.

Q-36. Describe the concept of 'Agent Banking'. 'It is an alternative delivery channel to provide banking service towards marginal community'. Explain. – (April-2024).

Agent Banking refers to a banking model where banks use third-party agents (individuals or businesses) to offer financial services to customers, especially in remote areas. These agents act as intermediaries to provide basic banking services like deposits, withdrawals, and money transfers on behalf of the bank. Agent banking helps increase financial inclusion by bringing banking services closer to unbanked populations. It reduces the cost of maintaining physical branches and ensures wider access to banking in rural and underserved areas.

Agent Banking as an Alternative Delivery Channel:

1. **Wider Reach:** Agent banking enables banks to extend their services to remote and underserved areas where setting up traditional branches is not feasible, ensuring financial inclusion for marginalized communities.
2. **Cost-Effective:** It reduces the cost for banks by using local agents as intermediaries, rather than establishing new branches, making banking services more affordable for both banks and customers.
3. **Accessibility:** Through agent banking, customers can access basic services such as deposits, withdrawals, and money transfers, without having to travel long distances to a bank branch.
4. **Empowerment:** It empowers local businesses or individuals by acting as banking agents, helping them generate income while serving the financial needs of their community.

Q-37. Why agent banking is important in country's economy? – (May-2022).

Importance of Agent Banking in a Country's Economy:

1. **Financial Inclusion:** Agent banking brings banking services to rural and underserved areas, promoting financial inclusion by providing access to basic financial services for people who are unbanked.
2. **Boosts Economic Activity:** By providing easy access to banking services, it encourages savings, investments, and financial transactions, which boosts local economic growth.
3. **Cost Efficiency:** Banks can serve a larger population without the high costs of opening physical branches, making banking more affordable and sustainable.
4. **Supports Small Businesses:** Local agents often double as business owners, helping them earn commissions while offering banking services, thus supporting small enterprises.
5. **Improves Financial Literacy:** It raises awareness about financial services, helping people understand how to manage their finances better.

Q-38. Describe the role of agent banking in the operation of a bank. – (April-2018).

Role of Agent Banking in the Operation of a Bank:

1. **Access to Remote Areas:** Agent banking allows banks to reach customers in rural or underserved areas where they may not have physical branches, expanding their customer base.
2. **Cost-Effective Service Delivery:** Banks can provide services at a lower cost by using local agents instead of building and maintaining branches in every location.
3. **Enhanced Customer Reach:** Agents act as intermediaries, offering services such as deposits, withdrawals, and money transfers, improving customer access to financial services.
4. **Facilitates Cash Inflows:** Agent banking helps increase cash inflows by encouraging more people to use formal banking channels instead of informal ones.
5. **Promotes Financial Inclusion:** It helps in financial inclusion by offering banking services to the unbanked population.

Q-39. What is Digital Bank? Describe the principles of Digital Bank declared by Bangladesh Bank. Is there any necessity of Digital Banks in addition to existing bank's digital or alternative banking solution? If yes, please explain. – (October-2023).

A **Digital Bank** is a type of bank that operates primarily through digital platforms, such as mobile apps or websites, without requiring physical branches. It offers traditional banking services like account management, loans, and payments but does so electronically. Digital banks use technology to provide customers with quick and easy access to their financial services, enhancing convenience and efficiency. They rely on automation, data analytics, and digital tools to streamline operations and improve customer experience. Digital banks are often known for lower fees and faster transactions compared to traditional banks.

Here are the key principles of Digital Banks declared by Bangladesh Bank,

1. **Licensing**: Must be set up as a public limited company under the Bank Company Act, 1991.
2. **Capital Requirement**: Minimum paid-up capital must be BDT 125 crore.
3. **Sponsor Contribution**: Sponsors must invest from their own funds (not borrowed), minimum BDT 50 lakh each.
4. **Technology-Based Services**: Use modern technology (e.g., AI) for efficient and user-friendly banking.
5. **Financial Inclusion**: Focus on reaching unbanked and underbanked populations.
6. **Risk & Governance**: Follow same risk management and corporate governance standards as traditional banks.
7. **Compliance**: Must follow Bangladesh Payment and Settlement Systems Regulations, 2014.
8. **Cybersecurity**: Ensure strong data protection and cybersecurity measures.

9. **Innovation Focus**: Encourage digital innovation while maintaining financial stability.
10. **Customer Protection**: Prioritize secure, transparent, and fair service for customers.

Yes, Digital Banks are necessary even though traditional banks offer digital services. Here's why:
Digital Banks are fully online from the start. They don't have physical branches, which makes them faster, cheaper, and more accessible—especially for people in rural or remote areas. Traditional banks still depend on physical setups, so their digital services are often limited or slower to change.
Digital Banks can use modern technologies like AI and big data to provide better customer service, faster loan approvals, and lower costs. They also promote financial inclusion by reaching people who don't have access to regular banking.
In short, while existing banks offer digital services, Digital Banks are designed to be fully tech-driven, more efficient, and more inclusive from the beginning.

Q-40. Explain the concept of digital banking and its role for smooth financial inclusion. – (November-2024).

Digital banking means providing banking services through the internet or mobile apps without needing to visit a bank branch. Services include opening accounts, transferring money, paying bills, taking loans, and more—anytime, anywhere.
Here are **key roles of digital banking** in promoting smooth financial inclusion:

1. **Easy Access**: Allows people to use banking services through mobile phones or the internet, even in remote areas.
2. **Low Cost**: Reduces service costs, making banking affordable for low-income individuals.
3. **24/7 Availability**: Offers banking services anytime, removing the need to visit physical branches.
4. **Faster Services**: Enables quick transactions, loan processing, and bill payments.
5. **Empowering the Unbanked**: Helps people without previous bank access—like rural poor, women, and small traders—join the financial system.

Q-41. How digital banks ensure the security and privacy of the customers' information? – (November-2024).

Digital banks employ several key measures to ensure the security and privacy of customer information:

1. **Data Encryption**: All customer data is encrypted, making it unreadable to unauthorized individuals
2. **Multi-Factor Authentication (MFA)**: Customers must verify their identity using multiple methods, such as passwords and one-time codes, to access their accounts.
3. **Real-Time Monitoring**: Banks continuously monitor transactions to detect and prevent fraudulent activities.
4. **Regular Security Updates**: Systems are frequently updated to protect against new cyber threats.
5. **Employee Training**: Staff receive ongoing training to recognize and respond to security risks effectively.

These practices align with global standards and are essential for maintaining customer trust in digital banking platforms.

Q-42. "Sustainable growth through Fintech" a sustainable mechanism to ensure expansion of financial inclusion in Bangladesh. Explain. – (November-2022).

Fintech—short for financial technology—is playing a vital role in promoting sustainable financial inclusion in Bangladesh. By leveraging mobile apps and digital platforms, fintech services like bKash, Rocket, and Nagad have made banking accessible to people in remote and rural areas, enabling them to send money, pay bills, and receive government aid without visiting a bank branch. These services are cost-effective and user-friendly, allowing small businesses and low-income individuals to participate in the formal economy. During the COVID-19 pandemic, digital financial services were crucial in delivering emergency funds to vulnerable populations. The Bangladesh Bank supports this growth through policies and regulations that encourage innovation while ensuring security and stability.

In summary, fintech provides a sustainable mechanism to expand financial inclusion, fostering economic growth and reducing poverty in Bangladesh.

Q-43. Discuss BACH, BEFTN and RTGS operations in Bangladesh. – (April-2019, May-2022)

Bangladesh Bank operates three key systems to facilitate secure and efficient interbank transactions:

1. **Bangladesh Automated Clearing House (BACH)**: BACH is the central platform for processing interbank transactions. It comprises two components:
   - **Bangladesh Automated Cheque Processing System (BACPS)**: This system electronically processes cheque images, reducing the need for physical cheque movement.
   - **Bangladesh Electronic Funds Transfer Network (BEFTN)**: BEFTN enables electronic fund transfers between banks, allowing for direct credit and debit transactions.
2. **Bangladesh Electronic Funds Transfer Network (BEFTN)**: BEFTN facilitates electronic fund transfers between bank accounts. It supports transactions such as salary payments, bill payments, and government disbursements, enhancing efficiency and reducing reliance on paper-based instruments.
3. **Real Time Gross Settlement (RTGS)**: RTGS allows for the real-time settlement of high-value and time-sensitive transactions. Funds are transferred instantly and individually, minimizing settlement risk and improving liquidity management.

These systems collectively enhance the efficiency, security, and reliability of Bangladesh's payment infrastructure.

Q-44. Describe the role of alternative delivery channel in attaining customer satisfactions of a bank. – (April-2019).

Here are **roles of Alternative Delivery Channels (ADCs)** in attaining customer satisfaction for banks:

1. **Convenience**: Customers can access banking services 24/7 through mobile banking, ATMs, and internet banking without visiting branches, saving time and effort.
2. **Speed**: Transactions are completed faster via ADCs, improving efficiency and reducing wait times for customers.
3. **Cost-Effectiveness**: ADCs reduce operational costs for banks, which can translate into better pricing and fewer fees for customers.
4. **Accessibility**: Banks can reach customers in remote areas, promoting financial inclusion by providing services to those without easy access to physical branches.
5. **Enhanced Customer Experience**: ADCs offer personalized services and ease of use, making banking more customer-friendly and helping build trust and loyalty.

Q-45. How does the "Central on-boarding System" during opening of accounts in bank relate with the soundness of banking operation? – (April-2020)

Here are explaining how the **Central Onboarding System** during account opening relates to the soundness of banking operations:

1. **Improved Efficiency**: The system streamlines the account opening process by enabling digital onboarding, reducing paperwork and manual errors.

2. **Enhanced Security**: By using **e-KYC** and biometric verification, the system ensures accurate identity verification, strengthening **anti-money laundering (AML)** and **counter-terrorism financing (CTF)** efforts.
3. **Financial Inclusion**: The system allows people in remote areas to open accounts without needing to visit a physical branch, promoting wider access to banking services.
4. **Reduced Operational Costs**: Digital onboarding reduces the need for physical infrastructure and labor, lowering costs for both customers and banks.
5. **Regulatory Compliance**: It helps banks adhere to regulatory requirements for customer identification and verification, supporting the soundness and stability of the banking system.

Q-46. How does a central bank regulate the monetary policy? Explain its effects on inflation and the banking system. (May-2025)

A **central bank** controls monetary policy to manage the economy by influencing money supply, interest rates, and credit availability. In Bangladesh, this role is performed by **Bangladesh Bank**.

Key Tools:

1. **Bank Rate Policy:** Central bank changes the rate at which it lends to commercial banks.
2. **Open Market Operations:** Buying and selling government bonds to control liquidity.
3. **Reserve Requirements:** Setting the **CRR** and **SLR** for banks to control money circulation.
4. **Moral Suasion:** Advising banks to follow monetary guidelines.

Effects on Inflation:

- **High Inflation:** Central bank raises interest rates to reduce money supply, curbing inflation.
- **Low Inflation:** Reduces interest rates to boost spending and investment.

Effects on Banking System:

- Controls credit growth.
- Stabilizes financial markets.
- Ensures liquidity in banks.

Thus, effective monetary policy maintains price stability and promotes economic growth.

Q-47. Discuss the role of a central Bank in maintaining financial stability and public confidence in the banking sector. (May-2025)

The **central bank** plays a vital role in keeping the banking sector stable and trustworthy. In Bangladesh, **Bangladesh Bank** performs this function.

Key Roles:

1. **Regulation and Supervision:** Monitors banks to ensure they follow rules and remain financially sound.
2. **Monetary Policy:** Controls money supply and interest rates to prevent inflation and economic instability.
3. **Lender of Last Resort:** Provides emergency funds to banks in crisis to avoid collapse.
4. **Maintaining Payment Systems:** Ensures safe and efficient transactions between banks.
5. **Crisis Management:** Intervenes during financial crises to protect the banking system.
6. **Consumer Protection:** Safeguards depositors' interests to build trust in banks.

By performing these roles, the central bank ensures confidence in the financial system, encouraging people to save and invest securely.

Q-48. A customer has lost access to his virtual bank account due to phishing attack. What steps should he take to recover it? (May-2025)

If a customer loses access to a **virtual bank account** due to a phishing attack, the following steps should be taken:

1. **Immediately Notify the Bank:** Contact the bank's customer service or fraud department to report the incident.
2. **Block the Account:** Request the bank to temporarily block the account to prevent further unauthorized transactions.
3. **Change Passwords:** Reset passwords and security questions for the online account and associated email accounts.
4. **Monitor Transactions:** Regularly check the account for any suspicious activities.
5. **Submit a Formal Complaint:** File a written complaint to the bank detailing the phishing incident.
6. **File a Police Report:** Report the cybercrime to the local police or the **Cyber Crime Unit**.
7. **Secure Devices:** Scan your devices with updated antivirus software to remove any malware.

Prompt action helps minimize financial loss and ensures account recovery.

Q-49. "The relationship between a banker and a customer is primarily similar to that of a debtor and creditor."- Explain. (May-2025)

The relationship between a **banker and a customer** is primarily that of a **debtor and creditor**, which depends on whether the customer deposits or borrows money.

Scenario	Bank's Role	Customer's Role
When a customer deposits money	Debtor	Creditor
When a customer takes a loan	Creditor	Debtor

Explanation:

- **Depositing Money:** When customers deposit money in a bank, the bank promises to return the money on demand or as agreed. Here, the bank is the **debtor** and the customer is the **creditor**.
- **Borrowing Money:** When the customer borrows from the bank, the customer owes money to the bank. Thus, the bank is the **creditor**, and the customer becomes the **debtor**.

Additionally, the bank-customer relationship also includes other aspects like **trustee-beneficiary, agent-principal**, and **advisor-client** depending on the services provided.

This debtor-creditor relationship builds the foundation of banking operations, ensuring safe deposits and facilitating credit for economic growth.

Q-50: **Explain the functions of Merchant Banks & their role in boosting corporate finance and capital market development. (Nov-2025)**

Functions of Merchant Banks:

Merchant banks perform several important functions to support companies and investors.

1. **Issue Management:** Merchant banks help companies issue shares, bonds, and debentures to raise capital from the public.
2. **Underwriting Services:** They guarantee the sale of securities. If the public does not buy all securities, the merchant bank buys the remaining portion.
3. **Corporate Advisory Services:** Merchant banks provide advice on merger, acquisition, restructuring, and financial planning.
4. **Portfolio Management:** They manage investment portfolios for clients and help maximize returns.
5. **Project Financing:** Merchant banks assist companies in preparing project reports and arranging long-term finance.

Role in Boosting Corporate Finance and Capital Market Development:

1. Merchant banks help companies collect long-term funds from the capital market.
2. They increase investor confidence by ensuring proper issue management and underwriting.

3. They support the growth of new companies by providing financial advisory and capital raising services.
4. They increase the supply of securities in the capital market, which improves market development.
5. They promote efficient use of funds, which strengthens corporate finance and economic growth.

Q-51. In which cases a banker may disclose the information of customer's accounts? (May-2026)

A banker generally keeps customer information confidential, but disclosure is permitted in the above five exceptional cases.

A banker must maintain secrecy of customer accounts. However, disclosure is allowed in the following cases:

1. **Under Compulsion of Law:** When a court order or legal authority requires the bank to provide information.
2. **Duty to the Public:** When disclosure is necessary in the public interest, such as preventing fraud or crime.
3. **Bank's Own Interest:** When the bank needs to disclose information to protect its own legal rights or interests.
4. **Customer's Consent:** When the customer gives express or implied permission to disclose the information.
5. **Banking Practice and Regulatory Requirement:** When information is required by Bangladesh Bank, auditors, tax authorities, or other authorized regulators.

Q-52. What is Digital Banking? Why it is getting popularity now a days? (May-2026)

Digital Banking: Digital Banking is a banking system that provides banking services through digital platforms such as mobile apps, websites, and other electronic channels without requiring customers to visit a physical branch. It allows customers to open accounts, transfer funds, pay bills, apply for loans, and access other banking services anytime and anywhere.

Reasons for the Popularity of Digital Banking:

1. **Convenience:** Customers can access banking services 24/7 from any location.
2. **Fast and Efficient Service:** Transactions are completed quickly with minimal paperwork.
3. **Cost Reduction:** Digital banking reduces operational costs for banks and transaction costs for customers.
4. **Financial Inclusion:** It helps reach unbanked and underserved people, especially in rural areas.
5. **Technological Advancement:** Increased use of smartphones, internet services, and digital platforms has boosted its popularity.

Q-53. What are the basic differences between app-based and web-based banking services? Explain with appropriate example. (May-2026)

Aspect	App-based	Web-based banking services
Access Method	Accessed through a mobile banking application installed on a smartphone.	Accessed through a web browser by visiting the bank's website.
Convenience	More convenient for regular use and offers instant notifications.	Requires opening a browser and logging into the website each time.
Examples	Using the bKash App or City touch App to transfer funds.	Using internet banking through a bank's website to check balance or pay bills.

Q-54. Describe the concept of Financial Inclusion. How does it help in extending Banking services to unbanked and marginalized communities? (May-2026)

Financial Inclusion refers to ensuring access to affordable and essential financial services such as savings, loans, payments, and insurance for all individuals, especially low-income and underserved people.

How It Helps Extend Banking Services:

1. **Easy Access to Banking Services:** Provides banking facilities to people in rural and remote areas through agent banking, mobile banking, and digital channels.
2. **Encourages Savings:** Helps unbanked people open accounts and develop a habit of saving money securely.
3. **Access to Credit Facilities :** Enables marginalized communities to obtain loans for business, agriculture, and income-generating activities.
4. **Reduces Poverty and Inequality:** Improves economic opportunities and supports financial empowerment of low-income groups.
5. **Promotes Economic Participation:** Brings more people into the formal financial system, increasing economic growth and social development.

Short Note:

Q-01. IDR – (October-2023).

IDR (Investment-Deposit Ratio)

IDR (Investment-Deposit Ratio): Investment-Deposit Ratio (IDR) shows the relationship between a bank's total investment and total deposits. It indicates how much of the deposited funds have been invested by an Islamic bank. In conventional banking, a similar concept is known as Advance-Deposit Ratio (ADR).

IDR is an important indicator of liquidity and fund management. If IDR is very high, it means the bank has invested a large portion of its deposits, which may create liquidity pressure. On the other hand, if IDR is very low, it means the bank is not using its funds properly, which may reduce profitability. Therefore, Islamic banks should maintain IDR within the limit prescribed by Bangladesh Bank to ensure both liquidity and profitability.

Q-02. Mutual Fund – (May-2022, May-25)

A **Mutual Fund** is a type of investment vehicle that pools money from many investors to purchase securities such as stocks, bonds, or other assets. The fund is managed by professional portfolio managers who make investment decisions on behalf of the investors. Each investor owns shares in the mutual fund, representing their portion of the holdings. The value of these shares fluctuates based on the performance of the underlying assets.

Mutual funds offer diversification, allowing investors to spread their risk across multiple securities, even with a small investment. They are typically more accessible than direct investments in individual securities. Mutual funds can be actively managed (where managers make investment decisions) or passively managed (tracking an index). They provide liquidity, as investors can buy or sell shares on any business day.

Q-03. Retail Banking – (April-2018).

Retail Banking refers to the banking services provided directly to individual consumers rather than businesses or institutions. It includes a wide range of financial products such as savings and checking accounts, mortgages, personal loans, credit cards, and certificates of deposit (CDs). Retail banking aims to serve the day-to-day financial needs of individuals and families.

Retail banks typically operate through physical branches, ATMs, and digital platforms like online and mobile banking. These banks focus on building long-term relationships with customers by offering personalized services and financial advice. They also prioritize accessibility, convenience, and security for customers. Retail banking plays a key role in promoting financial inclusion by giving individuals access to basic banking services, enabling savings, and facilitating credit access for personal and home-related expenses.

Q-04. Financial literacy and inclusion – (November-2024).

Or What is financial literacy? Why is it important for economic inclusion? (Nov-2025)

Financial literacy refers to the knowledge and understanding of financial concepts, such as budgeting, saving, investing, and managing debt. It enables individuals to make informed decisions about their money and achieve financial goals. **Financial inclusion**, on the other hand, ensures that all individuals, especially those from underserved communities, have access to essential financial services, such as banking, credit, and insurance.

Together, financial literacy and inclusion promote economic empowerment. By improving financial literacy, people can make better financial decisions, leading to improved savings, investments, and financial security. Financial inclusion, on the other hand, provides access to services that allow people to participate fully in the economy. Together, they help reduce poverty, foster entrepreneurship, and improve overall economic stability.

Q-05. Mobile banking security – (November-2024).

Mobile banking security refers to the measures taken to protect users' financial data and transactions while using mobile banking applications. As mobile banking becomes increasingly popular, ensuring the security of user information is critical. Key security features include **encryption**, which protects data from unauthorized access, and **multi-factor authentication (MFA)**, which requires multiple forms of verification (e.g, passwords and OTPs) before granting access. **Biometric authentication**, such as fingerprint or facial recognition, is also used to enhance security.

Banks implement **firewalls** and **anti-malware software** to prevent cyber-attacks and unauthorized access. Regular **security updates** and educating customers about safe practices (like not using public Wi-Fi for transactions) further strengthen mobile banking security. These measures protect users from fraud, hacking, and identity theft.

Q-06. Digital payment systems – (November-2024).

Digital payment systems allow individuals and businesses to transfer money electronically, bypassing traditional cash transactions. These systems include mobile wallets, bank transfers, credit/debit cards, and online payment platforms like PayPal, Google Pay, and bKash. Digital payments can be made through computers, smartphones, or other digital devices, offering convenience and speed.

They provide enhanced security through encryption and authentication measures such as **two-factor authentication** (2FA) and **biometric verification**. Digital payments promote financial inclusion by enabling people in remote or underserved areas to access banking services. They also reduce the reliance on physical cash, increase transparency, and streamline business transactions. Governments and businesses encourage digital payments to improve efficiency and combat financial crimes like money laundering.

Q-07. Crypto currency – (November-2024).

Cryptocurrency is a digital or virtual form of currency that uses cryptography for security, making it difficult to counterfeit or double-spend. Unlike traditional currencies, cryptocurrencies operate on decentralized networks based on **blockchain technology**, which is a distributed ledger that records all transactions across multiple computers. Bitcoin, created in 2009, was the first cryptocurrency, and since then, thousands of others have emerged, including Ethereum, Ripple, and Litecoin.
Cryptocurrencies enable fast, low-cost transactions globally, without the need for intermediaries like banks. They are also considered by some as an investment asset due to their volatility. However, cryptocurrencies are highly speculative and face regulatory challenges due to concerns over security, fraud, and their potential use in illegal activities.

Q-08. MFS (Mobile Financial Services) – (October-2023).

Mobile Financial Services (MFS) refer to a range of financial services provided through mobile phones, enabling users to conduct banking transactions without the need for a traditional bank account. MFS includes services like money transfers, bill payments, mobile top-ups, and savings. These services are accessible via mobile apps or USSD codes, making them widely available even to those without internet access.
MFS has been a game-changer, especially in developing countries, by promoting financial inclusion. Users can send money, receive payments, and access financial products from the convenience of their mobile phones. It is especially beneficial for people in rural or underserved areas with limited access to traditional banking. MFS enhances convenience, security, and affordability in managing financial transactions.

Q-09. E-Banking – (October-2023), (April-2018) (October-2021).

E-Banking (electronic banking) refers to the use of digital platforms to conduct banking transactions over the internet. It allows customers to access banking services such as checking account balances, transferring funds, paying bills, applying for loans, and managing investments, all through computers, smartphones, or tablets. E-banking offers various services, including **online banking**, **mobile banking**, and **ATM transactions**.
The key benefits of e-banking include **convenience**, as it enables 24/7 access to banking services from anywhere, and **speed**, with instant transactions. It also reduces the need for physical branches, saving time for both banks and customers. Enhanced **security** measures like encryption and multi-factor authentication help protect sensitive data. E-banking is crucial in promoting financial inclusion, offering easy access to financial services for underserved populations.

Q-10. Fintech – (May-2022, May-25)

Fintech (financial technology) refers to the use of technology to provide financial services and improve the efficiency of financial operations. It includes a wide range of applications such as digital payments, online lending, blockchain, peer-to-peer (P2P) lending, robo-advisors, and mobile banking. Fintech aims to simplify financial processes, reduce costs, and enhance the accessibility of financial services.
By using innovative technologies like artificial intelligence, machine learning, and big data, fintech companies offer faster, more personalized, and secure services to consumers and businesses. It promotes **financial inclusion**, allowing individuals who are underserved by traditional banks to access banking, insurance, and credit services. Fintech is transforming the global financial landscape by making financial services more efficient, affordable, and accessible to everyone.

Q-11. Alternate Delivery Channel – (October-2018). (April-2019)

Alternate Delivery Channels (ADCs) refer to non-branch methods that banks and financial institutions use to provide services to customers. These channels include **mobile banking**, **internet**

banking, **ATMs**, **POS (Point of Sale) terminals**, **agent banking**, and **call centers**. ADCs allow customers to perform a wide range of banking activities such as withdrawing cash, transferring funds, paying bills, and managing accounts without visiting a physical bank branch.

ADCs improve customer convenience, as they provide 24/7 access to banking services. They are particularly beneficial in reaching underserved areas, where traditional banking infrastructure may be limited. By reducing operational costs and offering faster services, ADCs play a crucial role in increasing financial inclusion and promoting more efficient banking practices.

Q-12. NBFI (Non-Banking Financial Institution) – (April-2020).

A Non-Banking Financial Institution (NBFI) is a financial entity that provides various financial services similar to banks but does not hold a full banking license. NBFIs cannot accept demand deposits (such as current or savings accounts) from the public, but they offer services like term deposits, loans, leasing, asset management, insurance, and venture capital. These institutions play a key role in enhancing financial inclusion by providing alternative financial services to individuals and businesses that may not have access to traditional banking.

In Bangladesh, **NBFIs** contribute significantly to the economy by providing financing to sectors like small and medium enterprises (**SMEs**), housing, and infrastructure. They are regulated and supervised by **Bangladesh Bank** to ensure financial stability and protect depositors Interbank Demand Rate

Q-13. Eligible Security – (October-2021). (May-2026)

Eligible Security refers to a financial instrument or asset that meets specific criteria set by regulatory authorities or financial institutions, making it suitable for use in various financial transactions, such as collateral for loans, investments, or as a part of a financial portfolio. These securities typically include government bonds, corporate bonds, and stocks that are considered low-risk and highly liquid.

In the context of banks and financial institutions, eligible securities are often used as collateral for short-term borrowing or repurchase agreements (repos). For example, in Bangladesh, **Bangladesh**

Q-14. Stale Bill of Lading – (October-2019).

A **Stale Bill of Lading** is a shipping document that has passed its expiration date for presentation. In international trade, a bill of lading (B/L) is issued by a carrier to a shipper, acknowledging receipt of goods for transportation. The document serves as both a receipt and a title for the goods.

A bill of lading is typically valid for a specific period, often 21 days from the shipment date. If the B/L is not presented within this time frame, it becomes "stale," meaning it is no longer valid for claiming the goods. In such cases, the consignee may face difficulties in retrieving the cargo unless an extension or fresh document is issued by the carrier. Stale bills of lading can lead to delays and financial losses in international transactions.

Q-15. Financial Intermediary (May-2026)

A Financial Intermediary is a financial institution that acts as a bridge between savers and borrowers. It collects funds from surplus units (people who have excess money) and provides those funds to deficit units (people or businesses who need money). Financial intermediaries help ensure the efficient flow of funds in the economy.

Examples: Commercial Banks, Islamic Banks, Insurance Companies, Mutual Funds, Leasing Companies, and NBFIs.

End of First Chapter

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