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Emerging Islamic Banking In Bangladesh

Bangladesh is one of the emerging economies in South Asia. The Islamic Banking set out its glorious journey in this country three decades ago. Now, this banking system covers one-fifth of the country's total banking. On the basis of asset value (size of assets) Bangladesh holds 12th position in the global Islamic bank ranking. Considering the financial inclusion or 'the nature of distribution' rather than 'the size of assets', the position of the Islamic banking in Bangladesh is quite encouraging. There is a glorious history of Islamic banking in Bangladesh.

People Initiative

In the early twentieth century, after the formation of East Bengal and Assam province, centering Dhaka as its capital, the socio-economic development of East Bengal was in a new spur.

At that time an initiative was taken to set up and manage interest-free banks in different areas of Bangladesh including Jessore and Cox's Bazar. But those initiatives could not get solid foundation on the backdrop of then socio-economic and political circumstances. Although individual efforts and organizational initiatives continued, however, introduction of Shari'ah-based banking remained a dream for a long time.

State-level Initiatives

After independence, a number of initiatives were taken up from different stages to establish an Islamic bank from the state level. The Bangladesh government signed the IDB Charter in 1974. Member countries, through the signing of the charter, were committed to reconstructing their banking system in consonance with the Islamic principles. The definition of Islamic banks was approved in the Dakar Conference of OIC member countries in Senegal in 1978. Member Countries of the OIC also approved a set of recommendations for gradual transformation of their banking system into Islamic. Bangladesh

actively participated in the conference and qualified to become a partner in implementing the recommendations.

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Bangladesh Bank's Supportive Role

From the very inception, the Bangladesh Bank has been playing a highly active and positive role in implementing the principles and procedures of Islamic banks in the country.

On 4 April 1981, Ministry of Finance issued a letter to Bangladesh Bank, directing all state-owned banks of the country, on the experimental basis, to open separate Islamic banking counter in all of their branches in towns and villages and to keep separate ledgers for them. In November 1980, A. S. M. Fakhru

Ahsan, the research director of Bangladesh Bank, was deputed to the Middle Eastern countries to see for himself the activities of Islamic banks and Islamic financial institutions operating there. In January 1981, he submitted a comprehensive report with a set of recommendations to initiate the process of setting up Islamic banks in Bangladesh.

Later, on 18-19 March 1981, on the initiative of BIBM a two-day seminar on Islamic banking was organized in Dhaka. The then first deputy Governor of Bangladesh Bank M. Khalid Khan inaugurated the seminar as chief guest, where recommendations were taken up to set up Islamic banks in both public and private sectors. On June 9-11, 1981, a senior official of the Bangladesh Bank took part in an international seminar held in Geneva, Switzerland on Islamic Banking and Insurance.

On 16 October, 1982, at the 4th Bankers' meeting of the Bangladesh Bank, chaired by the then-governor Nurul Islam, decision was taken to introduce Islamic banking in all branches of six state-owned commercial and two specialized banks at metropolitan and district headquarters level as soon as possible.

In the light of the decision of Bangladesh Bank and for creation of suitable manpower for Islamic Banking, a month long fulltime residential course was held on 6