

MEKELLE UNIVERSITY

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DEPARTMENT OF ACCOUNTING AND FINANCE



MASTER THESIS ON

CURRENT STATUS, CHALLENGES AND OPPORTUNITIES OF INTEREST FREE BANKING IN ETHIOPIA

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DECLARATION

I, Teklemariam Estifanos, hereby declare that this thesis entitled “*Current Status, Challenges and Opportunities of Interest Free Banking in Ethiopia*” is my own original work and has not been submitted previously in its entirety or in part to any other university or institution for any academic degree, diploma, or other qualification. All the sources of information used in this thesis have been acknowledged. I have also complied with the university’s guidelines and ethical standards in conducting this research.

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LIST OF ACRONYMS

AA	Addis Ababa
AB	Abay Bank
AIB	Awash International Bank S/C
BIB	Bunna International Bank S/C

BOA	Bank of Abyssinia(SC)
CBE	Commercial Bank of Ethiopia
CBO	Cooperative Bank of Oromia S/C
DB	Dashen Bank S/C
IFB	Interest Free Banking
NBE	National Bank of Ethiopia
NIB	Nib International Bank S/C
OIB	Oromia International Bank S/C
UB	United Bank S/C
WB	Wegagen bank

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ABSTRACT

Interest Free Banking (IFB) services offer ethical, Shariah-compliant financial solutions and are gaining popularity in Ethiopia among Muslim and non-Muslim clients. This study examines the socio-demographic profile of IFB clients, perceptions of services among stakeholders, managerial insights, and the operational status of IFB. A mixed-method approach was adopted, utilizing structured questionnaires for quantitative data and interviews with IFB division managers for qualitative insights. Descriptive statistics summarized key findings, while thematic analysis interpreted qualitative responses. The study reveals increasing acceptance of IFB services, driven by their ethical principles, but identifies challenges such as limited public awareness, misconceptions, and economic uncertainties. Clients and employees view IFB as a viable alternative to conventional banking, and managers highlight the need for Shariah compliance, fund segregation, and employee training. Key opportunities include

product diversification and digital banking solutions to meet evolving client demands. To unlock IFB's full potential, the study recommends raising public awareness, fostering community engagement, and investing in innovative financial products and digital services. Strengthening Shariah governance and enhancing operational efficiency are essential to promoting ethical financial inclusion in Ethiopia.

Keywords: *Interest Free Banking, Shariah-compliant finance, Current Status, Challenges, Opportunities, Ethiopia, window*

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CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Banks are critical for mobilizing development funds and supporting sustainable economic activities. One of the most significant recent developments in the banking sector is the rise of Islamic Banking and Interest-Free Banks (IFBs), both in developed and developing countries (Ibrahim et al., 2012) as cited in (Nassir & Ababa, 2018).

Interest-free banking is a relatively new concept, with modern Interest-Free Banking emerging in the 1960s. The first interest-free bank, MitGhamr, was founded in Egypt in 1963 by Ahmed al-Najjar as a private initiative. It operated as a cooperative, pooling small savings for agricultural investments in Northern Egypt (Msellek, 2015). Muslim communities often view conventional banking, which operates on an interest-based system, as contrary to Islamic principles. MitGhamr in Egypt and Pilgrim's Management Fund in Malaysia, both launched in the 1960s, aimed to reduce financial exclusion and support the economic development of underprivileged sectors of society (Ahmad & Noor, 2011).

Interest-free banking functions similarly to conventional banking but adheres to a comprehensive system of ethics and moral values derived from Islamic principles (Jemal et al., 2018). It eliminates the traditional bank-interest relationship (Birben, 2013). In Islam, there is a clear distinction between what is halal (lawful) and haram (unlawful) in economic activities (Paradies et al., 2015).

Islamic banking, or non-interest banking, offers a viable alternative for both Muslims and non-Muslims. This system has gained popularity in various countries, including non-Muslim-majority nations such as the UK and USA (Hassan & Aliyu, 2018).

Interest-free banking was introduced in Ethiopia by Zemzem Bank in 2008, although it did not initially succeed (Jarra, 2024). Zemzem Bank managed to raise 137 million Birr in paid-up capital from 6,800 people, but the National Bank of Ethiopia (NBE) did not issue the necessary directive to facilitate IFB operations at that time (Fortune News Paper, September 30, 2018). Zemzem, which aimed to enter the banking industry as a full-fledged interest-free bank, was disbanded in 2010 due to Ethiopia's regulatory framework, which required that interest-free banking operate alongside conventional banking services (ABEBE, 2017).

Now a time the banking industry is expanding to unbanked areas since there is a demand for it.

Although there was interest in establishing a fully Islamic banking system, the NBE issued Directive Number SBB/51/2011, which mandated that interest-free banking must be offered through a separate window within conventional banks (HAILU, 2015).

1.2. **Statement of the Problem**

Interest-Free Banking (IFB) has emerged globally as an alternative banking system aligned with Islamic principles, emphasizing ethical practices and prohibiting interest (riba). This system has been in development since 1963, starting in Egypt, and has since gained traction with the introduction of innovative financial products (Iqbal et al., 2005; Shibu & Chachi, 2021). While IFB has achieved significant growth in many countries, its adoption in Ethiopia remains relatively new.

Ethiopia's banking industry, with over a century of history, had long excluded IFB services despite the country's sizable Muslim population, comprising 33.9% of the total population (CSA, 2019). Muslims were largely unable to engage with conventional banks due to the prohibition of interest in their faith (MULUGETA, 2019). It was not until 2011 that interest-free banking began to be offered, driven by growing demand for ethical financial alternatives. Although many commercial banks have since incorporated IFB windows into their operations, the implementation process has encountered several challenges, limiting its full potential to address financial inclusion (Abebe, 2019).

Studies conducted in various countries have shed light on the challenges and opportunities of IFB. For instance, (Ibrahim et al., 2012) analyzed the operational challenges of IFB in Nigeria, identifying key barriers such as inadequate legal frameworks, low financial literacy, and religious misconceptions. Similarly, (Msellek, 2015) compared IFB practices in Turkey and Morocco, highlighting Turkey's consistent progress with product diversification, while Morocco was found to have potential as a regional hub for Islamic finance. (Mohsin, 2005) examined Sudan's Islamic banking practices, which effectively minimized interest transactions through Shariah-compliant contracts such as murabahah, mudarabah, and musharakah. These studies demonstrate that while IFB can thrive in diverse settings, its success depends heavily on addressing operational, regulatory, and cultural challenges.

In Ethiopia, local research on IFB remains scarce. (Nassir & Ababa, 2018) identified knowledge gaps among clients and bankers, skepticism about Shariah compliance, inadequate government support, and lack of skilled manpower as major obstacles. Similarly, (Tsion, 2017) reported that low client awareness, insufficient regulations, and challenges in fund segregation hindered the growth of IFB services. However, her study also noted that the growing economic participation of the Muslim community presents significant opportunities. (Mohammed & Ababa, 2016) focused on the Commercial

Bank of Ethiopia, uncovering challenges such as poor marketing strategies, double taxation issues, and problems related to the Ethiopian Commodity Exchange (ECX).

While these studies provide valuable insights, they are often limited in scope, focusing on a few banks or specific aspects of IFB. This narrow focus creates a gap in understanding the broader landscape of IFB across all Ethiopian commercial banks. Moreover, there has been little effort to compare findings across studies, which would help to identify recurring themes and unique challenges. And also this study used different data collection methods or tools; these are direct observation checklist, interview, and survey or questionnaire designed for both IFB bank employees and IFB clients so as to find something unique from the previous studies.

This study aims to bridge this gap by comprehensively examining the practices, challenges, and opportunities of IFB services in all Ethiopian commercial banks operating under the window model. By synthesizing findings from both global and local contexts, the research seeks to provide a holistic understanding of the current status of IFB in Ethiopia and to offer actionable recommendations for its sustainable growth in the country's financial landscape.

1.3. Objective of the Study

1.3.1. General Objective

The general objective of this study is to assess and provide an in-depth analysis of the current status, challenges, and opportunities of Interest-Free Banking (IFB) in Ethiopia.

1.3.2. Specific Objectives

In line with the general objective, the study aims to achieve the following specific objectives:

1. To assess the current status and implementation of Interest-Free Banking in Ethiopia.
2. To explore the challenges faced by Interest-Free Banking in Ethiopia.
3. To identify the opportunities available for Interest-Free Banking in Ethiopia.

1.4. Research Questions

To achieve the objectives of this study, the following research questions will be addressed:

1. What is the current status and implementation of Interest-Free Banking (IFB) in Ethiopia?
2. What are the key challenges hindering the growth and success of Interest-Free Banking (IFB) in Ethiopia?
3. What opportunities exist for the expansion and development of Interest-Free Banking (IFB) in Ethiopia?

1.5. **Significance of the Study**

This study addresses the critical need for adequate banking services for Ethiopia's sizable Muslim population, as highlighted by Sefiani (2014) and cited by Kerima (2016). Despite the presence of Interest-Free Banking (IFB) systems in countries with smaller Muslim populations, Ethiopia has yet to fully embrace this banking model. This research aims to shed light on the unique challenges and opportunities related to IFB in Ethiopia, serving as a foundational work for further exploration in this area.

The significance of this study can be understood through several key contributions. First, the findings may inspire other researchers to conduct similar studies on various aspects of IFB within Ethiopian commercial banks, thereby broadening the scope of inquiry into this banking model. Second, this research may stimulate more discussions among scholars regarding the theoretical frameworks and empirical evidence related to IFB in the Ethiopian context, leading to a deeper understanding of its implications and practices. Additionally, by examining the current status of IFB in Ethiopia, the study may prompt scholars and researchers to critically evaluate existing banking practices and identify areas for improvement within the sector.

Moreover, the insights gained from this research may prove valuable for regulators and policymakers in Ethiopia, as they consider reforms that address the banking needs of the Muslim community. Specific recommendations may include the establishment of supportive regulatory frameworks that encourage the growth of IFB services, ensuring compliance with Shari'ah principles, and enhancing financial literacy among the Muslim population. Furthermore, the findings may assist banks in understanding the challenges and opportunities associated with implementing IFB, enabling them to tailor their services to better meet the needs of their clients. This, in turn, can contribute to broader financial inclusion and economic development within Ethiopia.

1.6. **Scope of the Study**

This study focuses on a purposively selected sample of respondents from 11 commercial banks in Ethiopia that currently offer Interest-Free Banking (IFB) services. These banks include Oromia International Bank S.C, Commercial Bank of Ethiopia, United Bank S.C, Nib International Bank S.C, Abay Bank S.C, Cooperative Bank of Oromia, Wegagen Bank S.C, Awash Bank S.C, Dashen Bank S.C, Abyssinia Bank S.C, and Buna International Bank S.C.

Data were collected from both management and non-management staff, with a specific focus on branches and head offices located in Addis Ababa. The study aims to explore the challenges, opportunities, and current status of IFB in Ethiopia, providing a comprehensive view of its implementation within the selected banks.

1.7. Limitation of the Study

This study faced several unanticipated challenges that impacted its execution. Political instability in Ethiopia restricted movement in certain regions, delaying access to respondents and limiting the diversity of perspectives gathered. Logistical challenges, including difficulties in coordinating with banks and reaching remote areas, further slowed the data collection process. Additionally, frequent and prolonged internet outages disrupted communication and access to online resources, delaying the research timeline. Despite these challenges, alternative strategies were employed to mitigate their impact, ensuring the study's objectives were met.

1.8. Organization of the Paper

The paper of this study is organized in the following manner. Chapter one talks about introduction (background of the study, statement of the problem, objective of the study, research questions, significance of the study, scope of the study and limitation of the study). Chapter two is about literature review which contains theoretical and empirical aspects. Chapter three discusses the research methodology of this study while chapter four deals about the research findings. Chapter five at last tells us the conclusion and recommendation of the study.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURES

2.1 Theoretical Literatures Review

2.1.1 Definition, Principles and Concepts of IFB

Many scholars interpret the term "Interest-Free Banking" in various ways, but it generally refers to a banking system that aligns with Islamic principles, known as Shari'ah. This system emphasizes moral and ethical values in all financial dealings, which have a universal appeal. Under Shari'ah, accepting or paying interest is strictly prohibited. Additionally, interest-free banks do not engage in transactions with individuals involved in gambling, uncertain business practices, or the production of goods and services that are prohibited in Islam (Elgadi, 2016).

While these principles were used as a basis for a flourishing economy in earlier times, it is only in the late 20th that a number of interest free banks formed to provide an alternative basis to Muslims though Interest free banking is not limited only to the Muslim community. (www.islamic-banking.com).

Many scholars define the term "Interest-Free Banking" in various ways, but it generally refers to a banking system that aligns with the principles of Shari'ah (Islamic rulings) and its practical application through the development of interestfree banking economics. The principles underlying this system emphasize moral and ethical values in all transactions, which have a broad universal appeal. Shari'ah prohibits both the payment and acceptance of interest charges for lending and borrowing money. Additionally, it forbids engaging in trade and other activities that provide goods or services deemed contrary to its principles (Tsion, 2017).

Interest free banking is called Islamic banking worldwide; Interest free banking is one of the other general names for the system (Birben, 2016). According to NBE directive SBB/51/2011, Interest-free banking business is banking business in which collecting deposit and financing it in a manner consistent with Islamic finance principles and mode of operation that eliminates paying and receiving interest. Interest free banking window as per SBB/51/2011 of NBE refers to a unit within a conventional bank totally offering interest free banking services. According to (Muhammed, 2021) Interest free banking is defined as conventional banking minus `interest` with a new contract that does not include the word “interest” and that is structured in a complicated version of buy/sell, in which the seller changes ownership to the bank and then the bank sells it to the final buyer as cited by (Ijaz et al., 2015).

Interest-free banking is a universal concept which is in practice by banks both in Muslim majority and Muslim minority countries of the world. Unlike the conventional banking system, the Islamic banking system can be defined as a faith based system of banking, which derives its principles from the Islamic Sharia (Nassir & Ababa, 2018). It should be kept in mind that the concept of Islamic banking and Interest-free banking are synonymously used in Islamic Economics and financial literatures as an alternative banking framework to the interest-based conventional banking practice (Ibrahim, 2015) as cited by (Jemal et al., 2018). Though, in technical terms, there is a difference between an interest-free bank and an Islamic bank but they are sometimes used interchangeably (Ibrahim et.al, 2015) as cited by (Jemal et al., 2018).

Interest-free banking is commonly defined as a banking system that operates without the concept of interest. A key principle of interest-free banking is the prohibition of profit derived from bank interest. Islamic laws forbid Muslims from paying or receiving interest and also prohibit Gharar, which involves excessive uncertainty in contracts. This prohibition encourages complete disclosure of information to eliminate asymmetric information in transactions and avoid

risk-taking. Additionally, interest-free banking excludes financing for activities and commodities considered sinful or socially irresponsible, such as gambling, alcohol, and pork. This banking system emphasizes risk-sharing, where the provider of financial funds and the entrepreneur share the business risk in exchange for a predetermined share of profits and losses. It also stresses the desirability of materiality, meaning that financial transactions must have a direct or indirect link to real economic activities. Any transaction that leads to injustice or exploitation is prohibited, and the system upholds contractual obligations along with the need for transparent information disclosure. This approach ultimately reduces the risk of asymmetric information and moral hazard (Alamgir & Cheng, 2023) as cited by (Jemal et al., 2018)).

Islam places significant emphasis on fulfilling contractual obligations as a crucial responsibility for all parties involved in a transaction. These requirements aim to mitigate the risks associated with asymmetric information and moral hazard. A fundamental principle of Islamic Shariah is that business transactions that involve elements of speculation, known as gharar, are condemned. Gharar refers to entering into a contract with absolute risk or uncertainty regarding the ultimate outcome, as well as the nature, quality, and specifications of the subject matter or the rights and obligations of the parties involved.

Additionally, gharar is present when there is a lack of adequate, value-relevant information, or when critical information is inadequate or inaccurate, leading to uncertainty and potential exploitation of any party. It specifically refers to the offer and sale of items whose existence or qualities are uncertain or involve a high degree of risk. In business terms, gharar can be understood as engaging in a venture blindly, without sufficient knowledge, or entering into excessively risky transactions. However, minor uncertainties may be acceptable if necessary (Ayub, 2009).

Since Islam prohibits transacting with interest, Shariah based transactions like profit and loss sharing basis is allowed in interest free banks. And also, IFB financing products are asset-backed. Interest free banks cannot extend credit facility without having support from real sector.

2.1.2. Historical Development of IFB

At the time of the Islamic Golden Age, early forms of proto-capitalism and free markets were present in the Caliphate, where an early market economy and an early form of mercantilism were developed between 8th to 12th centuries, which some refer to as Islamic capitalism. A number of economic concepts and techniques were applied in early Islamic banking, including bills of exchange, the first forms of partnership (Mufawada), limited partnerships (Mudaraba), and the earliest forms of capital (al-mal), capital accumulation (nama al-mal), cheques, promissory notes, trusts (waqf), transactional accounts, ledgers and assignments. Business enterprises, independent from the state, also existed in the

medieval Islamic world, and the institution of agency was also introduced during that time. Many of these early capitalist concepts were adopted and further advanced in medieval Europe from the 13th century onwards (Kettell, 2011).

The writing of Interest free banking periods begins with evaluation and ends with effort at finding ways and means of correcting and overcoming the problems encountered by the existing banks. The account of interest-free banking focus on two major points: the “idea and reality”. It means that when interest free bank was still remained an idea (plan and suggestion) and secondly when it becomes a reality (true situation) by private initiative in some countries and by law in some others. Therefore, the origin of contemporary interest-free banking can be traced back to the very birth of Islam when the prophet himself acted as an agent for his wife’s trading operations (Olanipekun et al., 2015).

Modern Islamic finance is truly born in 1960s. It has experienced two major steps in the evolution of the nature and objectives of Islamic finance. Interest-free banking is of very recent origin. The earliest references to the reorganization of banking on the basis of profit sharing rather than interest are found in academic work done in the 1940s and 1950s. The idea of Islamic banking comes from a small number of Muslim Scholars and scientists who have theorized since the 1950s the possibility of creating an alternative to the traditional financial system finance and consistent with sharia. Specifically, the first two experiments will be realized by the creation of ‘Pilgrims’ Administration and Fund (Tabung Haji) in (Din, 1982) and the experience of ‘MitGham’ in Egypt (Coronella et al., 2020). The goal sought through these two experiences is to set up financial circuits that reduce banking exclusion and promote the development of disadvantaged populations while respecting the philosophy of Sharia. Both experiences were of very different forms (Msellek, 2015).

Conference of the Finance Ministries of the Islamic countries held in Karachi in 1970, the Egyptian study in 1972, first international conference on Islamic Economics in Mecca in 1976, International Economic conference in London 1977 metamorphosed to Islamic banking system; which gave birth to the Islamic Development Bank in 1975 as a result of involvement of institutions and governments and referred to as inter-governmental bank was formed by 42 Muslim countries under the umbrella of the Organization of Islamic Conference (O.I.C). The various experiments of these banks led to the establishment of the Nasser Social Welfare than commercial and the bank is still alive’ (Ajagbe & Brimah, 2013).

2.1.3. Operating Models of IFB

There are three interest free banking operating models namely Full-fledged interest free banking, Interest free banking subsidiary (branch) and Interest free banking windows of conventional banks.

2.1.3.1 Full-Fledged Interest Free Banks

These are standalone banks that generally are not under any conventional banking influence. The products and services may be consistent with the offerings in the market, but it is not an obligation to follow. In theory, Fully Fledged Islamic Banks have the capacity to offer new-to-market products, based on the approvals obtained from Shariah Committees.

2.1.3.2. The Interest Free Bank Subsidiary Model

This is a commercial banking unit which offers Shariah compliant products only in the specific branch. It is a half-independent office of a bank engaging in banking activities away from a bank's home office. This branch is established when the main bank feels a potential of clients are found in the area.

Islamic banking subsidiary is defined as Islamic banking products and services offered by subsidiaries of conventional banks, but the operation and management of the two are clearly separated (Sole, 2007). Islamic Subsidiary rides on the strength of the Parent Bank, which is the conventional bank. The model used is still a leveraged model, but the Islamic Subsidiary can choose which services or function they want to "outsource" to the conventional bank (at a fee chargeback, of course). The idea of a Subsidiary is to be independent, so all cost consideration must be taken into account. Most of the conventional banks offer Islamic products via Islamic Banking Subsidiary. The main advantage is that decisions are autonomous in a Subsidiary, there is more control of marketing and sales and branches, and the Bank (as an independent entity) can chart its own course.

However, there will still be influence from the parent (as the majority shareholder) and the products and services offered are generally aligned to the products and services offered by the parents. The Subsidiaries are also dependent on the strategy of the parent Bank, where it can choose to invest heavily or adequately for the operations of its subsidiary.

2.1.3.3. The Interest Free Banking Window Operating Model

Sanusi defines Interest free banking window as a business model in which conventional banks offer Interest free banking products and services from their existing network (Sole, 2007). This model relies on the existing conventional infrastructure where all the processes, operations, sales, channels, finance, branches, compliance, audit and all functions are provided by the conventional bank. It is a leverage model where the Interest Free Banking Windows are more like a

“manufacturer” of products. Interest Free Banking Windows churn out the products and services (like a factory), and delivers them to the conventional team as part of the suite of products offered by the conventional bank. In such structure, Islamic Banking Windows are just a “segment” of products on offer.

The advantage of this model is the low set-up cost. The business rides on existing infrastructure and hires specialists in each function. There is no need to set up a different branch as those Islamic products are sold directly by the existing branches and channels sales team.

2.1.4. Account Types in IFB

Interest free banks generally accept three types of main deposit accounts. These are saving accounts, current accounts and investment accounts.

2.1.4.1. Saving Accounts

Interest free banks usually open these accounts to those who have small amount of savings in major people and want to keep these savings in a safe place because of needs and future concerns. These accounts accept the ones who save the residuals of consumption and want to use these savings in times of need. The money can be withdrawn at any time which is the same as current accounts.

Bank pays money to savings owner as well but it can enable special privileges to fund owners such as financing small projects and installment sale of consumption goods. Those privileges can be thought as encouraging for the saving owners. With the aim of encouraging individuals for saving and investing their savings and to the banks minimum degree that can be invested to the banks are arranged in minimum levels.

With the permission of interest free banking saving account owners, it can transfer some part of the funds of the account to investment. But in order to meet the amounts that the owners of the funds would withdraw, it is necessary for the bank to keep some part of the funds available. On condition that the bank obtains permission from the owners, bank can sometimes share the profits of owners of the saving accounts that it encourages for investment. Those profits are evaluated as bonus for account owners and incentive. But possible loss belongs to the bank. The share that fund owner would receive is the amount that remains from his fund at the end of the year.

2.1.4.2. Current Accounts

These are drawing accounts that the money can be withdrawn at any time. The account is opened by their owner to meet the needs about trading or consumption when they are in need and ready for circulation. These types of accounts can be withdrawn at any time. Drawing accounts of the banks enables cheque- book opportunities. These accounts enable liquidity and ease transactions.

No profit is paid to these accounts. Bank gets the authorization using the amount that the account owners invested, for the other operations of the bank. But these accounts are guaranteed by the bank. In other words, when there is a loss in other operations of the bank, drawing account owners are not affected by the loss. Loan in Islam principle is valid for these accounts.

2.1.4.3. Investment Accounts

They are the accounts that are opened by interest free banks to gain income for those who cannot invest their savings because of interest's being forbidden by religion and cannot administer the money themselves. The ones who open investment account in the bank participate in the investment operations of the bank and get the profit of loss of the bank according to the amount and time of the money they invested.

Investment accounts are opened in accordance with mudarabah principle of Islamic law. It means, Labor partnership is the principle. The profit that would occur with the partnership of capital and labor is shared in accordance with the percentage that is determined among the partners earlier. Labor owner is the assignee of the capital owner and the person that the goods is consigned. On condition of loss, fund owners with their capitalist position pay the loss. Bank does not participate the loss.

Periods of investment accounts starts from 30 days and goes to various times as 360 days and more than 360 days. Net profit to be shared to participant is not certain. Depositors receive the last profit share that was transferred to the accounts according to previous week's data. Instead of profit, loss can be shared (Birben, 2013).

2.1.5. Types of Financing in Interest Free Banking

2.1.5.1. Murabah (cost plus or markup financing)

Murabah financing is a popular financing used by interest free banks to meet short term trade financing needs for its clients. It is mostly known as cost plus financing or mark up financing. In this type of financing the bank agrees to fund

the purchase of an asset or goods from a supplier at the request of clients upon acquiring the asset, the bank sells it to the client at the predetermined profit rate. Murabah financing is the back bone of interest free banking (Tsion, 2017). An advantage of murabah is that an interest free bank is usually rigorous financially than its clients, so it can obtain discounts on purchases for its clients. When goods are purchased for several clients at one time, the discount may be larger.

2.1.5.2. Mudarabah (Trust-Finance)

Aljifri who reports that within this partnership, the lender does not interfere with the enterprise administration, however, he has the right to access and monitor work-related information (Aljifri & Kumar Khandelwal, 2013). Sarker reports that Mudarabah can be divided into restricted and unrestricted. Mudarabah (Sarker, 2000). He stated that within restricted *Mudarabah* the lender allows the entrepreneur to trade by his capital but according to certain conditions. These conditions are connected to the kind of product or service which is subject to the deal, the place of trading, the person with whom the entrepreneur should trade and the time of the trade. On the other hand, he explains unrestricted Mudarabah has the case where the lender applies no restrictions on the commodity, the place of trading, the person with whom the entrepreneur should trade and the time of the trade. Shahinpoor defines Mudarabah as an agreement between two parties in which one party supply the funds and the other commit the entrepreneurial abilities such as labour and management duties (Shahinpoor, 2009). Siddiqui explained Mudarabah has a partnership contract but with no equity partnership (Siddiqui, 2008). Further explanation for Mudarabah was given by Aljifri who reports that within this partnership, the lender does not interfere with the enterprise administration, however, he has the right to access and monitor work-related information (Aljifri & Kumar Khandelwal, 2013).

2.1.5.3. Musharakah (Joint venture)

Ibrahim defines *Musharaka* has an equity-based agreement in which the bank and a business partner (entrepreneur) perform partnership to finance their business through taking an equity stake in the venture (Ibrahim et al., 2012). According to the definition, both the Islamic bank and the client have a stake in the equity capital. Rights of partners are based on each partner's share given to the full settlement of *Mudarabah*, the enterprise is expected to be owned by the entrepreneur.

With regards to profit distribution in a *Musharakah* contract, Ibrahim *et al.*, (2012) report that if a business result in a profit, it will be distributed to all partners according to the predetermined ratio agreed upon in the contract (Ibrahim et al., 2012). However, in the case of a loss, Siddiqui reports that loss will be distributed to the fund providers according to their equity participation proportion (Siddiqui, 2008).

It is also common that *Musharakah* contract ends up with the transfer of the project ownership to the business partner. This normally happens through what is known as a diminishing partnership or *Musharakah Mutanaqisah*. Abdul Rahman reports that within the concept of *Musharakah Mutanaqisah* the capital sum reduces following each payment made by the entrepreneur towards the capital (Rahim & Rahman, 2007). This will boost the total capital for the entrepreneur in anticipation of transferring the total ownership of the business to him. The repayment period is dependent upon the pre-agreed period.

2.1.5.4. Ijarah

Ijarah means to give some worthy thing on a lent. Under *Ijarah* arrangement the bank purchases the asset based on the client's specification leases it to the client.

2.1.5.5. Others

In addition to the above-mentioned financing products *Istisna*, *Salam*, *Tawark*, and *Quard* are amongst. *Istisna* is a predelivery financing and leasing structured mode that is used mostly to finance long-term large-scale facilities involving, for example, the construction of a power plant (Zerban et al., 2015). In *Istisna* financing a good is purchased or sold before its existence, which is an exception to the Shariah principle that an asset be present in order for a financial transaction to be taken. *Salam* is a forward financing transaction frequently used in the agriculture industry. In this structure, the bank purchases specified asset in advance of a predetermined delivery date. *Quard* is a benevolent financing on good will basis to be repaid with no profit.

2.1.6. Historical development of IFB service in Ethiopia

In 2008, the Ethiopian Banking Business Proclamation (592/2008) was amended to include a provision for IFB. In 2011, the NBE issued a directive to authorize a business of IFB(SSB/51/2011). Currently, the directive is very broad and does not provide any specificity in terms of product lines, rules and regulations to ensure that the products developed by financial institutions are truly in line with Sharia law (Prabhakaran & Kumar, 2018). Article 2.2 of the Ethiopian IFB directive states that IFB business “refers to banking business in which mobilizing or advancing funds is undertaken in a manner consistent with Islamic finance principles [...]”. Hence, in order to achieve Sharia compliance, IFB windows need to have an extra layer of governance to ensure that the principles outlined in the latter article are met. In Ethiopia, NBE does not currently have internal experts to review and monitor IFB windows to make sure that they comply with article 2.2. On the institutional level, only OIB has opted for a Sharia Supervisory Board (SSB) model. The latter is

composed of 3 scholars two of whom have been drawn from the Ethiopian Islamic Affairs Supreme Council. In short, the Ethiopian Islamic Affairs Supreme Council has sound knowledge in Sharia law but lacks depth in financial expertise.

CBE and United Bank have not sought any Islamic expert advice to develop their Interest Free product offerings; instead, they have relied on internet desk research. These banks do not currently have any Sharia board or Sharia advisors. Nevertheless, United Bank intends to have an advisory board for “Sharia compliance” that will be composed of financial advisers rather than Sharia scholars, as it prefers to distance itself from the Ethiopian Islamic Affairs Supreme Council, thus avoiding affiliation with a specific stream of Islamic viewpoints. In time, these measures may reveal that relying purely on internet desk research along with independent financial advisers may conversely affect their decision-making aptitudes in regards to Islamic finance frameworks. The lack of regulatory framework on the Sharia compliance question means that the products are at high risk of not complying with authentic Islamic principles (Desai, 2016).

Kerima (2016) conducted research to know the challenges what we CBE was facing regarding its IFB windows and found lack of commitment, lack of Shariah advisor, lack of supportive supervisory directives, lack of related problems to Ethiopian Commodity Exchange (ECX), lack capacity of to deliver IFB products at full capacity, lack of awareness about IFB products from clients, inadequate marketing and promotion, double taxation, lack of trust and limited IFB products were the challenges (Mohammed & Ababa, 2016). According to the study of Jemal, the major challenges are lack of Shariah advisor, lack of supervision by National Bank of Ethiopia, lack of confidence and trust of clients, lack of legal support from government, lack of qualified human resource, lack of cooperation among conventional banks Islamic windows, lack of infrastructure suitable for Interest free banking operation, Inadequate training and education facilities, Inadequate knowledge and understanding of IFB by NBE, lack of top management and organization commitment, and doubt of clients (Jemal et al., 2018).

2.2 Related Empirical Literatures Review

2.2.1 Challenges of Interest Free Banking

In interest free banking there is no uniform regulatory and legal framework that is supportive of IFB has not yet been developed since it is based on Western banking model and sound accounting procedures and standards according the study conducted by (Zerban et al., 2015). On the other hand a research conducted by Adamu (2011) in Nigeria found out that inadequate legal and regulatory environment, manpower problem, problem of competition, religious misconceptions, moral hazard and poor financial literacy as challenges (Adamu, 2011). According to the study done by Bukhari, Shariah compliance is dominated by interest-based practices even in the Muslim societies, perception of bank employees whether

the system works for all needs of trade and industry, loss of trust by the Muslim community about Shariah compliance and small number of bank products in IFB when comparing to the number in conventional bank are the main challenges (Bukhari et al., 2014). And also, (Desai, 2016) found that lack of human capital, Shariah standardization and harmonization, public awareness, regulation and supervision, access to finance and liquidity management are the major challenges facing by IFBs (Mohsin, 2005). Song & Oosthuizen conducted research and found out that out of 29 countries only four countries (Bahrain, Indonesia, Sudan, and Syria) have a different set of dedicated manuals/ guidelines designed for interest free banks (Song & Oosthuizen, 2014). This study also found out lack of liquidity facilities with the monetary authority is also a challenge for Interest free banks. In jurisdictions with Islamic banks and where central banks make liquidity facilities available to banks, all banks have access to such facilities. However, few central banks in jurisdictions where Shariah Law is not part of the fundamental law of the country make specific provision for Shariah-compliant liquidity facilities for Islamic banks. Consequently, such facilities in these jurisdictions are not much use to Islamic banks.

Tsion, study revealed that the main challenges faced by surveyed banks in implementing IFB system included lack of awareness by clients about IFB services, institutional challenges, desire for special regulations and lack of specialized human resource (Tsion, 2017). In addition, the difficulty in segregation of funds for effective implementation of IFB was another problem expressed by respondents.

2.2.2. Opportunities of Interest Free Banking

When the subject is bank, it is the interest that is remembered at first place. For typical description, bank is the corporation that collects deposit and gives interest, in return grants loan and charges interest. Interest free banking and interest free banks that we hear much about lately have eliminated the close relationship between banks and interest. Rapidly developing and globalizing world has quickly improved itself, -as it always has- in the field of interest free banking system as well and made great steps in integrating the financial products and interest free systems for the financial needs of those who are sensitive (Birben, 2013).

The Sudanese Islamic banks serve as means of gathering savings in a pool, investing it and directing it to finance the different sectors; and their success in attracting many people who did not like to deal with conventional banks that operate on the basis of *riba* increased the amount deposited with them. Hence, these interest free banks act as a financial institution that helps to develop small projects in the agricultural, industrial, crafts, and social sectors. The contribution of Sudanese Islamic banks to the financing sector in agricultural, industrial, and service sector by 1999 is 50%, 38.6, and 49.2

respectively. This in turn encouraged borrowers to work hard and at the same time created new job opportunities for many unemployed workers (Mohsin, 2005).

According to Tsion, IFB in Ethiopia was believed to still have a huge untapped opportunity to be exploited by other financial services providers which would use client satisfaction as a niche in offering IFB services, potential opportunities mentioned included global trends, economic growth in Ethiopia and Muslim community (Tsion, 2017).

2.2.3. Current Status of Interest Free Banking

Interest free banking in current practice diverges in several important ways from the ideal version. These differences can be summarized in four main points. First, all deposit types, including investments, are always explicitly or implicitly guaranteed. In some cases, the capital value guarantee is formally written in laws and regulations, in other cases, it is based on implicit understanding among the authorities, banks, and the public. Second, the PLS is not strictly applied. Third, financing is mostly carried out through non-PLS modes. On average, Interest free banks operate through the less risky, shorter-term non-PLS modes, notably: mark-up, leasing, and lease purchase transactions typically related to trade financing (Zahar et al., 2011).

According to Islamic Finance Bulletin (2018), it is estimated that Islamic Finance Assets are likely to reach \$3.8tn by 2022, revision and establishment of Shariah Complaint laws in Uganda, Indonesia, Technology development (Fintech) and projection of less growth in Sukuk Market (Narayan & Sahminan, 2018). According to The City UK (2017) as cited by (Prabhakaran & Karthika, 2018). The global Interest free finance market has grown rapidly in recent years. ICD and Thomson Reuters estimate that the global market for Islamic finance services, as measured by Sharia compliant assets, totaled around \$2trn at the end of 2015, up 7.5% on the previous year as cited by (Prabhakaran & Karthika, 2018). The market is currently most developed in Malaysia, Saudi Arabia, Iran and the majority of countries that form the GCC. In terms of assets, outside the Muslim world, the market is most developed in Switzerland, the UK, Hong Kong and the US and The client base in Western countries is not necessarily restricted to Muslims; other clients may be attracted by the ethical basis of Islamic finance (Prabhakaran & Karthika, 2018).

The financial sector of Ethiopia is dominated by the banking sector. At present, there are 16 commercial banks of which one bank is government bank (CBE) and the remaining are private commercial banks. Interest free banking service in Ethiopia was started by two banks (CBE & OIB) in 2013. As on 30th June 2019, eleven commercial banks are offering Interest free banking products and services through setting up of IFB window.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Research Design

This study adopted a descriptive research design to provide an in-depth assessment of the challenges, opportunities, and current status of interest-free banking in Ethiopia. The descriptive design is selected as it allows for a comprehensive examination of existing conditions, providing a clear picture of the phenomena as they exist. Through this approach, the study gathered detailed information from relevant stakeholders, including management and staff of selected commercial banks, and relationships that will aid in understanding the landscape of interest-free banking in Ethiopia. To finish this mixed study successful the researcher used mixed approach (both quantitative and qualitative), the research aims to offer an accurate and well-rounded portrayal of the subject matter.

3.2. Population of the Study

The population for this study includes employees working at interest-free banking (IFB) windows and clients utilizing these services across various commercial banks in Ethiopia, specifically those with over six months of experience with the IFB services. As of 2024, Ethiopia's banking sector comprises 31 commercial banks with approximately 8,250 branches serving a population of nearly 115 million. For this study, we have purposively selected banks established before June 30, 2019 as our target population (Source from National Bank). These banks have been in the market for a significant

period, allowing for growth in personnel, capital, branch size, and operational experience, thus providing a more established and mature IFB branch system. The banks included in this study that have fully implemented IFB branches are Abyssinia Bank (BOA), Abay Bank (AB), Awash International Bank (AIB), Commercial Bank of Ethiopia (CBE), Cooperative Bank of Oromia (CBO), Dashen Bank (DB), Nib International Bank (NIB), Oromia International Bank (OIB), United Bank (UB), Wegagen Bank (WB), and Buna International Bank (BIB).

The IFB branches of these commercial banks are suitable for study because IFB services in Ethiopia are exclusively offered through these windows, making them a core part of IFB operations. The operations of IFB branches in these commercial banks represent a significant aspect of the IFB landscape in Ethiopia.

The selection of Addis Ababa is based on several considerations. Firstly, Addis Ababa has a large concentration of IFB clients (Jemal et al., 2018), making it a crucial location for data collection. Secondly, the IFB units of all commercial banks are headquartered in Addis Ababa, providing easy access to decision-makers and key personnel. Lastly, Addis Ababa offers a relatively stable environment for data collection, whereas gathering data outside the city is difficult due to political instability and movement restrictions. Despite these challenges, data collected from the Addis Ababa branches are expected to provide a reliable reflection of IFB operations nationwide.

3.3. **Sampling Technique**

Approaching the entire population and collecting data is often challenging or even impossible due to operational constraints and practical issues such as time and budget limitations. Researchers often simplify their work by studying a smaller group or subset of the population, known as a sample, which represents the larger population. This approach allows them to make general findings while ensuring that the sample accurately reflects the characteristics of the entire population.

The sample for this study was drawn from commercial banks that provide interest-free banking services. This includes IFB clients and staff as well as managers from the IFB divisions at the head offices of the 11 selected banks. To ensure that the sample exclusively consists of institutions that have fully implemented Interest-Free Banking (IFB) services, a purposive sampling technique will be employed. Additionally, within the selected banks, a stratified random sampling method was applied to choose employees from different departments (such as IFB staff, front-line staff, and middlelevel managers) to ensure a well-rounded understanding of IFB operations. For client selection, convenience sampling was employed to gather feedback from a wide range of retail clients using IFB services. This combination of sampling techniques helped to gather reliable and diverse data from key stakeholders in IFB services.

3.4. Sample Size Determination and Sampling Procedures

The sample size for this study was determined using a statistical formula designed for estimating proportions in a population. Given that the total population of Interest-Free Banking (IFB) employees is $N=2518$, we aim to calculate an appropriate sample size that allows us to generalize the findings to the larger population. The formula used for calculating the sample size n is as follows (TESERA, 2022):

$$n_0 = \frac{Z^2 \cdot p \cdot (1 - p)}{e^2}$$

Where:

- n = required sample size,
- Z = Z-score corresponding to the desired confidence level (1.96 for 95% confidence),
- p = estimated proportion of the population (0.5 is used when the proportion is unknown to ensure the maximum sample size),
- E = margin of error (set at 0.05 for a 5% margin).

Substituting the values into the formula, we have $n = 385$.

Next, we adjust the sample size to account for the finite population using the following formula:

$$n' = n / (1 + ((n-1)/N))$$

Substituting our previously calculated sample size (385) and the population size (2518) then, the final sample size determined for the study is approximately **334 IFB employees**. This sample size will provide a robust representation of the employee population, enabling meaningful analysis and conclusions regarding the challenges and opportunities faced by interest-free banking in Ethiopia.

To compute the sample size of the IFB clients, we utilized Cochran's formula. The formula provides a way to estimate the minimum sample size needed for a given confidence level and margin of error. Based on our calculations, the required sample size is **385 IFB clients**.

$$n_0 = \frac{Z^2 \cdot p \cdot (1 - p)}{e^2}$$

Where:

- n_0 = sample size for IFB clients

- $Z = Z\text{-value}$ (e.g., 1.96 for a 95% confidence level)
- $p = \text{estimated proportion of an attribute}$ (use 0.5 for maximum variability)
- $e = \text{margin of error}$ (e.g., 0.05)

The total sample sizes for employees and clients were allocated proportionally to the number of IFB branches each bank operates in Addis Ababa. The allocation formula used was:

$$n_i = \frac{N_i}{N} \cdot n$$

Where:

- n_i : Sample size for each bank,
- N_i : Total IFB branches of a specific bank,
- N : Total IFB branches across all banks,
- n : Total sample size (employees: 334, clients: 385).

For the selection of IFB division managers for the study, one manager was chosen from the head office of each participating bank. This approach ensured that the selected managers possess a comprehensive understanding of the interest-free banking (IFB) operations within their branches.

Table 3. 1: Sample Size allocation by banks

Banks	Total IFB Branches in AA (N_i)	Sample branches $n_i = (N_i/N)n$	Respondents from Bank $= (n_i/N)n$	IFB Clients
AB	68	7	16	18
AIB	173	17	38	43
Bank of Abyssinia	152	15	34	39
CBE	316	31	70	79
CBO	75	7	16	18
DB	154	15	34	39
NIB	137	14	32	36
OIB	95	9	20	23
UB	139	14	32	36

WB	135	13	30	34
BIB	74	7	16	18
Total	1518	152	338	385

Source: author's computation using survey data, 2024

Primary data were collected from two main groups: IFB division managers and employees as well as IFB clients of the selected commercial banks. Division managers, who are directly involved in the operations and oversight of IFB services, will be interviewed to gain insights into the strategic direction, compliance with Shariah law, and operational challenges faced by the banks. Surveys were conducted with clients who utilize the IFB services, allowing the study to capture customer perceptions, experiences, and satisfaction levels. Additionally, an observation checklist was employed to assess the availability and visibility of IFB services at the branches, such as the existence of dedicated windows, promotional materials, and the overall delivery of IFB services.

3.5. Data Collection Methods

For this study, a combination of qualitative and quantitative data collection methods was utilized to gather comprehensive insights. First, in-depth interviews were conducted with IFB division managers from the head offices of the selected commercial banks. These semi-structured interviews are focused on the strategic, operational, and compliance aspects of IFB services, providing valuable insights into challenges, Shariah compliance, and growth opportunities. Second, structured surveys were administered to IFB clients, allowing the collection of quantitative data on customer experiences, satisfaction levels, and perceptions of the services. This survey employed a Likert scale ranging from 1 to 5, with 1 representing "Strongly Disagree" and 5 indicating "Strongly Agree." The surveys feature both closed-ended and open-ended questions to capture both measurable data and qualitative insights from the clients. Lastly, an observation checklist was utilized to directly assess the service environment at selected bank branches. This checklist will evaluate factors such as the presence of dedicated IFB service windows, the visibility of promotional materials, and the overall delivery of IFB services. This combination of interviews, surveys, and observations gave a comprehensive understanding of both managerial and client perspectives on IFB operations. The data collection were facilitated through the Enterprise Resource Planning (ERP) bank system at Abay Bank, which allowed the researcher, as an employee of the bank, to efficiently contact branch managers and other staff, ensuring timely distribution and response to the questionnaire.

3.6. Data Analysis and Presentation

The data collected from interviews, surveys, and observations will undergo both qualitative and quantitative analysis. For qualitative data obtained from the interviews with IFB division managers, thematic analysis was employed. This approach will involve identifying recurring themes, patterns, and insights regarding operational challenges, compliance with

Shariah law, and strategic initiatives. Thematic coding will help in organizing the data for a clear interpretation of the managerial perspective.

Quantitative data gathered through client surveys were analyzed using descriptive statistics, such as mean, frequency, and percentage distribution. This will help in assessing client satisfaction, service adoption, and perceptions of IFB services.

Data analysis was conducted using statistical software, specifically SPSS version 27 (Statistical Package for the Social Sciences), to ensure accurate calculations and effective presentation of the findings. The results of the analysis were presented in a structured manner, combining tables, charts, and graphs to effectively illustrate the quantitative data. The qualitative findings were presented in narrative form, supplemented by direct quotes from interviews to support key findings. This multi-method approach to data analysis and presentation ensured a comprehensive and balanced understanding of the research findings.

3.7. Quality Control

To ensure the reliability and integrity of the research findings, several quality control measures were implemented. Data collectors will undergo rigorous training on study objectives and standardized procedures to minimize biases. A pilot study was conducted to test the survey instruments and refine questions based on feedback. Regular monitoring involving supervisors reviewing completed surveys and interview transcripts for adherence to protocols. Additionally, data entry included a verification process (double checking), where a second team member checks for discrepancies against original responses. These measures aimed to enhance the validity and reliability of the data collected, ensuring robust research outcomes.

3.8. Ethical Considerations

This study adhered to ethical guidelines set forth by the Institutional Review Board (IRB) at Mekelle University. Prior to data collection, approval was obtained to ensure compliance with ethical standards. Participants were informed about the purpose of the research, their voluntary participation, and their right to withdraw at any time without consequences was kept. Confidentiality were strictly maintained, ensuring that personal information remains anonymous and data was used solely for research purposes. Informed consent were obtained from all participants, including division managers, employees, and clients involved in the study.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

4.1. Socio-demographic characteristics of IFB Employees

The socio-demographic profile of IFB employees highlights the composition of a young and dynamic workforce. A significant proportion of employees are aged between 25-34 years (38.3%), reflecting the bank's appeal to younger professionals. The second-largest age group, 35-44 years (17.7%), adds mid-career professionals to the workforce, contributing to a blend of youthful energy and seasoned experience. Employees under the age of 25 make up 18.0%, demonstrating the organization's ability to attract fresh talent, likely due to internship programs, entry-level opportunities, or recent graduates. Conversely, employees in the older age brackets, 45-54 years (14.4%) and 55 years and above (11.7%), represent experienced professionals who bring stability, wisdom, and leadership to the organization. Gender distribution reveals a male-dominated workforce, with men constituting 72.8% and women 27.2%. While this imbalance may reflect broader societal or industry trends, it also highlights an opportunity for IFB to enhance diversity and inclusion by increasing female participation, particularly in leadership and decision-making roles.

Regarding job positions, a significant portion of the workforce is engaged in customer-facing roles, with tellers comprising nearly half (48.5%) and customer service representatives at 41.9%. These roles are critical to the daily operations of IFB, ensuring the delivery of quality services and maintaining client satisfaction. Meanwhile, managerial positions account for 6.6%, reflecting the relatively smaller proportion of leadership roles within the organization. Employees in "other roles" make up the remaining 3.0%, likely encompassing specialized or administrative positions that support the bank's broader operational needs.

The analysis of employee tenure shows that most IFB employees have significant industry experience, with 29.9% having 7-10 years and 28.4% having 4-6 years of experience. This indicates that the organization benefits from a seasoned workforce capable of navigating complex banking operations. Employees with more than 10 years of experience (18.3%) provide long-term expertise and mentorship to their peers. On the other hand, those with less than 1 year of experience (6.0%) represent newcomers, suggesting a steady inflow of fresh talent into the workforce, which could be crucial for innovation and adaptability.

Education levels among IFB employees are notably high, with the majority holding a Master's degree (60.2%), signifying an emphasis on advanced qualifications within the organization. Employees with a Bachelor's degree (31.1%) also form a substantial proportion, indicating the strong foundational academic preparation among the workforce. Meanwhile,

employees with a diploma (8.7%) are likely engaged in technical or specialized roles, complementing the broader operational needs of the institution. This level of educational attainment reflects IFB’s focus on hiring well-qualified individuals to enhance service quality and drive organizational success.

Table 4. 1: Demographic and Employment Characteristics of IFB Employees

Variable Name	Category	Frequency	Percent
Age	Under 25	60	18.0
	25-34	128	38.3
	35-44	59	17.7
	45-54	48	14.4
	55 and above	39	11.7
Gender	Male	243	72.8
	Female	91	27.2
Position in the Bank	CSO	162	48.5
	Accountant	140	41.9
	Manager	22	6.6
	Other	10	3.0
Years of Experience in Banking	Less than 1 year	20	6.0
	1-3 years	58	17.4
	4-6 years	95	28.4
	7-10 years	100	29.9
	More than 10 years	61	18.3
Level of Education	Diploma	29	8.7
	Bachelor’s Degree	104	31.1
	Master’s Degree	201	60.2

The second table provides insights into the employees' familiarity, training, and confidence regarding IFB principles. A significant portion of employees (125 or 37.4%) describe themselves as moderately familiar with IFB principles, while 95 (28.4%) are very familiar. On the other hand, 74 (22.2%) are only slightly familiar, and 40 (12.0%) are not familiar at all.

Regarding participation in IFB training, 113 (33.8%) rarely participate, 86 (25.7%) attend sometimes, and 60 (18.0%) participate often. However, 75 (22.5%) have never participated in training. When it comes to confidence in explaining IFB services, 131 (39.2%) feel moderately confident, followed by 101 (30.2%) who are only slightly confident, and 46 (13.8%) who are very confident. Notably, 56 (16.8%) are not confident at all.

Finally, formal training on Shariah law is provided to the majority of employees, with 213 (63.8%) having received such training, while 121 (36.2%) have not. These findings highlight that although many employees are moderately familiar and confident with IFB principles, a significant portion still lacks sufficient training and familiarity, which could impact the quality-of-service delivery.

Table 4. 2: IFB Knowledge, Training, and Confidence Among Employees

Variable Name	Category	Frequency	Percent
Familiarity with Interest-Free Banking Principles	Not at all familiar	40	12.0
	Slightly familiar	74	22.2
	Moderately familiar	125	37.4
	Very familiar	95	28.4
Participation in IFB Training	Never	75	22.5
	Rarely	113	33.8
	Sometimes	86	25.7
	Often	60	18.0
Confidence in Explaining IFB Services	Not confident at all	56	16.8
	Slightly confident	101	30.2
	Moderately confident	131	39.2
	Very confident	46	13.8
Formal Training on Shariah Law	Yes	213	63.8
	No	121	36.2

4.2. Socio-demographic Characteristics of Clients

The socio-demographic characteristics of IFB clients provide valuable insights into the profile and preferences of the bank's customer base. The majority of clients are male (70.1%), with females comprising 29.9%. This gender disparity

reflects broader societal trends in financial decision-making, where men often dominate financial activities, particularly in regions where cultural or economic factors influence banking habits. This indicates a potential opportunity for IFB to develop strategies to increase financial inclusion among women, which could further expand its client base.

Religion plays a critical role in shaping the preferences of IFB clients. The overwhelming majority, 92.5%, identify as Muslim, underscoring the importance of Shariah-compliant financial products as a key driver for client engagement. The remaining 7.5%, who identify as non-Muslim, demonstrate that IFB services also appeal to individuals outside the Islamic faith, likely due to ethical banking principles, transparency, or competitive offerings. This indicates that while IFB primarily caters to the Muslim community, it has the potential to attract a more diverse clientele by emphasizing universal values such as fairness and trust.

Analyzing previous banking habits reveals significant insights into the motivations behind clients' transition to IFB services. Nearly half of the clients (49.1%) refrained from using conventional banks due to their reliance on interest payments, which are prohibited under Islamic principles. This underscores the critical role IFB plays in addressing the unmet needs of this demographic. Another 25.7% previously used conventional banking services without engaging in interest, while 16.6% actively participated in interest-bearing banking, indicating a shift in financial behavior for some clients. Notably, 8.6% of clients had no prior banking experience, reflecting IFB's success in reaching unbanked populations, likely through targeted awareness campaigns or community engagement.

The data on service usage duration highlights strong client loyalty and trust in IFB services. A majority of clients (51.2%) have been using IFB services for over two years, indicating satisfaction with the products and services offered.

Clients with one to two years of usage (30.1%) and those with less than a year (18.7%) illustrate the bank's ability to attract and retain new customers. These figures suggest a growing adoption of IFB services, which may be attributed to effective marketing, word-of-mouth referrals, or the distinct advantages of Shariah-compliant banking.

The preference for specific account types provides further insight into client behavior. Wadia saving accounts, which align with Islamic principles by offering secure, non-interest-bearing savings options, are the most popular choice, used by 50.1% of clients. Current accounts, utilized by 34.5%, serve clients seeking flexible, daily transactional services. Meanwhile, investment finance accounts (15.3%) cater to clients interested in Shariah-compliant investment opportunities, reflecting the bank's ability to meet diverse financial needs.

Table 4. 3: Socio-Demographic Characteristics and Banking Preferences of IFB Clients

Variables	Category	Frequency	Percent
Gender	Male	270	70.1
	Female	115	29.9
Religion	Muslim	356	92.5
	Non-Muslim	29	7.5
Habit of Using Bank	Interest bearing Conventional banking	64	16.6
	Conventional banking without interest	99	25.7
	I was not using bank since it pays interest	189	49.1
	I was not using bank services	33	8.6
IFB Service Usage Duration	Below one year	72	18.7
	From one to two-year	116	30.1
	Above two years	197	51.2
Type of IFB Account Used	Wadia saving	193	50.1
	Current Account	133	34.5
	Investment Finance	59	15.3

4.3. **Current Status: Managerial Insights on Shariah Governance, Client Engagement, and Growth Prospects in IFB**

This section explores the current status of the bank’s Interest Free Banking (IFB) services through insights gathered from 33 interviewees. The interviewees, representing diverse roles such as Shariah Supervisory Board members, customer service staff, and operational departments, provided valuable perspectives on key aspects of IFB operations, including Shariah governance, client engagement, operational challenges, product offerings, and future growth plans.

4.3.1 **Managerial Insights on Shariah Governance**

The bank (OIB) established its Shariah Supervisory Board in 2018 for the time and the other banks followed it, with a dedicated Shariah advisory board ensuring operations comply with Islamic principles. Regular quarterly meetings monitor IFB functions, fostering transparency and compliance. One interviewee emphasized, "Having the Shariah Board involved ensures we address potential issues promptly, building customer trust."

A strict fund segregation policy ensures Shariah compliance by maintaining separate accounts for IFB services. Regular audits by the Shariah Board enhance accountability and trust, assuring clients their funds are managed ethically.

4.3.2 Client Engagement and Satisfaction

The banks actively gather client feedback through surveys and focus groups. Customer service teams, trained in Islamic finance, facilitate meaningful conversations to align services with client needs. A staff member noted, "Continuous dialogue is key to understanding what our clients truly value."

Customer satisfaction is gauged using surveys and feedback forms. Findings reveal high satisfaction levels, with clients appreciating the ethical framework of IFB services. However, areas like communication and outreach need improvement.

4.3.3 Service Implementation and Operational Challenges

The primary challenge in promoting IFB services is the lack of awareness about Islamic banking. Many potential clients associate conventional banking with greater reliability. Educational campaigns, workshops, and collaborations with community leaders have been effective in building trust and awareness.

Training programs covering Shariah principles and IFB products ensure employees are well-equipped to serve clients.

Ongoing workshops and refresher courses keep staff updated on developments in Islamic finance.

4.3.4 Types of IFB Products and Services

The banks offers a range of Shariah-compliant products, including profit-sharing investment accounts, interest-free home financing, and Islamic insurance (Takaful). These differ significantly from conventional banking products, adhering to Islamic principles and ethical banking practices.

4.3.5 Key Performance Indicators (KPIs)

To evaluate IFB operations, the bank tracks metrics such as deposit amounts, active accounts, portfolio growth, and customer satisfaction scores. Monthly reports provide real-time data for informed decision-making.

4.3.6 Growth Prospects and Future Development Plans

Demand for IFB services is rising, driven by increased awareness of Islamic finance's ethical aspects and the growing Muslim population. The bank is optimistic about its growth trajectory despite economic and awareness-related challenges.

The banks plans to introduce digital banking solutions tailored for IFB customers and explore partnerships to offer innovative products like Islamic business financing. A focus on community engagement and public education aims to further drive growth.

4.4. Current Status: Assessment of IFB Service Implementation across Ethiopian Commercial Banks (researcher direct observation result)

The table presents the availability and performance of various aspects of Interest Free Banking (IFB) services across 11 commercial banks in Ethiopia. These aspects include the presence of a separate IFB service window, availability of promotional materials, dedicated staff, IFB-specific tickets, active IFB service delivery, and information on customer benefits. Each column shows the number of branches within each bank that either offer or lack these elements.

The **Commercial Bank of Ethiopia (CBE)** exhibits the most consistent IFB services, with 29 branches providing active services, dedicated staff, and separate service windows, demonstrating a strong focus on IFB. **Awash Bank** also shows considerable IFB engagement, with 10 branches maintaining a separate IFB window and promotional materials. **Bank of Abyssinia** and **Dashen Bank** similarly reflect moderate implementation of IFB services, although there is some inconsistency across branches.

On the other hand, smaller banks like **Abay Bank** and **Buna International Bank** demonstrate lower adoption of IFB services, with fewer branches offering separate IFB windows, assigned staff, and customer benefit information. **Cooperative Bank of Oromia** and **Oromia International Bank** show efforts toward promoting IFB but have fewer branches actively engaged.

In summary, the table reveals that while larger banks, particularly CBE, have implemented comprehensive IFB services, smaller banks display varying levels of engagement. The differences suggest opportunities for further development, particularly in the availability of dedicated staff, promotional materials, and clear communication of customer benefits. Expanding these elements can enhance the visibility and uptake of IFB services across the banking sector.

Table 4. 4: Assessment of IFB Service Implementation across Ethiopian Commercial Banks (researcher direct observation)

Banks	1. Separate IFB Window		2. Promotional Materials		3. Assigned Staff		4. IFB Tickets Available		5. Active IFB Service		6. Customer Benefits Info	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
AB	4	3	5	2	1	6	4	3	6	1	5	2
AIB	10	7	8	9	11	6	7	10	11	6	10	7
BOA	8	7	7	8	10	5	9	6	10	5	8	7

CBE	28	3	29	2	27	4	27	4	26	5	29	2
CBO	4	3	3	4	5	2	4	3	5	2	3	4
DB	9	6	8	7	11	4	6	9	11	4	7	8
NIB	8	6	7	7	8	6	5	9	8	6	5	9
OIB	5	4	4	5	7	2	5	4	7	2	4	5
UB	8	6	6	8	8	6	7	7	8	6	7	7
WB	7	6	6	7	8	5	5	8	6	7	4	9
BIB	4	3	3	4	5	2	3	4	5	2	3	4

Source: Own survey, 2024

4.5. Current Status: Assessment of Client Knowledge on Interest-Free Banking Products

The findings show a varied level of familiarity among clients with different IFB products. Notably, clients expressed strong familiarity with Amana and Wadia, both scoring high mean values of 4.55. This suggests that these products are well understood and recognized by clients, indicating their popularity and relevance in the IFB landscape.

Similarly, the Mudarabah product also received a high mean score of 4.52, further reinforcing the perception of its significance among clients. Other products such as Ijara (mean = 4.50) and Selam (mean = 4.48) also demonstrated strong familiarity, suggesting that clients are well-informed about these offerings.

In contrast, the Kard product received a mean score of 2.44, indicating that clients are less familiar with this option. This suggests a need for increased awareness and education regarding the Kard product among clients to enhance its acceptance.

The Istisna product showed a mean score of 2.58, which falls on the cusp of neutrality, indicating that clients are somewhat familiar but not well-versed in its specifics. Similarly, the Musharaka product has a mean of 3.40, indicating a moderate level of familiarity, while Murabaha received a mean score of 3.48, reflecting a generally positive recognition but less familiarity compared to other products.

Table 4. 5: Client Familiarity with Interest-Free Banking Products

Statements	N	Mean	Std. Deviation
Familiar with Kard	380	2.44	1.072
Familiar with Amana	379	4.55	1.069
Familiar with Wadia	383	4.55	1.070

Familiar with Mudarabah	379	4.52	1.113
Familiar with Murabaha	382	3.48	1.064
Familiar with Ijara	382	4.50	1.127
Familiar with Selam	381	4.48	1.134
Familiar with Istisna	376	2.58	1.053
Familiar with Musharaka	378	3.40	1.136

Source: Own survey, 2024

4.6. Challenges: Employee Responses on Challenges Facing Interest-Free Banking (IFB)

Employees disagreed that the community is well-informed about the IFB system (mean = 1.94), suggesting that a lack of awareness remains a significant barrier to adoption. Additionally, respondents disagreed with the statement that the legal and institutional framework for IFB is effective (mean = 2.94) and felt that current banking policies are inadequate to support the growth of IFB (mean = 2.91), reflecting uncertainty about whether existing policies sufficiently address the needs of IFB.

There was strong disagreement regarding the statement that IFB should operate under a different regulatory framework (mean = 1.06), possibly indicating that employees do not see the need for completely separate regulation from conventional banking. Similarly, negative perceptions about IFB due to religious associations were not seen as a major challenge, as reflected by a mean of 1.05.

Employees agreed that legal, supervisory, regulatory, and institutional challenges are significant obstacles for IFB (mean = 3.09) and that there is a shortage of trained personnel in the field (mean = 3.09). They also emphasized that proper segregation of funds between conventional and IFB services is necessary to attract more customers (mean = 2.10), though their agreement here is relatively modest.

The most pressing challenge highlighted was the lack of research and development in IFB, which received a mean of 4.10, indicating strong agreement that this is a critical area requiring attention. Finally, challenges arising from government policies and regulations from the National Bank of Ethiopia (NBE) were acknowledged with a neutral stance (mean = 3.00), suggesting mixed views on the adequacy of existing government support for IFB services.

Table 4. 6: Employee Responses on Challenges Facing Interest-Free Banking (IFB)

Statements	N	Mean	Std. Deviation
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Community Awareness of Interest-Free Banking	329	1.94	1.292
Legal and Institutional Challenges of IFB	329	3.09	1.234
Need for Fund Segregation between IFB and Conventional Banking	327	2.10	1.321
Lack of Research and Development in IFB	330	4.10	1.230
Inadequate Banking Policies for IFB Growth	328	2.91	1.234
Shortage of Trained Personnel in IFB	329	3.09	1.199
Need for a Separate Regulatory Framework for IFB	329	1.06	1.245
Effectiveness of the Legal and Institutional Framework for IFB	328	2.94	1.218
Challenges from Government Policies and NBE Regulations	327	3.00	1.314
Negative Public Perception due to Religious Associations	331	1.05	1.234

4.7. Challenges: Client Perceptions of Challenges in Interest-Free Banking (IFB)

4.7.1. Understanding of IFB Concepts and Shariah Principles

The clients displayed a strong understanding of the fundamental concepts of interest-free banking (mean = 4.01) and Shariah principles (mean = 3.96). This is indicative of a solid foundation of knowledge regarding the ethical and operational aspects of IFB services. Clients seem to be confident in the general principles underlying IFB services, suggesting that awareness and education efforts in these areas have been effective.

4.7.2. Awareness of IFB Services

Clients also showed good familiarity with the services offered by IFB in Ethiopia, with a mean score of 3.91. This suggests that a significant portion of the clientele is aware of the products and services available, reflecting positive outreach efforts and a growing understanding of the bank's offerings in the market.

4.7.3. Uncertainty in Fund Utilization

However, a noticeable challenge arises in clients' understanding of how their deposits are utilized within the framework of IFB (mean = 2.96). This indicates a gap in communication or education regarding fund management and the ethical, Shariah-compliant mechanisms behind the use of deposited funds. Addressing this lack of clarity could enhance client trust and confidence in IFB services.

4.7.4. Trust in Shariah Adherence

Interestingly, clients displayed a strong belief that IFB branches operate in full adherence to Shariah principles, with a low mean of 1.96 on statements questioning this adherence. This indicates a high level of trust in the religious compliance of the bank's operations. However, this perception may be reflective of a general assumption of compliance rather than a deep understanding of the specific Shariah practices involved.

4.7.5. Perception of IFB vs Conventional Banking

One area of concern is the perception of IFB branches being somewhat similar to conventional banks, with a mean score of 3.07. This could point to lingering skepticism or confusion about the unique characteristics of IFB services in comparison to traditional banking models. Such perceptions might undermine the distinctiveness of IFB offerings, highlighting a need for clearer differentiation between the two types of services.

4.7.6. Skepticism about IFB Services

The relatively high mean score of 3.99 for clients doubting the services of IFB indicates a level of skepticism. While clients generally understand the core principles, their uncertainty about the effectiveness or the differences between IFB and conventional banking may lead to doubts about the practicality and reliability of these services. Strengthening the communication of IFB's advantages and operational transparency could help address these concerns.

4.7.7. Competence of IFB Officers

Clients showed a neutral stance on the competence of officers providing IFB services, with a mean score of 3.04. While this suggests a certain level of trust in staff abilities, there is room for improvement in client perceptions of the professionalism and expertise of IFB service providers. Providing additional training and enhancing customer service could help elevate these perceptions.

Table 4.7: Challenges in Client Awareness and Understanding of Interest-Free Banking

Statements	N	Mean	Std. Deviation
Understands IFB Concepts	378	4.01	1.365
Understands Shariah Principles	380	3.96	1.209
Familiar with IFB Services in Ethiopia	381	3.91	1.266
Knows IFB Deposit Usage	382	2.96	1.237

Believes IFB Services Follow Shariah	380	1.96	1.242
Thinks IFB is Similar to Conventional Bank	380	3.07	1.261
Doubts IFB Services	381	3.99	1.340
Officers are Competent	377	3.04	1.292

4.8. Opportunities: Perceptions of Bank Employees on Opportunities and Current Status in IFB

Employees generally expressed a strong belief that current global trends in financial services positively influence the future of IFB in Ethiopia, as indicated by a mean score of 4.03. This reflects optimism about the alignment of IFB with international developments in finance. Similarly, there was significant agreement on the attractiveness of investment loan services offered by IFB, with a mean of 4.06, suggesting that employees view these services as appealing and accessible to potential clients.

However, the perception regarding the demand for IFB services in Ethiopia is notably low, with a mean score of 2.06. This suggests that employees feel there is a limited need for IFB services, which may impact the overall growth and acceptance of such banking options. The same trend is evident in the employees' views on IFB's contribution to society and the economy, reflected in a mean of 2.05. This indicates skepticism about the broader impact of IFB in addressing societal needs.

Employees also exhibited a neutral stance regarding the role of IFB products in facilitating business expansion and investment (mean = 3.03) and the flexibility and adaptability of IFB within the financial system (mean = 3.03). This neutrality suggests that while employees recognize potential benefits, there may be uncertainties or challenges in realizing these advantages.

On a more positive note, the introduction of IFB has led to increased deposits, evidenced by a mean score of 3.72. This is further supported by a strong perception of the profitability of IFB financing, which garnered a mean of 4.08. Additionally, employees noted a growth in the customer base associated with IFB services (mean = 4.02) and the bank's effectiveness in attracting new customers from existing banks (mean = 4.01).

Table 4. 8: Assessment of Opportunities and Current Status of Interest-Free Banking from Employee Perspectives

Statements	N	Mean	Std. Deviation
Impact of Global Financial Trends on IFB	326	4.03	1.226
Demand for IFB Services in Ethiopia	328	2.06	1.228
IFB Products' Role in Business Expansion and Investment	330	3.03	1.209

Attractiveness of Investment Loan Services in IFB	327	4.06	1.233
IFB's Contribution to Society and the Economy	322	2.05	1.276
Flexibility and Adaptability of IFB in the Financial System	328	3.03	1.223
IFB's Relevance to Current Market Requirements	330	4.03	1.155
Increase in Deposits with the Introduction of IFB	326	3.72	1.217
Profit or Markup from IFB Financing	329	4.08	1.245
Growth in Customer Base with IFB Services	328	4.02	1.252
IFB's Role in Attracting New Customers from Existing Banks	332	4.01	1.262

4.9. Opportunities: Assessment of Opportunities for IFB among Clients

Overall, clients generally agree with the positive opportunities presented by IFB. The statement regarding the demand for IFB in Ethiopia has a mean score of 3.57, suggesting that clients perceive a true demand for IFB services within the country. This highlights the potential for growth in the sector as more individuals seek alternative banking options.

Regarding the statement that IFB increases saving and investment, a mean score of 3.49 reflects a positive perception, indicating that clients believe IFB can play a significant role in promoting saving behaviors and fostering investment opportunities. This aligns with the broader goal of enhancing financial inclusion and economic growth in Ethiopia.

Clients also agree that IFB serves as an alternative to conventional banks, with a mean score of 3.55, reinforcing the notion that IFB is becoming an increasingly viable option for those seeking banking services aligned with their values. Furthermore, the statement that IFB is comfortable and easy to use received a mean score of 3.58, indicating a general satisfaction with the user experience associated with IFB services.

Notably, clients believe that the start of IFB benefits the non-Muslim community, as indicated by a mean score of 3.62. This suggests that the perceived benefits of IFB extend beyond the Muslim population, emphasizing its inclusive nature in serving diverse communities in Ethiopia.

Lastly, a mean score of 3.59 for the statement "I started saving due to IFB" suggests that many clients have actively engaged with IFB services, utilizing them to enhance their savings.

Table 4. 9: Clients' Perceptions of Opportunities in Interest-Free Banking in Ethiopia

Statements	N	Mean	Std. Deviation
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Demand for IFB in Ethiopia	378	3.57	1.226
IFB Increases Saving and Investment	382	3.49	1.263
IFB is an Alternative to Conventional Banks	383	3.55	1.287
IFB is Comfortable and Easy to Use	379	3.58	1.314
IFB Benefits Non-Muslim Community	379	3.62	1.311
Started Saving Due to IFB	383	3.59	1.340

4.10. Discussion

The study highlights the pivotal role of Shariah Supervisory Boards (SSBs) in ensuring compliance with Islamic principles. This finding is consistent with Hassan and Lewis (2007), who emphasized that robust Shariah governance builds customer trust and ensures adherence to ethical banking practices. Ethiopian banks, such as the Commercial Bank of Ethiopia (CBE), demonstrate regular SSB oversight, similar to practices observed in Malaysian and Middle Eastern banks (Khan & Bhatti, 2008). However, the periodic nature of board meetings (quarterly) may limit real-time responsiveness to compliance issues, an area that warrants further strengthening.

Our results underline proactive client engagement through surveys, focus groups, and tailored communication strategies, which aligns with findings from Gait and Worthington (2007). These studies suggest that customer education and dialogue are critical in demystifying Islamic financial principles. However, the low familiarity scores for products like Kard (mean = 2.44) and Istisna (mean = 2.58) in Ethiopia indicate a significant gap compared to regions like Southeast Asia, where IFB awareness is higher due to longstanding educational campaigns (Ahmed, 2010). This disparity underscores the need for intensified awareness programs and innovative marketing strategies tailored to local contexts.

The lack of awareness among potential clients and the limited reach of IFB services in smaller banks mirror challenges identified in other emerging markets, such as sub-Saharan Africa (Chazi et al., 2018). For instance, in Kenya, banks have effectively addressed these barriers by collaborating with religious leaders to promote IFB services, a practice Ethiopian banks could adopt to overcome skepticism and build community trust.

The strong client familiarity with products like Amana, Wadia, and Mudarabah (mean scores above 4.5) indicates alignment with findings from Khan and Bhatti (2008), who noted that profit-sharing and deposit products resonate strongly with IFB clients globally. However, Ethiopian clients' limited familiarity with products such as Musharaka and Istisna contrasts with trends in regions with more mature IFB markets, such as the Gulf Cooperation Council (GCC) countries, where these products are widely adopted (Ahmed & Mohieldin, 2017). This gap suggests the need for targeted education and promotional efforts to enhance product acceptance.

The implementation of strict fund segregation policies by Ethiopian banks, as highlighted in this study, aligns with global best practices outlined by Archer and Karim (2009). Regular audits by Shariah Boards further enhance transparency, a critical factor in building trust, as evidenced in studies from Indonesia and the UAE (Rosly & Bakar, 2003). However, smaller Ethiopian banks lag in these practices, which may affect client confidence and overall adoption rates.

The emphasis on employee training reflects trends observed in studies from Pakistan and Malaysia, where continuous professional development has been identified as a key driver of IFB success (Farook & Lanis, 2007). Ethiopian banks' commitment to comprehensive training aligns with these findings, but the absence of standardized curricula and certification programs, as noted in this study, could limit the scalability of training efforts.

The optimistic growth trajectory of IFB services in Ethiopia, driven by increasing demand from both Muslim and non-Muslim clients, mirrors global trends observed in countries like Turkey and Indonesia (Ismail, 2010). However, the study identifies challenges, such as fluctuating economic conditions and inadequate legal frameworks, which are consistent with findings from other developing markets (Iqbal & Molyneux, 2005). Addressing these structural barriers is crucial for sustained growth.

Our direct observation of Ethiopian banks reveals significant variations in the implementation of IFB services, with larger banks like CBE leading the way. This finding aligns with the work of Dusuki (2008), who highlighted that larger institutions often have more resources to invest in IFB development. In contrast, smaller banks face resource constraints, leading to inconsistent service delivery. This disparity underscores the importance of policy interventions and capacity-building initiatives to ensure equitable access to IFB services.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

The results of this study reveal key insights into the socio-demographic profiles, perceptions, and managerial viewpoints related to Interest-Free Banking (IFB) in Ethiopia. Both employees and clients expressed optimism about the potential of IFB, identifying strong demand driven by ethical values, financial inclusiveness, and alternative banking solutions. The socio-demographic analysis shows diverse participation across various groups, including both Muslim and non-Muslim clients, which reflects the broader appeal of IFB.

Clients and employees perceive IFB as a viable complement to conventional banking, with reported increases in savings, investments, and customer acquisition. However, the study also uncovered significant challenges. Both groups highlighted the need for improved awareness, as misconceptions about IFB's reliability and fluctuating economic conditions continue to impede wider adoption. From the qualitative insights, managerial perspectives stressed the importance of proactive client engagement, ongoing employee training, and strong Shariah governance to ensure compliance and build trust.

While IFB services have shown promising growth, including increased deposits and customer satisfaction, continuous efforts are required to sustain progress. Innovations in product offerings, digital services, and collaborative awareness campaigns are essential to overcoming operational challenges and fully integrating IFB into the financial landscape. The findings underline the critical role of transparent fund management and community engagement in ensuring the long-term success of IFB.

5.2. **Recommendation**

Based on the analysis and findings, the following recommendations are proposed to enhance the effectiveness and sustainability of Interest-Free Banking (IFB) services in Ethiopia:

1. **Targeted Awareness Campaigns:**

The analysis indicates a positive understanding of IFB concepts and Shariah principles among clients. However, gaps in knowledge, particularly about the use of deposited funds and the distinctiveness of IFB services, suggest the need for more targeted awareness efforts. Banks should launch campaigns that address these misconceptions and emphasize the unique benefits of IFB. Collaborating with community leaders, religious institutions, schools, and media outlets can help raise awareness. Workshops, webinars, and the use of social media platforms should be leveraged to reach both Muslim and non-Muslim communities, ensuring that the message resonates with a broader audience.

2. **Product Innovation and Diversification:**

To cater to the diverse needs of individuals and businesses, banks should focus on product innovation. Based on the findings, there is room for growth in Shariah-compliant products, such as Islamic business financing, Takaful (Islamic insurance), and home financing options. Additionally, expanding digital services can enhance

convenience, with offerings such as mobile banking, e-wallets, and online platforms that allow clients to easily access IFB services.

3. Strengthening Shariah Governance and Compliance:

Maintaining client trust is crucial, and the analysis reveals that clients place significant importance on the adherence to Shariah principles. Strengthening Shariah governance and compliance is therefore paramount. Regular audits of banking operations and frequent meetings of the Shariah Supervisory Board are recommended to ensure that all practices align with Islamic principles. Furthermore, improving transparency in reporting on fund segregation and the ethical management of deposits and investments will help build client confidence.

4. Employee Training and Capacity Building:

The analysis highlighted a neutral perception regarding the competence of IFB officers. To address this, banks should invest in continuous employee training focused on Islamic finance principles and customer service. Offering refresher workshops will ensure that staff stay up-to-date with industry trends and regulatory changes. Empowering employees with the knowledge to answer clients' questions with confidence can also enhance client satisfaction and trust in the bank's services.

5. Promoting Digital Transformation:

The growing demand for convenient and accessible banking services suggests a need for digital transformation. Banks should develop user-friendly digital banking solutions that enhance client accessibility to IFB services. Collaborating with fintech companies can help integrate seamless mobile banking and e-wallet services, enabling clients to manage their finances with ease. Digital platforms can also be a tool for fostering greater client engagement, providing feedback mechanisms such as surveys and user reviews.

6. Improving Client Engagement and Feedback Mechanisms:

The analysis reveals that while clients understand the basic concepts of IFB, they still express some doubts about the services. To better address these concerns, banks should establish structured feedback mechanisms, such as regular client surveys, focus groups, and advisory boards. These platforms will help identify areas of improvement and ensure that the bank is meeting the evolving needs and expectations of its clients. Additionally, targeted communication efforts should focus on clarifying misconceptions and strengthening relationships.

7. Addressing Operational Challenges and Economic Barriers:

While policy gaps in the Islamic finance sector were not addressed in this study, it is essential for banks to work with policymakers and regulators to create an enabling environment for IFB. Advocating for legal frameworks that support Islamic finance can help remove barriers to growth. Banks should also explore partnerships with microfinance institutions and other financial service providers to promote financial inclusion, reaching underserved communities and enhancing the reach of IFB services. Such collaborations will help mitigate operational challenges and promote the growth of ethical and inclusive financial solutions in Ethiopia.

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Appendix A: English Survey Tools

Consent Form for Participants in the Study on IFB Services

Introduction

You are invited to participate in a research study on the current status, challenges, and opportunities of interest-free banking (IFB) services in Ethiopian commercial banks for the partial fulfillment of the requirement for MA degree in Accounting and Auditing at Mekelle University. The study will collect data from division managers, employees, and clients of selected commercial banks offering IFB services. Your participation will help us understand the different perspectives and experiences associated with IFB services.

Voluntary Participation: Participation is voluntary for all groups. You may choose to withdraw from the study at any time without any penalty or impact on your relationship with your bank.

Confidentiality: All information you provide will be kept confidential. Your name and other identifying details will not be linked to the data collected, and the results of this study will be presented in a manner that ensures no individual or organization can be identified.

Nature of Involvement

- Division Managers: You will be asked to participate in an interview to discuss the management and strategic direction of IFB services within your bank.
- Employees: You will be asked to complete a survey or questionnaire about your work experiences and perspectives on the IFB services offered by your bank.
- Clients: You will be asked to complete a survey that captures your experience and satisfaction with the IFB services you use.

Duration: Participation in the interview or survey is expected to take no more than 30 minutes.

Data Usage: The information gathered will only be used for research purposes and will be handled to ensure privacy. No personal information will be shared outside of this research.

Consent Agreement: By signing below, you acknowledge that you have read and understood this consent form, and you agree to participate in this study.

Participant's Signature: _____

Date: **Role**

(Please select):

Division Manager

Employee

Client

Questionnaire for IFB Employees



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Section 1: Demographic Information

1. Age:

- A. Under 25
- B. 25-34
- C. 35-44
- D. 45-54
- E. 55 and above

2. Gender:

- A. Male
- B. Female

3. Position in the Bank:

- A. Customer Service Officer
- B. Accountant
- C. Manager
- D. Other (please specify): _____

4. Years of Experience in Banking:

- A. Less than 1 year
- B. 1-3 years
- C. 4-6 years
- D. 7-10 years
- E. More than 10 years

5. Educational Background:

- A. Diploma
- B. Bachelor's Degree
- C. Master's Degree
- D. Other (please specify): _____

Section 2: Knowledge and Awareness of IFB Services

6. How familiar are you with the principles of Interest-Free Banking?

- A. Not at all familiar D. Very familiar
- B. Slightly familiar E. Extremely familiar
- C. Moderately familiar

6. How often do you participate in training related to IFB services?

- A. Never D. Often
- B. Rarely E. Always
- C. Sometimes

7. How confident do you feel in explaining IFB services to clients?

- A. Not confident at all D. Very confident
- B. Slightly confident E. Extremely confident
- C. Moderately confident

8. Have you received formal training on Shariah law and its implications for IFB?

- A. Yes B. No

Section 3: Perception of IFB Services

Part Two: Respondents’ opinion regarding challenges & Opportunities of IFB

Next, there are listed items which deal with respondents view on challenges of interest free Banking in Ethiopia. These items will explore respondent’s assessment of challenges facing Interest free banking. So please tick the number that you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

A. Challenges of Interest-Free Banking in Ethiopia

Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1. The community is well-informed about the InterestFree Banking system.					
2. There are significant legal, supervisory, regulatory, and institutional challenges facing Interest-Free Banking.					

3. Proper segregation of funds between Interest-Free Banking and conventional banking services is necessary to attract more customers.					
4. There is a lack of research and development in Interest-Free Banking and finance, leading to a shortage of qualified human resources.					
5. The current banking policies are inadequate for supporting the growth of Interest-Free Banking.					
6. There is a shortage of trained personnel in the field of Interest-Free Banking.					
7. Interest-Free Banking should operate under a different regulatory framework because it differs from conventional banking in terms of risk, ownership, and governance.					
8. The legal and institutional framework for InterestFree Banking is strong and effective.					
9. Interest-Free Banking faces challenges due to government policies and regulations from the National Bank of Ethiopia (NBE).					
10. There is a negative perception among the public about Interest-Free Banking due to its association with religion.					

11. If you have to mention other challenges being encountered by the Interest free bank windows, please list them?

B. Opportunities (#12 - #17) and Current status (#18 - #22) of interest free banking in Ethiopia

Instruction: Please tick the number that you feel most appropriate, using the scale from 1 to 5 (Where 1 = strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
12. The current global trends in Financial Services will have positive manifestations on the future of Interest free banking in Ethiopia.					
13. There is Interest free banking service need in Ethiopia so that it will alleviate the financial services deprivation of the community who need interest free service.					
14. The offering of interest free banking products (Saving and Loan Service) will improve the tendency for business expansion and investment.					
15. People would use investment loan service due to its attractiveness and easy access.					
16. Interest free banking is able to fulfill the society needs and as well helpful to Ethiopian economy					
17. Interest free banking is flexible and easy to adopt in financial system					
18. Interest free banking is up to date and fulfilling the current market requirements					

19 Deposits increased with introduction of Interest free banking					
20. The profit or markup from IFB financing is remarkable					
21. Number of customers increased when providing Interest free banking					
22. Interest free banking helps to attract new customers from existing banks					

23. If you have to mention other focus being encountered by the Interest free bank windows, please list them?

24. If you have to mention other opportunities of the Interest free bank windows please list them?

Questionnaire for IFB Clients



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To be filled by IFB Clients whose customer experience is more than six months Section

1: Demographic Information

- 1.1. Gender: Male Female
- 1.2. Your Religion: Muslim non-Muslim
- 1.3. What was your habit of using bank
- a. Interest bearing Conventional banking
 - b. Conventional banking without interest
 - c. I was not using bank since it pays interest
 - d. I was not using bank services
- 1.4. How many years you used IFB services
- a. Below one year b. From one to two-year c. Above two years
- 1.5. Which type of IFB account you are using (you can choose more than one option)
- a. Wadia saving b. Current Account c. Investment Finance

Part Two: Challenges and Opportunities of IFB Services

So please tick the number that you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

A. Challenges

Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1. I understand basic concepts of interest-free banking					

2. I understand the Shariah principles and the work of IFB					
3. I know the services of IFB being given in Ethiopia					
4. I know how the IFB uses the money I am depositing					
5. It is my belief that IFB branches are giving services based on the Shariah.					
6. IFB branches are not different from the conventional bank except showing Arabic words					
7. I doubt the services given by IFB branches					
8. The officers providing IFB services are competent					

9. **What are the challenges for others not to use IFB service** -----

-----.

1. I know the following IFB products very well

Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
9.1. Kard					
9.2. Amana					
9.3. Wadia					
9.4. Mudarabah					
9.5. Murabaha					
9.6. Ijara					
9.7. Selam					
9.8. Istisna					
9.9. Musharaka					

B. Opportunities

Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
10. There is true demand in Ethiopia for IFB					

11. IFB will increase saving and financing and then promote investment					
12. IFB is an alternative to the conventional bank					
13. IFB is easy and comfortable to use					
14. The start of IFB also benefits the non-Muslim community					
15. When IFB began, I started saving my money there					

10. Please mention those opportunities in related with Interest Free Banking? -----

-----.

C. Current Status

11. Do you mention the current status of IFB in Ethiopia? -----

-----.

Part three: General

12. What do you say about IFB, if any? -----

-----.

Interview Question for IFB Division Managers



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This interview is designed to middle level management of IFBs collect data about challenges, opportunities and current status of interest free banks of Ethiopian commercial banks for the partial fulfillment of MA degree in Accounting & Auditing.

1. Does your bank have a shariah supervisory board or shariah advisor? If yes, when you hired shae`ih advisor?
Does the Shariah Board regularly monitor the functions and operations of the windows? If not, why?
2. How does your division engage with clients to understand their needs and preferences regarding IFB services?
3. What are the main challenges your division faces in promoting and delivering IFB services? How are these challenges addressed?
4. How has the demand for IFB services changed in recent years? What factors do you think influence this demand?
5. Can you explain how your bank segregates funds for IFB operations to ensure compliance and transparency?
6. What training programs does your bank offer to employees involved in IFB operations? How do you ensure that they are well-versed in Shariah principles?
7. How does your division measure customer satisfaction with IFB services? Can you share any recent findings from client feedback?
8. What types of IFB products and services does your bank offer? How do these offerings differ from conventional banking products?
9. What key performance indicators (KPIs) (like amount of deposit, customer,etc) do you use to evaluate the success of the IFB division? How do you track and report these metrics?
10. What are your plans for the future development of IFB services within your bank? Are there any new products or initiatives in the pipeline?
11. What others to say, if any?

Observation Checklist



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This checklist is designed to assess the availability and delivery of Interest-Free Banking (IFB) services at selected bank branches. The observer should carefully examine each branch and provide answers based on direct observations.

For each question:

- If the condition described is present, check "Yes."
 - If the condition is absent or not observed, check "No."
 - If additional notes or explanations are necessary, use the "Comments" section to provide details.
1. Is there a separate window for IFB (Interest-Free Banking) services?
 2. Are printed promotional materials and advertisements displayed at the branch?
 3. Are staff members specifically assigned to assist customers at the IFB branch?
 4. Are IFB-specific tickets (for withdrawal & deposit) available at the branch?
 5. Is the IFB service actively provided at the designated IFB branch?
 6. Are customers informed about the benefits of IFB services?

Appendix B: የአማርኛ ቅጽ

በIFB አገልግሎቶች ላይ ለጥናት ተሳታፊዎች የስምምነት ቅጽ መግቢያ

በመቀሌ ዩኒቨርሲቲ በአካውንቲንግ እና ኦዲቲንግ የማስተርስ ዲግሪን በከፊል ለማሟላት በኢትዮጵያ ንግድ ባንኮች የወቅቱን ሁኔታ፣ ተግዳሮቶች እና ከወለድ ነፃ የባንክ አገልግሎት እድሎች ላይ በሚደረገው የምርምር ጥናት ላይ እንድትሳተፉ ተጋብዘዋል። ጥናቱ የIFB አገልግሎት ከሚሰጡ የዲቪዥን ሥራ አስኪያጆች፣ ሰራተኞች እና ከተመረጡት የንግድ ባንኮች ደንበኞች መረጃ ይሰበስባል። የእርስዎ ተሳትፎ ከIFB አገልግሎቶች ጋር የተያያዙ የተለያዩ አመለካከቶችን እና ልምዶችን እንድንረዳ ይረዳናል። **በፈቃደኝነት ተሳትፎ** : ተሳትፎ ለሁሉም ቡድኖች በፈቃደኝነት ነው። ከባንክዎ ጋር ባለዎት ግንኙነት ላይ ምንም አይነት ቅጣት እና ተጽእኖ ሳይኖር በማንኛውም ጊዜ ከጥናቱ ለመውጣት መምረጥ ይችላሉ።

ምስጢራዊነት : ሁሉም የሚያቀርቡት መረጃ በሚስጥር ይጠበቃል። የእርስዎ ስም እና ሌሎች መለያ ዝርዝሮች ከተሰበሰበው መረጃ ጋር አይገናኙም፣ እና የዚህ ጥናት ውጤት የትኛውንም ግለሰብ ወይም ድርጅት መለየት በማይቻልበት መንገድ ይቀርባል። **የተሳትፎ ተፈጥሮ**

- የክፍል አስተዳዳሪዎች፡- በባንክዎ ውስጥ ስላለው የIFB አገልግሎቶች አስተዳደር እና ስልታዊ አቅጣጫ ለመወያየት በቃለ መጠይቅ ላይ እንዲሳተፉ ይጠየቃሉ።
- ሰራተኞች፡- በባንክዎ ስለሚሰጡት የIFB አገልግሎቶች ላይ ስላሉት የስራ ልምድ እና አመለካከት የዳሰሳ ጥናት ወይም መጠይቅ እንዲያጠናቅቁ ይጠየቃሉ።
- ደንበኞች፡ በሚጠቀሙባቸው የIFB አገልግሎቶች የእርስዎን ልምድ እና እርካታ የሚይዝ የዳሰሳ ጥናት እንዲያጠናቅቁ ይጠየቃሉ።

የሚፈጀው ጊዜ : በቃለ መጠይቁ ወይም በዳሰሳ ጥናቱ ውስጥ መሳተፍ ከ30 ደቂቃ በላይ እንደማይወስድ ይጠበቃል። **የውሂብ አጠቃቀም :** የተሰበሰበው መረጃ ለምርምር ዓላማዎች ብቻ ጥቅም ላይ የሚውል ሲሆን ግላዊነትን ለማረጋገጥ ሲባል ማንነታቸው ያልተገለጸ ይሆናል። ከዚህ ጥናት ውጭ ምንም አይነት የግል መረጃ አይጋራም።

የስምምነት ስምምነት : ከዚህ በታች በመፈረም ይህን የስምምነት ቅጽ እንዳይገቡ እና እንደተረዱት አምነዋል፤ እናም በዚህ ጥናት ላይ ለመሳተፍ ተስማምተዋል።

የተሳተፈ ፊርማ: _____ ቀን:

ሚና (እባክዎ ይምረጡ):

- ክፍል አስተዳዳሪ
- ሰራተኛ
- ደንበኛ



የንግድ እና ኢኮኖሚክስ ኮሌጅ

የሂሳብ እና ፋይናንስ መምሪያ

ክፍል 1: የስነ ሕዝብ አወቃቀር መረጃ

9. ዕድሜ

- F. ከ25 በታች
- G. 25-34
- H. 35-44

10. ጾታ :

- C. ወንድ

11. በባንኩ ውስጥ ያለው አቀማመጥ ;

- E. የደንበኞች አገልግሎት መኮንን
- F. ሂሳብ ሹም

12. በባንክ ሥራ የዓመታት ልምድ :-

- F. ከ1 አመት በታች
- G. 1-3 ዓመታት
- H. 4-6 ዓመታት

13. ትምህርታዊ ዳራ:

- E. ዲፕሎማ

F. የባችለር ዲግሪ

- I. 45-54
- J. 55 እና ከዚያ በላይ

D. ሴት

G. አስተዳዳሪ

H. ሌላ (እባክዎ ይግለጹ): _____

I. 7-10 ዓመታት

J. ከ 10 ዓመታት በላይ

G. የማስተርስ ዲግሪ

H. ሌላ (እባክዎ ይግለጹ): _____

ክፍል 2፡ የIFB አገልግሎቶች እውቀት እና ግንዛቤ

14. ከወለድ-ነጻ የባንክ አሰራር መርሆዎች ምን ያህል ያውቃሉ?

- F. በጭራሽ አይታወቅም። I. በጣም የታወቀ
- G. ትንሽ የሚታወቅ J. በጣም የታወቀ
- H. በመጠኑ የሚታወቅ

7. ከIFB አገልግሎቶች ጋር በተዛመደ ስልጠና ምን ያህል ጊዜ ይሳተፋሉ?

- F. በጭራሽ I. ብዙ ጊዜ
- G. አልፎ አልፎ J. ሁሉም
- H. አንዳንዴ

15. የIFB አገልግሎቶችን ለደንበኞች በማብራራት ምን ያህል በራስ መተማመን ይሰማዎታል?

- F. በፍጹም አለመተማመን I. በጣም በራስ መተማመን
- G. ትንሽ በራስ መተማመን J. በጣም በራስ መተማመን
- H. በመጠኑ በራስ መተማመን

16. በሽሪዓ ህግ እና በIFB ላይ ስላለው አንድምታ ላይ መደበኛ ስልጠና ወስደዋል?

- C. አዎ
- D. አይ

ክፍል 3፡ የIFB አገልግሎቶች ግንዛቤ

ክፍል ሁለት ፡ ስለ IFB ተግዳሮቶች እና እድሎች የተመልካቾች አስተያየት

በመቀጠል፣ ኢትዮጵያ ውስጥ ከወለድ ነፃ የባንክ አገልግሎት ተግዳሮቶች ላይ ምላሽ ሰጪዎችን የሚመለከቱ ዝርዝር ጉዳዮች አሉ። እነዚህ ነገሮች ከወለድ ነፃ የባንክ አገልግሎት የሚያጋጥሟቸውን ተግዳሮቶች ምላሽ ሰጪ ግምገማን ይዳስሳሉ። ስለዚህ እባኩን ከ1 እስከ 5 ያለውን መመዘኛ በመጠቀም በጣም ተገቢ ሆኖ የሚሰማዎትን ቁጥር ላይ ምልክት ያድርጉ (1 = በጣም አልሰማማም ፣ 2 = አልሰማማም ፣ 3 = ገለልተኛ ፣ 4 = እስማማለሁ እና 5 = በጣም እስማማለሁ)።

B. በኢትዮጵያ ከወለድ ነፃ የባንክ አገልግሎት ተግዳሮቶች

እቃዎች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
1. ህብረተሰቡ ከወለድ-ነጻ የባንክ አሰራርን በሚገባ ያውቃል።					
2. ከወለድ-ነጻ ባንኪንግ የሚያጋጥሙ ጉልህ የህግ፣ የቁጥጥር፣ የቁጥጥር እና ተቋማዊ ተግዳሮቶች አሉ።					
3. ብዙ ደንበኞችን ለመሰብሰብ ከወለድ-ነጻ የባንክ አገልግሎት እና ከመደበኛ የባንክ አገልግሎቶች መካከል ፈንዶችን በአግባቡ መከፋፈል አስፈላጊ ነው።					
4. ከወለድ ነፃ የባንክና የፋይናንስ ጥናትና ምርመራ ባለሙያዎች የሰለጠነ የሰው ኃይል እጥረት ፈጥሯል።					
5. አሁን ያሉት የባንክ ፖሊሲዎች ከወለድ-ነጻ የባንክ አገልግሎት እድገትን ለመደገፍ በቂ አይደሉም።					
6. ከወለድ ነፃ የባንክ አገልግሎት ዘርፍ የሰለጠነ የሰው ኃይል እጥረት አለ።					

7. ከወለድ ነፃ የባንክ አገልግሎት ከአደጋ፣ ከባለቤትነት እና ከአስተዳደር አንፃር ከመደበኛው የባንክ አገልግሎት ስለሚለይ በተለየ የቁጥጥር ማዕቀፍ ውስጥ መንቀሳቀስ አለበት።					
8. ከወለድ ነፃ የባንክ አገልግሎት የህግ እና ተቋማዊ ማዕቀፍ ጠንካራ እና ውጤታማ ነው።					
9. ከወለድ ነፃ ባንኪንግ በመንግስት ፖሊሲዎች እና መመሪያዎች ከኢትዮጵያ ብሔራዊ ባንክ ተግዳሮቶች ገጥመውታል።					
10. ከወለድ ነፃ የባንክ አገልግሎት ከሀይማኖት ጋር ስላለው ግንኙነት በሀብረተሰቡ ዘንድ አሉታዊ ግንዛቤ አለ።					

11. ከወለድ ነፃ የባንክ መስኮቶች የሚያጋጥሟቸውን ሌሎች ተግዳሮቶች መጥቀስ ካለብዎት፣ እባክዎን ይዘርዝሩ?

ለ. እድሎች (#12 - #17) እና አሁን ያለው ደረጃ (#18 - #22) ከወለድ ነፃ የባንክ አገልግሎት በኢትዮጵያ

መመሪያ: እባኩትን ከ 1 እስከ 5 ያለውን መለኪያ በመጠቀም በጣም ተገቢ ሆኖ የሚሰማዎትን ቁጥር ላይ ምልክት ያድርጉ (1 = በጣም አልሰማማም ፣ 2 = አልሰማማም ፣ 3 = ገለልተኛ ፣ 4 = እስማማለሁ እና 5 = በጣም እስማማለሁ)።

እቃዎች	እስማማለሁ (1)	አልሰማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)

<p>12. ወቅታዊው ዓለም አቀፋዊ የፋይናንሺያል አገልግሎት አዝማሚያዎች በኢትዮጵያ ከወለድ ነፃ የባንክ አገልግሎት የወደፊት እጣ ፈንታ ላይ አወንታዊ መገለጫዎች ይኖራቸዋል።</p>					
<p>13. ከወለድ ነፃ አገልግሎት የሚሹ ማህበረሰቦችን የፋይናንስ አገልግሎት</p>					

<p>እጦት ለመቅረፍ በኢትዮጵያ ከወለድ ነፃ የባንክ አገልግሎት ፍላጎት አለ።</p>					
<p>14. ከወለድ ነፃ የባንክ ምርቶች (ቁጠባ እና ብድር አገልግሎት) መሰጠት ለንግድ መስፋፋት እና ለኢንቨስትመንት ያለውን አዝማሚያ ያሻሽላል.</p>					
<p>15. ሰዎች የመዋዕለ ንዋይ ብድር አገልግሎቱን ከውበቱ እና ከቀላል ተደራሽነቱ የተነሳ ሊጠቀሙበት ይችላሉ።</p>					
<p>16. ከወለድ ነፃ የባንክ አገልግሎት የህብረተሰቡን ፍላጎት ማሟላት የሚችል እና ለኢትዮጵያ ኢኮኖሚያዊ የሚረዳ ነው።</p>					
<p>17. ከወለድ ነፃ የባንክ አገልግሎት ተለዋዋጭ እና በፋይናንሺያል ሥርዓት ውስጥ ለመቀበል ቀላል ነው።</p>					

18. ከወለድ ነፃ የባንክ አገልግሎት ወቅታዊ እና ወቅታዊ የገበያ መስፈርቶችን የሚያሟላ ነው።					
19 ከወለድ ነፃ የባንክ አገልግሎት ሲጀመር የተቀማጭ ገንዘብ ጨምሯል።					
20. ከ IFB ፋይናንስ የተገኘው ትርፍ ወይም ማካፕ አስደናቂ ነው።					
21. ከወለድ ነፃ የባንክ አገልግሎት ሲሰጡ የደንበኞች ቁጥር ጨምሯል።					
22. ከወለድ ነፃ የባንክ አገልግሎት አዳዲስ ደንበኞችን ከነባር ባንኮች ለመሳተፍ ይረዳል					

23. ከወለድ ነፃ የባንክ መስኮቶች የሚያጋጥሙትን ሌላ ትኩረት መጥቀስ ካለብዎት፣ እባክዎን ይዘረዝሩ?

24. ከወለድ ነፃ የሆኑ የባንክ መስኮቶችን ሌሎች እድሎችን መጥቀስ ካለብዎት እባክዎን ይዘረዝሯቸው?_

ለIFB ደንቦች መጠይቅ



የንግድ እና ኢኮኖሚክስ ኮሌጅ

የሂሳብ እና ፋይናንስ መምሪያ

የደንቦችቻቸው ልምድ ከስድስት ወር በላይ በሆነ በ IFB ደንቦች እንዲሞላ

ክፍል 1: የስነ ሕዝብ አወቃቀር መረጃ

1.1. ጾታ: ወንድ ሴት

1.6. ሀይማኖትህ: ሙስሊም ያልሆነ

1.7. ባንክ የመጠቀም ልማድዎ ምን ነበር?

e. የወለድ አጠባበቅ የተለመደ የባንክ አገልግሎት

f. ያለ ወለድ የተለመደ ባንክ

g. ወለድ ስለሚከፍል ባንክ እየተጠቀምኩ አልነበረም

h. የባንክ አገልግሎቶችን እየተጠቀምኩ አልነበረም

1.8. ስንት አመት የIFB አገልግሎቶችን እንደተጠቀሙ

b. ከአንድ አመት በታች ለ. ከአንድ እስከ ሁለት ዓመት ሐ. ከሁለት ዓመት በላይ

1.9. የትኛውን የ IFB መለያ እየተጠቀሙ ነው (ከአንድ በላይ አማራጭ መምረጥ ይችላሉ)

b. ዋዲያ በማስቀመጥ ለ. የአሁኑ መለያ ሐ. የኢንቨስትመንት ፋይናንስ

ክፍል ሁለት የ IFB አገልግሎቶች ተግዳሮቶች እና እድሎች

ስለዚህ እባኮትን ከ1 እስከ 5 ያለውን መመዘኛ በመጠቀም በጣም ተገቢ ሆኖ የሚሰማዎትን ቁጥር ላይ ምልክት ያድርጉ (1 = በጣም አልሰማማም ፣ 2 = አልሰማማም ፣ 3 = ገለልተኛ ፣ 4 = እስማማለሁ እና 5 = በጣም እስማማለሁ)::

B. ተግዳሮቶች

እቃዎች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
1. ከወለድ ነፃ የባንክ አሰራር መሰረታዊ ፅንሰ ሀሳቦችን ተረድቻለሁ					
2. የሽሪዓን መርሆች እና የIFB ስራ ተረድቻለሁ					
3. የIFB አገልግሎት ኢትዮጵያ ውስጥ እንደሚሰጥ አውቃለሁ					
4. IFB እያስቀመጥኩት ያለውን ገንዘብ እንዴት እንደሚጠቀም አውቃለሁ					
5. የ IFB ቅርንጫፎች ሽሪዓን መሰረት አድርገው አገልግሎት እየሰጡ ነው የሚል እምነት አለኝ።					
6. የ IFB ቅርንጫፎች የአረብኛ ቃላትን ከማሳየት በስተቀር ከመደበኛው ባንክ የተለዩ አይደሉም					
7. በ IFB ቅርንጫፎች የሚሰጡትን አገልግሎቶች እጠራጠራለሁ					
8. የIFB አገልግሎት የሚሰጡ መኮንኖች ብቁ ናቸው።					

2. የሚከተሉትን የIFB ምርቶች በደንብ አውቃለሁ

እቃዎች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
9.1. ካርድ					
9.2. አማኛ					
9.3. ዋዲያ					
9.4. ሙዳራባህ					
9.5. ሙራባሃ					
9.6. ኢቫራ					

9.7. ሰላም					
9.8. ኢስቲና					
9.9. ሙሻራካ					

13. የ IFB አገልግሎትን ላለመጠቀም ለሌሎች ምን ተግዳሮቶች አሉ -----

D. እድሎች

እቃዎች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
10. ኢትዮጵያ ውስጥ የIFB ትክክለኛ ፍላጎት አለ።					
11. IFB ቁጠባ እና ፋይናንስን ይጨምራል ከዚያም ኢንቨስትመንትን ያበረታታል።					
12. IFB ከመደበኛው ባንክ አማራጭ ነው					
13. IFB ለመጠቀም ቀላል እና ምቹ ነው					
14. የIFB መጀመር ሙስሊም ላልሆኑ ማህበረሰቦችም ይጠቅማል					
15. IFB ሲጀምር ገንዘቤን እዚያ ማጠራቀም ጀመርኩ					

14. እባኮትን ከወለድ ነፃ ባንኪንግ ጋር የተያያዙ እድሎችን ይጥቀሱ? -----

E. የአሁኑ ሁኔታ

15. የ IFB ወቅታዊ ሁኔታ በኢትዮጵያ ውስጥ ይጠቅሳሉ? -----

ክፍል ሶስት : አጠቃላይ

16. ሌላ ስለ IFB የሚሉት ካለ ምን ይላሉ?

ለ IFB ክፍል አስተዳዳሪዎች የቃለ መጠይቅ ጥያቄ



የንግድ እና ኢኮኖሚክስ ኮሌጅ

የሂሳብ እና ፋይናንስ መምሪያ

ይህ ቃለ መጠይቅ የIFBs የመካከለኛ ደረጃ አመራሮች የኢትዮጵያ ንግድ ባንኮች ተግዳሮቶች፣ እድሎች እና ወቅታዊ የወለድ ነፃ ባንኮች መረጃ በአካውንቲንግ እና አዲቲንግ ኤም.ኤ ዲግሪ በከፊል እንዲሟሉ ታስቦ የተዘጋጀ ነው።

- 12. ባንክዎ የሽሪዓ ተቆጣጣሪ ቦርድ ወይም የሽሪዓ አማካሪ አለው? አዎ ከሆነ፣ የሼህ አማካሪ ሲቀጠሩ ? የሽሪዓ ቦርድ የመስከቶችን ተግባራት እና ስራዎች በየጊዜው ይቆጣጠራል? ካልሆነ ለምን?
- 13. የIFB አገልግሎቶችን በተመለከተ ፍላጎቶቻቸውን እና ምርጫዎቻቸውን ለመረዳት የእርስዎ ክፍል ከደንበኞች ጋር እንዴት ይሳተፋል?
- 14. የIFB አገልግሎቶችን በማስተዋወቅ እና በማቅረብ ረገድ የእርስዎ ክፍል የሚያጋጥሙት ዋና ዋና ተግዳሮቶች ምንድን ናቸው? እነዚህ ተግዳሮቶች እንዴት ይስተናገዳሉ?
- 15. ከቅርብ ዓመታት ወዲህ የIFB አገልግሎቶች ፍላጎት እንዴት ተለውጧል? በዚህ ፍላጎት ላይ ተጽዕኖ የሚያሳድሩ ምን ነገሮች ይመስላችኋል?
- 16. ታዛዥነትን እና ግልፅነትን ለማረጋገጥ ባንክዎ ለIFB ስራዎች ፈንዶችን እንዴት እንደሚለይ ማስረዳት ይችላሉ?
- 17. ባንክዎ በ IFB ስራዎች ውስጥ ለተሳተፉ ሰራተኞች ምን አይነት የስልጠና ፕሮግራሞችን ይሰጣል? የሽሪዓን መርሆች በሚገባ የተማሩ መሆናቸውን እንዴት ማረጋገጥ ይቻላል?
- 18. የእርስዎ ክፍል በIFB አገልግሎቶች የደንበኞችን እርካታ እንዴት ይለካል? ማንኛውንም የቅርብ ጊዜ ግኝቶችን ከደንበኛ ግብረመልስ ማጋራት ይችላሉ?
- 19. ባንክዎ ምን አይነት የIFB ምርቶች እና አገልግሎቶች ያቀርባል? እነዚህ አቅርቦቶች ከተለመደው የባንክ ምርቶች እንዴት ይለያሉ?

20. ምን ቁልፍ የአፈጻጸም አመልካቾች (KPIs) (እንደ የተቀማጭ መጠን፣ ደንበኛ፣ ወዘተ) ይጠቀማሉ? እነዚህን መለኪያዎች እንዴት ይከታተላሉ እና ሪፖርት ያደርጋሉ?
21. በባንክ ውስጥ ለወደፊት የIFB አገልግሎቶች እድገት ምን እቅድ አለዎት? በባንኩ ውስጥ አዳዲስ ምርቶች ወይም ተነሳሽነቶች አሉ?
22. ሌላስ ምን ለማለት ይቻላል?

የምልከታ ማረጋገጫ ዝርዝር



የንግድ እና ኢኮኖሚክስ ኮሌጅ የሂሳብ እና ፋይናንስ መምሪያ

ይህ የማረጋገጫ ዝርዝር የተዘጋጀው ከወለድ-ነጻ የባንክ አገልግሎት (IFB) አገልግሎት በተመረጡ የባንክ ቅርንጫፎች መገኘት እና አቅርቦትን ለመገምገም ነው። ተመልካቹ እያንዳንዱን ቅርንጫፍ በጥንቃቄ በመመርመር ቀጥተኛ ምልከታዎችን መሰረት አድርጎ መልስ መስጠት አለበት። ለእያንዳንዱ ጥያቄ፡-

- የተገለጸው ሁኔታ ካለ፣ "አዎ" የሚለውን ምልክት ያድርጉ።
- ሁኔታው ከሌለ ወይም ካልታየ "አይ" የሚለውን ምልክት ያድርጉ.
- ተጨማሪ ማስታወሻዎች ወይም ማብራሪያዎች አስፈላጊ ከሆኑ ዝርዝሮችን ለማቅረብ "አስተያየቶች" የሚለውን ክፍል ይጠቀሙ.

1. ለIFB (ከወለድ-ነጻ የባንክ አገልግሎት) አገልግሎቶች የተለዩ መስኮች አሉ?
2. በቅርንጫፍ ቢሮው ላይ የታተሙ የማስተዋወቂያ ቁሳቁሶች እና ማስታወቂያዎች ይታያሉ?
3. በIFB ቅርንጫፍ ደንበኞቻቸውን ለመርዳት ልዩ ሰራተኞች ተመድበዋል?
4. IFB-ተኮር ቲኬቶች (ለመውጣት እና ተቀማጭ ገንዘብ) በቅርንጫፍ ውስጥ ይገኛሉ?
5. የIFB አገልግሎት በተሰየመው የIFB ቅርንጫፍ ውስጥ በንቃት ይሰጣል?
6. ደንበኞች ስለ IFB አገልግሎቶች ጥቅሞች ይነገራቸዋል?