

## Demographic Profile of the Customers and Their Level of Satisfaction: A Study on Islami Bank Bangladesh Ltd. (IBBL)

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### Abstract

The Study investigates the customer satisfaction level exposed by different demographic group of customers. The study also identifies the relative importance assigned to different selection criteria by customers while choosing Islami Bank Bangladesh Ltd. (IBBL), which was established in 1983 and the pioneer in Islamic Banking in Bangladesh. From comprehensive analysis, the study identifies a number of key findings that might help IBBL management for formulating their future competitive strategies. Firstly, the study identifies that customers irrespective of different demographic segments (gender, marital status, age, income level, education level and religion) are mostly satisfied with IBBL. Secondly, satisfaction level of customers does not significantly vary among different demographic group as measured through chi-square test and finally, 'compliance to Islamic shariah' i.e. religious principles followed by 'corporate efficiency' as exposed by fast, efficient service and experienced management team are the top most two bank selection criteria as viewed by IBBL clients.

**Key words:** Customer Satisfaction, Demographic profile, Bank Selection Criteria, Islamic Banking.

### 1. Introduction

An Islamic Bank is a financial institution that operates with the objective to implement and materialize the economic and financial principles of Islam in the banking arena (Ahmad, 2007). Islamic banking offers products and/or services (henceforth as services) which are very similar to those offered by conventional banks. However, the approaches of Islamic banks are distinctly different from the ones of conventional banks (Ahmad, 2000; Chapra, 2000; Dusuki & Abdullah, 2007; Hassan & Ahmed, 2001). Islamic banks fundamentally emerged to fulfill the needs of Muslims to enjoy banking products/services in conformity with Islamic principles (grounded in the Holy Qura'n and the Hadith). However, Islamic mode of banking is gaining popularity among the non-Muslim consumers around the world as well. (Dusuki & Abdullah, 2007; Knight, 2007).

In general, religion (Islam) is perceived as the main reason for choosing Islamic banks by the customers. However, studies in Malaysia, UAE, Kuwait found non-religious factors like efficiency, cost-benefit etc. in conjunction with religion as the influential factors behind choosing an Islamic bank (Dusuki and Abdullah, 2007; Wilson, 1995; Ahmad and Haron, 2002; Keuhn and Bley, 2004; Othman and Owen, 2001; Metawa and Almoosawi, 1998).

Customer satisfaction is critically important for its impact on customer retention and firm profitability (Caru and Cugini, 1999; Anderson and Mittal, 2000). A satisfied consumer will repeat the purchase of the product and convey positive messages about it to others (Dispensa, 1997). By contrast, a dissatisfied consumer is more likely to switch to an alternative service the next time he/she recognizes the same need. The same customer will also engage in a negative word of mouth, causing a serious damaging effect on the business (Naser *et al*, 1999; Metawa and Almoosawi, 1998). Therefore, it is vital that companies make sure that their customers are satisfied with the services they offer. This has led to an increase in the popularity of measuring customer satisfaction in recent years (Gulledge, 1996).

Since, Islamic banks perform the same essential functions as banks do in the conventional system, except that the need for them to carry out their transactions in accordance with the rules and principles of Islam (Henry and Wilson, 2004; Iqbal and Mirakhor, 2007), they have to face tremendous competition from Traditional Banks. So, understanding the bank selection criteria as well as satisfaction level of different demographic profile of customers is important for an Islamic Bank in attracting target customers and to survive in the competitive market successfully.

Bangladesh is the world's third largest Muslim majority country, with Muslims making up more than 85 percent of the population (Mamun, 2011). A significant portion of the population demanding interest-free banking for quite a long time to approach and devise their economic lives in accordance with the precepts of Islam. The establishment of IBBL on March 13, 1983, is the true reflection of this inner urge of its people, which started functioning with effect from March 30, 1983. ([http://bankinfobd.com/banks/24/Islami\\_Bank](http://bankinfobd.com/banks/24/Islami_Bank)). At present, of the 47 banks operating in the country, seven are now full-fledged Islamic banks, nine have Islamic banking branches and eight have Islamic banking windows (The Daily Star, 2011). Islami Bank Bangladesh Ltd. (henceforth as IBBL) is now one of the top performing banks in terms of business and profits among the commercial banks operating in the country. In this study, researchers have attempted to measure the customer satisfaction of IBBL with respect to the different demographic groups of customers, to identify the factors that bank customers consider when selecting a bank, and the relative importance they place on those factors.

## 2. Brief Overview of IBBL

IBBL was incorporated on 14th March, 1983, went into operation on 30th March, 1983 and introduced a full package of banking services in August 1983. This bank is considered as the first interest free -bank in South East Asia. The bank is committed to run all its activities based on Islamic Shariah. IBBL through its steady progress and continued success has, by now, earned the reputation of being one of the leading private sector banks of the country. It is committed to conduct all banking and investment activities on the basis of interest-free profit-loss sharing system. With 254 branches and 11,033 staffs, IBBL is the largest private banking network in Bangladesh ([www.islamibankbd.com](http://www.islamibankbd.com)).

## 3. Literature Review

### 3.1 Customer Satisfaction

During the last four decades, satisfaction has been considered as one of the most important theoretical as well as practical issues for most marketers and customer researchers (Jamal, 2004). Customer satisfaction is the feeling or attitude of a consumer toward a service after it has been used (Solomon, 1996; Wells and Prensky, 1996). Kotler and Armstrong (1999) defined customer satisfaction as the customer's perception that compare their pre-purchase expectations with postpurchase perception.

Banking is one of those sectors in which customer satisfaction has drawn a great deal of attention by many researchers over the last decade (Naser *et al.*, 1999; Metawa and Almossawi, 1998; Boyd *et al.*, 1994; Levesque and McDougall, 1996; Haron *et al.*, 1994; Gerrard and Cunningham, 1997; Othman and Owen, 2001; Anderson *et al.*, 1997; Athanassopoulos and Labroukos, 1999; Yava *et al.*, 1997; Jamal and Naser, 2002; Gounaris *et al.*, 2003; Yava *et al.*, 2004; Bielski, 2004).

In almost every industry customers are becoming ever more demanding and in most markets customers have more options to choose from than ever before. Fornell (1992) upon a study on Swedish customers asserts that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles.

In the context of services, according to Naser *et al.* (1999), customer satisfaction is often related to factors such as service quality and service features, *e.g.*, convenience, competitiveness, and location of service provider. Many researchers have placed emphasis on customer satisfaction in banks, and asserted that banks must focus on understanding the needs, attitudes, satisfactions and behavioral patterns of the market to compete successfully in today's competitive marketplace (Kaynak *et al.*, 1991). Holliday (1996) stated that banking is one of the many service industries where customer satisfaction has been an increasing focus of research. The reason is that competition in the banking sector is increasingly growing. Since, customer satisfaction has close relationship with customer retention especially in markets that are highly competitive and saturated like financial services (Lopez *et al.*, 2007), it is necessary to continuously monitor changes in satisfaction among different segments of customers.

Zeithaml (2000) and Anderson *et al.* (2004) studied customer satisfaction with reference to Islamic and conventional banking. Ittner *et al.* (1996) found a significant relationship between customer satisfaction and shareholders' wealth. Bolton (1998) conducted study in order to examine the relationship of customer satisfaction with financial as well as non-financial measures of Islamic and non-Islamic banks. In the study, he found a direct significant relationship of customer satisfaction with financial measures of bank and customer

retention. Wilson (1995) particularly identified the importance of customer satisfaction in the Islamic banks and stated that today Islamic banking is no longer a business entity serving religious obligations. The customers of Islamic banking rather include a wide array of people cutting across various religions.

Determinant factors for customer satisfaction in Islamic banking industry vary across cultures. Levesque and McDougall (1996) pointed out that convenience and competitiveness of the bank were two critical factors which were likely to influence the overall satisfaction levels of a customer. Othman and Owen (2001), in their study on Kuwait Islamic banking customers identified that most of the customers are satisfied with their overall and personal contact with bank staff. In Malaysian Islamic banks, it has been found that fast and efficient service, friendliness of bank personnel, confidentiality, and transaction speed are the key criteria that leads to customer satisfaction. (Amin and Isa, 2008).

### 3.2 Customer's Bank Selection Criteria

Bank selection criteria have been heavily investigated over the past two decades (Anderson *et al.*, 1976; Haron *et al.*, 1994; Kaynak and Yavas, 1985; Khazeh and Decker, 1992; Ross, 1989). The bank selection criteria are expected to affect a customer's overall satisfaction towards his or her bank (Levesque and McDougall, 1996). Hegazy (1995) has investigated bank selection criteria for both Islamic banks and commercial banks. He concluded that the selection attributes for Islamic banks are different from those for commercial banks.

Islam is the primary reason behind choosing Islamic banking. Customers in Islamic banks seriously consider whether the bank complies with Islamic Shariah rules in all stages of banking activities (Naser *et al.*, 1999). The variables deemed important under religious (Islamic) construct include compliance to Shariah rules, offering of Shariah compliant services, offering interest free loans etc. Similarly, religious factors was also found as the important criteria of Islamic banks' selection. (Osman *et al.*, 2009; Ahmad *et al.*, 2010; Al-Ajmi *et al.*, 2009; Metawa and Almosawi, 1998; Hassan *et al.*, 2007; Gait and Worthington, 2008; Hegazy, 1995; Haque *et al.*, 2009; Okumus, 2005; Ahmad and Haron, 2002; Karim and Affif, 2006; Al-Sultan, 1999; Zainuddin *et al.*, 2004; Dusuki and Abdullah, 2007).

However, studies have also shown that religious belief is neither the only reason, sometimes, nor the primary reason behind choosing Islamic banking and is not even part of the selection criteria in some instances (Erol and El-Bdour, 1989; Haron *et al.*, 1994; Ahmad and Haron, 2002). Apart from religious background, customers want a good use of their investment. They want the best cost-benefit tradeoff, branches and ATMs in convenient location, faster transaction processing, caring employees, good financial advices from managers, etc. (Naser *et al.*, 1999).

Boyd *et al.* (1994) placed importance on the marital status of the customers and found that customers are different in putting emphasis on various bank selection factors such as reputation, cost-benefit, efficiency etc. Naser *et al.* (1999) identified "the image of the bank" as the most important bank selection criterion for the customers of Islamic banks followed by "compliance to islamic principles".

Bank selection criteria for IBBL customers' were adopted from a previous study of Rashid *et al.* (2008), where the researchers identified bank selection criteria for six Islamic Banks of Bangladesh by applying a factorial regression analysis. In this study, sixteen bank selection criteria under six broad groups have been considered to examine the impact of demographic disparities on the bank selection criteria applied by diversified customers of IBBL in Bangladesh. They criteria are as follows:

- i. Corporal Efficiency (faster transaction and document processing, efficient managers, knowledge of customer's business etc.),
- ii. Compliance (Provision of interest free loans, run on Islamic law and principles, provision of profit-loss sharing principles etc.),
- iii. Convenience (strong global and local network, sufficient transaction time, convenient branch location etc.),
- iv. Core banking (basic services, marketing program on availability of services, competitiveness in product offerings, uniform services in all branches etc.),
- v. Confidence (confidentiality of bank information, confidence in bank's management and bank size of capital and asset etc.),
- vi. Cost-Benefit (lower service charge and average decent return).

#### 4. Objectives of the Study

This study has been conducted based on the following objectives:

- To look into the demographic profile of customers of IBBL.
- To evaluate the pattern of satisfaction exposed by different demographic groups of customers of IBBL.
- To examine whether there is a difference in the level of satisfaction of different kinds of demographic groups of customers (gender, marital status, age, income, level of education and religion).
- To group the wide range of bank selection criteria into a few broad categories on the basis of their homogeneity and rank them on the basis of customer's preferences.

#### 5. Methodology

##### 5.1 Sample and Data

The study is descriptive in nature and based on both primary and secondary sources of data. Primary data was collected from 52 customers of three branches of IBBL in Dhaka City. Random sampling method was used to collect the data. Besides, face to face conversation with respective officers and customers were used to collect primary data. Profile of the respondents according to different demographic features has been furnished in Table-1. Secondary Data were collected from various types of journals, articles, research report, annual report of IBBL and web site of the same.

Table 1. Demographical Profile of the Respondents

Demographic Group	Classes	Frequency	Percentage
Gender	Male	36	69
	Female	16	31
Marital Status	Married	38	73
	Unmarried	14	27
Educational Level	High School	21	40
	Undergraduate	15	29
	Postgraduate	16	31
Age Level	18-25 Years	12	13
	25-35 Years	19	37
	35 Years +	21	40
Income Level (Monthly )	Less than BDT 10,000	17	33
	BDT 10,000 -20,000	24	46
	More than BDT 20,000	11	21
Religion	Muslim	43	83
	Non- Muslim	9	17

##### 5.2 Instrument for data collection

The data were collected through a structured closed-ended questionnaire having two parts. The first part consists of questions designed to obtain some demographic information such as gender, marital status, educational level, age, income and religion along with a question for measuring overall satisfaction at the end of the first part of the Questionnaire.

Fifteen bank selection criteria were listed in the second part, in order to measure the relative importance the respondents place on each criterion to select the IBBL. A five point Likert Scale ranging from 1 to 5 (with "1" meaning "Not at all important" and "5" meaning "Very Important") have been used to measure the importance that the customers placed on each bank selection criterion.

##### 5.3 Hypothesis testing and Data Analysis

Both of inferential and descriptive statistical techniques were used to analyze the data. Descriptive statistics such as mean, standard deviation, percentage and ranking were used to present summary statistics of the study

variables. Among the Inferential statistics, a chi-square test was used for comparison and drawing other inference about the variables.

One of the objectives of this study is to determine whether the satisfaction level of customers differ depending upon demographic characteristics like Gender, Marital status, Age, Educational level, Income Level and religion. To measure this, following hypothesis have been developed and chi-square ( $\chi^2$ ) test was applied at 5% significance level.

**H<sub>0</sub>:** There is no significant difference in the satisfaction level among different demographic groups towards IBBL.

**H<sub>01</sub>:** There is no significant Difference in the satisfaction level of different gender group.

**H<sub>02</sub>:** There is no significant Difference in the satisfaction level among married and unmarried people.

**H<sub>03</sub>:** There is no significant Difference in the satisfaction level among married and unmarried people.

**H<sub>04</sub>:** There is no significant Difference in the satisfaction level among people of different Educational Group.

**H<sub>05</sub>:** There is no significant Difference in the satisfaction level among customers having different Age Group.

**H<sub>06</sub>:** There is no significant Difference in the satisfaction level among customers having different income.

To accept or reject null hypothesis the calculated  $\chi^2$  is compared with the tabulated  $\chi^2$  at their respective degrees of freedom.

## 6. Results and Discussion

On the first part of this section, a cross sectional analysis has been made to find out the homogeneity of satisfaction level among different demographic group of customers with help of Chi Square test. Here customer satisfaction has been used as a parameter to measure the service standard of IBBL. In the last part of the analysis, 16 variables were categorized and placed under six generic classes based on their homogeneity and ranking is made based on their means. This has highlighted the relative preferences bank customers placed on the different variables consisting of homogenous factors.

### 6.1 Demographic Profile of Customers and their Satisfaction Level

As mentioned earlier, respondents were categorized according to six different demographic characteristics: Gender, Marital Status, Age, Income, Educational level and Religion. Table-2 shows the level of satisfaction of different demographic groups of IBBL and the results of Chi Square test which shows the degree of homogeneity of satisfaction level among different demographic group. Among the male respondents, it is found that 82% is satisfied which is more than the satisfaction level of female respondents that is equivalent to 75%. It has also shown that under the category of Marital Status, 82% married respondents are satisfied while the satisfaction level of unmarried respondents is fairly lower than married respondent, which comprises to 71%.

Among the respondents, customers having educational level of Post Graduate and undergraduate are more satisfied (81% and 80% respectively) than the group of high school level (76%). Respondents having income of more than BDT.20000 are more satisfied (82%) than another two groups having income level of BDT.10000-20000 and less than BDT. 10000 (76% and 79% respectively). Table-2 also represents that among the respondents, people having age of more than 35 years are more satisfied (which is 86%) than the other two groups (18-25 years and 25-35 years ) having the satisfaction level of 83% and 63% respectively. While studying the religion group, it has been observed that the size of Non-Muslim customers is small but the satisfaction level is really higher (89%) than that of the Muslim respondents (77%).

### 6.2 Cross Sectional Analysis

Here Chi-square test has been made between different demographic groups and their satisfaction level. In every case, the Null hypotheses were "there is no significant difference in the satisfaction level among different demographic groups". In all cases the calculated  $\chi^2$  is less than the tabulated value at 5% significant level that means the null hypothesis cannot be rejected.

From analysis it has been found that, male are more satisfied than the female, but the difference is insignificant that means IBBL provides or tries to provide services to clients irrespective of gender. In case of marital status, it

is noticed that married customers are more satisfied than unmarried customers, but the difference is also insignificant, as calculated Chi-square is much lower than the table value of chi-square.

In case of educational level it has been found that, the customers having the education of undergraduate and post graduate level are more satisfied than the group having high school level education while difference among these three groups are insignificant. In case of age level, it observed that respondents with age of above 35 years are more satisfied than the other two groups with age of 25-35 years and 18-25 years. Same as before, the chi-square test shows that the differences among the three groups are insignificant which means the Null hypothesis is accepted.

In case of Income level, people having income of more than BDT.20,000 are more satisfied than the other two groups. But, the differences of these groups are also insignificant. So, the null hypothesis is accepted. In case of Religion, it is also found that the non-Muslim customers are more satisfied than the Muslim customers. But the difference is not significant. The calculated chi-square is lesser than tabulated chi-square. From the above result it can be summarized that IBBL is not only a bank for Muslims, but also a bank for customers of all religions.

Table 2. level of satisfaction with different demographic group of respondents

Demographical Groups		Satisfaction Level		Total	Calculated $\chi^2$	d.f.	Tabulated $\chi^2$
		Satisfied	Dissatisfied				
<b>Gender</b>	Male	29 (82%)	7 (18%)	36 (100%)	0.1660	1	3.84
	Female	12 (75%)	4 (25%)	16 (100%)			
<b>Marital Status</b>	Married	31 (82%)	7 (18%)	38 (100%)	0.6331	1	3.84
	Unmarried	10 (71%)	4 (29%)	14 (100%)			
<b>Educational Level</b>	High School	16 (76%)	5 (24%)	21 (100%)	0.178	2	5.99
	Undergraduate	12 (80%)	3 (20%)	15 (100%)			
	Postgraduate	13 (81%)	3 (19%)	16 (100%)			
<b>Age Level</b>	18-25 Years	10 (83%)	2 (17%)	12 (100%)	1.98	2	5.99
	25-35 Years	13 (68%)	6 (32%)	19 (100%)			
	35 Years +	18 (86%)	3 (14%)	21 (100%)			
<b>Income Level (Monthly)</b>	Less than BDT. 10000	13 (76%)	4 (24%)	17 (100%)	0.117	2	5.99
	BDT.10000-20000	19 (79%)	5 (21%)	24 (100%)			
	More than BDT. 20000	9 (82%)	2 (18%)	11 (100%)			
<b>Religion</b>	Muslim	33 (77%)	10 (23%)	43 (100%)	0.873	1	3.84
	Non Muslim	8 (89%)	1 (11%)	9 (100%)			

### 6.3 Ranking on Bank Selection Criteria



Table-3 shows the order of preferences of the bank selection criteria according to their average scores. It also shows the standard deviation of the scores of each of the group of bank selection criteria. In order to determine customers' average preference scores to the six broad categories of factors, (compliance, corporal efficiency, convenience, confidence, core banking and cost efficiency), preference scores assigned to particular criteria are averaged according to their homogeneity. The average score obtained for the compliance was 3.76, for the corporal efficiency 3.55, for the convenience 3.47, for the confidence 3.40, for the core banking 3.22 and for the cost efficiency 3.24. As suggested by the average scores of these broad factors, bank customers considered compliance factors as the most important in choosing the bank followed by corporal efficiency, convenience, confidence, cost benefit and finally core banking.

Table-3 shows that compliance is the number one factor which shows highest mean of customer's preferences. Here, the customer's satisfaction level is high as most of the customers put more preferences on this group of variables than any other variables and believe strongly that IBBL follows compliance. The second most important factor selected by customers is corporal efficiency. Here, the calculated mean is 3.55. Respondents put more importance to this group of variables. This finding suggests that like conventional banks, IBBL also must have to offer faster, experienced and helpful services to the customers.

The next important factors selected by respondents are convenience and confidence average score of which is 3.47 and 3.40 respectively. Here the average scores of convenience and confidence imply that, the respondents are moderately inclined to these factors. As globalization raised the competition among Islamic banks worldwide, IBBL must provide more technological services along with compliance to Islamic Shariah law. The last two factors are cost benefit and core banking which comprises the lowest average scores, i.e., 3.24 and 3.22 respectively. Among these six issues respondents impose fewer preferences on these two factors of cost benefit and core banking.

Table 3. Ranking of bank selection criteria depending on customer's preferences

Bank Selection Criteria		Value	Mean Value	Standard Deviation
Compliance	No interest neither paid nor taken on savings and loans	3.52	3.76	0.18
	Run on Islamic law and Principles	3.79		
	Provision of profit sharing investment Products	3.96		
Corporal Efficiency	Fast and efficient Counter Services	3.38	3.55	0.11
	Speed and Efficiency of Transactions	3.57		
	Faster Document Processing	3.67		
	Experienced Management Team	3.59		
Convenience	Strong Global network	3.33	3.47	0.10
	Wide electronic Communication System	3.50		
	Convenient Branch Location	3.57		
Confidence	Confidence on Bank size in terms of asset and Capital	3.25	3.40	0.145
	Confidence on Bank's Management	3.54		
Cost Benefit	Lower Service Charge	3.23	3.24	0.01
	Decent Return	3.25		
Core Banking	Competitive Product Offerings	3.33	3.22	0.115
	Uniform Services in all Branches	3.10		

## 7. Conclusion

The study was conducted to identify the customer satisfaction of different demographic groups of IBBL clients. At the same time the study aimed at identifying and ranking the selection criteria that the clients used for selecting the same bank. The study clearly shows that there is difference in satisfaction of the customers based on their demographic variables. From the study, it is found that male respondents are more satisfied than their female counterparts. Education has positive correlation with satisfaction. Higher is the education level, greater is the satisfaction of the customers. It is also found that customers having higher income have more satisfaction with the services of IBBL. Again, Respondents having age level of more than 35 years prefer the Compliance issues more than the young people. The aged people are more devoted to IBBL and their first and foremost condition to select IBBL is Compliance, i.e., they believe that the bank follows the Islamic financial system. People with lower age group mainly emphasize on corporal efficiency; core banking and cost benefit issues. From the study it is also found that, more of the non-Muslim respondents are satisfied (89%) than that of Muslim respondents (77%). They can feel that the Islamic financial system is not only for Muslim but also for all other people and thus the Bank may get a bigger share of the non Muslim clients. From the cross sectional analysis it is observed that level of customer satisfaction do not significantly vary among different groups, i.e., customer satisfaction level among particular demographic groups seem to be homogeneous.

Among bank selection criteria, 'compliance' receives the highest average preference scores, i.e., respondents impose most preferences on provision of interest free loans, run on Islamic law and principles, provision of profit-loss sharing principles etc. (despite having a proportion of non-Muslim's existence in the sample) to choose IBBL. The second important factor according to the respondents' preference level is 'corporal efficiency'. It suggests that while choosing IBBL the respondents highly prefer the faster transaction and document processing, experienced management, weekend transactions etc. The third and fourth most important criteria to choose IBBL is 'convenience' and 'confidence' respectively. From this it can be concluded that, the respondents moderately prefer the factors of strong global and local network, convenient branch location, confidence in bank's management and bank size of capital and asset etc. to choose IBBL. The fifth important criterion to choose IBBL is 'cost benefit' and the last essential factor as per respondents is 'core Banking'. So the customers of IBBL prefer these two factors to a lesser extent.

Day by day the competition is increasing in the banking sector in Bangladesh. For this to prevail in this competitive market, IBBL has to be more conscious about the competitive strategy as the bank not only compete with other Islamic banks but also with the traditional non-Islamic Banks. So, it needs to remain competitive especially by offering good quality products and services to draw and retain Muslim and non-Muslim customers. This study may help bank management to develop strategies depending on their customer satisfaction level found in this study. At the same time the selection criteria and their preference by the customers will help the management to focus on more important service areas that will help them to remain competitive. Due to use of relatively small samples, the findings of the study should not be overly generalized. Further study focusing on a large number of sample from more branches all over the country is required for innovating customers' preferences and demand to make more proper strategies for IBBL.

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