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Interest-free window banking and finance in Ethiopia: Inception to expansion

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Abstract. Interest-Free Banking and Finance services are continuously growing throughout the world in terms of customer size and the number of countries introducing the services. Entitled antagonistically in different corners of the globe, numerous models have been implemented. Full-Fledged Banking, Subsidiary Banking, and Window Banking models are the eminent types. One of the countries, where a merely Window Model has been practiced, is Ethiopia. In the last decade, the banking regulation of the country has permitted the operations of only Window Models. Consequently, within six years (2013-2019), ten conventional banks have rapidly commenced Window-Based IFB services. Most of these windows became terribly lame in financing, but they could attract billions of Ethiopian Birr (ETB) within a short period. As a result, the Window-Based IFB sector of the country became exceedingly characterized by cost-free deposit accumulation under the cover of a manipulated term of Interest-Free Banking. However, the parliament has approved a regulation which permits the establishment of Full-Fledged IFB in 2019. Consequently, some banks are under formation. The aim of this study is, therefore, to assess the expansion of the Window Model and the performance of the banks in deposit accumulation and financing trade and investment. A descriptive analysis is used based on mainly the reports of the banks.

Keywords. IFB, Window model, Ethiopia.

JEL. G21, G28, G29.

1. Introduction

Interest-Free Banking (IFB) is adversely termed by scholars and practitioners in different countries; Islamic Banking, Participatory Banking and Sharia – Compliant Banking are the major names. Whatsoever the name is, it originates from the holy Quran and the traditions of the prophet. In the time of the prophet, there were foundational finance-related practices. The companions were also engaged in various economic transactions based on Islamic teachings. The Bait-ul-Maal was an institution that practiced the principles of Islamic economics. Al-Zubair bin Al-Awam was also known for his exemplary business transactions. Besides, in the time of the second Khalifa, Umer Ibn-Khattab, the Bait-ul-Maal was more active and further practices were introduced. The basic concern of the business transactions was the elimination of interest or Riba, which was strongly prohibited in Islam.

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In the modern period, the first Interest-Free Bank was established by Ahmed Nejar in Egypt in 1963. This bank, called Mit Ghamr Local Savings Bank, was successful in meet the saving and credit service demands of its customers. Therefore, it paved the way for modern Interest-Free Banks throughout the globe. The Nasir Social Bank has followed its way in 1967, which was acknowledged as the first Full-Fledged Sharia-compliant bank. Similarly, it became as a motivational project for many Muslim nations. The Islamic Development Bank of Saudi Arabia (1975), Dubai Islamic Bank (1975), Faisal Islamic Bank of Egypt (1976), Faisal Islamic Bank of the Sudan (1977), Jordan Islamic Bank (1978), Jordan Financial and Investment Bank (1978), Islamic Investment Company Ltd of the United Arab Emirates (1978), and Kuwait Finance House (1979) have emerged in the following decades (Venardos, 2005).

Currently, there are thousands of Interest-Free Banks and Financial Institutions in every corner of the world. The sector is continuously increasing its share in the economies of the countries where it is allowed to operate. It is attracting investors and entrepreneurs even in non-Muslim nations such as the UK. Similarly, the sector is expanding in many African nations. Egypt is the first country to implement the model while Sudan has introduced it into the national banking system. Kenya, Nigeria, Tanzania, Ghana, the Gambia, Togo, Niger, Somalia, Uganda, the Democratic Republic of the Congo, Zimbabwe, Namibia, South Africa, and Ethiopia are the major countries in Africa who has introduced Interest-Free Banking practices in its various forms and levels. Ethiopia has introduced an Interest-Free Window Banking model in 2013. Since this time, almost half of the commercial banks in the countries have introduced the service.

Therefore, this study aims to assess how the Window – Based Interest-Free Banking has been expanding and performing in Ethiopia. It is tried to present the expansion of the IFB services in the last few years and how they are performing in providing banking and financing services. However, the reticence approach of the banks made the study limited to the analysis of the partially released reports. The absence of research institutions in the sector and a legal system which makes the data open to the public has affected this study.

2. The IFB models – The window Vis-À-Vis the others

Interest-Free Banking is implemented in various countries using different structures and approaches. The three major models are Full-Fledged, Subsidiary and Window models. In some countries, such as Sudan, Iran, and some Gulf countries, a Full-Fledged Bank is more promoted and dominates the market. This type of bank is a Sharia-Compliant Bank that operates based on an independent management system, specifically raised capital, specially designed products and uses different risk management, accounting, and auditing procedures. This bank is more dominant in Muslim majority countries since it is relatively strict in following the Sharia principles.

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The second IFB model is the Subsidiary Model. A Subsidiary Model is defined as a division or unit under the conventional parent bank to offer Islamic banking products. This is different from the window system by its segregated capital and management team. However, in the end, the owner bank is a conventional one which also offers interest-bearing products. This is introduced into the system of various well-known international banks too. Even though it is not differently treated from the window system in many countries, the subsidiary model is not similar in its means of raising funds.

The third type of Interest-Free Banking is the Window Model. In this model, the conventional banks are allowed to have an especially operating division or unit to provide a 'Sharia-Compliant' Banking products. An IFB window can be defined as a department or a division, unit or even a separate finance company set up by a conventional financial institution that offers Sharia-Compliant products and services to customers who prefer Shari'ah compliant services over conventional ones ([Global Islamic Finance Report, 2014](#)). Solé (2007) defined an IFB window as a "window within a conventional bank via which customers can conduct business utilizing only Shariah-Compatible instruments." Similarly, Investopedia differentiates windows from the full-fledged banks by describing the window as a conventional bank providing financial services based on Islamic law principles. The windows are not independent entities that can operate differently from conventional services.

In many non-Muslim majority of nations, such as the United Kingdom, the Subsidiary and Window models are more practiced than the Full-Fledged Interest-Free Banks. In some countries, a mixed of these models are allowed to operate in parallel. In Ethiopia, however, the Window Model is so far the only model practiced since 2013. The Commercial Bank of Ethiopia, the public one, and other private banks have established special divisions that offer Sharia-Compliant banking and financing products. Currently, there are some initiatives to start subsidiary and full-fledged operations.

3. Methodology

In this study, a descriptive analysis is used based on the annual reports of the banks which launched Interest-Free Window banking and financing services. It is attempted to address all the banks offering the services. Notwithstanding data is limited in some details. This is because of two crucial reasons. First, some banks have brought in the services a couple of years ago and do not have meticulous data about their performance. Second, nearly all of them are weak in disclosing the data to the public. On that ground, the data used in this study are only for a few years and some of the banks, which provide Window-Based IFB services.

4. The inception and expansion of IFB window services in Ethiopia

Since the inception of the Interest-Free Banking services as a window in 2013 by Oromia International Bank, the sector has swiftly grown in the last 6 years. In 2013, the biggest commercial bank, the Commercial Bank of Ethiopia, followed and immediately started to attract many customers. In the next year, United Bank followed the footsteps of the first two banks. In 2015, another three banks, namely the Cooperative Bank of Oromia, Wegagen Bank and Nib Bank had joined the market. In 2016, 2017 and 2018, Abay Bank, Abyssinia Bank, and Dashen Bank respectively have introduced the interest-free window services. Currently, a total of 10 banks have window-based IFB services in Ethiopia.

Table 1. *Historical development of interest-free window banking in Ethiopia.*

Name of the Bank	Year of Establishment	Number of Branches	IFB Starting Year	Capital in Billion ETB
1. Oromia International Bank (OIB)	2008	260	2013	1.9
2. Commercial Bank of Ethiopia (CBE)	1963	1,340	2013	40
3. United Bank (UB)	1998	233	2014	2.6
4. Wegagen Bank (WB)	1997	292	2015	3.2
5. Nib Bank (NB)	1999	228	2015	3.0
6. Cooperative Bank of Oromia (CBO)	2004	332	2015	1.9
7. Abay Bank (AbB)	2010	162	2016	1.5
8. Awash Bank (AwB)	1995	382	2016	4.2
9. Abyssinia Bank (AB)	1996	284	2017	3.3
10. Dashen Bank (DB)	1995	381	2018	3.7

Source: Compiled from the Websites of Each Bank

Oromia International Bank is the pioneer of the Interest-Free Banking services' window in Ethiopia. Still, it is one of the leading banks in providing the services. It has deposit, financing, bank guarantee services, and other service categories. In the deposit category, the bank offers Wadiah Saving, Amanah Current, Labbiak Wadiah (for Hajj and Umrah pilgrimage), Unrestricted Mudaraba Investment Deposit and Diaspora Wadiah Saving. Under the financing services, it provides Murabaha Services and Interest-Free Export Financing Facility. The Murabaha Financing, in return, has Local Murabaha, Import Murabaha, Merchandise Murabaha categories. Besides, the bank Guarantee services include Performance Guarantee, Bid Bond Guarantee and Foreign Employment Guarantee Facilities. Oromia International Bank also provides other services such as Import-Export Services, Local Remittance Services, Foreign Remittance Services, and Advisory Services on IFB businesses.

Commercial Bank of Ethiopia has three major categories of IFB services; Mudaraba (Savings Account), Wadiah (Savings Account) and Qard (Current Account). Under the Mudaraba Account, the customer deposits and the bank use it in Sharia-Compliant activities. If it generates any profit, they share it according to the pre-agreed ratio and the performance of the bank. The minimum default profit ratio is 67% to the customer and the rest to the bank. If it generates a loss, the customer and the bank share in

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proportion to their contribution to any investment they made. In this service, the customer is allowed to withdraw his/her money at any time on demand.

The Commercial Bank of Ethiopia also has the Wadiah category of services. This service is allowed to work with a bankbook, ATM cards, and electronic payment services. This is a system under which the bank accepts the deposit of customers to allow them to withdraw any time without restriction when they need it. However, by informing the depositors the bank has the right to utilize the funds in Sharia-Compliant businesses. This account type also has various classes to address different segments of the community like the Mudaraba one.

In its third category, the Commercial Bank of Ethiopia also provides Qard (Current Account) services. Under this service, the customers deposit their money in the form of a loan to the bank with an agreement to take it any time they demand. However, officially the bank states its rights to use these funds for any permissible businesses.

The other bank with an Interest-Free Banking services window is the United Bank. It offers services in four categories. The first one is the deposit or Wadiah product that includes current Al Wadiah, Saving Al Wadiah, and Mudaraba deposit accounts. In the second category, the primary mode financing or investment type, the Mudaraba and Musharakah services are offered. In the third category, called as a secondary mode, financing for direct credit, Murabaha, Istinah, Kafalah, Selam, and Ijarah are included. Finally, the secondary mode financing in the international banking operations category has Wakalah and Kafalah elements.

Nib International Bank has Wadiah Saving, Musharakah, Mudaraba, Selam, Istinah, Ijarah and Qerd services. On the other hand, Wegagen Bank offers limited Interest-Free Banking services. It has the Wadiah Amanah or safekeeping deposit services. Under this contract, the bank provides only safekeeping services for the funds of its customers. The customers have the right to instruct the bank to manage the money in Sharia-Compliant activities. However, the bank must pay the principal to the customer at any time requested. Besides, the Wadiah Amanah, Wegagen Bank also offers a slightly different service of Qard Amanah or simply Interest-Free Current Account.

Likewise, the Oromia Cooperative Bank offers three major types of Interest-Free Banking Services through its windows. It has a Mudaraba Investment Service in which a Profit-Loss Sharing Ratio is agreed between the bank and the customer. Secondly, the bank also offers Musharakah Investment under which the bank and the client joint own a property, equipment or a commercial enterprise. In this contract, the profit, if any, is shared based on the pre-agreed ratio while losses are shared in proportion to their financial contribution to the investment. Moreover, the bank has a Diminishing Musharakah service. This service allows the bank and the customer to buy or own tangible property, and the customer is expected to pay periodic installments to fully own the property.

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Abay Bank is one of the banks with the Interest-Free Banking Services (IFBS) window in Ethiopia. It offers various services to government institutions, civil-society organizations, and individuals. These services are assessed to be free from usury/interest, alcohol, pork, gambling, casino, pornography, dead meat, and dead animal trading-related businesses or investment. The bank has Interest-Free Banking services under three categories. The first one is the interest-free deposit account services category which includes Wadiah Current Account, Wadiah Saving Account, Mudarabah Term Deposit/ Investment Account (Unrestricted), and Mudarabah Saving Account. The second category is the Interest-Free Financing services that include Murabaha, Salam, Istisna, Mudarabah, Musharakah, Ijarah, and Free Cost Loans/Qard Al - Hasan. In the last category, Letter of Guarantee Facility/Kafala, Hawala, and Foreign Exchange Service are provided.

Awash Bank is one of the biggest private banks in the country. It is also a well expanded private bank in Ethiopia with its presence in far and wide. The Interest-Free Banking window services provided by Awash Bank are two types. The first one is the Fund Mobilization Scheme which includes Wadiah Saving Accounts, Labbaik-Wadiah Savings (For Hadji & Umrah), Wadiah Educational Saving for students, Wadiah Current Account (Amanah) and the Unrestricted Mudaraba Investment Account. The Mudaraba Investment Account requires at least 1 million ETB initial deposits and an agreement on the profit-sharing rate between the bank and the customer. Fund mobilization or financing and loan scheme are the second one. Under this category, there is a Murabaha financing scheme or simply the cost-plus mark-up schemes, Ijarah financing, IFB trade services such as Murabaha, Musharakah, and Wakalah, Interest-Free Export Financing Scheme or Qard, IFB loan from charity accounts for the neediest persons, Kafalah (IFB bank guarantees) and Hawallah.

Abyssinia Bank and Dashen Bank are relatively the newcomer banks to the market of Interest-Free Banking window services. Consequently, they have limited products and services. Most of their services are at the infant and promotional stage.

On the other side, currently, some banks are under the progression of varying the model of delivering the services. The Commercial Bank of Ethiopia and Awash Bank are the leading banks in this course. They now possess distinct branches in selected places, which offer only IFB services. Even though the banks endorse these branches as Full-Fledged Banks, they are just branches, which specialize in IFB services.

Table 2. Types of interest-free banking and financing products

	AbB	CBO	OIB	AB	DB	WB	NB	AwB	CBE	UB
Wadiah Current account										
Wadiah Saving account										
Wadiah special account, Cheque-based										
Amana Current										
Local Murabaha										
Import Murabaha										
Musharakah Trade										
Merchandise Murabaha										
Diaspora Wadiah Saving										
Labbaik Saving Account										
Mudharabah Deposit										
Mudharabah Investment, Unrestricted										
Mudharabah Investment, Restricted										
Musharakah Investment										
Murabahah,										
Istisnah										
Kafalah										
Selam										
Ijarah.										
Wakalah										
Qard Al-Hasan, Current Account										
Hawala										
Performance Guarantee										
Bid Bond Guarantee										
Foreign Employment Guarantee Facility										
Export Financing										

Source: Compiled from Websites of Each Bank

5. The performance of the IFB window in Ethiopian banks

5.1. Oromia international bank

Oromia International Bank is the leading bank in Ethiopia in bringing in an Interest-Free Banking Services Window. As a result, it is a little more experienced than the others. It has recorded remarkable progress in terms of customer size, the amount of deposits and investment funding. In the last couple of years, the bank has expanded its Interest-Free Window Banking Services to more than 242 branches throughout Ethiopia to address more customers. Besides, continuous training has been conducted to produce qualified human resources in the sector. Consequently, beyond its expansion, it has also increased the interest-free products in its service lines. Moreover, the number of customers in the Interest-Free Banking Services Window has significantly increased year by year. The total number of customers in the IFB section was 167,451. It reached 248,614 in 2018 by recording a 48.5% within a year.

Until June 2018, the IFB window deposits reached 3 billion ETB which is equivalent to 107 million dollars. This figure is 48% bigger than a similar figure in the previous year. The IFB deposit covers 15% of the whole deposit portfolio. When we see the types of the IFB services, Wadiah

deposit covers around 70% of the overall IFB window services followed by Amana deposits.

Table 3. *Interest-free deposit products of OIB*

IFB Deposit Type	Amount in million ETB		Growth in %	Share in %	
	2016/17	2017/18		2016/17	2017/18
Wadiah Deposits	1,358	2,102	54.8	66.9	69.8
Amanah Deposits	644	911	41.4	31.7	30.2
Mudaraba Deposits	28	0	-99.1	1.4	0.0
Total	2,030	3,013	48.4	100	100

Source: OIB Annual Report, 2018.

Oromia International Bank has also been doing great in its Interest-Free Banking Financing Services. In 2018, the total fund available for financing various economic activities in the market reached 1.59 billion ETB which is equivalent to 57 million dollars. This also shows that the amount increased by 50% from the previous year – 2017. The total interest-free financing covered 13.6% of the total corporate finance. However, it showed a significant change from 12.8% in 2017 to 13.6% in 2018.

Table 4. *Interest-free financing by OIB*

IFB Financing by Sector	Amount in million ETB		Growth in %	Share in %	
	2016/17	2017/18		2016/17	2017/18
Interest Free Export Facility	314	482	53.6	29.7	30.4
Domestic Trade and Services	284	409	43.9	26.9	25.8
Industry	66	185	181.4	6.2	11.7
Import	155	169	9.6	14.7	10.7
Construction	85	123	44.8	8.0	7.7
Transport and Communication	97	118	21.6	9.2	7.5
Agriculture	38	87	130.0	3.6	5.5
Hotel and Tourism	14	12	-12.8	0.3	0.7
Consumer and personal financing	3	-	-	1.3	-
Total	1,055	1,586	50.3	100	100

Source: OIB Annual Report, 2018

In addition to the progress in Interest-Free Deposits and Financing, the bank has also recorded a 34.3% growth in its IFB foreign currency generation. It has generated a total of 48.41 million dollars in 2018. This number was around 36 million dollars in 2017. Similarly, the interest-free foreign currency covered 15.4% of the total foreign-currency accumulation of the bank in the same year.

Considering the deposits, financing and foreign-currency formation in its Interest-Free Banking Window, Oromia International Bank has generated a total income of 223 million ETB in 2018. This number has a remarkable increase from the previous year of 157 million ETB. Within a year, the income increased by about 42%. This income covers 9% of the total income of the bank including the conventional stream. Murabaha Financing is the leading product in generating income to the bank. It covered above 61% followed by fee and commission income with 37.7%.

Table 5. *Income from interest-free financing of OIB*

IFB Source of Income	Amount in million ETB		Growth in %	Share in %	
	2016/17	2017/18		2016/17	2017/18
Income from Murabaha Financing	109	137	25.6	69.5	61.3
Fee and Commission income	48	84	76.3	30.4	37.7
Other operating income	0.1	2	1,688	01	1
Total	157	223	42.3	100	100

Source: OIB Annual Report, 2018

In 2018, the total expense of the Interest-Free Banking Services Window reached 28 million ETB which is 21% higher than similar expenses in 2017. Personnel and other operating expenses constituted 53.5%, loan impairment charge covers 33% and impairment losses on other assets cover 12.9%. This is indicated in the table below.

Table 6. *Income from interest-free financing of OIB*

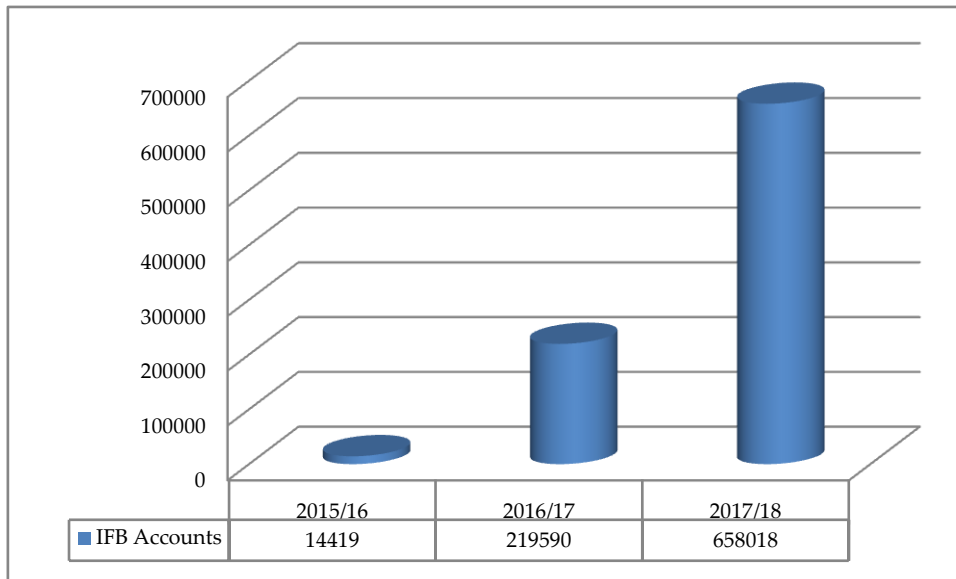
IFB Expense	Amount in million ETB		Growth in %	Share in %	
	2016/17	2017/18		2016/17	2017/18
Personnel and other operating expense	10	15	51.8	42.5	53.5
Loan impairment charge	11	9	-17.5	48.2	33.0
Impairment losses on other assets	1	4	184.6	5.4	12.9
Distribution to depositors – IFB products	1	0.2	-81.6	3.8	0.6
Total	24	28.2	20.5	100	100

Source: OIB Annual Report, 2018

The income-expense comparison indicates that the bank has made a profit of 133.2 million ETB in 2017. It increased to 194.7 in 2018 by making a 46.2% increase within a year. In 2018, the total profits generated from the IFB sector covers about 21% of the total profit of the bank.

5.2. Cooperative Bank of Oromia

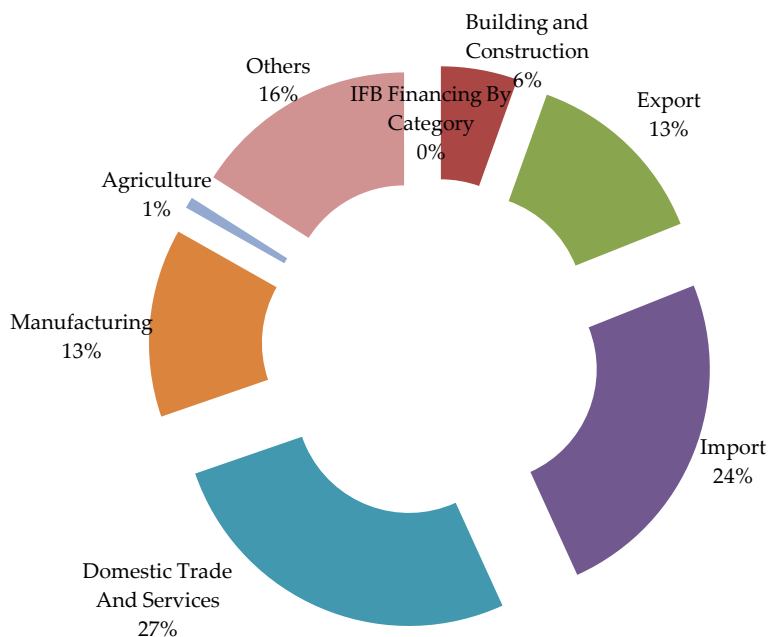
CBO is the other major player in the Interest-Free Banking Services Window market in Ethiopia. The total number of customers in the IFB window reached 660,000 out of which 410,000 have joined the services in 2018. This 170% increase in the number of customers was achieved by comprehensive marketing strategies. In 2018, consequently, the total Interest-Free Banking deposits reached 2.22 billion ETB (equivalent to 79 million USD) out of which 1.74 billion ETB is collected only within a year. Wadiah Saving covers more than 86% followed by Wadiah Current with 13.8%.



Graph 1. Interest-free accounts size of CBO

Source: CBO Annual Report 2017/18

Even though the customer base of the bank is astonishingly increasing, its Interest-Free Financing is not yet developed well. It has only Murabaha and Qerd Financing products. In the last year, the total IFB financing reached 437 million ETB. Domestic trade and services category has been the major sector for which about 116 million ETB was financed. The import and export sectors took 106 and 59 million ETB respectively. Manufacturing and building and construction are the other major categories financed by the bank in 2018.



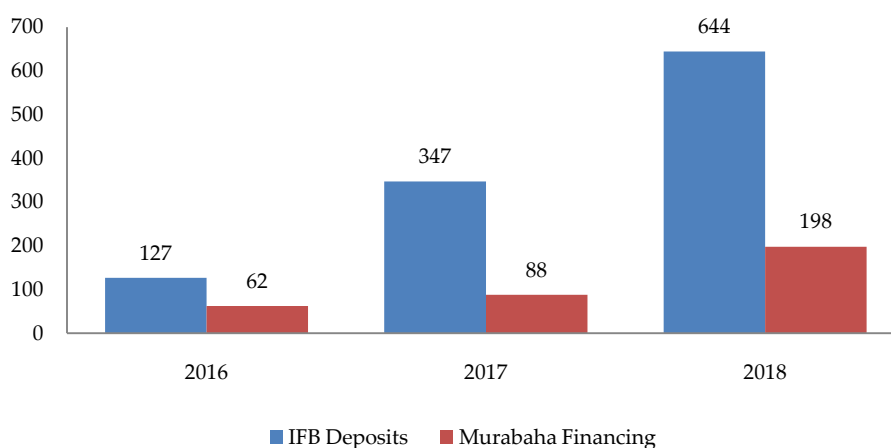
Graph 2. Interest-free financing by CBO

Source: CBO Annual Report 2017/18

5.3. United Bank

United Bank is the third bank in Ethiopia to introduce IFB services in 2014 next to Oromia International Bank and Commercial Bank of Ethiopia which initiated the services in 2013. The interest-free banking services of the United Bank have attracted 644 million ETB in 2018. It was below 347 million ETB in 2017 and 127 million ETB in 2016. It increased by 58% from 2016 to 2017 and by 86% from 2017 to 2018. In terms of financing, using the Interest-Free Financing Window, Murabaha Financing covered about 198 million ETB in 2018 and 88.2 million ETB in the previous year – 2017. In 2016, Murabaha Financing was around 62.8 million ETB. From 2016 to 2018, Murabaha Financing increased by more than 300%.

In 2017, the bank made a total profit of 8.7 million ETB from IFB operations. This has increased by more than 100% to reach above 17.6 million ETB in 2018.



Graph 3. Interest-free deposits vs. Murabaha financing of United Bank

Source: United Bank Annual Report, 2018

5.4. Nib Bank

Nib Bank is one of the new entrants into the Interest- Free Banking service market. The general customer base of the bank has continuously increased and reached 679,178 last year. In the same year, there were 33,728 account holders in the interest-free windows. In 2017, the bank collected a deposit of 322 million ETB from the interest-free window users. However, Interest-Free Finance in the form of Mudaraba and Qerd has not yet been fully operational.

From 2016 to 2017, the total deposit of the bank increased by nearly 4 billion ETB or by 32.1%. The demand deposit, savings deposit, and fixed deposit have all shown visible progress. However, the increase in the Interest-Free Deposit is very remarkable. Within a year, the total deposit increased by 476% to reach 322 million ETB in 2017 from just 56 million ETB in 2016. The data for 2018 is not available.

Table 7. Interest-free and other deposits at Nib Bank, 2017

Deposit type	Amount in million ETB, June 2017	Share in %	Amount in million ETB, June 2016	Share in %	Growth	
					Absolute	%
Demand Deposit	4,765	29	3,600	29	1,163	32
Savings Deposit	8,863	54	7,022	56.5	1,841	26
Fixed Deposit	2,466	15	1,743	14	722	41
Interest Free	322	2	56	0.5	266	476
Total	16,416	100	12,423	100	3,993	32.1

Source: Nib Bank Annual Report, 2017

5.5. The other banks

One of the latecomers in the market is Abay Bank. The bank's saving and demand deposit mobilization have increased the rates by 55% and 42% respectively in 2018. Similarly, the deposit in the Interest-Free Banking window has increased from 181 million ETB in 2017 to 289 million ETB in 2018. This indicates that the deposit in the IFB window of the bank has increased by 63%. However, the interest-free financing of the bank was around 26 million ETB in 2018.

6. Conclusion

To generalize, the notable players in the Interest-Free Banking Services of Ethiopia are the Commercial Bank of Ethiopia and Awash International Bank. However, in both banks detail data is unavailable because of two reasons. Either they are not inclined to share the data for getting competitive advantages or the IFB deposits and financing products are treated as part of the overall deposit and financing services of the conventional stream. Therefore, the data is presented in a nutshell. Dashen Bank, Abyssinia Bank, and Wegagen Bank are comparatively new to the market. They have short-lived experience in providing the services. Consequently, they have minimal data on the services.

Based on the available figures, we can draw some conclusions about the IFB in Ethiopia. First of all, the appropriateness and the future of the Window Model came to be doubtful by many Muslim intellectuals in many countries. There are strong critics on the Sharia-Compliance of its character. Consequently, some countries, such as Qatar and Kuwait, have discouraged the Window-Based activities and pushed for its convergence into the other models. However, in the case of Ethiopia, the number of banks with IFB Window Services is continuously increasing. Within 5 years (2013-2018), out of the total 19 commercial banks in the nation, 10 banks have joined the Interest-Free Banking and Financing window market. Second, we can conclude that unlike the deposits, the financing services of the window services in all banks are still acutely limited. This reality signals that there is an immense potential in Ethiopia for Interest-Free Banking and financing services in general. However, the deposit services are tremendously dominant and made the sector decidedly deposit-oriented. This orientation, as a result, made billions of ETB to be idle or freely used by the banks. Third, at the time when some full-fledged banks

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are emerging, the Commercial Bank of Ethiopia and the other private banks are utterly working on opening special branches for IFB services and retain their customers. It seems that they are immensely attracted by the ever-increasing deposits made by the clients in the IFB windows. Once and for all, we can conclude that the Interest-Free Banking and Finance sector has a bright future in the country. However, at least soon, it will be defied by lack of trained human resources, poor legal system, unhealthy competitions, lack of awareness in the highly diversified community, and lack of Islamic institutions and muddled pledges of Muslim Scholars.

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