A Study on the Problems of Banking Operations and Risk Management Components in Bangladesh

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Abstract

The economy of Bangladesh is one of the strong in the south East Asia. There are abounded number of banks and financial institutions in our country. The investment and deposits of the banks are significant. The performances of the banks are good except some exceptional. However the present study has conducted to identify the problems of Banking systems and networks, to prioritize the probable best practices for increasing positive services and to outline a guideline for HRD for comprehensive dynamic Banking system. The study was descriptive and survey type. The study was conducted at Dhaka district in Bangladesh as all the banks head office are situated at the capital city i.e. Dhaka. Data and information were collected from the clients of the banks and officers of the banks. The officers of the banks were entry level officers, mid level officers and management level officers. The results show that the dominating problems were related out tract functioning (78%) during the course of Banking administration followed by less skill (63%) and broad interest gap (62%). The less skill was dominant at the Upazila level. The problem is similarly distributed throughout the hierarchy, though highest in the capital. The mean results show that the major sector of investment was reported to be trading being 36% followed by leasing 31%. The gap between need and current status was highest at the district level followed by capital. It clearly indicates that the sectors of investment require revision as per public need for the country. As for example the RMG and media sectors were over invested at the capital, while the agricultural sectors showed higher need but getting current negligence. The results show that the dominating problems were related out tract functioning (78%) during the course of Banking administration followed by less skill (63%) and broad interest gap (62%). The less skill was dominant at the Upazila level. The problem is similarly distributed throughout the hierarchy, though highest in the capital. The mean results show that the major sector of investment was reported to be trading being 36% followed by leasing 31%. The gap between need and current status was highest at the district level followed by capital. It clearly indicates that the sectors of investment require revision as per public need for the country. As for example the RMG and media sectors were over invested at the capital, while the agricultural sectors showed higher need but getting current negligence. From the study it can be recommended that the banking sector should have good governance, more transparency, should have more accountability should work freely free from any interference.

Key words: *Economy, Problems, Bank, Operations, Risk, Management, Components.*

INTRODUCTION

The rural sector has traditionally been viewed as a low-productivity sector which produces low quality goods. It is often expected to wither away as a country develops. Recent years have seen a shift away from this position towards recognition that the rural non-farm sector can, and often does, contribute to economic growth, rural employment, poverty reduction, and a more spatially balanced population distribution. This paper reviews the literature on the conceptual and empirical underpinnings of this more recent perspective,

focusing on the experience in developing countries. The paper documents the size and heterogeneity of the sector, pointing to evidence that in many countries the sector is expanding rather than declining.

The issues associated with measuring the sector's economic contribution are discussed, followed by empirical assessments for several countries and regions. The distributional impact of non-farm earnings is examined and it is found that a pro-poor impact, while by no means inevitable, can be considerable. The sector's trajectory over time, in different settings, is reviewed and the scope for, and experience of, various policy interventions is discussed.

The rural non-farm sector is a poorly understood component of the rural economy of developing countries and we know relatively little about its role in the broader development process. This gap in our knowledge is the product of the sector's great heterogeneity, A common view is that rural off-farm employment is a low productivity sector producing low quality goods, expected to wither away as a country develops and incomes rise. A corollary of this perspective is that government need not devote resources to promoting the sector, nor be concerned about negative repercussions on the rural non-farm sector arising from government policies directed at other. To some extent, opinion has been swinging away from this position. Arguments for paying attention to the non-farm sector generally center on the sector's perceived potential in absorbing a growing rural labor force, in slowing rural–urban migration, in contributing to national income growth, and in promoting a more equitable distribution of income.

In most developing countries the bulk of the population lives in rural areas, and this population continues to grow at a substantial rate. Given limits to arable land, this growth in the rural labor force will not be productively absorbed in the agricultural sector. Either migration to urban areas or the development of non-farm employment in rural areas must take up the slack. Most countries have seen a rapid increase in the level of urbanization. Over the period 1960–1980, rural out-migration and urban in-migration have been estimated at 1 and 1.8% annually for 40 developing countries with available data (Williamson, 1988). For some countries the rates have been much higher. For example, during the 1970s, Nigeria and Tanzania are estimated to have had 7.0 and 7.5% increases in urban population annually with over 60% due to rural–urban migration (Todaro, 1994).

- Enterprises tend to congregate in urbanized areas in most countries, and to be large in scale, suggesting that there are substantial economies of scale, scope or agglomeration. A large local market, a locally available.
- Skilled workforce, a wider variety of production inputs, technological spillovers and lower costs to the provision of infrastructure are a few examples of the latter and they are real (social) benefits of concentration.

There are, however, reasons for industry to thrive in urbanized environments which do not reflect benefits to society. Some of these are created by governments. Requiring firms to obtain licenses for production or foreign exchange makes it advantageous for them to locate near government offices. The provision of high quality physical and social infrastructure in urban areas to an extent not warranted on the basis of lower

costs is a phenomenon commonly observed in developing countries (and often ascribed to the presence of political elite in cities). This lowers the relative costs of urban-based production in a way which is socially costly.

OBJECTIVES OF THE STUDY

Specific Objectives

1. To identify the problems of Banking systems and networks
2. To prioritize the probable best practices for increasing positive services.
3. To outline a guideline for HRD for comprehensive dynamic Banking system.

METHODS AND MATERIALS

The study was descriptive and survey type. The study was conducted at Dhaka district in Bangladesh as all the banks head office are situated at the capital city i.e. Dhaka. Data and information were collected from the clients of the banks and officers of the banks. The officers of the banks were entry level officers, mid level officers and management level officers.

Methods and Materials: conducting

Investigation survey

- Interaction sessions in small groups
- Success stories of Bankers.

Guidelines for questionnaires and interaction checklist Part I

- Personal information
- Identity as respondent: Banker/Consumer/Elite/Investor**….**
- Name…………………………………………………..………
- Designation……………………………………………………
- Qualification last degree and diploma…………..………..
- Banking experience yrs…………………………………….
- Gender……………………………………………….…………
- Specialized training on…………………………….…………
- Future target field of work…………………………………
- No. Banks worked………………………………..……………
- No. of countries worked…………………………………
- Others…………………………………………………………..

Part - 2

a. What are the main problems currently faced by Banks? Give tick mark to any 4.

1. Hindrance of normal functioning due to out-track pressure
2. Saving-lending interest gap
3. Lack of currently needed skill
4. Lack of infrastructure
5. Legal anomalies
6. Problems of Banking formats
7. Multiple membership of financial organizations
8. Lack of authoritative skill and commitment
9. Lack of consistent Master plan
10. Others

b. What are the main problems currently faced by Bank with which you working? Give tick mark to any 4.

1. Hindrance of normal functioning due to out-track pressure
2. Saving-lending interest gap
3. Lack of currently needed skill
4. Lack of infrastructure
5. Legal anomalies
6. Problems of Banking formats
7. Multiple membership of financial organizations
8. Lack of authoritative skill and commitment
9. Lack of consistent Master plan
10. Others

c. What are the vital sectors of Bank investment on national perspective? Give tick mark to any 4.

Agriculture, Industries, Health, Trading, Leasing, Education, Media, Agro-industries, Garments, Others

d. What are the vital sectors of Bank investment with the bank you are working? Give tick mark to any 4.

Agriculture, Industries, Health, Trading, Leasing, Education, Media, Agro-industries, Garments, Others

e. Which activity should immediately take in to reform actions of Banks? Give tick mark to any 2.

1. Hindrance of normal functioning due to out-track pressure
2. Saving-lending interest gap
3. Lack of currently needed skill
4. Lack of infrastructure
5. Legal anomalies
6. Problems of Banking formats
7. Multiple membership of financial organizations

8. Lack of authoritative skill and commitment
9. Lack of consistent Master plan
10. Others

RESULTS AND DISCUSSION

The results found from the Study on the Problems of Banking Operation Components in Bangladesh are briefly presented and described here. The data are given both in tabular and graphical forms and the whole content is arranged as per sequence of the objectives and respective methodology.

1. Banking Problems

The data collected as per set parameters are mentioned in the Table 1 and Figure 1 and 2. The results show that the dominating problems were related out tract functioning (78%) during the course of Banking administration followed by less skill (63%) and broad interest gap (62%). The less skill was dominant at the Upazila level. The problem is similarly distributed throughout the hierarchy, though highest in the capital.

Table 1: Problems of Banking Systems: percent response

Parameter	Capital	Division	District	Upazila	Mean
Out -tract function	91	76	73	71	77.75
Interest gap	45	54	65	82	61.50
Less Facilities	32	43	45	69	47.25
Legal anomaly	76	53	61	45	58.75
Weak formats	37	35	40	19	32.75
Multi member	83	59	44	11	49.25
Less skill	54	59	62	77	63.00
Inconsistent MP	28	36	41	40	36.25
Mean	55.75	51.875	53.875	51.75	53.31

Figure 1: Problems of Banking Systems as per parameters
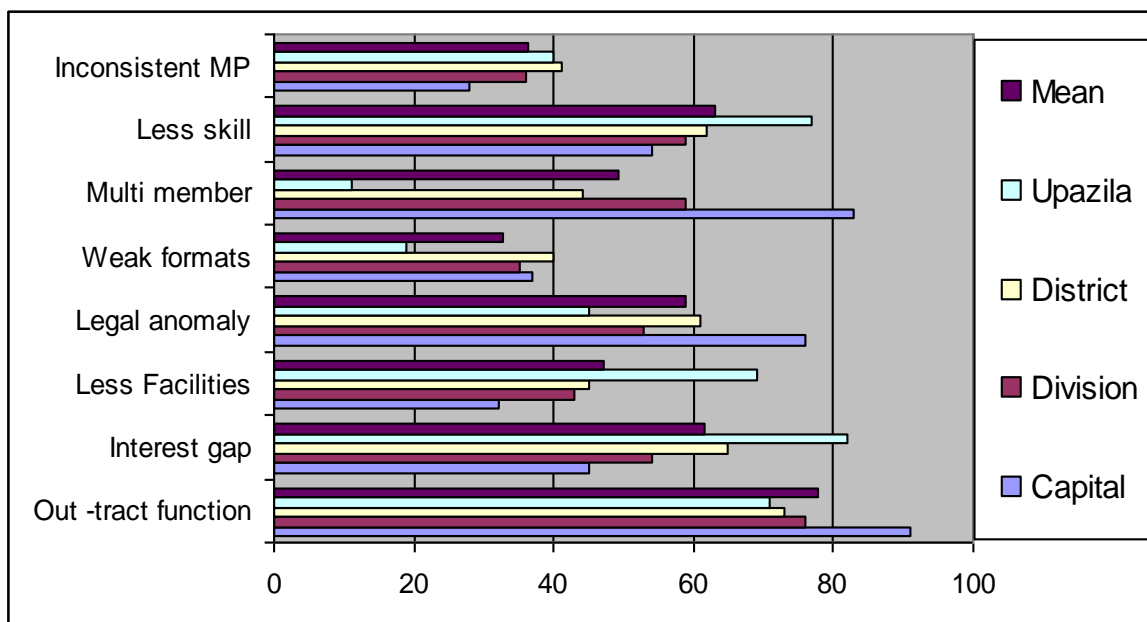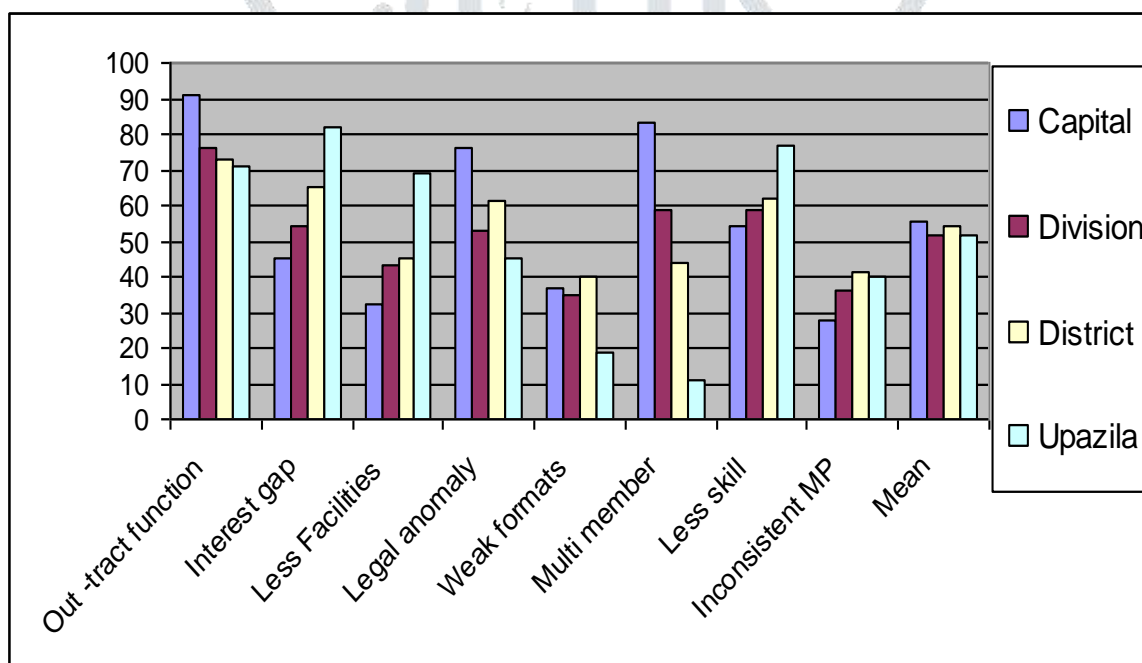

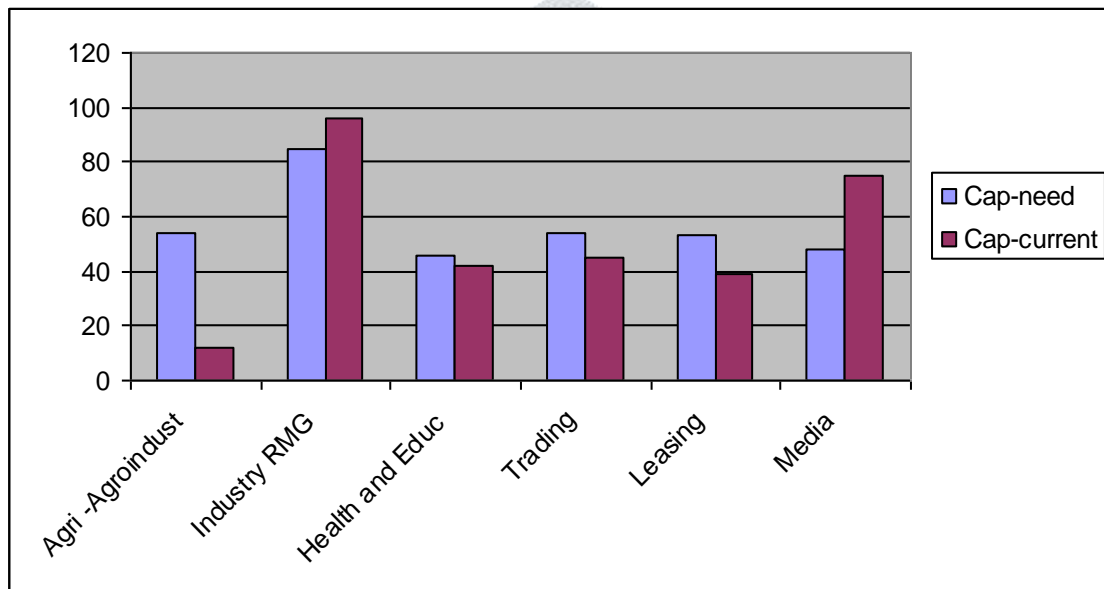**Figure 2: Problems of Banking Systems as per Administrative levels**

2. Vital sectors of Bank investment

The results found as per set parameters are mentioned in the Table 2 and Figure 3 and 4. The mean results show that the major sector of investment was reported to be trading being 36% followed by leasing 31%. The gap between need and current status was highest at the district level followed by capital. It clearly indicates that the sectors of investment require revision as per public need for the country. As for example the RMG and media sectors were over invested at the capital, while the agricultural sectors showed higher need but getting current negligence.

Table 2: Vital sectors of Bank investment

	Cap-need	Cap-current	Div-need	Div-current	Dist-need	Dist-current
Agri -Agroindust	54	12	75	35	83	19
Industry RMG	85	96	44	63	34	13
Health and Educ	46	42	72	58	65	22
Trading	54	45	59	49	72	36
Leasing	53	39	42	58	53	31
Media	48	75	62	86	45	15
Mean	56.7	51.5	59	58.2	58.7	22.7

Figure 3: Need and Current investment status in the capital level

Figure 4: Need and Current investment status in the Division level
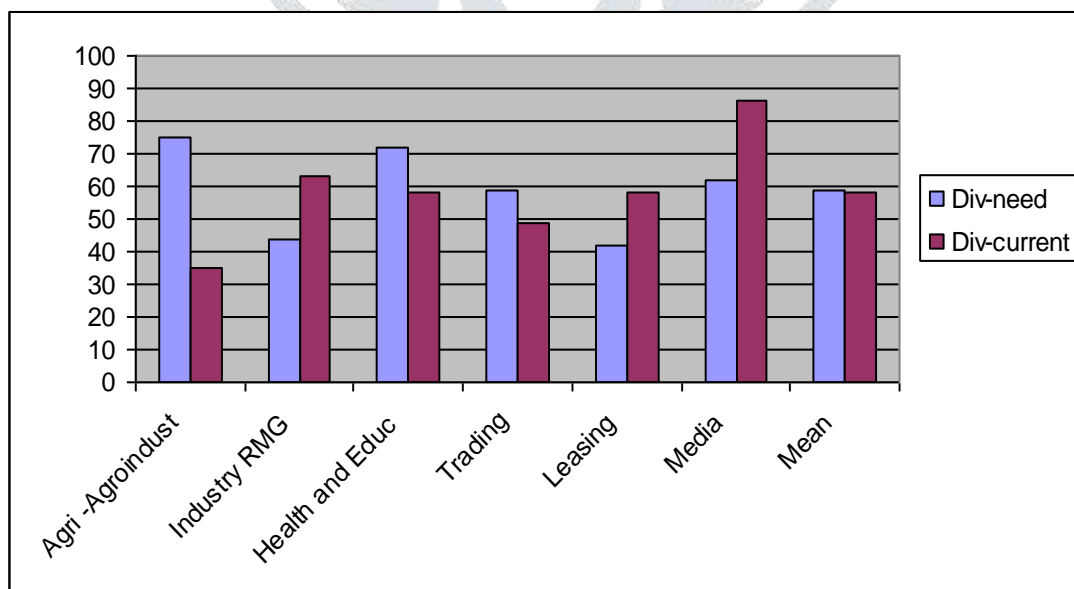
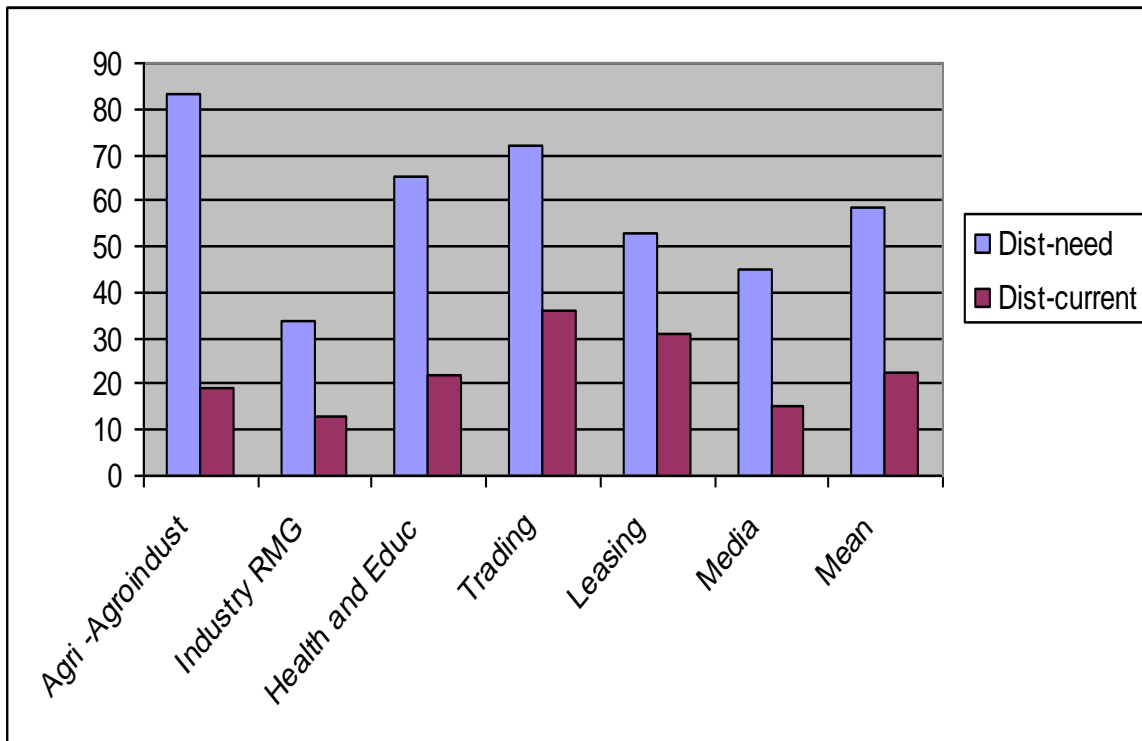**Figure 5: Need and current investment status of the District level**


Table 3: Problems of Banking system as per types of Bank

	BKB RKUB	Private	Nationalized	Multipurpose	Mean
Out -tract function	82	56	93	81	78.00
Interest gap	45	94	65	52	64.00
Less Facilities	72	23	44	68	51.75
Legal anomaly	77	83	74	85	79.75
Weak formats	47	35	40	29	37.75
Multi member	53	89	42	31	53.75
Less skill	74	52	61	73	65.00
Inconsistent MP	27	36	48	42	38.25
Mean	59.625	58.5	58.375	57.625	58.53

Figure 6: Problem of Banking system as per parameters
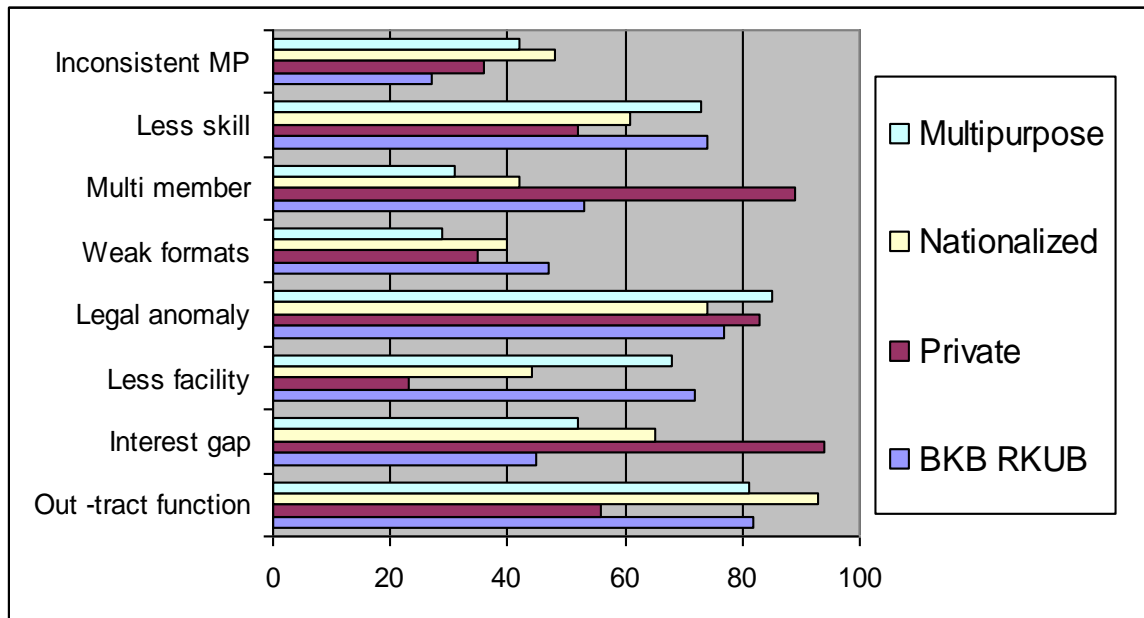
Figure 7: Percent Problems
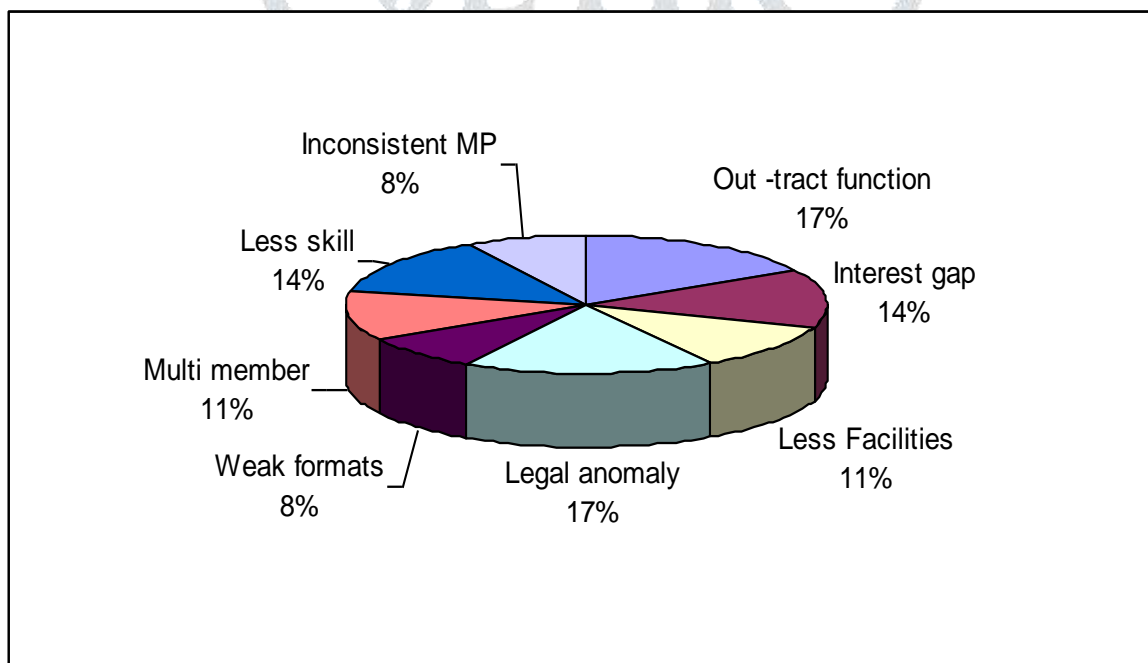
CONCLUSION AND RECOMMENDATIONS

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As for example the RMG and media sectors were over invested at the capital, while the agricultural sectors showed higher need but getting current negligence.

From the study it can be recommended that the banking sector should have good governance, more transparency, should have more accountability should work freely free from any interference.

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