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.

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……………………………………………………………
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

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

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

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

![Bar chart showing need and current investment status of the District level with categories including Agri - Agroindustry, Industry RMG, Health and Education, Trading, Leasing, Media, and Mean.]

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

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

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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.

REFERENCES


