

Annual Banking Conference

Venue : **BIBM Auditorium**

Date : **November 22-23**

2015



Bangladesh Institute of Bank Management

Section - 2, Mirpur, Dhaka - 1216

Welcome Message

Director General
Bangladesh Institute of Bank Management

I welcome you all to the Annual Banking Conference-2015 organized by the Bangladesh Institute of Bank Management (BIBM). It is a two-day long platform of interaction intends to bring together banking experts, academicians and researchers from home and abroad to exchange and share knowledge, experience and research outputs on banking and related issues. The banking industry throughout the world which is in a state of continuous change, facing many problems and challenges, has to address those issues in a pragmatic manner and with the utmost integrity. I hope that the deliberations in this Conference would generate new and innovative ideas on identifying and tackling banking/financial crises which is a great difficulty for the sector.

This year the conference papers would be presented in four plenary sessions - 'Macro and Financial Stability', 'Human Resource Management and Information & Communication Technology in Banks', 'Financial Inclusion and Sustainable Banking' and 'Corporate Governance and Risk Management in Banks'. The Conference accommodates six papers on 'Macro and Financial Stability', and six papers on 'Human Resource Management and Information & Communication Technology in Banks' on day one and the second day of the Conference includes presentation of seven papers on 'Financial Inclusion and Sustainable Banking', and seven papers on 'Corporate Governance and Risk Management in Banks'.

Organizing Annual Banking Conference is a daunting task in view of time and other constraints. It would not have been possible without continuous effort of my BIBM colleagues and other concerned bankers, academicians and researchers. I, on behalf of the Conference organizer, express my heartiest gratitude and sincere thanks to all contributors of the Annual Banking Conference-2015 for providing all kinds of support to make the conference successful. Finally, we extend our gratitude to our Governing Body and specially to its Chairman, Governor, Bangladesh Bank for motivating, encouraging and helping us for organizing this annual banking conference.

I wish a grand success of the conference.

Dr. Toufic Ahmad Choudhury

Program Schedule Day One

Sunday, 22 November, 2015

Time	Program	Location
0900-1030	Inaugural Session (Day One) Welcome Address by Professor Dr. Shah Md. Ahsan Habib , Chairman, Organizing Committee Speech by Mr. K.M. Zamshed uz Zaman , Principal, Bangladesh Bank Training Academy Inauguration of the Conference by Dr. Atiur Rahman , Chairman, BIBM Governing Board and Governor, Bangladesh Bank Inauguration of the BIBM-Frankfurt School of Finance and Management Joint Certification Program on Certified Expert in Risk Management (CERM) by Dr. Atiur Rahman , Chairman, BIBM Governing Board and Governor, Bangladesh Bank Address by Mr. Andreas Emser , Director of Executive Education, Frankfurt School of Finance and Management, Germany (through Skype) Presentation of the Inaugural Research Paper titled “A Review of the Banking Activities-2014” by Dr. Toufic Ahmad Choudhury , Director General, BIBM	BIBM Auditorium
1030-1100	Refreshment	
1100-1330	Plenary Session-1: Macro and Financial Stability Chair: Dr. Faisal Ahmed Senior Economic Advisor, Bangladesh Bank Panelists: Dr. Mahmood Osman Imam Professor, Department of Finance, University of Dhaka Mr. Md. Yasin Ali Supernumerary Professor, BIBM Dr. Khandaker Golam Moazzem Additional Research Director, Center for Policy Dialogue (CPD) Dr. Prashanta Kumar Banerjee Professor & Director (R,D&C), BIBM Papers to be Presented: Paper-1: Macro-prudential Policies for Financial Stability: Does It Matter for Emerging Economy? Paper-2: Factors Affecting Propensity to Save: A study in Sylhet City Paper-3: Banks, Stock Markets and Economic Growth: Evidences from Bangladesh Paper-4: Re-examining Determinants of Performance of Commercial Banks in Bangladesh: New Evidence from Dynamic GMM, Quantile Regression and Wavelet Coherence Approach Paper-5: The impact of Capital Flight and Exchange Rate on Economic Growth in Bangladesh Paper-6: Does Financial Development Always Boost Economic Growth? An Empirical Analysis with Macro and Macprudential Aspects in Emerging Economies	BIBM Auditorium
1330-1500	Lunch	BIBM Canteen

Program Schedule Day One

Sunday, 22 November, 2015

Time	Program	Location
1500-1730	<p>Plenary Session-2: Human Resource Management and Information & Communication Technology in Banks</p> <p>Chair: Mr. S. A. Chowdhury A.K. Gangopadhaya Chair Professor, BIBM</p> <p>Panelists: Dr. M Amzad Hossain Professor and Dean, Faculty of Business Studies, University of Rajshahi, Rajshahi Mr. Ali Ahsan Professor, Department of Management, University of Dhaka Mr. Helal Ahmed Chowdhury Supernumerary Professor, BIBM Mr. S.M. Mainuddin Chowdhury Deputy Managing Director, Southeast Bank Ltd.</p> <p>Papers to be Presented:</p> <p>Paper-7:Effect of HR Practices on Employee Performance in Banking Industry Paper-8:Employees' Job Satisfaction and Switching Intention Associated with Mergers and Acquisition of Nepalese Banks and Financial Institutions Paper-9:Talent Management and Quality of Work Life: An Analysis of Banking Sector in India and Iraq Paper-10:Implementation of Green HRM in the Banking Sector of Bangladesh Paper-11:Organizational Justice and Turnover Intention among Private Commercial Bank Employees in Nepal Paper-12:ICT Practices in Banking Operations: Comparative Study of Private and Public Sector Banks in India</p>	BIBM Auditorium
1730	Refreshment	

Program Schedule Day Two

Monday, 23 November, 2015

Time	Program	Location
0900-0945	Inaugural Session (Day Two) Key Note Speech by Mr. Khondkar Ibrahim Khaled , Dr. Muzaffer Ahmad Chair Professor, BIBM Session Chairman Dr. Toufic Ahmad Choudhury , Director General, BIBM	BIBM Auditorium
0945-1015	Refreshment	
1015-1300	Plenary Session-3: Financial Inclusion and Sustainable Banking Chair: Professor Shibli Rubayat UI Islam Dean, Faculty of Business Studies, University of Dhaka Panelists: Dr. Md. Sadiqul Islam Professor, Department of Finance, University of Dhaka Dr. Md. Akhtaruzzaman Economic Advisor, Bangladesh Bank Mr. Al Mudabbir Bin Anam Senior Advisor, Sustainable Energy for Development, GIZ, Dhaka Dr. Shah Md. Ahsan Habib Professor and Director (Training), BIBM Papers to be Presented: Paper-1: The Role of Technology and Financial Literacy in Financial Inclusion in Bangladesh Paper-2: Agent Banking: A Complimentary Channel to Financial Revolution in Bangladesh, a Study on (bKash) BRAC Bank Ltd. Paper-3: A study on Socio-Economic Development through Priority Sector Lending by Banks with Reference to State of Andhra Pradesh Paper-4: Micro-finance and Economic Transformation: A Case of Nepal Paper-5: Practices of Sustainable Financing in Banking Industry: A Study on Green Banking in Bangladesh and India Paper-6: Banking and Financial Inclusion Paper-7: Corporate Sustainability Reporting in Banking Sector of Bangladesh: An Appraisal with G4 of Global Reporting Initiative	BIBM Auditorium
1300-1430	Lunch	BIBM Canteen

Program Schedule Day Two

Monday, 23 November, 2015

Time	Program	Location
1430-1700	<p>Plenary Session-4: Corporate Governance and Risk Management in Banks</p> <p>Chair: Mr. S.K. Sur Chowdhury Deputy Governor, Bangladesh Bank</p> <p>Panelists: Dr. Mohammad Saleh Jahur Professor, Department of Finance and Banking, University of Chittagong Dr. Sarwar Uddin Ahmed Professor and Dean, School of Business, Independent University, Bangladesh Mr. Ahmed Kamal Khan Chowdhury Managing Director, Prime Bank Ltd. Mr. Sajib Azad Faculty Consultant on Risk Management, BIBM</p> <p>Papers to be Presented: Paper-1:An Empirical Study on Corporate Governance and Islamic Bank Performance: A Case Study of Bangladesh Paper-2:Cost of Implementation of Basel-III Reforms in Bangladesh: A Panel Data Analysis Paper-3:The Basel Accord: A New Paradigm to Banking Capital Regulation Paper-4:Non-Performing Loans in Banks of Bangladesh-An Assessment Paper-5:Effect of Bank-Specific Variables on the Non-Performing Loan Ratio: A Case Study on the Commercial Banks of Bangladesh Paper-6:An Analytical Review of Non-Performing Loan: Bangladesh and Global Perspectives Paper-7:Workers' Remittances of Bangladesh during the Global Financial Crisis and Beyond: A Static Panel Data Analysis</p>	BIBM Auditorium
1700-1730	<p>Concluding Session</p> <p>Speech by Mr. Dewan Hanif Mahmud, Editor, Bonikbarta, Media Partner of the Conference Concluding Speech by Mr. Md. Abul Quasem, Chairman, BIBM Executive Committee and Deputy Governor, Bangladesh Bank Vote of Thanks by Dr. Toufic Ahmad Choudhury, Director General, BIBM</p>	BIBM Auditorium
1730	Refreshment	

Abstract of the Conference Paper

Paper 1

Macro-prudential Policies for Financial Stability: Does It Matter for Emerging Economies?

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This article attempts to critically assess the efficacy of arrangement and application of various macroprudential policies and tools that use in financial market to prevent financial instability. We find that financial sector crisis were mostly associated with the higher openness of not only large economies but also of emerging and complex economies that spill over across the countries through toxic contagion effect. Keeping quite seriously in account the existing rigidities in institutional arrangements, central banks play a very significant role in maintaining macroprudential policy arrangement; the macroprudential policy framework mostly developed by central bank contain the international best practice. However, it is found that its timely and efficient implementation and also its efficacy depend largely on the structure, size and interconnectedness of an economy. Bangladesh economy is increasingly taking shape of an emerging economy with higher openness but still with full capital controls. From the historical evidence this paper finds given limited openness Bangladesh economy has been affected less from the global financial tsunami of 2008. We also critically explain the efficiency of different macroprudential policies as a best answer to the question that to what extent the central bank or the market participants respond the systemic risks that can be emerged as a potential source of financial instability.

Paper 2

Factors Affecting Propensity to Save: A study in Sylhet City

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Saving can be defined as difference between individual's disposable income and its consumption. Saving is the normal human nature. This study aims at identifying some important factors which affect propensity to save. A highly structured questionnaire was prepared to collect primary data from 270 depositors from the different banks in Bangladesh. Several tools (Descriptive Statistics, Factors Analysis and Multiple Regression Analysis) are used to find out core cause of human savings. The researcher finds at least 15 factors that affect propensity to save. So there have 1 dependent variable i.e., saving intensity and 15 different independent variables i.e., To be rich man, To buy durable goods, Children education/dependent education, To study/travel in future, etc. The findings of the study reveal five core factors which affect human to save mostly i.e., To have facility in old age, To have enough social security, To purchase land/house, For some dependent persons, To get a good profit/interest. This saving behavior is directly related to the development of the country. Because as much as people save as much as financial institutions provide loan to the development projects.

Paper 3

Banks, Stock Markets and Economic Growth: Evidences from Bangladesh

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The relationship between financial development (broadly banking and stock market) and economic growth is a century long phenomenon and there is no generalization about it. Rather there are a number of research gaps in this regard, especially in developing countries like Bangladesh. The present paper explores the patterns (both magnitude and direction) of finance – growth relationship of Bangladesh during the period of 1990 – 2013. Both ADF and PP tests are used to checking the stationarity of all variables. Test results suggest that all the variables are integrated with the same order 1(one) and Johansen cointegration test indicates a long run relationship in Bangladesh during the period. Granger Causality test shows that only banks development (not stock market development) causes economic growth in Bangladesh. Banking development also causes both stock market development and inflation; whereas economic growth causes inflation in Bangladesh. Results of the fitted regression model report that the marginal effect of banking development (not stock market development) is significantly positive on economic growth (which is supply – leading only) in Bangladesh. So policy makers of Bangladesh ought to promote efficient banking development to accelerate economic growth of Bangladesh along with controlling inflation (as economic growth also causes inflation).

Paper 4

Re-examining Determinants of Performance of Commercial Banks in Bangladesh: New Evidence from Dynamic GMM, Quantile Regression and Wavelet Coherence Approach

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The profitability (ROA) of the banking sector in Bangladesh evidenced a high fluctuation ranging from 0.6 to 1.8 percent during the last decade and in June 2014 it dropped to 0.6% from 0.9%. This paper aims to re-examine the impact of both internal and external determinants on the profitability of commercial banks by using advanced econometric tools viz. GMM, Quantile regression and continuous wavelet coherence approaches. The internal determinants are capital adequacy ratio, liquidity ratio, total assets, and efficiency ratio and credit risk while the external determinants are GDP growth rate, inflation and money supply. The data for the study obtained from Bank scope database of 21 commercial banks from 2011 to 2014. The empirical findings revealed that capital adequacy ratio, liquidity ratio, bank size have a significant impact on the profitability of commercial banks. Money supply and inflation are negatively and statistically significant to ROA. For Robustness, Quantile regression found that the statistical significance level of credit risk, capital adequacy ratio and efficiency ratio differ at different percentile. For further robustness and for finding the lead-lag relationships, this study also applies continuous wavelet coherence (CWT) and finds that ROA is led mostly by internal factors rather than macroeconomic factors.

Paper 5

The Impact of Capital Flight and Exchange Rate on Economic Growth in Bangladesh

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Capital flight is the unrecorded movement of funds between a country and the rest of the world. (World Bank). Capital flight has been a basis foremost apprehension in least developing countries, especially in Bangladesh, where there is shortage of capital essential for development. It is generally assumed that capital flight has an adverse impact on economic growth. In the era of globalization exchange rate also plays a vital role for the determination of economic growth of a country. It is important to investigate how capital flight and exchange rate influences economic growth in Bangladesh. The study therefore seeks to explain the impact of capital flight and exchange rate on economic growth in Bangladesh using statistical tools and econometric model by using panel data (1973-2012) and following earlier international studies. The paper will also determine explicitly between the two variables which variable effect economic growth more prominently in Bangladesh by estimating the OLS method. The findings indicate that capital flight has a negative and exchange rate has positive impact on economic growth. Based on the findings, recommendations were made on how to check the menace of capital flight. It is expected that the outcome of the study will be useful for the policy makers and practitioners for future researchers as well.

Paper 6

Does Financial Development Always Boost Economic Growth? An Empirical Analysis with Macro and Macropprudential Aspects in Emerging Economies

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Over the last few decades researchers have reached in a consensus that financial development, in its form of bank credit relative to GDP, has a strong positive relationship with economic growth. However, financial innovations in the globalized economy have changed the situation gradually and made the relationship inconclusive. In this paper, we examine the dynamics between financial development and economic growth over 23 emerging economies and estimate that in some points 'excessive finance' can be happened. Our cross-country panel regression using GMM model suggests that financial development no longer has a positive effect on economic growth when the credit to the private sector reaches about 165 percent of GDP. When we consider for non-linearity, we find an inverted U-shaped relationship between finance and growth. Moreover, we also introduce the credit-to-GDP gap (i.e. deviation of credit gap from its long term trend) as one of the control variables and find that the credit-to-GDP gap beyond 2 percent of GDP has a significant negative relationship with real economic growth. Finally, we suggest to implement a well-designed mix of macropprudential measures to limit procyclicality of the economy and to reduce financial risk without affecting real economic growth.

Effect of HR Practices on Employee Performance in Banking Industry

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In the first growing banking sector like Bangladesh, there are 56 banks are offering financial services with different stratagem and always looking for faster growth through employee performance by all means. Performance assessment is highly important while achieving the goals of the organization and determining the individual contributions to the organization. The purpose of the research is to measure the effect of Human Resource (HR) issues on the performance of the employees who work in the banking industry by using a model proposed in the paper. The research will be performed through a sample survey on about 300 different levels of executives from both state-owned and private sector banks in different locations of Bangladesh. A structured questionnaire will be used to collect primary data related to some HR issues namely- Institutional Commitment and Motivation, Employee Relations, Salary & Administration, Physical Work Environment, Training & Development, Promotion, Job Satisfaction (independent variables) and the Performance of the employees (dependent variable) of the designed banks. Some statistical tools (mean, SD, correlation and regression analysis) will be used to analyze the data. The study is expected to reveal the factors that have significant impact on the employee performance in the context of the banking industry of Bangladesh. On the overall, the study would generate some useful findings that would provide a clear guidance to the practitioners/policy makers of banking industry to take further steps in achieving the organizational goal through the employee performance.

Employees' Job Satisfaction and Switching Intention Associated with Mergers and Acquisition of Nepalese Banks and Financial Institutions

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This paper aims at describing job satisfaction and switching Intention associated with mergers and acquisition (M&A) of Nepalese Banks and Financial Institutions (BFIs). The study used opinion survey among the employees who witnessed M&A in their BFIs. The scenario of employees after M&A has been identified and a measure of employees' satisfaction before and after M&As has been carried out. Data has been collected using six point likert scale questionnaire which measures level of agreement or disagreement of respondents. Survey among 180 employees of 27 BFIs, revealed that employees' issues are the most important aspect of M&As process which, if not handled well, may negatively impact employees' satisfaction and switching intention. Employees were found dissatisfied after M&A compared to before M&A. However switching intention of employees has not been found after M&A. But possibility of employees leaving BFIs still exists. Employees those are satisfied expressed that they can get better opportunity than the present job, and there will not be any problem to discontinue present job. They felt safe to get similar job in case of termination. It shows that liquid employees' market in Nepalese Banking Industry. It is concluded that employees' involvement in job redesign process as a participatory approach will lead to enhanced employees' satisfaction and reduction in switching intention. BFIs should think involving their employees in the M&A process and positively address human resources issues during M&A processes. Similarly, regulatory authorities, specially the central bank, can also use these findings in providing guidelines to BFIs.

Talent Management and Quality of Work Life: An Analysis of Banking Sector in India and Iraq

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Now-a-days, business environment is changing very fast. The changes in the technology like e-business and e-commerce have created a quantum leap information availability and control of doing business. Companies that want to grow and prosper their business and processes must focus on the people practices that allow or foster that growth and improvement. At present, many companies around the world are struggling to meet the challenges presented by the organizations' global trends. The work force has been continuously reminded of the competitiveness and increasing productivity in ensuring better work life. Being stable at the work place seems to be as important as setting the goals of organization for a harmonious working environment in a long term. The collective talent of an organization is its prime source of its ability to effectively compete and win. This research paper delves into all the relevant aspects of quality of work life specifically relating it to the banking sector in India and Iraq. It is observed that salary is the most important factor in case of Indian bank employees while recognition is the most important factor in case of Iraqi bank employees which influence the job satisfaction and motivation.

Implementation of Green HRM in the Banking Sector of Bangladesh

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Green HRM or human resource management implies all the activities involved in improvement, implementation and on-going maintenance of a system that aims at making employees of an organization green. Though the concept of green HRM is new in Bangladesh but it has indeed a great potential to serve the individual, society and business by transforming normal ones into green ones so as to achieve sustainable development. In banking perspective, green HRM means to create, enhance and retain green people so that he or she gives a maximum individual contribution towards ecological responsiveness. We have focused on the increased need of going green practices through the human resource department of a bank. In this context, we conducted this study to establish that, carbon statement is as important as banks financial statement. We examine through a survey within national and international context the role of self-evaluations and organization's green HRM in influencing support for environmental issues where samples were taken purposively at convenient. Banking industry already has initiated green banking policies but still there is a long gap between policies and practices. Finally, the paper suggests some potentially prolific HR initiatives for establishing every bank as a Green Bank in Bangladesh.

Organizational Justice and Turnover Intention among Private Commercial Bank Employees in Nepal**Dr. Gangaram Biswakarma**Senior Assistant Professor, Apex College, Pokhara University, Kathmandu, Nepal
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Justice, Sir, is the greatest interest of man on earth.” (Daniel Webster 1783–1853). In this 21st century, the success of an organization depends on dynamic and diverse factors. One of these factors is organization justice. We can consider this as an important component that helps a firm or an organization to be healthy in long run. Similarly, Banking sectors are one of the major fragments in the financial sectors in an economy including Least Developed Countries (LDCs), thus in Nepal. To make these banking organizations competitive in this rapidly changing competitive business environment, one of the vital elements is Human resource. Given the importance of HRM, justice perception in the workplace and related employee attitude towards turnover is important aspect. This research study focuses on the perceptions of justice in an organization and its influences on employees’ turnover intention. Particularly this study focuses to the banking industry in LDCs country like Nepal. A survey method is used to collect the data from multiple banking organizations in Nepal. CFA and SEM techniques are carried out to evaluate the influence of three justice system on employees’ turnover intention. The research concludes showcasing the negative effects of organizational justice on the turnover behavioral decision of an employee in banking industry in LDCs country like Nepal.

ICT Practices in Banking Operations: Comparative Study of Private and Public Sector Banks in India**Dr. N Maruti Rao**Associate Professor, PG Dept. of Business Administration, Rani Channamma University, Belagavi, India
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Worldwide, banking sector had adopted ICT in all its areas of operations. Indian banking sector is not lagging behind in adoption of ICT. The Indian Banks are making extensive use of ICT in all their operations. ICT has become the language of the new generation banks. Today, Information and Communication Technology (ICT) has changed the way that banking business is done in India. The introduction of ICT has improved banking efficiency in rendering services to customers. ICT had helped the Indian banking sector to offer value added as well as quality service to customers. It has also helped banks to cut down cost of operation, better management of risk and security and offering innovative products to customers. There is stiff competition between private and public sector banks in India. Both the banks were competing in terms of adoption of ICT. There is also perception that public sectors banks are lagging behind in terms of adoption of ICT. In the backdrop of this, a study has been undertaken to assess the adoption of ICT in public and private banks in India. The study is a comprehensive evaluation of the response of Indian banks to the adoption of ICT. The bank branch of key players operating in public sector and private sectors were selected as sample units. The study reveals that private banks were front run in adoption of ICT. It was found that the majority of private banks were offering e-passbook facility, mobile banking, e- nomination, online loan application, Phone-in-link services such as Inquiry on product and services, Change of accounts address, Stop cheque instruction, Status inquires on remittance, bank balance, etc.

The Role of Technology and Financial Literacy in Financial Inclusion in Bangladesh**Sandip Sarker**

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Post-Independence, the main concern for Bangladesh has been its economic growth. We have achieved satisfactory growth over the last one decade. However one challenge is growth needs to be inclusive that is equally distributed among all sections of the society. Financial inclusion plays a critical role in achieving inclusive growth of a country. There has been notable progress in the area of financial inclusion over the past few years and the banking industry in Bangladesh has displayed significant growth. Bangladesh bank has also been spreading the movement of financial inclusion. However, there is perplexity that banks have not been able to include the greater population, i.e. the underprivileged and rural population into the fold of basic banking services. As Bangladesh has made swift progress in technology, it is now imperative to scrutinize financial inclusion through the lens of the digital economy. This paper aims to study the contribution of information technology towards financial inclusion in Bangladesh and look into the different applications of technology that banks are adopting. This would reflect the effectiveness of the financial institutions' efforts to include underprivileged and rural people in the mainstream financial system, and support the government objective of inclusive growth. This paper also attempts to highlight the role of financial literacy and different policy initiatives that the government can consider in achieving inclusive growth of the country.

Agent Banking: A Complimentary Channel to Financial Revolution in Bangladesh, A Case Study on Brac Bank Ltd.**Rabeya Sultana Lata**

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Agent banking is a very new but proficient concept of banking arena for last few years. It delivers financial services outside conventional bank branches through non bank retail outlets rely on technologies. A momentous part of total Bangladeshi people has been incorporated with this option that ensures banking services to so many nonbanking grass root people in a swift and easy mode. Although some commercial banks offer agent banking in Bangladesh Brac Bank Ltd. is the pioneer of this banking revolution. The paper aims to investigate the implication of agent banking on the profitability of Bangladeshi commercial banks. A case study on bcash has been done to know how many people are served per year by transactions of money through agent banking. A survey is conducted on 200 respondents in Dhaka city who has a bank account simultaneously with bcash to have an idea of acceptability of this service based on availability, timeliness, costing, confidentiality and security of transactions. The analysis represents a brilliant prospect of agent banking in context of the country.

A Study on Socio-Economic Development through Priority Sector Lending by Banks with reference to State of Andhra Pradesh

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Priority sector lending is a scheme guided by govt. and RBI to commercial banks about obligatory deployment of credit to preferred and desired sectors and sections of the economy. Preferred sectors and sections are agriculture; small scale industries, small businessman, education, housing finance etc. and sections of the society are below income persons. The object behind PSL (Priority Sector Lending) is equitable and sustainable economic development at desired direction. To attain the said objectives, banks were nationalized in India in 1969. Since in this scheme banks were entrusted to fulfill some targets and sub-targets of deployment of credit such as 40 per cent for domestic banks and 32 per cent for foreign banks was fixed for priority sector lending of their total advances. Though public sector banks have progressed remarkably and achieved their targets, private sector banks are lagging behind in this respect. Now on invent of some new schemes like PSL banks in India are shaping the economy and are providing an impetus to the economy. Despite various qualities and goodness, the scheme is not free from problems. Author has made an attempt through this treatise to highlight these problems and suggested some ideas for effective implementation of priority sector lending related scheme. The overall future of this scheme in India is bright but needs a regular review process.

Micro-finance and Economic Transformation: A Case of Nepal

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This research examines the impact of micro-finance on economic status of the people living in western development region of Nepal through paired sample t-test and Wilcoxon signed rank test. The study is based on primary sources of data collected through structured questionnaires. The survey includes 500 clients from four districts of western development region consisting of 300 from government and 200 from Private micro-finance institutions. The study concludes that micro-business or enterprises creation, income level, consumption expenditure, and capital expenditure of clients have been significantly improved after involvement in micro-finance programme. The empirical evidence shows that micro-finance has transformed economic status of the people through productive application of micro-credit. Therefore, MFIs should encourage productive application of the micro-credit towards micro-business or enterprises creation that ultimately helps to transform the economic status of the people.

Practices of Sustainable Financing in Banking Industry: A Study on Green Banking in Bangladesh and India

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Sustainable financing is being practiced by financial institutions all over the world for creating economic and social values adopting policies, systems, and models to reduce the environmental and social cost incurred in the course of business. In many countries, financial institutions adopt pro-environment and sustainable financial models, design innovative eco-friendly products and create markets to make this world more sustainable. This paper attempts to analyze the practices of sustainable financing and green banking by the public and private banks in Bangladesh; furthermore, it reviews the sustainable policies and banking initiatives practiced by commercial banks in India. This paper offers a comparative analysis of sustainable financing of banking industry in the context of Bangladesh and India. This study uses secondary data collected from the websites of central and commercial banks, published articles and online contents pertinent to sustainable financing by banks of both the countries. It studies sustainability regarding banking policies, fund allocations and implementations, banking strategies, innovations of banking products, performances of banking initiatives as well as different focal benefits and challenges of sustainable financing. Finally, it concludes with recommendations those both the countries can reciprocally adopt and improve their sustainable financing in future.

Banking and Financial Inclusion

Nishi Malhotra

Assistant Professor, Banasthali Vidyapeeth, Paschim Vihar, New Delhi, India

Priya Malhotra

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This paper aims to discuss the concept of financial inclusion and percolating the dividends of banking to the bottom of the pyramid. This paper discusses the need for technological intervention and for designing new formats of banking for transferring the benefits of banking to the lowest strata of the society. Banking in today's scenario is not only business of borrowing, lending and credit generation. Banking as a concept today is aimed at creating economic independence through equity and optimum allocation of resources. This paper analyzes the current need for banking in South - East Asia along with a comparative analysis with the rest of the world. It explores strength of banking in reducing inequalities through Rural Banking and providing access to the banking services at the door steps through internet and business correspondents. This paper discusses the role of banking in wealth and welfare maximization through banking reforms and Financial Inclusion.

Corporate Sustainability Reporting in Banking Sector of Bangladesh: An Appraisal with G4 of GRI**Dr. Md. Nazrul Islam**Professor, Department of Business Administration, Shahjalal University of Science & Technology, Sylhet
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In Bangladesh, the corporate are reporting the structured financial information while the disclosure of corporate environmental, social and governance information has received much attention since the Stockholm conference of United Nations Environment Program in 1972. Global Reporting Initiative (GRI) was founded in 1997 in Boston with the aim of preparing the comprehensive framework and guideline for sustainable reporting. Subsequently, it launched the first version of the guidance named G1 (Generation 1) in 2000, G2 in 2002, and G3 in 2006. It has opened six regional offices around the world and in 2013 it launched the latest version G4, commonly applicable to all organizations of all types. It communicates organization's information on environment, society and economy for sustainable approach. The total disclosures requirement of G4 is 149 where 58 general and 59 specific. The present study will attempt to identify the sustainability indicators for banking sector with G4 firstly and assess the intensity of disclosures practices secondly. Researchers will consider the published annual reports of all 30 listed banks for data and will use content analysis method in measuring the level of disclosures. The findings of the study will signify the way of development of reporting practices of banking sector in Bangladesh towards the sustainability approach and help to revise the reporting practices in line with GRI.

An Empirical Study on Corporate Governance and Islamic Bank Performance: A Case Study of Bangladesh**G M Wali Ullah**Lecturer, School of Business, Independent University, Bangladesh (IUB)
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Corporate governance refers to the relationship present between the corporation and the stakeholders that determines and controls the strategic direction and performance of the corporation. Good corporate governance should provide adequate incentives for the board and management to pursue objectives that are in the interests of the company and shareholders, thereby encouraging firms to use resources more efficiently. However, the definition of accountability differs between conventional and Islamic Banks. Islam was made accountable not only to stakeholders, but also to Allah, the ultimate owner and authority. These powerful moral ethics help in promoting fair, just and honest business dealing. The aim of this study is to examine the relationship between corporate governance structures and resultant financial performance of listed Islamic banks of Dhaka Stock Exchange (DSE) in Bangladesh. Data were collected from all the listed Islamic banks for the time period of 7 years (2008-2014). This panel time series data was used to run Ordinary Least Squared (OLS) regression models to examine whether the existing corporate governance mechanisms as well as several other internal and external indicators are significant in influencing the financial performance. Preliminary findings suggest corporate governance mechanisms in Islamic banks are not quite as strong as they should be, hinting at possible market and management inefficiencies.

Cost of Implementation of Basel-III Reforms in Bangladesh: A Panel Data Analysis**Dipti Rani Hazra**

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Inspired by the recent debate on the macroeconomic implications of the new bank regulatory standards known as Basel-III, we tried to find out in this study that the impact of Basel-III liquidity and capital requirements in Bangladesh proposed by Basel Committee on Banking Supervision (BCBS, 2010a). A small set of macro-variables, using a sample of 26 private commercial banks operating in Bangladesh for the period of 2010-2011, are used to estimate long-run relationships among the variables. The macroeconomic variables are included: The profitability of banks, GDP, banks' lending to private sector, Net Stable Funding Ratio, Tier 1 capital Ratio, Interest rate spread, real interest rate. The cost is quantified using Driscoll and Kraay panel data models with fixed effect. Impact of higher capital and liquidity requirement on Interest rate spread and lending to private sector of banks were considered as the cost to the economy as a whole whereas impact of higher capital and liquidity requirement on profitability of banks (ROE) was considered as the cost of banks. Here it is found that, the interest rate level is positively affected by the tighter liquidity and capital requirements which driven toward lessen of the private sector lending of banks. The return on equity of banks varies negatively with the liquidity and capital. The economic costs are considerably below the estimated positive benefit that the reform should have by reducing the probability of banking crises and the associated banking losses (BCBS, 2010b).

The Basel Accord: A New Paradigm to Banking Capital Regulation**Dr. Anup Samantaray**

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After globalization, Indian Banking sector is growing very fast. This paper covers the major developments in the efforts towards harmonization of bank capital standards by the Basel Committee on Banking Supervision (BCBS). The capital regulation in banking had existed in some form before the signing of Basel Accord. In 1988, the Accord marked a watershed in the efforts towards harmonization of bank capital regulation across nations. More than 100 countries adopted the Basel I regulatory requirement of capital at eight per cent of risk-weighted assets. Due to certain deficiencies of Basel I framework and the need for a more flexible and more risk-sensitive capital standards, the revised capital framework, popularly known as Basel II was released by the BCBS in June 2004. The implementation of Basel II is in progress in several countries across the globe, soundness and stability of the international banking has been severely challenged by the outbreak of the sub-prime crisis in the US mortgage market in 2007. The Basel II framework are being mooted with a view to ensuring that the banking sector serves its traditional role as a shock absorber to the financial system, rather than an amplifier of risk between the financial sector and the real economy. The issues being re-examined include inter alia strengthening the risk capture on trading book and off-balance sheet exposures, strengthening framework to assess liquidity at banks, and globally coordinated supervisory follow-up exercises. Due to the Basel III framework on capital regulation has come to be established at the core of the assessment of soundness and stability of the banking system.

Paper 23

Non-Performing Loans in Banks of Bangladesh-An Assessment

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Non-performing loans (NPLs) are threatening the stability and demolishing bank's profitability through a loss of interest income, write off of the principal loan amount itself. This paper is an endeavor to assess the non-performing loans in banks of Bangladesh. For this the paper investigated the current position of NPLs, impact of NPLs on capital adequacy and profitability, different causes of non-performing loans in the banking sector and various actions taken by bank authority. Using a sample of 50 managers selected from 10 largest banks, the study found that poor credit management was perceived as the most important factors followed by borrower specific factor, fund management factor for causes of NPLs. The study found out a negative relationship between NPL and capital adequacy and profitability of the bank. This implies that if the levels of NPL are reduced, the efficiency of the banks will increase. Finally, the study offered some recommendations to improve Non-performing loans management efficiently and effectively.

Paper 24

Effect of Bank Specific Variables on the Non-Performing Loan Ratio: A Case Study on the Commercial Banks of Bangladesh

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Bangladesh's banking sector has been suffering from bad loans since long, while the growth is also pretty alarming. Volume and growth of non-performing loan (NPL) in banking sector of an economy depends on both macroeconomic and microeconomic variables. Bank specific financial variables such as level of business growth, business composition, risk appetite, credit quality of portfolio, interest rate spread, capital adequacy are believed to have significant impact on the level of non-performing loans of a particular bank. This paper examines the relationship between the non-performing loan ratio and several bank-specific financial variables to find out to what extent the banking variables influence the level of non-performing loan ratio. It is theoretically believed that NPL ratio is influenced by related financial parameter and/or key financial ratio. The independent variable will be the NPLs ratio where as independent variables are used: loans level, net interest margin, loan to asset ratio, capital adequacy ratio and return on equity etc. Published available financials of the Banks for the period 2010-2013 has been considered for this purpose. In the above scenario, proposed study is believed to shade light on the cause of NPL and suggest some mitigation to at least arrest its growth in the banking sector of Bangladesh.

An Analytical Review of Non-Performing Loan: Bangladesh and Global Perspectives

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The reforming financial sector of Bangladesh is progressing towards sustainable economy. However, some crucial factors such as non-performing loan (NPL), high provision and extensive credit risk are encumbering the profit growth of commercial banks. These issues are not only alarming for Bangladeshi banker but also for the global policy makers. Different measures are reinforcing the credit policy to fend the loan loss. This paper focuses on the NPL status of Bangladesh and global perspectives, it also scrutinizes the sector-wise loan provisioning statuses in banking industry of Bangladesh. In addition, the paper aims to analyze the credit risk management system to lower the uncertainty before sanctioning the loan. Further, this paper deals with the experiences of Bangladesh and other Asian countries in handling of NPLs to improve the credit policy and finds major causes and measures for NPL in both the regions. Secondary data is collected from Bangladesh Bank, World Bank, published articles and journals to conduct the objectives of this research. Finally, this study explores the positive recovery trend of NPLs as a signs of improvement, mainly due to the prudential policies taken to strengthen the loan recovery instrument and write-off measures initiated in recent years.

Workers' Remittances of Bangladesh during the Global Financial Crisis and Beyond: A Static Panel Data Analysis

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This paper explores the phenomenon that macroeconomic determinants examine the global financial crisis had a lagged impact on the workers' remittances performance of Bangladesh. Inflows of workers' remittances depend on the relative GDP, relative per capita GNI, the cross exchange rate, consumer price index, and global financial crisis of the host countries and the home country. We used a balanced panel data set of bilateral workers' remittance flows from fourteen major host countries (of Bangladeshi migrants') to Bangladesh over the period from 2000 to 2014. Empirically tested the results showed significant effects of all the relative factors on the worker remittance inflows of Bangladesh from host countries. The robustness check of the model ensures the validity of the model specification. The static panel data analysis explores the cross-country variations as well as the time-invariant country-specific effects on workers' remittance inflows of Bangladesh from heterogeneous host economies and finds, due to during the financial crisis and beyond, significant effects of all relative factors on workers' remittances performance of Bangladesh.

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