

**IMPACT OF GLOBALISATION PROCESS ON CORPORATE
PLANNING OF COMMERCIAL BANKS IN BANGLADESH:
A SURVEY OF BANKERS' OPINION**

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Banks in Bangladesh are facing challenges in their integration into the global economy. To meet these challenges, local banks must design a corporate planning which, in banking, refers to a systematic planning aiming at improving total quality management of the banks in order to provide timely services and achieve customer satisfaction and profitability. Corporate planning refers to long-term planning. The author argues that it can motivate bank personnel to give proper services to the institution and work as a major breakthrough for a smooth functioning of the economy. For proper management of banks, operational and managerial efficiency should be standardized and a matching between customers' needs and banks' products is necessary. The author also suggests that corporate planning can enhance the image of the bank, increase communication skills with the clients and prepare local banks to work in the global arena and meet the demands of the twenty-first century.

1. INTRODUCTION

Globalisation may be defined as the broadening and deepening linkages of national economies to a worldwide market of goods, services and especially capital (Ohiorhenuan, 1998). The impact of globalisation on the economy of Bangladesh is inevitable. The country is facing challenges in its integration into the global economy. To cater for the need of global opportunities and cope with threats, banks in Bangladesh must redesign their long-term planning. Before this, they must take into consideration both domestic and international scenarios.

Corporate Planning may be defined as a long term planning covering a period of five years or more. It has the potential to make a

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breakthrough in the various development measures of the economy. Globalisation is a continuous process. Information, technological innovations and globalisation processes have a direct impact on the financial sector, especially the banking sector. Local banks, especially nationalised commercial banks, are not well-equipped to respond to the needs of the twenty-first century. Old and outdated banking procedures, lack of coordination between proper manpower planning and bank schemes, lack of market research for customer psychology analysis, scarcity of financial derivatives, inefficient banking services, and lack of long term planning, etc. are creating bottlenecks preventing local banks from attaining international standards. The role of a commercial bank in the economy is to satisfy the diverse desires of both ultimate borrowers and lenders. Though reform measures in the financial sector were initiated in the nineties, the overall performance of the banking sector is not satisfactory. Global integration is thus creating a difficult situation for local banks.

This study attempts to assess the impact of the globalisation process on the banking sector in Bangladesh and highlights the importance of corporate planning of local banks to meet the threats, opportunities, challenges and prospects of the global economy. The study is based on primary and secondary data sources. Primary data are obtained through an Opinion Questionnaire responded by 110 bank officials from different commercial banks in the country in the period between 1st November to 31st December 2000. Among the respondents, 24 bankers were from the Dhaka City while 18 were from Chittagong, 15 from Rajshahi, 12 from Khulna, 11 from Sylhet, 8 from Barisal, 7 from Comilla and 5 from Bogra. As the Opinion Survey is concentrated on the bankers only, the study purports to see the supply side views of the banking sector. The secondary data are mainly obtained from the Bank of Bangladesh and other sources which are indicated in the footnotes.

2. LITERATURE REVIEW

Taylor (1982) comments that the top management of the organisation is responsible for selecting the most appropriate strategies from the various alternatives prepared by the senior managers with the assistance of the corporate planner. Burnett et al. (1991) comment that long range planning is certainly one of the most creative aspects of management and it is easy to see why it gives management such a tremendous

advantage in competition. They also note that many executives are so excited about it that they are referring to long-range planning as their profit insurance.

Ghosh and Kumar (1991) remark that the process of business planning can be considered as composed of four parts viz. the analysis of factors affecting the future, the forecast of the future environment, the preparation of the plan, and the installation of the plan. Naughton et al. (1992) mention that the operational plans must encompass all the aspects of banking operations and management to fulfill its multipurpose plan. They argue that during the planning process, six management areas are the subjects of a comprehensive analysis of the current and future shapes of a bank. This includes risk asset management; liability management; fee income management; technical and advisory service productivity; management information systems and loan administration; personnel management and organisational structure.

Hemple et al. (1994) argue that continuing change in the money and capital markets has affected bank financial management. These changes include (i) the globalisation of money and capital markets; (ii) the evolution of numerous new securities in these markets; and (iii) the development of new secondary markets for many financial assets. Kotler (1994) opines that understanding strategic planning requires the recognition of the fact that most of the large companies consist of four organisational levels, viz. the corporate level, the division level, the business level, and the product level. He also comments that the aforesaid plans are implemented at the various levels of the organization, results are monitored and evaluated and corrective actions taken.

According to Shapiro (1996), although a strong competitive advantage today in technology or marketing skills may give a company some breathing space, these competitive advantages will eventually erode, leaving the firm susceptible to increasing competition both at home and abroad. The emphasis must be on systematically pursuing policies and investments congruent with worldwide survival and growth. Strengevics (1996) comments that many companies with sophisticated planning systems have been caught offguard by unforeseen events, such as political upheavals or change in oil prices, or move by their competitors. Plenert and Hibino (1998) argue that many factors trigger

change, such as human awareness, values and motivation, and that all of these factors can be refocused towards a new perception of change, a new viewpoint.

Cornett and Saunders (1999) remark that a well-developed financial services firm potentially enjoys a far more earnings and profit stream over time than does a product-specialised bank. Rose (1999) describes the reshaping of the global banking industry as a banking revolution. In this context, he highlights the following: the proliferation of new services, rising competition between domestic and foreign financial firms, deregulation of banking and the financial markets, rising bank operating costs, the expanding use of automated equipment and electronic transfers of financial information, consolidation of the banking industry into fewer units, globalisation of financial markets and increased risk of bank failure, liquidation or absorption.

Thompson and Strickland (1999) mention that corporate strategy is the overall managerial game plan for a diversified company. It consists of the moves made to establish business positions in different industries and the approaches used to manage the company's group of businesses. Nair et al. (2000) argue that globalisation promises substantial opportunities but also brings considerable risks. Higher returns come along with higher risk, higher return without risk could at best be a temporary phenomenon. Embracing globalisation without a right country-specific policy framework is like driving a car without insurance. Rangaker (2000) remarks that corporate planning is vital for the long-term success of the organisation. The planning process involves SWOT analysis, that is, an analysis of strength, weakness, opportunities, and threats, which provides alternative strategies in order to exploit strength and opportunities and counter weaknesses and threats. Out of the strategies analysed and evaluated, priority strategies are selected using logic and intuition to prepare an implementation of the plan.

Ali (2000) comments that our local banks will have to face competition in the world market and due to global communications and corporate management systems, customers may require 24-hours banking systems. Ali (2000-2001) opines that measures may be taken for the inefficient branches of the country's banks. These branches can be improved by removing the causes of inefficiency, creating better managerial skills, and changing the management system through

business reengineering, better customer services, innovative policies and a better fund management system of the bank. As the liberalisation program is continuing, channeling of saving-investment procedure through the formal sector should be expedited. Internal monetary sector may be redesigned and reorganised not only by taking contraction measures but also by taking appropriate steps.

Ahmed (2001) describes that if Bangladesh cannot avail itself of the opportunities and minimise the dangers created by globalisation, it will lose tremendously. Imam and Ali (2001) describe that it is necessary to design the planning of the bank with regard to a database while launching a new bank product. They argue that the maintenance of a database system for diversified bank products would enhance not only the efficiency of a retail bank but also the cost effectiveness of different approaches undertaken by banks. Jewell (2001) describes that technological change is the most potent source of change in the environment of business organisations. It can be seen as the process of “creative destruction” in which new products, processes and therefore working practices replace old ones. A strong decision and political will is required to provide better managerial and operational efficiency in the nationalised banking sector.

According to Khan & Ejaj (2001), total quality management philosophy consists of the following basic beliefs: absolute customer focus, employee empowerment, involvement and ownership, continuous improvement, and use of systematic approaches to management. Stern (2002) comments that Bangladesh is not only in danger of missing the millennium goals, but may also lose out to competitor countries in the competition for the resources needed to reach those goals. Eichengreen (2002) describes that limiting volatility in a financially globalised world requires building credible policy making institutions. The greater the ability of the individuals and institutions responsible for monetary policy, the less the danger that a shock will incite an investor panic and a self-fulfilling crisis. To the contrary, if policy makers have accumulated sufficient credibility, the markets will do much of the stabilising work for them.

3. ISSUES OF GLOBALISATION AND CORPORATE PLANNING

The world economy has rich opportunities created by globalisation. Globalisation creates linkages between domestic and international

banks. Yet, certain questions related to the banking sector may arise, which are mentioned below:

- What are the impacts of a free flow of knowledge and ideas on the local banks?
- How will banks in Bangladesh be able to attain a strong place in a global financial market?
- How can local banks be reconciled with foreign banks due to international superiority and use of latest available technologies?
- How can threats of globalisation on the overall banking industry of the country be overcome?

Due to globalisation, changes in the national policies are required. To meet the challenges, opportunities, and threats of globalisation, national policy measures have to be reengineered. As such, corporate planning of banks must cope with the impact of globalisation and be designed in a way that the total resources of the bank are utilised for the achievement of quantified objectives within a specific period of time with a long-term vision. Effective corporate planning depends on the development of a corporate strategy. It is based on a long range planning in which the management determines what the bank will do in the future. As such, strategic marketing and change in banking services with the capability to adopt innovative banking to fulfill the requirement of the plan are necessary. Banks throughout the world serve as market players. Corporate planning can assist in this respect on the basis of the information generated from various types of banks working in the global environment. This can be implemented in the decision making process through proper analysis, evaluation and selection of appropriate strategies.

Currently, classical trade barriers and tariff and quantitative restrictions have come down to the lowest levels. But still now invisible costs resulting from documentation requirements, procedural delays, lack of transparency and predictability in the application of rules and regulations are prevailing which have impact on the designing of business. Starting from 2005, a quota-free textile trade regime will take place in international trade. Both the Government and the private sector should help to develop an adequate number of backward linkage industries by framing an appropriate policy and making investment for the future survival and sustainable growth of the country's export-

oriented readymade garment industries. In this context, Rahman (2001) comments that Bangladesh has suffered heavily due to trade liberalisation which was too much and too fast. Many industries have become extinct and some have become sick resulting in huge loan default, which in turn put pressure on the banking system.

Banks are being compelled to generate a huge amount of bad debts, which causes the cost of fund and loan pricing to remain high. As such, banks cannot lower the rate of interest on advance and, thus, higher interest rates can increase the cost of business. The banking sector of the country cannot avoid the after effect repercussions of the contractionary situation of the Southeast Asian crisis. The slowdown in Asia, which started in 1996, worsened further with the 1997 crisis, which turned into the widespread regional contraction in 1998. According to Rabbani (2000), those crisis-hit countries liberalised the financial sector without setting up competent regulatory bodies and lacked appropriate rules and regulations. He pointed out that the resultant factors caused many non-bank financial institutions to emerge and begin lending recklessly within a short time period. In the case of Bangladesh, he mentioned that the poorly-regulated financial system is a root cause of a huge amount of classified debts in private and public sector banks. In the same context, the *Financial Express* (May 5, 2002) reported that modernisation, reorganisation and capacity building activities of the central-bank strengthening project of the Government have started. The project has the following objectives: (1) to strengthen the Bangladesh Bank to help it play its due role as the country's monetary authority and also as a regulator and supervisor, and (2) to enable the Bangladesh Bank to lead the design and implementation of a medium to long-term reform programme for achieving a sound and efficient financial system.

Managed floating exchange rate is still prevailing in Bangladesh and Taka is convertible on current account but not on capital account. However, the country's Finance Minister recently commented that floating exchange rate might be implemented very soon. According to *Asian Development Outlook* (2001), the case of liberalising Foreign Direct Investments (FDI) in the process of external financial opening extends to the banking system. The entry of foreign banks is a low-cost way of upgrading the banking sector's risk-management capacity. The spillover knowledge that figures prominently in discussions of other forms of FDI also applies to the financial sector. Two caveats are: a)

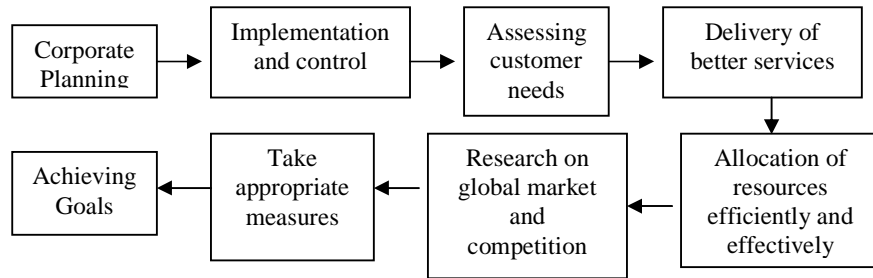
Foreign entry tends to squeeze margins, reduce franchise values and intensify pressure on weak intermediaries; b) the entry of foreign banks will undermine the effectiveness of measures designed to limit portfolio flows. Profit margin may be squeezed due to the foreign entry.

On another front, Khan (2000) argues that the electronic revolution is defying us. If we do not adapt, we won't thrive. It is not enough to put up a web site and wait for customers. The world has already stepped into the new millennium and globalisation aims at converting the whole universe into a single market. Customer-banker relational behavior is changing very fast and interpersonal relationship must be accompanied by quality. Total quality management (TQM) means creating new dimension, commitment and involvement. The goal of TQM is to achieve the quality that the user or beneficiary needs most economically. This goal must be established by putting the emphasis on the bank as a whole including the top down level. Through practising TQM, banks should improve their services and make continuous change. Deviations may occur in the processing and implementation of banks' plans. These deviations should be carefully adjusted. However, deviations may be quite expensive because they can create anomaly in the infrastructure of the bank. Team building through a quality of culture, job satisfaction and development of customer-banker relationship has an important impact on the infrastructure.

Banks may develop plans for short, medium, and long range and strategic time frames. Short-range plans address themselves to budget for specific schemes, adherence to schedules, cost control, loan pricing and other immediate concerns. Furthermore, strategic planning requires the assessment of the potential areas for changing in the corporate plan environment such as information, equipment, capability, procedures, bureaucratic mechanism, implementation and human elements. Banks have to redesign their business strategy through a multipurpose plan which includes the supply of better clientele services, a proper flow of funds between deposit and advances, an improvement of record keeping system, internal control and bank financial management, a timely and accurate supply of services, an analysis of competitors' business strategy, the launching of new products, an asset security management, and an upgrading of quality management.

In view of the above discussion, Chart 1 below describes how corporate planning can achieve these goals:

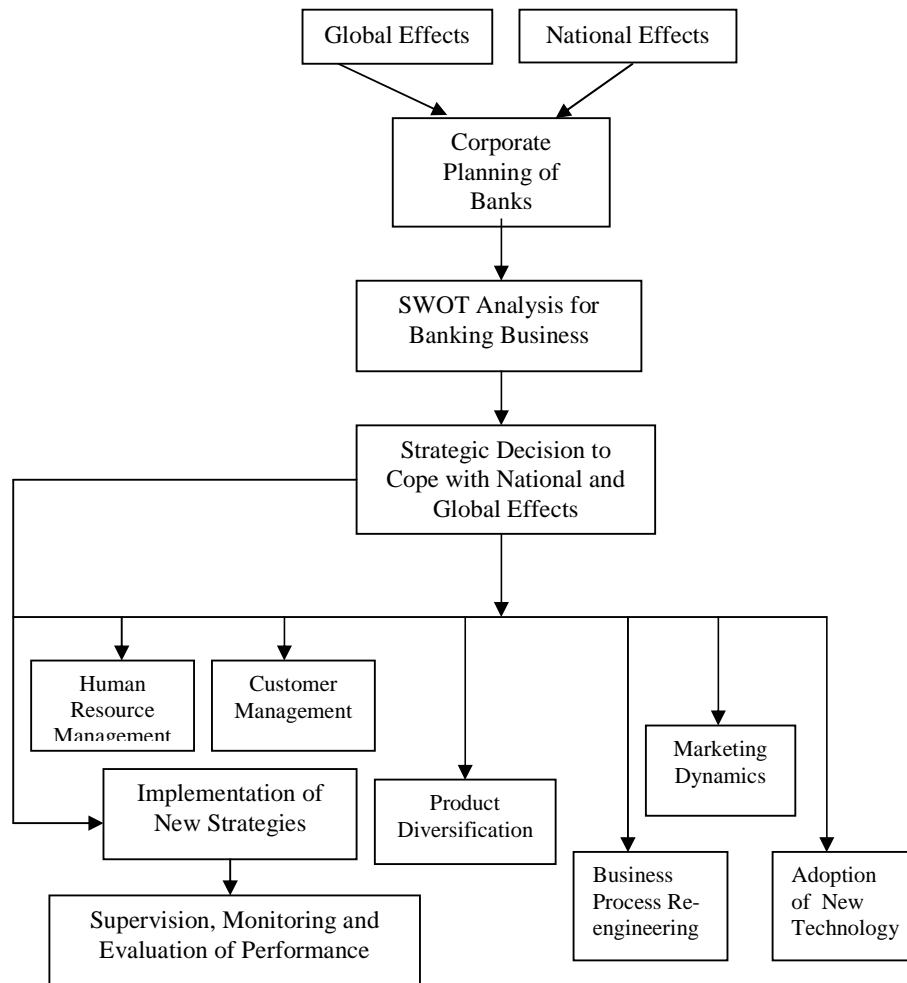
Chart: 1 Corporate Planning to Achieve Goals



Corporate planning has three major impacts: (a) to develop, operate, maintain and manage the organisation, (b) acquire technology and facilitate its transfer to appropriate applications and (c) create dynamic and efficient bank personnel. As such, banks need corporate planning to compete with both external and internal factors. Corporate planning can also be used to analyse the psychology of the valued customer. In today's competitive world, one cannot sit idly and wait for customers to ask for banking services. Bankers have to create an environment for products and services, effective measures across channels, building services and sales into bank's products.

Corporate planning of banks has to be designed in such a way as to be competitive. Hence, keeping in view the global and national effects, corporate planning of banks can be re-engineered with the analysis of strengths, weakness, opportunities and threats (SWOT) for banking business due to globalisation. Re-engineered corporate planning helps in designing strategic decisions to cope with national and global effects. Strategic decisions need to be concerned with human resource management, customer management, product diversification, business process reengineering, marketing dynamics and adoption of new technologies. These decisions have to be properly implemented with the help of new strategies, and continuous supervision, monitoring and evaluation of performances are necessary. Chart 2 depicts the process of Corporate planning of Banks to face the impact of globalisation.

Chart 2: Process of Corporate Planning of Banks to Face the Impact of Globalization



The effective corporate planning requires running the banking business smoothly. This is one of the main factors to achieve goals and determine the customer needs. As a result, a particular bank may create an environment for the delivery of the banking products most dynamically, efficiently and with more enthusiasm than their competitors. However, as each and every bank cannot fulfill the similar type of demand of the customers, so there might be variation in the services, but they should prepare themselves to overcome the shortcomings. Corporate planning

can be utilised in our local banks to co-ordinate a series of banking activities which have taken place through the interactions of physical resources or systems of the bank. Considering the bank's internal strength and weakness, it can assess the competitive advantage on existing products and develop a competitive edge in creating a new product. Emphasis should be given to improving infrastructure facilities, legal rules and regulations and quality of human resources. Otherwise, it is difficult to improve the overall performance of the banking sector.

Entrepreneurs should get proper guidance by the bankers so that they may become very keen for implementing industrial projects. Expatriates should get proper guidelines from banks for investing in different projects. Commercial banks should arrange insurance on bank deposits, curtailing administrative expenditures, operational expenses and the cost of fund, a proper fund management, the acceleration of the delivery of services, ready transaction processes, appropriate service delivery channels, computer-based management information system, overcoming the backdrops due to legacy of the system, a database marketing system and customer satisfaction. Corporate planning can be used to design a successful performance measurement through checking out the development of infrastructure within and outside the bank. This may help to increase employees' performance, business performance, and profit position, clientele services, and develop a successful system. Further, scheduled banks should properly guide and strictly follow the rules and regulations of the Bangladesh Bank.

Corporate planning in the banks of the country is essential for developing both operational and managerial activities. This can be helpful to gear up to attain goals of the bank, asset-liability management, treasury functions, increasing profit, contributing more on social context, office management, budgetary control, human resource development, and future development. But the planning will not be successful unless it is accompanied by successful implementation. Taking initiatives in E-Business is one of the main ways of employing corporate plans. On the basis of information and considering the present status of the banks, corporate planning can be designed to develop the bank. Globalisation affects the domestic market for which information about possible opportunities and threats, both internal and external factors, should also be considered. For a smooth functioning of the bank, integration between bottom up and top down levels is required. Proper corporate planning

fulfills diversified needs of the customer and also creates a linkage between those bank personnel who are serving at the top down and bottom up of the bank. Business process reengineering in banks is a way to change the current process with the view to either increase profitability or to survive.

One of the main ways for the banks to design corporate plans is to take initiatives for E-Business. The International Chamber of Commerce developed eUCP (electronic Uniform Customs and practices for documentary credits) which was effective from midnight GMT on 31st March 2002. According to Brien (2002), eUCP contains 12 articles dealing with the electronic presentation of documents under documentary credit. It supplements, but does not replace UCP500, and can be used for partial or total electronic presentation of documents. To promote an electronic trade transaction alternative to paper-based methods of trade transaction, electronic letter of credit, electronic transport document, account opening etc. will definitely create a new era in which the electronic media will dominate the economy. The E-Business will definitely bring revolution to increase retail channel, making profits in the New World of financial services, reengineering of delivery channels, and improving global accessibility.

Turban et al. (1996) remarks that electronic market allows buyers and sellers to exchange information about market prices and product offerings through a computerized system. Electronic market is gradually replacing the traditional system of intermediaries. This forces sellers to form cooperative arrangements with new IT-based intermediaries or with other sellers or service providers to sponsor a new electronic market. In the article "Aspects of electronic media and marketing" (1999), a comment is made that the Internet has opened the horizon of E-Commerce and, more specifically, E-Marketing for marketing some of the products internationally. This global marketing venture will not be successful unless we can provide international standard banking services.

5. CURRENT SITUATION OF COMMERCIAL BANKS IN BANGLADESH

After thirty-two years of banking operations, changes in the management process and style are not remarkable. Both public and private local banks should take steps for long-range planning as well as implementing the plan. Though private banks are operating in

Bangladesh since 1983, till now competition among the nationalised banking sector and private banks could not be achieved. Rather to a great extent, their businesses are oligopolistic in nature. It is observed from Table 3 in the Appendix that the financial deepening (Broad Money/Gross Domestic Product) has improved over the post-1990s period revealing the effect of financial liberalisation due to globalisation. We also observed from the Table 6 in the Appendix that productivity in terms of deposits and advances (except one year of FCBs) is rising. In order to attain sustainable development for the long term, both nationalised and private banks must increase their productivity at a higher rate. Sometimes nationalised banks have to do some sort of non-profitable business to fulfill the directives of the government. Foreign banks in the country are doing business on a very limited scale. Up to December 2001, the total number of scheduled banks was 52. Table 1 shows the different categories of these banks.

Table1: Categories of Scheduled Banks

Category	Number of Banks
Nationalised Commercial Banks	4
Specialised Commercial Banks	5
Private Commercial Banks	31
Foreign Commercial Banks	12

Source: Bangladesh Bank

To meet the threat of globalisation, a modernised banking system in Bangladesh is required. A centralised banking process may be initiated in all categories of banks, which requires interfacing between hardware and software. Local softwares' qualities are not good. Local banks using foreign software are also facing problems. Furthermore, remote branches of banks should have easy access to on-line banking through the creation of a network. An improvement of the telecommunications system is necessary. A standard and improved banking software as well as a proper maintenance system of software are required which will support data encryption and firewalls for protection of banking transaction. Business through utilizing electronic media is already gaining popularity.

Currently in the global scenario, E-business has become vital as a medium of transaction. Our local banks should take the opportunity to prepare themselves for doing E-business. Though in a limited way local banks are taking advantage of E-business, it is not sufficient. Ali and

Mahmud (2000) comment that through the vast advancement of modern technology, real time information system is getting importance, which helps to take decision for proper planning at the top-level of management. Before improving the scenario, the following points should be taken into consideration: how electronic capabilities will affect bank's team building, online commodity issue, and attract new customers keeping the existing ones, along with the cost involvement for improving the present scenario.

Local commercial banks, especially nationalised commercial banks, should try to accelerate the process of technological improvement. This may create the opportunity to prepare for the challenges of globalisation processes. In the banking sector of Bangladesh, the nationalised sector is dominating with around 55-60% of the total volume of banking business. These banks do not have any strategic planning for the future. Table 2 shows net profit position and also profit per employee of different categories of banks in the period 1991-2001. As shown in Table 2, except in foreign commercial banks, the overall profit position of the banking sector is not good. In terms of profit per employee, foreign commercial banks rank top followed by private commercial banks. Profit per employee positions of nationalised commercial banks are not good, and profit per employee positions of specialized banks are very alarming. Infrastructure development and modern facilities for local banks, especially for nationalised banks, are required.

Local banks are relatively inefficient compared to foreign banks in respect to the use of technology-qualified manpower and also modern facilities. Geographical location is also important. Remote branches of different banks should be relocated. They should get modern facilities. Innovative banking should be preferred. Scheduled banks credit program are of high cost, anti-rural biased and bank staffs are unwilling to serve in the rural areas. As such a new system may be introduced to meet the credit needs of small and marginal farmers, distressed women, landless labors etc. The client often prefers qualitative services of the bank at the lowest price of the products. Banks should be careful to recognize the empowerment of the client and they should cautiously determine the price of the product. Both borrowers and depositors of the bank should be dealt with friendly and secretly. The bank management should study the needs of clients and improve the quality of services to that extent. Continuous research on client demand should be undertaken.

Table 2: Net Profit Position of Different Categories of Banks (1991-2001)

Year	Nationalized Commercial Banks		Specialized Banks		Private Commercial Banks		Foreign Commercial Banks	
	Profit (Crore Taka)	Profit per employee (In Taka)	Profit (Crore Taka)	Profit per employee (In Taka)	Profit (Crore Taka)	Profit per employee (In Taka)	Profit (Crore Taka)	Profit per employee (In Taka)
1991	-38.84	-6124.25	15.38	9155.85	-20.77	-11902.58	25.32	320912.55
1992	-172.03	-27291.62	-193.45	-115755.15	-10.02	-5556.17	35.66	431719.13
1993	-31.90	-4946.35	-97.14	-58300.32	3.23	1767.34	54.36	658111.38
1994	18.82	2949.66	-330.69	-196010.91	14.80	7874.85	68.32	769369.40
1995	112.37	17612.02	-307.10	-182190.32	56.56	28163.12	90.76	939544.51
1996	28.11	4410.72	-292.07	-177453.06	131.49	62199.62	98.72	971653.54
1997	16.77	2673.66	-204.50	-125668.28	144.48	65098.67	134.21	1192977.78
1998	-5.98	-940.50	-261.02	-159723.41	158.35	69169.61	149.43	1184072.90
1999	-16.66	-2669.06	-296.70	-184125.60	178.44	73489.60	149.70	1141876.43
2000	24.58	3958.71	-532.37	-331984.28	309.97	119333.97	220.46	1722343.75
2001	-	-	79.81	49375.15	514.48	183297.71	259.81	1636083.12

Source: Bangladesh Bank, Economic Trends, October 2002, Vol. XXVII, No. 10. The profitability position of different banks are computed. **Note:** The year is considered as January – December in different categories of banks except for Specialized banks where the year is from July to June.

Starting in 2005, the country's garments sector will face free competition in the international market due to the expiry of the multi-fiber arrangement. Under the umbrella of WTO, TRIPS and TRIMS a difficult situation may be created for the country. Still now stable political atmosphere and backward linkage industries of the garments sector are not properly created. As the garments sector is the main foreign exchange earning sector, local banks are very enthusiastic to concentrate their banking business in this sector. According to Bangladesh Bank, annual report (1999-2000) during the year 1999-2000, total export earnings including EPZ amount to US\$ 5,752 Million out of which US\$ 4,352 Million is earned from the ready-made garments sector, i.e. 76% of the total earning is derived from the said sector. If the garments sector cannot face the free competition, most of the banks will be in a difficult situation.

To overcome this situation, banks should take very cautious measures for export financing. Furthermore, they should take some innovative measures such as playing a supportive role in searching for new buyers through their foreign correspondents, hosting web page on the internet, financing for establishing backward linkage industries through syndication with other banks, equity and entrepreneurship fund for investment in garments industries, counselling to the exporters may be provided for which special sections may be opened in every bank. SAARC cumulation arrangement may have created a real problem for our textile industries. It is better for Bangladesh if global cumulation can be arranged. According to Azad (2002), the SAARC cumulation system is a relaxation of the rules of origin applicable to the exporters in order to obtain GSP facility in the EU market. He also commented that under this system, the RMG exports from Bangladesh will qualify for GSP facility even if they are produced from yarn /fabrics imported from the SAARC countries, provided the ratio of domestic value-addition is at least 51 percent. The implementation of the SAARC cumulation system is likely to have negative effects on the growth of domestic industries producing yarn/fabrics.

Local banks may concentrate on domestic business. But the most dynamic growth and the best opportunity is to operate worldwide. Today our local banks have to face the challenge of globalisation, management and control system, and also domestic threats from competitors as well as customers who are gradually in need of quality services twenty-four

hours a day. In a small country like Bangladesh, the total number of scheduled banks is fifty-two. Some of them are not financially sound where there is every chance of a crowding-out effect. CAMEL rating is used in the country, as an indicator to ascertain a bank's position. On the basis of CAMEL rating, corporate or strategic alliance among the problematic banks of the country can be done. To safeguard national interest, banks should arrange for checking and preventing money-laundering process so that misappropriation of foreign exchange fund can be reduced.

6. FINDINGS OF THE OPINION SURVEY

An Opinion Survey on training, higher studies, banking environment and external factors has been conducted and responded to by 110 bank officials of different commercial banks. A summary of the results of this survey is given in Table 3, 4 and 5 below.

Table 3: Opinions on the Nature of Training and Higher Studies

Training & Higher Studies (%)				Nature of Training		
S1 No.	Type	Yes	No	S1 No.	Category	%
01	Whether Training related to banking is required	75.45	24.45	a)	General Banking	13.25
				b)	Loan & Advances	22.89
02	Whether Higher Studies is required	62.72	37.28	c)	Foreign Exchange	33.74
				d)	Computer	30.12

To develop proper skills in the banking sector, there is no alternative other than human resource development. Education and training are the vehicles to develop human resources, though many respondents think that a Master's degree in Bank Management (regular course) is good but will hamper or may not be feasible due to their official work and also other pre-occupation. Rather they prefer to do the course relatively in less strain stress situation, without neglecting their official duties. As such reputed institutes may design correspondence course on Master in Bank Management after getting approval from the National University. Open University may also start

correspondence MBM courses for the bankers in collaboration with the Institute of Bankers, Bangladesh.

Currently information technology is the most dominating sector. Computer literacy among the bank personnel must be encouraged. Lack of computer literate personnel is one of the main reasons for not achieving the mark of the modernization process of the banking business. In India, many Universities are offering “Master in Computer application “course. Originally Comilla University introduced “Master in Computer application “courses in Bangladesh. Now, other private Universities of the country such as Stamford University, East West University, South East University, BRAC University etc. are going to offer MCA course. But the cost of this course is too much expensive and normally bankers cannot afford it. As such, Open University at a low cost may specially design a “Master’s degree in Computer application” course for the bankers. Furthermore, a greater emphasis on training is required. The lack of knowledge on foreign exchange, loans and advances constitutes a problem for the bankers.

**Table 4: Nature of Higher Studies
(In order of first preference)**

SI No.	Category	%
a)	<u>Master in Bank Management</u> (Regular course)	13.04
b)	<u>Correspondence course</u> (equivalent to MBM)	27.55
c)	<u>Diploma course in Computer:</u>	
i)	Regular	7.24
ii)	Evening course	17.39
d)	<u>Master’s degree in computer:</u>	
i)	Regular	8.69
ii)	Evening course	26.09

From Table 5, we observe that 79 percent of the respondents are aware of the expiry of the multifiber arrangement in 2005. 42 percent of the respondents are aware of SAARC cumulation. According to 83% of

the respondents, the financial sector reform programme (FSRP) and subsequent reform measures on the banking sector have a positive impact on the economy. Out of this 83 percent, 76 percent think that the liberalisation programme should continue. The majority of respondents who support the liberalisation programme, do not consider the economy of Bangladesh as ready yet for full convertibility on the capital account. Bankers are still interested in financing the Garments sector, as 35 percent prefer to invest in this sector. Other sectors include leather, tea, pharmaceuticals, footwear, water purification industry, etc.

Table 5: Opinions on Banking Environment and External Factors (%)

S1 No.	Type	Yes	No
1.	Awareness of expiry of Mutifiber Arrangement	79	21
2.	Awareness of SAARC cumulation	42	58
3.	i. Positive impact of FSRP and subsequent reform measures on the banking sector	83	17
	ii. Whether liberalization programme should continue	76	24
	iii. Whether full convertibility on capital account should be realised	38	62
4.	Sectors in need of more banking finance:		
	i. Garments industry	35	
	ii. Software industry	23	
	iii. Food processing and agro-based industry	15	
	iv. Micro credit financing	11	
	v. Others	16	
5.	One stop services required	43	57
6.	Incentives for increasing foreign remittances	77	23
7.	Diversified financial products needed	89	11
8.	Prevailing competition between nationalized commercial banks and private commercial banks	9	91
9.	Crucial problems for the banking sector:		
	i. Default culture	59	
	ii. Mismanagement	17	
	iii. Corruption	10	
	iv. Job Dissatisfaction	8	
	v. Status in the society	6	

As for the sectors in which it is necessary to provide more banking finance, the results of the survey in Table 5 show that 43 percent of the respondents think that one-stop services to the clients should be provided. But the majority considers one-stop service might not be viable in the present infrastructural conditions such as lack of proper

training and online banking system, major initial cost, and the poor telecommunication policy of the country. Around 77 percent argue that banks may arrange incentives for the expatriates to increase foreign remittances. 89 percent argue that diversified financial products are required to provide better clientele services. Most of the respondents agree that competition between nationalised commercial banks and private commercial banks is yet to be achieved. Concerning the opinions on crucial problems of the banking sector, it is clear that default culture is still a big headache for the bankers.

7. CONCLUSION AND POLICY IMPLICATIONS

The impact of Globalisation on the economy of the country is inevitable. To meet the challenges and opportunities, local banks should adopt long-term strategies to face global challenges and meet the customer needs and to contribute to the national economy. Due to globalisation, free flow of information is getting recognition. Corporate planning can be used to achieve banks' liability management and trade-off between risk and return of the bank's funds. This can be done properly through information processing cycle, creation of database management systems, business drives and total quality management, arranging zero response time services to the clients, adoption of modern technological environment, corporate strategy and implementation of strategy for efficient bank management. Telephonic banking system and electronic business created a new dimension for improving banking activities.

A recovery target should be fixed for specific loan disbursing officials who are involved in processing, sanctioning and disbursing the loan. Monitoring and recovery of loans can be improved through corporate planning of banks. Special thrust should be given to recovery of non-performing loans. If huge amounts of bad debts of the current banking phenomenon can be recovered, loan pricing will be lowered. This will also help to lower the rate of interest on advances. Long-term planning is required to improve the default culture syndrome of the country. Furthermore, there should be a mechanism enabling heavy political pressure or business community pressure on non-viable projects so as to make them viable, otherwise defaulters get undue facilities.

Though diversified banking services are required, there must be some uniformity especially in the case of different bank charges for the

customers. In some banks, the rate of interest, services charges including commissions, exchange rates, etc. differ even from one customer to another. Some valued clients are offered preferential rates in commercial banks, which should not be encouraged by the central bank.

The country's banking sector should adopt new initiatives in view of keeping pace with the change in the global scenario. Banks should create new products, take into consideration to reach to their customer and develop their bank-marketing division where continuous research and development programmes is to be implemented. On the basis of research, new products may be developed to meet the demands of clients. The economy should advocate for new opportunities to create an innovative technological development of a market system through increasing efficiency and also channeling saving-investment and reducing transaction costs. Electronic business creates tremendous opportunities in the global business trend.

The Government of Bangladesh may play a bigger role in terms of improvement of the telecommunications sector, overall socio-economic infrastructure of the country, and user confidence against fraud, piracy, etc. At the same time, private initiatives are necessary to have alternative strategies for the development of the infrastructure. Inefficiency and corruption of both national and private banking sectors should be driven out. Competition between nationalised and private banks is necessary. Otherwise, monopoly will be created. Privatisation of nationalised banks is not a solution at all. Rather, a change in the management and operational style is required. Merger and acquisition are normal phenomena in developed countries. Acquisition and merger rules and regulations of the banking sector should be well-defined. A long-term strategy is required so that banks can finance industrial sector under package deal policy.

Banks require corporate planning starting with the client merely at the first stage. But to keep them with the bank in a running track is very important. Total quality management and just-in-time services may be designed on the basis of the customers' needs and expectations. Diversified financial products must fulfill the requirements of the clients' along which the commitment of the bank

should be matched. Strategic planning should be designed as an integral part of a customer service programme. To achieve a successful vision and mission, the following factors are very important: economic conditions, objectives, and strategy, line of action, monitoring, evaluation and redesign. Systematically pursuing policies are required to redesign the banking activities to meet the challenges of local and global business scenarios.

For the proper management of banks, the operational level should be standardised and continuous efforts are required for customer satisfaction and improvement of the loan recovery position. To develop foreign exchange markets, arrangement for financial derivative tools are required. As such, financial reengineering is necessary. Banks should offer diversified financial products considering economies of scale, safety and soundness of the business position. Nowadays, the traditional banking business system of the country through depositing and advancing of money has almost ended. Segmentation in the banking system is required so that banks' can provide a broad range of financial services. Through fund management, banks can earn profit. In the global financial management system, our banks should get linked and dynamically participate so that a positive impact on the economy can be felt which may lead to an increase of the national income.

Corporate planning can design a circular of flow to aid proper bank management. This can be achieved through analysing, monitoring and managing the items to meet commitments towards stakeholders, customers of the bank and also assess competitors. Activities and strategies can be redesigned so that the management of the bank can take realistic decisions and implement its objectives. To come out of the vicious circle of default culture, strategic planning with proper implementation of the planning is required. Virtually, on the basis of reappraisal, banks can reorient their objectives, goals and strategies through developing corporate planning and necessary changes can be made at the time of implementation. This requires collection, organisation and dissemination of decisions and implementation of the plan. However, corporate planning may be changed with the uncertain economic conditions of the global threats, opportunities and, most remarkably, the attitude and behavior of the competitors. As such,

financial strength, human resources, better services to the clients, creation of business environment, improvement of telecommunications sector, competitive and internal strategic business development, etc., should be taken into account.

Corporate planning helps to define and categorise financial instruments and determine how they can be developed and designed. Banks can utilise financial risk framework, risk identification model for asset-liability management and increase their profit through diversified products. A corporate plan can work as a facilitator of the banking sector and enhance the image of the bank to communicate with clients. Proper fund management can be achieved through corporate planning. Corporate planning in banks requires meeting global opportunities and challenges, which should be taken into consideration with the objective of developing and strengthening banking activities for the present as well as the future. Corporate planning should be accompanied by a monitoring and implementing mechanism so that the banking sector of the country can move in the right direction.

Manpower planning of the bank is very much important to face the global challenges, as there is no substitute for productive human resources. Recruitment policy as well as promotion policy must be free and fair. Uniformity about designation in different private and public banks should be ensured. Manpower of the banks can be redesigned so that they can act as human resources, but not as a burden for the institution. But in some private banks, due to the lack of proper service rules, employees have to work under tremendous pressure and overburden causes disincentive. In the nationalised sector, promotion criteria sometimes disappoint a good working force. Banks will have to ensure an incentive, reward and also punishment policy. The organigram of different banks should be designed in such a manner that from the bottom up to the top down, bank personnel must act with strong morality, good will, and the promotion of the bank personnel should be considered on the basis of merit and sincerity.

Bankers need knowledge-based education. The Institute of Bankers, Bangladesh, may design correspondence course instead of Diploma examination on Master in Bank Management after obtaining approval

from National University. Open University may also start correspondence MBM courses for the bankers. Currently, information technology is the most dominating sector. Computer literacy among the bank personnel must be encouraged. Lack of computer-literate personnel is one of the main reasons for not reaching the mark of the modernisation process of the banking business. The Open University may specially design “Master degree on Computer application” course for the bankers. Further-more, modern banking knowledge-based training for bankers should be introduced. Training should be given to improve the knowledge of the bank personnel as well as to speed up their working capability. The Bangladesh Institute of Bank Management should enrich their outreach programme.

In the banking business, strong morality and ethics are required. The bank personnel of the country as a whole should be guided by the codes of ethics which the Bangladesh Bank is trying to introduce uniformly for the bankers of all types of commercial banks. On ethical grounds, banking services should be given top priority in a country to boost its economy and as such, people who serve in the bank should enjoy a high moral background as well as a high paid salary. It is obvious that a person who is economically weak is often morally weak. Moreover, corruption in other sectors of the country has multi-flow effect on the banking sector. Large amounts of defaulters are getting patronage from the power structure of the country. There should be measures to overcome defaulter problems for which not only legal solution is sufficient but also moral boost up is required.

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Appendix

Table 1: Selected Economic Indicators: 1990-91 to 2000-01 (In Crore Taka)

Year	GDP (current market price)	Money Deposit in Banks Asset/ Liabilities	Cash Base of the Economy	Total Credit to Govt. by the banking System	Average Credit per Deposit Money Bank Branch	Rate of Inflation	Exchange Rate Tk. Per US Dollar	Net Foreign Assets	Total Domestic Credit
1990-91	110518	44857.8	6538.0	3950.4	4.35	8.31	35.74	1751.7	25368.4
1991-92	119542	52617.4	6656.8	5881.50	4.78	4.56	38.95	4024.9	27208.4
1992-93	125370	60017.9	8840.3	6821.4	5.16	2.73	39.75	6081.1	29273.8
1993-94	135412	64458.6	10957.5	6998.2	5.31	3.28	40.15	9152.8	30695.2
1994-95	152518	171654.6	10953.8	8134.0	6.42	8.87	40.00	10463.7	36085.3
1995-96	166324	191346.1	14204.9	9408.8	7.24	6.65	41.65	6735.9	43452.4
1996-97	180701	219520.3	12556.7	11254.7	7.98	2.52	43.55	6544.6	49396.6
1997-98	200177	246006.0	13795.6	13182.8	8.92	6.99	46.15	6793.5	55640.2
1998-99	219695	281594.1	15444.5	15892.7	10.02	8.91	48.38	6402.3	62907.8
1999-00	237086	326422.2	17099.4	20125.1	11.16	3.90	50.85	8574.0	71489.0
2000-01	253546	370615.7	19494.4	23247.5	12.75	1.59	56.50	7485.3	84107.8
2001-02	271414	413044.5	23679.9	25756.3	13.96	2.35	57.40	9593.7	94978.3

Sources: Bangladesh Bank, Economic Trends, October 2002, Volume XXVII, No.10

Table 2: Productivity in Terms of Deposits and Advances of different types of Banks. (In Taka)

Year	Nationalized Commercial Banks		Specialized Banks		Foreign Commercial Banks		Private Commercial Banks	
	Productivity in Terms of Deposit	Productivity in Terms of Advance	Productivity in Terms of Deposit	Productivity in Terms of Advance	Productivity in Terms of Deposit	Productivity in Terms of Advance	Productivity in Terms of Deposit	Productivity in Terms of Advance
Dec., 1981	6210.36	5305.83	2508.38	9175.05	28963.41	14430.89	-	-
Dec., 1985	13304.58	10496.32	2893.77	14487.52	64034.25	50999.05	15076.61	11597.39
Dec., 1990	21357.96	17402.20	5679.24	25580.43	137444.93	106519.82	33642.70	26182.31
Dec., 1996	43550.23	32734.46	13033.11	39942.56	269389.76	200885.83	61357.61	47904.45
June, 1999	56626.99	43933.74	20367.38	60543.63	314416.47	214569.03	66900.04	57617.07
June, 2000	63804.74	46391.59	26390.62	63257.67	439453.12	242343.75	82794.99	66644.85
June, 2001	72119.04	51502.65	32621.87	65664.44	348740.55	235327.45	94812.59	81380.93

Source: Bangladesh Bank, Scheduled Banks Statistics, Various issue.

**Table3: Measurement of Financial Deepening Ratio
(1990-91 to 2001-02)**

Year	M1/M2	M2/GDP
1990-91	0.29	0.23
1991-92	0.29	0.24
1992-93	0.29	0.25
1993-94	0.31	0.27
1994-95	0.31	0.28
1995-96	0.32	0.27
1996-97	0.30	0.28
1997-98	0.28	0.28
1998-99	0.27	0.29
1999-00	0.26	0.31
2000-01	0.26	0.34
2001-02	0.24	0.36

Source: Economic Trends, October 2002.

Table 4: Trends of Classified Loans by Different Types of Banks (%)

Year	Nationalised Commercial Banks	Specialised Banks	Foreign Commercial Banks	Private Commercial Banks	% of Classified Loans
1990	27.59		20.65	23.73	26.09
1991	26.30		11.87	34.20	25.00
1992	31.86		12.64	31.10	30.67
1993	32.23		10.46	44.42	34.86
1994	32.12		8.89	44.53	34.85
1995	31.00		5.40	39.43	32.04
1996	32.55		4.72	34.77	31.49
1997	36.57	65.72	3.58	31.42	37.49
1998	40.38	63.15	4.14	32.72	3.18
1999	45.62	65.02	3.80	27.09	41.11
2000 (Dec.)	38.56	62.56	3.38	22.01	34.92

Source: Munim Kumar Bari and Md. Liakat Hossain Moral (2002): "Financial Globalization: Banking Sector in Bangladesh", Bangladesh Journal of Political Economy, Vol. XVI, No.1.

Note: (1) For the period 1990-96, data of DFIs are not included in the above table, but for 1997-98, the figures include those of BSB, BKB and RAKUB. (2) Data of BSRS for 1990-98 are not included in the above table.

Table 5: Balance of Payments of Bangladesh (Taka in Crores)

Year	Trade Balance	Net Services	Net Income	Current Transfers (Net)	Current Account Balance	Capital Account (Net)	Errors and Omissions
1996-97	-8600.7	-2461.9	-458.5	9168.2	-2352.9	1661.1	691.8
1997-98	-7316.7	-2589.7	-453.7	9187.2	-1172.9	1551.9	-379.0
1998-99	-9161.7	-2843.5	-653.0	10756.6	-1892.6	96.1	1796.5
1999-00	-9221.4	-3219.2	-1111.7	13466.8	-85.5	-248.6	334.1
2000-01	-10590.0	-4923.4	-1426.0	12605.3	-4334.1	3556.9	777.2
2001-02	-10168.5	-2866.1	-1834.6	16267.3	1398.1	711.4	-2109.5

Source: Bangladesh Bank, Economic Trends, October 2002, Volume XXVII, No.10.

Table 6: Capital Adequacy of Different Banks (%)

Year	Nationalised Commercial Banks	Private Commercial Banks	Foreign Commercial Banks	All Banks
1992	4.29	5.00	10.12	5.81
1993	5.72	5.29	11.34	6.76
1994	5.18	4.97	13.90	6.50
1995	4.91	4.97	13.17	6.30
1996	5.36	7.02	20.03	6.79
1997	5.25	7.34	18.79	6.70
1998	6.42	7.90	18.22	7.43
2000 June	5.04	11.29	16.77	7.54

Source: T. A. Choudhury (2001): "Financial Sector Reforms", CPD Task Force Report.

