

**AN INNOVATIVE GROWTH MODEL FOR COMPETITIVE DEVELOPMENT OF
PRIVATE COMMERCIAL BANKS OF BANGLADESH**

**AN INNOVATIVE GROWTH MODEL FOR COMPETITIVE DEVELOPMENT OF
PRIVATE COMMERCIAL BANKS OF BANGLADESH**

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Of

DOCTOR OF BUSINESS ADMINISTRATION

by

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Declaration

I declare herewith that this thesis, entitled, “An Innovative Growth Model for Competitive Development of Private Commercial Banks of Bangladesh” is exclusively my own work in pursuance of the award of Doctor of Business Administration under the supervision of Professor. A.K.M. Saiful Majid, Institute of Business Administration, University of Dhaka.

I also declare that the matter contained in this thesis has not been submitted for the award of any other degree at other universities or institutions.

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Certificate of the Supervisor

This is to certify that the thesis, entitled, “**An Innovative Growth Model for Competitive Development of Private Commercial Banks of Bangladesh**” submitted by **Mr. Md. Zahid Hossain** to the University of Dhaka, is a record of original research work carried out by him under my supervision in Institute of Business Administration, University of Dhaka. Mr. Md. Zahid Hossain has worked sincerely in preparing this thesis and the thesis is, in my opinion, worthy of consideration for the award of degree of Doctor of Business Administration in accordance with the rules and regulations for this university. I believe that this research is unique and has not been submitted elsewhere for the award of any degree.

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Abstract

There is an ample amount of opportunity for the competitive growth of private commercial banks (PCBs) of Bangladesh. There are gaps in growth of PCBs of Bangladesh. PCBs are in general lagging behind from the competitive growth level. However, certain factors have constrained the growth of PCBs. Inadequate research has been done in Bangladesh to address the issue of competitive growth. Therefore, the problem statement related to the study is to develop an innovative growth model for competitive development of PCBs of Bangladesh.

The broad objective of the study was to develop an innovative growth model for competitive development of private commercial banks of Bangladesh. The specific objectives of the study were 1. To identify and analyze the important components of competitiveness of PCBs in Bangladesh, 2. To identify and analyze the major determinants for competitive growth of PCBs, 3. To identify and analyze the significant constraints to competitive growth for the PCBs, and 4. To develop an innovative growth model for competitive development for the growth of PCBs at national, regional and global level. Based on the investigate queries and objectives, this study used both quantitative and qualitative aspects in its way to deal with look at the connection between innovative growth components of PCBs and their effect on accomplishing competitive development. The study focused on answering the research question of what the innovative growth model for competitive development of private commercial banks in Bangladesh is.

The research designs used for the study primarily included exploratory and descriptive. The exploratory research design used In-depth interviews of fifteen experienced bankers of both local and foreign banks by using a semi-structured questionnaire and also nine focus group discussions (FGDs) took place on a checklist on mid to top level bankers of all generations of local PCBs and foreign banks under the exploratory research to know and promote the critical opinions insights for competitive growth. For descriptive design a structured questionnaire survey of 357 mid to top level bankers covering four generations of local commercial banks and foreign banks used as research method. The stratified sampling technique was used in the study. The structured closed ended questionnaire consisted of 40 statements regarding the PCBs of Bangladesh. A 5-point Likert Scale was used to collect their responses. 357 respondents from 17 different banks participated in the survey. This allowed the amalgamation of richer quality information necessary given the nascent status of the research issue in the country. To categorize and address the

components of growth of PCBs of Bangladesh, a non-probability, multi-stage sampling method was used. Various statistical tests like Mean, Standard Deviation, t-test and regression analysis were further conducted. As a positivist, the author epistemologically tried to obtain measurable data from the chosen sample to draw. Causal relationships which can be further extrapolated to build generalized observations (Gill and Johnson, 2010) for the whole sector of banking in Bangladesh. In line up with the positivist stand of the study, the study started with a theory and developed new hypotheses which were confirmed or rejected using objective primary data findings.

From previous practices in the banking industry and based on a thorough literature review and empirical exploration, the conceptual framework for the study was developed and it was tested based on the study findings. The concept map of this study started with the current position and practices of the local banking industry and highlights the existing gaps needed to be addressed for local, regional, and international growth. A thorough and extensive literature review has been done, and discussions took place with the top bankers locally and internationally which successfully helped to develop the components that can play a significant act in the competitive development scenario of Private Commercial Banks (PCBs) of Bangladesh and to develop the conceptual framework for the study. There were eight components (Product/ Services, Process, Organization Restructuring, HRM, Brand Management, Value Chain, IT & ICT Automation, Service Quality) in the framework, for which the factors are elaborated. The numerous processes that make a banking organization have to be efficient and innovative as well to remain competitive. Banks need to transfer and acquire new banking technologies and knowledge from the successful, world-class banks. To sustain in the competitive market, they must attach importance to their quality of service. Attempts to innovate in building faster, cost-saving and customer friendly processing give an edge. They must update and restructure their organization to meet the demand of changing environment. Furthermore, innovation in distribution channel plays a salient role in the competitive market as the value chain activities make the services of the bank available to the customers.

This research demonstrated that certain factors play a significant act to ensure the competitive growth of commercial banks. Internet banking, Product innovation, and other relevant concepts have emerged to provide insights on changing the banking system. With an extensive review of

existing literature and later parts synthesizing the existing knowledge and identified research gaps, an attempt has been taken to develop the modified Innovative Growth Model. The respondents result analysis regarding practices of the mentioned components were presented through statistical analysis. The statements regarding the components and their mean and standard deviation were presented details way.

Finally, the study findings were used to build up a modified conceptual framework, i.e., the innovative growth model for the competitive development of PCBs of Bangladesh. After completion of a successful questionnaire survey on 357 samples who are mainly mid to top management level bankers of the country, various FGDs and in-depth (detailed) interviews with the renowned bankers from both home and abroad, the data analysis and findings section has complimented to develop the modified conceptual framework which is actually the research outcome.

The study added two new elements to the model. These two are ‘Good Governance’ and ‘Health and Robust Corporate Culture’. So, the following 10 variables are addressed in the modified model: Competitive Product/ Service, Innovative & Efficient Process, IT & ICT Automation, Strong & Healthy Corporate Culture, Organization Restructuring, Good Governance, Competitive HRM, Brand Management, Value Chain, Competitive Service Quality.

Good governance affects the financial soundness indicators like asset quality and capital adequacy ratio of every institution. The smooth functioning of the monetary intermediation process can be distorted by the regulative measures or the corporate management ambiguity. If one or more banks lack in transparency, accountability or oversight of their own administrative practices, corporate governance failure can happen. Thus, good governance is of utmost importance for increasing the efficiency and effectiveness of the services of the banks. The other element added to the model is Healthy and Robust Corporate Culture. Growth and company culture go hand in hand. However, the definition of company culture is up to the management as it is very ambiguous. The opinions and feedbacks of employees at all levels of one company by surveys or focus group discussions not only shape the culture of the company, but also help identify areas of strength, improvement, and growth. The areas of focus for this element are the deep-rooted ethical behavior and practices, deeply ingrained positive attitude and mind-set and the effective maintenance of high standard ethical principles and norms.

The study was conducted to identify the components of growth of PCBs, and human resource is the key component for applying all the identified factors for the competitive development of PCBs. It has also been found during the study that skilled human resource with humankind and a positive mindset can bring a real change in the banking industry. In the study, it has been clearly shown that the components related to human resource is Competitive HRM and the factors inherent to it are sourcing, recruiting and re-training a pool of highly talented, experienced and committed bankers, updating and revising the core competencies, knowledge skill sets of the banking professionals, training and retraining of talented HR, enhancing employee well-being, attractive incentive and remuneration package, target-based performance, effective leadership.

The research shed lights on how the marketing volatility and new technologies and benchmarked practices have changed customer demands and expectations. The dynamics of customer relationship has changed over years and now more important than ever before. The customer experience plays the most important role for maintaining profitable business relationships. Training current employees through training hubs and hiring more skilled vendors can ease the way to reach the targets. However, the most important part is new products and processes considering the changing dynamics. This will affect from credit policy to deposits. An extensive knowledge about of the employees about the holistic scenario can help better the situation. At the end of the day, innovation is at the root of all.

Innovation has been a fundamental component for competitive development of any organization and the PCBs; innovation and application of new technology must be taken into consideration for the competitive development of PCBs. With global regulatory atmosphere becoming tighter, resources getting scarcer and the global economic atmosphere becoming more volatile, innovative ideas are needed to conduct business in Bangladesh for the banks.

Today, innovation has become the question of survival and growth for the PCBS of Bangladesh. Advanced technologies are coming up to take up the jobs of bank officials. The distributed ledger technology e.g., blockchain, will remove the paperwork, and real-time domestic or cross-border payments will lead the market. Big data analytics and the use of artificial intelligence will present the right product at the right time to the right customer. In addition, the global presence of banks in the digital landscape will enable the banks to create a wider banking ecosystem. Private Commercial Banks (PCBs) must be ready to take up the new challenge.

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Acronyms

AI:	Artificial Intelligence
ALCO:	Asset Liability Committee
ASEAN:	Association of South-East Asian Nations
ATM:	Automated Teller Machine
AVP:	Assistant Vice President
BDT:	Bangladeshi Taka
BOD:	Board of Directors.
BRC:	Banking Reform Committee
BRICs:	Brazil, Russia, India & China.
BTRC:	Bangladesh Telecommunication Regulatory Commission.
CAMELS:	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk
CAR:	Capital Adequacy Ratio
CBRP:	Commercial Bank Reform Project
CC:	Cash Credit.
CEO:	Chief Executive Officer
CI:	Confidence Interval
CSR:	Corporate Social Responsibility
DBBL:	Dutch Bangla Bank Limited.
DFES:	Department for Education and Skills
DMD:	Deputy Managing Director
E-Commerce:	Electronic Commerce.
EI:	Expenditure Income
ERP:	Enterprise Resource Planning
Et, al.:	Latin 'Et al' (and others)
EU:	European Union.
EVP:	Executive Vice President
FAVP:	First Assistant Vice President
FCB:	Foreign Commercial Banks
FDR:	Fixed Deposit Receipt
FGD:	Focus Group Discussion
FSAC:	Financial Sector Adjustment Credit
FSDI:	Financial Sector Development Indicators
FSRP:	Financial Sector Reform Policy
GAAP:	Generally Accepted Accounting Principles
GDP:	Gross Domestic Product
HR:	Human Resource
HRM:	Human Resource Management.
HSBC:	Hong-Kong Shanghai Banking Corporation
IBA:	Institute of Business Administration
ICAAP:	Internal Capital Adequacy Assessment Process.
ICB:	Investment Corporation of Bangladesh
IPDC:	Industrial Promotion and Development Company of Bangladesh Limited.
IDLC:	Industrial Development Leasing Company of Bangladesh Limited.
IFC:	International Finance Corporation
IMC:	Integrated Marketing Communication
IMD:	Institute for Management Development
Inc.:	Incorporation

IT:	Information technology
ITC:	International Trade Centre
KPI:	Key Performance Indicator
L/C:	Letter of Credit
LCB:	Local Commercial Banks
LTR:	Loan against Trust Receipt
MANCOM:	Management Committee
MCB:	Mercantile Bank Limited
MD:	Managing Director
MFS:	Mobile Financial Services
MIS:	Management Information System
MSEs:	Mid Segment Enterprises
MTBL:	Mutual Trust Bank Limited
NASSCOM:	National Association of Software and Services Companies
NBFI:	Non-Banking Financial Institution
NGO:	Non- Governmental Organization
NID:	National Identity Cards
NII:	Net Interest Income
NPL:	Non-Performing Loan
OD:	Overdraft
OECD:	Organization for Economic Co-operation and Development
P2P:	Peer to Peer
PCB:	Private Commercial Bank
PCR:	Provision Coverage Ratio
PIN:	Personal Identification Number
PwC:	PricewaterhouseCoopers
R&D:	Research and Development
RAF:	Risk Appetite Framework
RMG:	Ready Made Garments
ROA:	Return on Asset
ROD:	Return on Deposits
ROE:	Return on Equity
RWA:	Risk-Weighted Assets
SAAAME:	South America, Africa, Asia and the Middle East
SCB:	Standard Chartered Bank
SEBL:	South East Bank Limited
SEVP:	Senior Executive Vice President
SME:	Small Medium Enterprises
SPOs:	Social Policy Obligations
SPSS:	Statistical Package for Social Sciences
SWIFT:	Society for Worldwide Interbank Financial Telecommunication
TD/TA:	Total Deposit to Total Asset Ratio
TL/TD:	Total Loan to Total Deposit Ratio
TQM:	Total Quality Management
TPI:	Total Performance Indicator
UK:	United Kingdom
USD:	United States Dollar
WEF:	World Economic Forum

1. Introduction

1.1 Background

The persistent capability to compete in the present hyper-competitive business scene and to supersede competition is perhaps one of the few ways to sustain the market position. Much of the business discourse of the last decades of the 20th century was dominated by the concept of business competition and its role in global commerce and trade, geopolitical decisions, and the domestic and global economic environments. Long gone the days when competition and competitive development were viewed from a narrow viewpoint like a single firm or business. With the advancement of globalization and technology, competitive development has become one of the crucial factors behind the growth, progress, and sustainability of any business entity- ranging from micro perspectives (firm) to broader perspectives (country or geographic region). Business entities are looking for new concepts and techniques to compete effectively and grow sustainably, and this search has allowed rapid innovation, both organic and disruptive, across the business environment. Innovation has changed the traditional outlook on technology, product and service development, process design, marketing activities, financial drivers, and almost every little and big elements of economy's machine. This fast-pacing business landscape has offered both opportunities and challenges to the traditional 'theory of business.'

One of the sectors highly impacted by innovative changes is the financial sector. The twenty-first century is marked with a financial crisis, a result of rapid, unregulated innovative practices in financial products, whose effect has reverberated across the world. Gradually and quickly, the financial sector is witnessing its boundaries to get blurry as technology seeps into its system. The commencement of crypto currencies and digital payment mechanism, algorithm trading, block-chain, mobile financial system, and plenty others signal the end of the traditional way of doing financial activities and highlight the dawn of an emerging financial service sector spearheaded by technology.

With over 160 million populations, Bangladesh offers a huge market for businesses, local and global. The country has achieved tremendous success in poverty alleviation and human development despite many challenges. The increment in per capita salary, the country promoted to lower middle-income country status in 2014. The country's banking industry has undergone massive metamorphosis since independence in 1971 and is the most established element of the

financial sector. Beginning as nearly whole state-owned sector creating directed loans at prescribed interest rates, the banking sector has experienced progressive rounds of major structural and regulative changes; remodeling it to a vibrant non-public sector-led market-based banking industry, in the principle shaking off the inheritance of repayment default culture from the long years of the coordinated transfer system.

The access to bank accounts is amazing in Bangladesh in comparison to other South Asian countries (Rahman, Atiur. National Seminar on Banking "Future Vision", 01 November 2014, Radisson Blue). Gender and income gaps are significantly lower than the referent countries. In comparison to the 33% in South Asian nations, 26.7% to 41.3% of the 15+ population of Bangladesh has a deposit account. In comparison, the average share of the population over 15 years holding an account in 2011 was 33% in South Asian nations, 23.7% in low-income nations and 28.4% in lower-middle income nations. Bangladesh has a participation of the base 40% population rate of 35%, which is higher than that of South Asian nations (26%). It is also higher than that of India and Pakistan.

Against such a challenging and exciting backdrop, the research intends to analysis the connection between competitive development and innovative growth attributes that significantly impact the overall performance of PCBs in Bangladesh. The research study initiates to ascertain the effect of the growth model concept in the holistic development of the work environment in a private commercial bank. The research aims to explore the major factors of the growth model necessary to attain sustainable competitive development of the PCBs in Bangladesh. While doing so, it attempts to understand the underlying issues, local and global, affecting the banking sector in Bangladesh.

Competitive and sustainable growth of private commercial banks (PCBs) is a pre-requisite for the overall development of Bangladesh. The traditional ways of providing banking services need to go through innovative transformation to enhance the capabilities of these banks. In this regard, innovation can play the role of the major driving force for not only the local commercial banks, but also the regional and international ones. Another important aspect to be considered here is the rapidly changing banking sector of Bangladesh. The levels of risks and uncertainty are increasing every day with the environment becoming more complex, more competitive and more volatile. So, it is important to gain an in-depth understanding on the situational statuses, major challenges and

threats that the PCBs are currently facing to address them and enhance the competitive vitality of the PCBs.

The study started with some investigative queries (research questions) and ended with a big research question, which was further validated by the broad and specific objectives of the study. Afterward, a thorough and extensive literature review followed, along with discussions with top bankers. The study considered the current factors associated with the model. A mix of research methods, namely in-depth interviews, focused group discussions (FGDs) and questionnaire surveys were used for the study. Along with the generated primary data, relevant secondary data were also used to satisfy the objective and the research question.

1.2 Rationale

Despite banking sector is the most developed, dominant, and regulated part of the banking area of the nation and innovation is rapidly changing its face, less research has been conducted to understand the growth dynamics of the banking sector from the lens of innovation. There is no goals component set up for the handling of growth circumstances proficiently and effectively. These knowledge and practice gaps only escalate the vulnerability of the PCBs in the face of tremendous local and global competitive pressure.

This research will help the banking professionals and stakeholders to understand the role of innovation behind sustainable competitive development of the PCBs in the country equipping them with adequate and appropriate arsenals to compete locally, regionally, and globally. The proposed innovative growth model will allow the local PCBs to discover their strengths, weaknesses and strategies will help them to move towards sustainable development.

Although Bangladesh is neither the birthplace of innovative financial ideas nor the crucible of such practices, it is not walled off from the effect of financial alchemies and advancement happening across the world. Lack of knowledge and hence, lack of preparation will only hinder the progress of the most significant sectors of any country's development landscape. The title of this research is an answer to that call of the hour.

1.3 Statement of the Problem

There is an ample amount of opportunity for the competitive growth of private commercial banks (PCBs) in Bangladesh. However, certain challenges have constrained the competitive growth. Adequate research regarding such factors for the competitive growth of PCBs has not been conducted yet.

Currently, 62 percent of the population remains unbanked (Bangladesh Bank, 2014). This gap offers vast potential for financial sector development. On the other hand, the number of banks is increasing, and banks are becoming more competitive locally, regionally and globally. New innovations and technologies are now being used globally, which is changing the global landscape of banking. This changing landscape introduces both opportunities and challenges. In this scenario, banks need to work on the factors which play major roles for growth in the competitive market. They also need to adapt with the changes and change their mindscape of traditional practices and utilize new innovations and technology in light of local, regional and global context.

1.4 Research Questions

This research has explored the connection between competitive development and innovative growth components for the private commercial banks (PCBs) in Bangladesh to build an innovative growth model for the PCBs. To understand growth dynamics of PCBs, different parameters like share and position, NPL figures, revenue and profit data, human resources and the number of employees, management committee size, etc. are observed. The study has also covered the impact of the following avenues to understand the real growth scenario of the sector:

- Enterprise Competitiveness
- Ethics, Leadership, and Culture
- Enterprise Innovation and Innovative Growth
- Best practice model: Global, Regional, and Local
- Organizational Development

A practical view, as a rule, accepts that a fruitful association needs and succeed with innovative development to bring various opinions to the administration suite. This motivates new ideas and

recommendations for a great deal of beneficial performance. The research study attempts to answer the bellow research questions:

- a) What are the important components of competitiveness of PCBs, particularly in the context of Bangladesh?
- b) What are the major factors that influence the competitive growth of PCBs in Bangladesh?
- c) Does innovation influence sustainable competitive growth of PCBs? If yes, how?
- d) How does the enterprise competitiveness of PCBs influence their sustainable growth at local, regional and global levels?

The big research question for this research paper, therefore, is:

What is the innovative growth model for competitive development of private commercial banks in Bangladesh?

1.5 Research Objectives

The overarching objective of this research is to design a growth model for the competitive development of PCBs in Bangladesh focusing on innovation across different paradigms. This model will assist the stakeholders in deciding which factors to improve on to attain sustainable development.

1.5.1 Broad Objective

Developing an innovative growth model for competitive development of Private Commercial Banks of Bangladesh.

1.5.2 Specific Objectives

1. To identify and analyze the important components of competitiveness of PCBs in Bangladesh.
2. To identify and analyze the major determinants for competitive growth of PCBs.
3. To identify and analyze the significant constraints to competitive growth for the PCBs.
4. To develop an innovative growth model for competitive development for the growth of PCBs at national, regional and global level.

1.6 Hypotheses Testing

The following hypotheses were tested to address the specific objectives of the study:

Hypothesis 1: There is no relationship between new product development and competitive growth of PCBs.

Hypothesis 2: There is no relationship between innovation in distribution channel and competitive growth of PCBs.

Hypothesis 3: There is no relationship between innovation in using technology/IT and competitive growth of PCBs.

Hypothesis 4: There is no relationship between innovation in faster, cost saving, customer friendly processing, and competitive growth of PCBs.

Hypothesis 5: There is no relationship between appropriate organizational structure and competitive growth of PCBs.

Hypothesis 6: There is no relationship between R&D department and competitive growth of PCBs.

Hypothesis 7: There is no relationship between adequate reward and incentive system and competitive growth of PCBs.

Hypothesis 8: There is no relationship between implementation of ethical standard and competitive growth of PCBs.

Hypothesis 9: There is no relationship between continuous market development and competitive growth of PCBs.

Hypothesis 10: There is no relationship between recruitment of talented top management and competitive growth of PCBs.

1.7 Scope of the Study

The research study covers the competitive development scenario of only private commercial banks (PCBs) - both multinationals and local- currently operating in Bangladesh.

The conclusions reached in this study are shaped by both qualitative and quantitative research findings. The qualitative findings are based on the understandings and opinions of the banking professionals in the country.

1.8 Limitations of the Research

The findings of this research have a subjective aspect to the study which might not be accepted uniformly among the banking professionals and regulators. The respondents of the study were often reluctant to share relevant information that might have been vital for the study.

Also, the study covers only a portion of the PCBs currently operating in Bangladesh. A larger sample, including all the other types of banks, would have made the study more comprehensive and general in perspective of Bangladesh financial industry.

The model developed in this study is only applicable to the PCBs currently operating in Bangladesh, and it may not be universally applicable for banks operating under different socio-economic conditions.

2. Literature Review

Many studies have explored the growth potentials of private commercial banks (PCBs) in many different regions around the world since they represent a significant portion of the financial service industry and play an active role in development. Many of these studies have tried to identify how these PCBs can exploit the growth potential by incorporating innovative strategies. However, in Bangladesh, very few researches have been conducted to explore innovation in the financial ecosystem and to identify potential means to fuel the growth of the PCBs. Financial service providers of the country lack sound technological infrastructure which results in a late technological adaptation by both service providers and the customers. This infrastructural backwardness, as well as slow adaptability of the customer base, hinders innovation in the financial sector. Moreover, the growth of PCBs in Bangladesh is slowly reaching a saturation point. Thus, researchers are still optimistic about the growth progression of PCBs in Bangladesh while agreeing to the fact that there has been constant growth in the industry in the last few decades. This paper attempted to explore the innovation and competitiveness factors for PCBs that can lead the financial industry to further growth in the future. According to the European Commission (1995), competitiveness of any entity, like- region, country, or firm, willingness to invest in research and depends predominantly on its capacity, know-how, technology, and skills which allowed maximum benefit. Hence, it is important to look for the opportunities that are yet to be exploited in these areas through appropriate research. This chapter tried to identify the factors for competitiveness and growth that Bangladesh has adopted, and also explain some proven factors for growth from earlier studies which are already in use all around the world but are yet to be implemented in Bangladesh.

Innovation can help an organization to discover existing opportunities or those that are probably going to emerge in the future. Successful business doesn't just focus on present business. They anticipate future trends and works accordingly to meet newer demands. Innovation, therefore, is a way to help an organization stay ahead in a competitive environment where markets, technologies, and trends are continually changing. In the context of Bangladesh, obtaining constant innovation has been a significant barrier to achieving a stable growth for the financial industry. Either the customers or the industry itself has failed to accommodate the fast-changing technological

advancement in the world, thus failing to meet the competition. Innovation can be the key to achieving the stable growth that PCBs in Bangladesh have been facing in the past few decades.

Competitiveness is another factor that may naturally complement innovation in the industry. Competitiveness is a multi-level idea. Competitiveness of an enterprise is a narrower concept. However, it relates to use of innovative production factors and novelty in product characteristics to gain market share and sustain (Kinyua, 2014). The impacts of the 3 following parameters of competitiveness need to be identified and quantified (Damanpour, 1991).

- a) Cost competitiveness: Intermediate consumption costs regarding the things of production (labor and capital) are included in the cost of doing of business;
- b) Capacity to innovate: Higher quality products and services in accordance with the preferences of the customers through the business capacity;
- c) Competitiveness of International or the likely impact of the policy proposal on the industries performance of sales (market shares) and comparative advantages.

This paper tried to identify the issue of growth of PCBs through a more general perspective of competitiveness. Anca (2012) stated that competitiveness is an idea which will be used in a comparative analysis. Due to the process of liberalization and globalization, the boundaries between the national markets and international markets became blurred leading to the disappearing of the distinction of competitiveness between national and international.

In a typical economy, innovation is a naturally occurring event when competition emerges eventually resulting in growth within the industry. However, the extent to which the industry must grow depends on the amount of research and study done to achieve that growth. According to Deloitte (2013), there are four interconnected elements as the key to growth: defining an applicable growth target, identifying areas of growth, constructing a competitive growth portfolio, and executing a growth strategy effectively.

Bangladesh is still in the first two stages of the growth elements in terms of the study of Deloitte (2013). Studies are being done to understand the growth potential factors that will catalyze the growth of the financial industry. This paper is also one of such contributions in that field. Sufficient research is still necessary to obtain the growth this industry seeks. Once the areas are explored, banks can start constructing a competitive growth model and executing the strategy effectively.

Firms in many developing economies misunderstand the concept of the growth model and thus fail to execute the strategy properly because they believe that once the growth target and growth areas are identified, the main job is done whereas the main reason for the failure to achieve sustainable and competitive growth is the lack of a systematic growth methodology (Growth in banking, 2013).

Other than its own profit maximization, the financial industry of a country has a significant contribution to the overall economy. Thus, innovation and competitiveness leading to the growth of the financial industry of a nation does not only depend upon the industry itself but has a larger impact on the economy in general. Muesiad (2012) adds a similar finding in his research, i.e., an innovation is the basis of competitiveness, which is the key to development, social welfare, and sustainable economic growth. Ongore and Kusa (2013) added that beyond the function of intermediation, the economic growth of a country is highly affected by the financial performance of banks.

2.1 Enterprise Competitiveness

Competitiveness is widely defined from macro and micro perspectives across business literature. From a macro point of view, OECD described the ease of selling a country's products in international markets as a measure of competitiveness. Whereas IMD's World Competitiveness Yearbook (2012) defined, the total resources and competencies are managed to increase the prosperity of its population through competitiveness.

With his prolonged ground-breaking work on competitive advantage, Michael Porter (2004) defined two ways to achieve a competitive advantage: cost leadership and differentiating ability.

The banking industry is experiencing a period of enormous modification the banking industry is experiencing. Factors, in specific, the individuals who drove interest rates to record levels during the most recent decade, have caused the users of financial services to hunt new services. Innovative providers of services have responded to consumer's new financial needs and sophistication. According to a study conducted by Efma and Infosys Finacle (2015), more than two-thirds of the banks in the USA perceive that the threat to retail banking from new start-ups and tech companies is very high. The study also identified mobile banking and peer-to-peer (P2P) to be the greatest threat of the existing business model of the banks. The study also found that banks are increasingly

viewing these start-ups as partnership opportunities rather than as competitors. The increase in investment in service innovation is another major finding of the study. The study concludes that to remain relevant in changing environment banks are also embracing new models and bringing flexibility within their systems. However, technological change did not stop at a certain point in time. Over the years, the technological revolution has advanced significantly creating challenges for every economy on earth to catch up with its pace as well as people's expectations. This is a major issue when it comes to developing countries; because it is hard for the developing economies to afford and cope with constant technological changes year after year. However, Bangladesh has been a unique example in this case. The bottom 40% of the population (income) participating in banking is higher in Bangladesh with (35%) in comparison to other South Asian nations. (Rahman, 2014). Researchers might argue that the large population of Bangladesh and India helps them to have a better participation rate than the rest. However, the assets in the country's banking sector also have a faster growth rate than that in all the other South Asian Nations. The average compound growth rates are 19.1%, 18%, 17.2% and 16.7% in Bangladesh, Sri Lanka, Pakistan and India respectively (Business Monitor International, 2014).

Following definition provided by the study conducted by Anca (2012), some of the important aspects of the competitiveness of firms are:

- Competitiveness is a complex term and there is no concrete theoretical background to define it.
- Competitiveness of any entity comprises of both qualitative and quantitative factors and conditions.
- Competitiveness has several aspects: national, regional and local for which different factors need to be weighed in.
- Competitiveness is explained by composite factors of several different factors rather than a single comprehensive variable.

Thus, in order to define the competitiveness of any entity, all these aspects should be considered, and the competitive models should be developed based on these all-around factors.

It is important to improve harmony, develop a favorable relationship, and develop innovative growth model of the organization to enhance the competitive development of private commercial banks, besides the excellent performance in traditional matrices. According to Julian and Ramashen (1994), providing quality services and products to customers is important for the

success and survival in the competitive banking environment. There is no other choice to improve the quality of services provided, product and service differentiation, and corporate social responsibility to build and enhance a bank's reputation at an acceptable level. Competitive development is critical in this context. Retaining existing customer and attracting new customers in a bank are also driving forces behind the development of competitive advantage.

For developing the competitiveness of firms, there is no alternative to a competent and motivated workforce. It was stated in the ITC Business Plan (2003-2005), Export Training Capacity Development which focuses on developing the competencies of enterprise managers to build globally competitive organizations that a manager must: (1) Competence of management; (2) export competence; and (3) e-competence (Chikan, 2006).

Despite the diversified approaches, these two viewpoints constitute the necessary consensus for research positions:

1. A high correlation between the competitiveness of business and competitive development of products and services.
2. Considering the tendencies of change, all the factors relating to competitiveness of business should be addressed collectively, not separately.

The following facts express the competitiveness of products and services: (Botos, 1982)

- Lower product price than the competitors (taking the payment terms under consideration),
- Better quality and technical values of the products are than the competing goods and related services (packaging, service, spare parts, and delivery times etc.), making them more favorable for the customers.

The motive for enterprise competitiveness development is originated from the enterprises, aim of being well-positioned and successfully achieve a competitive edge over its competitors. Enterprise development should lead towards the higher level of success both financial and non-financial and towards higher prosperity of all stakeholders. With such development, an enterprise is also implementing the sustainable development goals of its stakeholders. The material prosperity does not embrace such development of an enterprise but also (in technologically better-developed societies) the nonmaterial dimensions in the sense of improving the quality of life for all stakeholders (Belak and Duh, 2000). Enterprise development can be an effective way to open up private-public dialogue and re-establish the connection between the private sector and the public sector.

The role in the mitigation of issues regarding asymmetry of information and agency costs reducing explains the existence of economic intermediaries (Diamond, 1984). This is done by specialization in observation services and screening by the financial intermediaries. Whereas (Diamond, 1984) focuses on the diversification benefits (numerous clients). Typically, an outsized range of deposit holders might, in turn, bring about to free-rider issues and coordination, financial regulation necessitating and supervision to guard deposit holders from excessive risk-taking by banks. The primary goal is to add value to the customer, which the bank will interact investing in costly expertise through specialization sector (Boot and Thakor, 2000). Through this way, banks can generate value and effectively achieve a competitive advantage over lenders. According to Boot (2000), the value-enhancing capability of a relationship over time will allow the funding of loans that are not profitable from a short-term perspective but may become so, if the relationship with the receiver lasts long enough. Additionally, the concession of proceeded bank funding sends proof of monetary stability to alternative investors. Thus, banking relationship benefits both borrowers and lenders. However, absence of bank-customer relationships might also have negative impacts. A bank might be too lenient towards the customer, causing a misallocation of funds (soft budget-constraint problem).

Deloitte (2013) also finds similar results in his report: competitive growth in banking should be pursued by competitiveness on value rather than price, with the main target on revenue enhancement rather than purely cost reduction.

Relationship Banking decreased the limitations regarding liquidity and the probability of bankruptcy of numerous SMEs of Korea going was reduced. Some transaction-oriented banks reduced their dependability on wholesale funding after the credit crisis. This confirms the positive worth of relationship throughout the Asian crisis according to Ferri, Kang and Kim (2001). In a study conducted in India by Srivasta and Srinivasn (2008), it has been found that across all regions, convenience plays a lot of vital role than all the opposite factors when it came to bank selection criteria. In terms of channel selection, the new channels like Internet Banking and ATM have become popular, and they have been adopted by banking technology self-starters which is a very important factor. The results also explicitly state that customers would strongly consider those products that come with extra benefits at gratis (Srivatsa & Srinivasan, 2008). These findings can

prove to be important in achieving a competitive advantage due to the socio-cultural similarity of Bangladesh with India.

With globalization, companies are increasingly facing the pressure of competitiveness. Not only the financial industry but also software, engineering, production, education and other sectors are increasingly facing pressure to innovate. Development comparable to an international standard has become inevitable in the era of globalization (Dogan, 2016).

The source of competitiveness in private commercial banks still rests with cost conditions (Kadeřábková, 2008). It is important to make use of product innovation among other R&Ds; technological advancement, enhancement of qualification.

Today in a world which is the most competitive in the history of capitalism, radical new regulations, expectations of customers, technologies and economic environments are needed to be adopted for being sustainable in the long run. Changes are needed in the following 3 areas for future challenge, according to the operation model: 1) how to address banks getting decentralized, fragmented and smaller; 2) how to acclimatize to a low growth or negative growth environment in the developed world for the predictable future – compelling them to cut costs; 3) how address new operative models and handle greater demands for data through a new complex IT architecture.

Similarly, with respect to PCBs, training effective and well-skilled human resources can lead to future growth uprising. Banks have to build the business strategies on a numerical IT platform which is scalable, allowing deeper reach beyond tier II cities and manage cost structures well in this digitalized world (Searching for new frontiers of growth, 2012). Internet only banks, prevalent in developed countries, has been given birth by the dramatic increase in individuals' use of the internet. However, novo operations banks ultimately converged with traditional banking model. Considering all of these factors, financial intermediaries must be careful in the selection of a new business model with the advent of new technology to sustain its competitive advantage.

Grundiche (2004) argued that a firm must incessantly develop products and product lines with the changing customer needs and demands to compete in the dynamic business atmosphere and the goals which are set in terms of market share, sales volume and profitability. The most critical change may be the rapidly changing consumer demands and needs because of the competitive market. Product innovation can be the result of bringing to life a new method of solving customer issues that eventually benefits both customers and banks (Kotelnikov, 2008).

In this paper, the researcher defined competitiveness as *the culmination of strategic alignment with market dynamics through continuous innovative value offerings, which ensures the sustainable and efficient management of the business bottom lines.*

2.2 Growth Model of Commercial Bank

The Gordon growth model assumes a constant growth in a company's payments made to the common equity shareholders. Dividends per share, expansion rate in dividends per share and the required rate of return are the 3 key inputs in this model. The first reflects a company's annual payments made to its common equity shareholders, the second one refers to the increase of dividends per share from year to year, and the third one refers to the minimum rate of return investors accept when buying stocks of a company. Multiple models may be used to predict this rate by the investors.

However, there are different arguments based on this idea. According to Deloitte (2013), competitive growth in banking should be pursued by competing on value rather than price for the growth to be sustainable in the long run. It identified that the focus should be on revenue enhancement through diversification and customer satisfaction rather than being solely dependent on cost reduction. To defend this statement, the example that was presented is that the financial service sector of post-crisis Europe where many banks lost a fair share of profit in pursuit of revenue growth ignoring complementary strategic variables. The financial industry is changing due to continuous innovation and change in customers' expectation, and it will continue to change in the future. Now customer priorities cannot be neglected in any ways whatsoever; rather it should be the foremost duty as the competition is high. No country gains sustainable achievement without protecting the citizens' welfare (Drucker, 1996). Similarly, banks cannot ensure sustainable growth without guaranteeing the welfare of their customers.

In the Deloitte (2013) study, one of three areas of growth (Core, Adjacent, and New) needs to be targeted when building a growth model. In brief, when profit is maximized from existing products and services without bringing any substantial change that is the Core area of growth; when growth is achieved by utilizing existing assets and capabilities of the organization to extend the boundaries of the existing business that is the Adjacent area of growth; and when the growth model requires the development of new assets and capabilities to create new markets then the area of growth is

considered New target area. When the financial industry is under consideration, there are many researchers who have identified many different areas of growth that are yet to be explored.

Aligning with the orthodox application of the term, growth model was defined as *the mechanism ensuring efficient management of balance sheet figures by designing strategies to address short term, middle term, and long-term opportunities and challenges.*

2.3 Innovation

Numerous definitions of innovation are widely available in the literature of economics and its branches. Schumpeter (1983) introduced the concept of "Creative Destruction" in trendy economics which says new concepts and ways of doing things bring down the existing system to build new ones replacing the old ideas.

While confusion shrouds between innovation and invention, Freeman (1982) made a transparent distinction between these two. With the recent evolution of business thoughts, the idea of innovation is no longer confined to technological advancement resulting only from R&D.

Defining innovation in service firms is troublesome because of the lack of consensus on its conceptualization (Tether, Hipp, & Miles, 2001). Service innovation is mainly confined to the technological innovation in service firms- the creative use produced artifacts, not the production of technologically advanced artifacts (Flikkema, Jansen, & Sluis, 2007).

According to Sewar and Dutton (1986), minor changes or improvements to a product, service or process which already exists in incremental innovation. Increasing efficiency and effectiveness of processes and operations and reducing production cost are examples of it. Another common typology used in study innovation involves differentiating between product and process innovation. Dibrell et al., (2008) describes product innovation as changes in the product and process innovation to the changes brought into in production of the product. Differentiation between the product offerings in the market can be done by product innovation (Huang & Rice, 2012). In many innovation studies, authors have also classified innovations as technological and marketing innovation. Grover et al., (2007) defines innovation in the context of private commercial banks as the continuous development of solutions and services in line with market need and design of strategies to support value-added solution for the different stakeholders, both internal and external.

Innovation leads to economic growth. With easy access to technological education and opportunity across the globe, the 12,000 start ups have emerged and are bringing new products and services to the financial landscape. Total global investment in the fintech space ballooned to massive USD 19 billion in 2015. Moreover, the worldwide fintech software and services sector are expected to boom to USD 45 billion opportunities by 2020, growing at a compounded annual growth rate of 7.1% as per National Association of Software and Services Companies [NASSCOM] (Nadhe, 2016). These financial innovations are not limited to developed nations. China is on the way to becoming the first cashless economy. PwC reports that Chinese apps like Alipay and WeChat account for almost half the world's digital payments in 2017. India is the best-case model to replicate in this aspect among the South Asian countries. India is successfully going beyond the traditional cash-driven economy to a more digitalized economy due to the expansion of the e-commerce industry and smart phone penetration in the remote areas of the country which was bolstered by demonetization effort of the Indian government to curb corruption. Just like India, Bangladesh also has good internet penetration within the vast population of the country. However, Bangladesh has failed to take full advantage of internet penetration, unlike India. There are many factors that are in play here. First, the emergence of bKash mobile money transfer system has been a breakthrough in integrating the rural and marginal population to banking ecosystem. Due to the emergence of bKash, the rural unbanked people are not solely reliant on the traditional banking system. Moreover, when compared to India, the PCBs in Bangladesh get minimal support in the introduction of technology in the financial sector. The Indian government has done a lot to help the financial industry grow and catalyze its growth. The contributions include managing fund for fintech startups, involving unbanked individuals into the banking sector, giving tax rebates to digitally advanced banks, providing rebates in patent cost for startups, etc., (KPMG, 2016). One of the major areas for growth is managing the P2P remittances. Here, India went ahead of Bangladesh as well. In terms of remittance transfers, remittance size and transaction cost percentage are inversely related, making it costly for beneficiaries involved in transactions. Interestingly, this creates massive opportunities for all fintech firms committed to addressing it if given the platform. e.g., Transfer Wise in the UK has come up with a remittance platform (KPMG & NASSCOM, 2016). Whereas, when it comes to the financial industry, Bangladesh has failed to include startups to build financial platforms. A reasonable answer to this is a lack of policy support.

2.4 Innovative growth Model

Model development is considered a good research method as well as a good strategy implementation technique. Investigators and scientists are assisted by it to relate accurately to reality by incorporating all relevant factors and are aided to describe, predict, test or understand complex systems or events. Thus, models might have actual structures or abstract forms like diagrams, mathematical formulas or sketches and often provide a framework for the conduct of research. Simplified representations of real-world phenomena are involved in a model, which is an abstraction of real events or structures, a mental framework for the analysis of a system (Busha and Harter, 1980; Powell and Connaway, 2004).

There are many studies which tried to identify different areas and means of growth regarding the financial sector and many of these that are yet to be explored. However, none of the studies is conclusive because an optimal growth strategy may differ between banks based on their functional area and firm based inherent attributes; they may differ between regions, and they may also differ between countries. Thus, every independent bank, region, or country must have their own wing for research to find the optimal approach to growth. To sum it in few words, one size fits all strategy does not exist anymore (Growth in Banking, 2015). A study was conducted to understand bank productivity growth in China found that the total factor productivity of banks increased by 30% in six years. The study also identified the main force behind this growth to be technological progress having contributed more than 40% of the overall growth. The study also reported the productivity growth to be dependent on the type of ownership of the banks (Chang, Chou, Sun, & Hu, 2012). This further corroborates the notion that growth model should be formulated based on the unique positioning and requirements of each organization. In another study (2005), it was found that degree of competition increases the incremental profit from innovating for the leading firms which are very close to each other in terms of competitive advantage which labeled the "escape-competition effect" and these types of firms engage in innovation more. However, "Schumpeterian effect" refers to competition reducing innovation incentives for laggards. The study also found that competition increases the average technological distance between leaders and followers. (Aghion, Bloom, Blundell, Howitt, & Griffith, 2005).

Banks need to continually innovate to achieve a competitive advantage as well as to sustain that edge to survive in the global market. According to Searching for new frontiers of growth (2012),

key regulatory developments in the financial sector and demographic change played a significant role in the growth of banks and other financial service providers. Whereas, key drivers for future growth are perceived as-technological change, talent drain, changing customer behavior; treating customers fairly, the rise of South America, Africa, Asia and the Middle East (SAAAME), demographic shift, war for resources, the rise of state-directed capitalism. However, the above study is done based on Indian banks and Indian economic perspective. So, a generalization of such ideas with respect to Bangladesh should be done with caution. However, India is the neighboring country of Bangladesh, and with a similar socio-cultural scenario, much of the financial trends in Bangladesh resembles the trends observed in India.

During the last decades, many countries, both developing and developed alike, have witnessed significant changes in macroeconomic and socio-cultural factors affecting the banking industry. These changes offer new opportunities to financial intermediaries as well as pose new challenges many of which threaten their very existence. To maintain pace with the digitalization of the banking industry and compete against the global standards, Bangladesh had to take necessary measures in terms of technological innovation. The fact that digital engagement and the economic status of the customer are correlated is evident. (Searching for new frontiers of growth, 2012). Thus, it is often inefficient for developing countries to invest in innovation even after having the capital to do so. As a result, countries like Bangladesh need to understand where the optimal investment lies. The growth of a bank depends mainly on financial performance. Building an optimal growth model for the PCBs of Bangladesh is possible with the right mixture of capital investments' growth, government policies' emergence, entrepreneurial and innovative mindset and technical skills.

Therefore, based on the earlier research findings innovative growth model can be defined as *a centralized proposed model which is characterized by reduced duplication, utilization of resources, more centralized control and better standardization*. The findings and existing practices of the world information systems have access to service-based knowledge environment model development. The diversity of information needed in several tiers of a bank must be kept in the new model. Here, in "Spiral Model", the development and implementation of prototypes are done after the development of mechanisms for risk analysis which takes place after the determination of the objectives, alternative and constraints.

3. Conceptual Framework

A conceptual framework is, usually, a map that allows the researchers to frame their synthesis of literature review findings and residual knowledge. Literature review findings from the previous chapter and practices from banking industry shaped the conceptual framework for this study.

The traditional understanding of profit in the banking industry is as the differential between revenue and cost. The sources of revenue and cost have both pecuniary and non-pecuniary aspects. However, traditional banking practices often overlook the crucial non-pecuniary perspectives and often adopt a myopic view of focusing on the financial aspects.

Instead of taking such a myopic attitude, the study rather took an operational view on the banking activities and the components, of the financial ecosystem, that affects the operation (Figure 7).

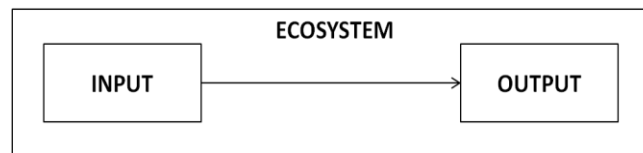


Figure 1: Financial Ecosystem

3.1 Inputs

Innovation: The understanding of innovation in the local banking industry is very narrowed, constrained, and unimaginative. An approach towards innovation is mostly reactive, rather than proactive. Most of the innovation in product design and services drives from the pursuit of copying competitors' offerings. Innovation in process and value chain is often the spillover effect of broad macro changes. Very few banks have developed proprietary assets in terms of products and processes.

Resources: For a service-oriented industry like banks; the most significant resource is the human resource. However, traditional banking practices focus primarily on the financial and operational resources. This misplaced focus creates long term predicaments in the form of shortage of skilled workforce, lack of adept leaders to take the helm of the businesses, general lack of leadership skills among the employees, dearth of motivation, responsibility, and ownership among the bank personnel. Without putting a human factor in the center of business strategy, training programs aimed at enhancing employee skills and development will not bring the necessary required changes.

Infrastructure: With the increased technological advancement, more and more service companies are adopting an Omni-channel strategy with brick and click philosophy. The local banking industry is yet to find balance in such a strategy. Expansion through branch opening is still going on in full swing for big banks despite the rising cost. Customer readiness to adopt online banking practices requires much awareness and education. Innovative solutions through digital platform may reduce current customer inertia towards online banking practices.

3.2 Outputs

Financial Value Drivers: With the rise in the number of Non-Banking Financial Institutions (NBFIs) in the country, the banking industry is facing strong competition for attracting deposit while the cost of capital remains competitive. By offering innovative proprietary products to cater to diverse customer needs, banks can increase their revenue flow while keeping the cost in check. Online servicing and closing physical branch locations can minimize operational cost, thereby boosting the margin.

Market Dominance: Traditional banking practices are product oriented which does not fully take the market scenario into consideration before product designing. Banks should shift their focus towards the market and adopt proper segmentation to design better solutions. Market orientation will keep the banks more attuned to market needs and dynamics. Instead of offering everything to everybody, banks should try to carve out their market strategy and adopt uniform strategy across its operational and marketing activities. Such uniform strategy results in gaining a competitive advantage over rivals and allows creating a distinct brand image in the customers' minds. Two basic competitive strategies, as mentioned by Porter (1980), are pursued either through cost leadership or differentiation.

Most local banks in the country lost their strategic focus when they started following competitors' footsteps. Even if this approach helps in short term gains, the banks lose out far more by not being able to differentiate from the competitors, to form a loyal customer base, and ultimately to attain sustainable competitive development.

Quality is a crucial aspect of the service-oriented industry. Unlike goods, maintaining quality in providing service is far more challenging. The concept of quality service among the banking industry is also precarious. Believing customers, a hostage to their offerings, most banks do not

focus on maintaining let alone enhancing the quality of their services. Most companies do not compete on quality, even though quality could easily be a differentiating factor leading to competitiveness. The nine dimensions of total quality management are: time, timeliness, completeness, courtesy, consistency, accessibility and convenience, accuracy, and responsiveness.

Banking professionals and influencers must understand the role of innovation in marketing activities, branding strategies, and designing communication materials. Often, innovation is thought from the context of product design, process renovation, and technological infrastructure development. Impact of innovation in marketing strategy is widely neglected across the industry. Local banks must change their outlook on market understandings and must use innovative tactics to attain market dominance.

3.3 Compliance

Compliance: Banking sector is one of the most heavily regulated segments in the country. Statutory and other requirements from central bank place heavy restrictions on banking activities. The continued rise of financial fraud coupled with digital crime has diluted confidence in this sector. Most of the rules try to discipline the sector and aim to curb financial irregularities. However, regulations should also focus on promoting and facilitating the sector. The central bank should extend its role of being the regulator of being the patron and reformer of this sector. The regulatory bodies should take multiple measures to bring the sector to align with global standard complying international laws and requirements.

Growth Concept: Banking industry's approach towards growth is quite puzzling. Without innovative approaches, the local banks are fighting tooth and nail to increase share among the existing customers. As the governments are extending the license to more and more banks, the banking industry is becoming quite oversaturated. Competitive pushes are not limited from banks, but also from Non-Banking Financial Institutes (NBFIs), mobile financial services, and other tech-based platforms. Organic growth with historical growth as the base will not be adequate for sustainable development of the banking industry. The entire concept of growth, growth drivers and deterrents need to be revisited.

The concept map of this study starts with the current position and practices of the local banking industry and highlights the existing gaps needed to address for regional and international growth.

A thorough and extensive literature review has been done, and discussions took place with top bankers locally and internationally which successfully helped to develop the factors that can play a crucial role in the competitive growth scenario of Private Commercial Banks of Bangladesh (PCBs) and to develop the following conceptual framework for the study.

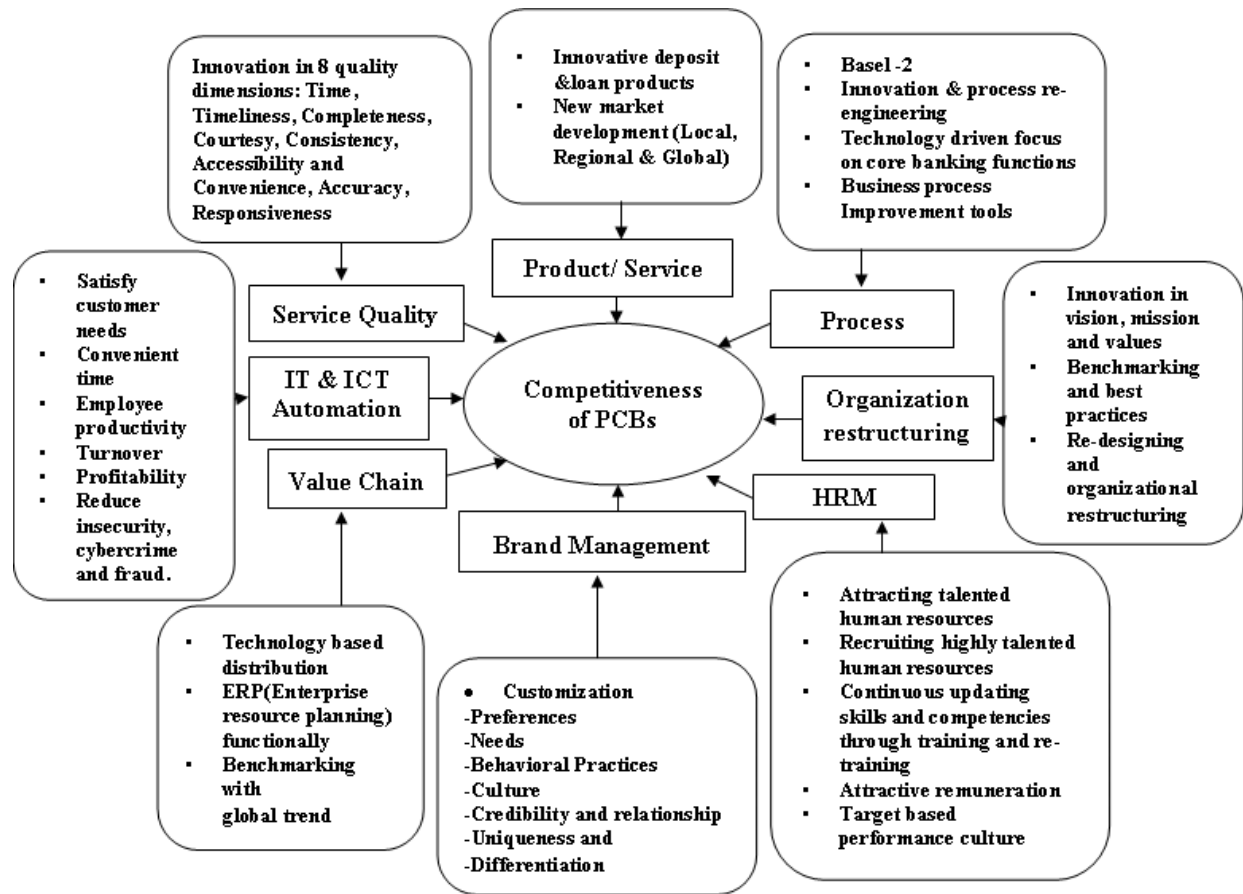


Figure 2: The Proposed Conceptual Framework on Innovative Growth Model of Private Commercial Banks of Bangladesh

(Author’s Compilation)

3.3.1 Products/ Services

3.3.1.1 Innovative Loan and Deposit Products

The business needs innovation in banks' deposit and loan products, and the banks should not be so traditional and conservative anymore. In order to hold and attract customers, banks should innovate new products, processes for the organization.

3.3.1.2 New Market Development Focusing Regional and Global Levels

One way to stay ahead of the competition is to pursue markets which are not sought after. In order to hold and attract customers, banks should innovate new products and processes for organization. Knowing what groups, which every bank or financial institution serve extremely well, are for themselves and their competitors, they can perfect their approach in one area and move on to a new cohort to help. These groups just need to offer the best solution, not to be huge enough to make an impact on the market.

3.3.2 Process

3.3.2.1 Basel -2

Basel 2 provides incentives to financial institutions to implement sound risk measuring systems to align their restrictive capital. Despite its limited scope of application, Basel 2 presents important challenges to banks of all sizes. The primary objective is to provide greater stability in the financial system. In order to do that, the 3 pillars of Basel 2 focus on keeping minimum capital so that risks are minimized, review of supervisors' management of risk and significant data sharing.

3.3.2.2 Innovation & Process Re-engineering

To meet the expectations of the customers, banks should provide different and better types of services. To thrive in the long run, banks need loyal customers, who are satisfied and delighted. Banks should use Business Process Reengineering, which focuses on easily understandable and attainable goals, objectives, and targets for reducing cost, improving customer satisfaction, loyalty and performance of the banks, to become more efficient and effective and improve their performance.

3.3.2.3 Technology Driven Focus on Core Banking Functions

Focusing on technology for customers' benefits may lead to enhance customer satisfaction, as technology helps to analyze and predict the customer behavior. Banks can upgrade resource utilization and efficiency through technology.

3.3.2.4 Business Process Improvement Tools

Business process improvement has no alternative to improving and growing continuously. The following are a few tools that help in overall business process improvement are:

- i. Focusing on highest priorities
- ii. Holding more efficient meetings
- iii. Improvement of workspace
- iv. Filing and organizing with consistency
- v. Monitoring trigger points
- vi. Making process control more visual
- vii. Employing data dashboards

3.3.3 Organization Restructuring

3.3.3.1 Innovation in Vision, Mission and Values

Innovation in Vision, Mission and Values is a vital factor for continuous growth, satisfying technology-driven customer base and for coping with the ever-changing trend of business and market.

3.3.3.2 Benchmarking and Best Practices

Following benchmarks and best practices helps to continuously learn, adapt and measure outstanding practices and processes to improve performance. It is a method aimed at improving performance by identifying and importing best practices.

3.3.3.3 Re-designing Organizational Restructuring

Successful restructuring helps an organization in many ways. It helps an organization to change the nature of business, implement new methods, adapt new technology that cut down the complexity, focus on better activity, creating roles that are feasible, balancing the load of managers.

3.3.4 HRM

3.3.4.1 Attracting Talented Human Resources

Banks need to rethink how they recruit and hire. Building a brand in recruiting is just as necessary as building a commercial brand. They should concentrate on forging a dynamic brand that engages and attracts talent, and that will compete for mind share as prospects evaluate employment options (Marshall, 2017).

However, as Marshall continues to state, the bank must go further by clearly and openly articulating its value proposition, opportunities for career growth and compelling work content to help prospects better connect with the brand from the outset. This can prove particularly challenging for banks that have long dealt with the perception of being stodgy, old fashioned places of work, especially compared to tech startups for example.

3.3.4.2 Recruiting Highly Talented Human Resources

For building a sustainable organization, the most valuable resources are employees. Attracting and retaining exceptional talent is very important for responsible growth. It begins with how a company recruits employees and extends it in many ways by supporting that pool of talented employees' growth in career, professional development, and engagement when they are in the organization.

3.3.4.3 Continuous Updating Skills and Competencies through Training and Re-Training

Training help employees to know and explore more about the organization, industry, their responsibility and motivate them to know more and contribute more for growth. By arranging different seminars, workshops, competitions and activities, workers' knowledge, skill, and competencies and be updated and revised.

3.3.4.4 Attractive Remuneration

Attractive incentive program and remuneration package have a huge benefit for organizations. It helps to attract new staffs, help retain those staffs, links individual performance with the business objective, boost productivity, improve staff morale and happiness, encourage teamwork.

3.3.4.5 Target Based Performance Culture

Target-based performance helps to work for a unified result. Here, an employee can identify the vital indicators of an organization and establish accurate targets. Areas can be analyzed where the business is booming and where it can be improved through the measurement of a company's success through achievable goals.

3.3.5 Brand Management

3.3.5.1 Customization

3.3.5.1.1 Preferences

Aspects those are essential to determine a customer's selection process is necessary for the banks to know as deregulation and more sophisticated customers inflow. Through a survey of households, Boyd evaluates the relative importance attached to selection criteria used to select a financial institution. The results provide the grounds for a demographic and behavioral profile. This can test the emphasis of criteria among each other (Boyd, Leonard & White, 1994).

3.3.5.1.2 Needs

Banks need to identify their needs for continuous growth and sustainability. They need to address the mobile banking's security concerns and go beyond the retail mobile banking which is traditional. A few specific tools are needed for a strong business model. The need for security features increases along with the increase in the number of devices a company uses to manage its finances. Business executives need to know about the needed protections to stop cybercrime against all private and personal data breach.

3.3.5.1.3 Behavioral Practices

Customer friendly behavior is a must in every industry. The commercial side of banks has not shown the use of various advanced analytical tools for improving performance and growth of customer relationships like the retail side. This may due to the size and the personalized services of the commercial banks. The opportunity lies in collecting insights from the data. The personalized form of services and products that the customers expect can be facilitated by analytics enabling critical employees, including service representatives at the contact center level (Lero, n.d.).

3.3.5.1.4 Culture

Growth and company culture go hand in hand. However, the definition of company culture is up to the management as it is very ambiguous. The opinions and feedbacks of employees at all levels of one company by surveys or focus groups not only shape the culture of the company, but also help identify areas of strength, improvement, and growth.

3.3.5.1.5 Credibility and Relationship

Networking is particularly important within the financial services industry because it is a naturally volatile job market functioning in a very competitive environment. More so than in many other industries, banks need to give people value so that they give value in return for having the banks in their professional ecosystem.

3.3.5.1.6 Uniqueness

Unique drivers in banking need better data insights. Banks need to focus on developing strategies to leverage data to have a better understanding as per their demands increasing with experience across industries (Marous, 2019).

3.3.5.1.7 Differentiation

Banks need to focus on developing strategies to leverage data to have a better understanding and serving the customers in all channels and all stages of their financial lifecycles as customer demands increase from their user experience across different industries.

3.3.6 Value Chain

3.3.6.1 Technology Based Distribution

Distribution of retail financial services is getting more attention in recent literature and gained more importance as a factor for determining the effectiveness of a company's competence in chosen markets. Competitive advantages can be availed in the marketplace by superior distribution strategies about communicating with and delivering the products to the customers in this increasingly competitive deregulated environment. Thus, distribution acts as a differentiation tool (Devlin, 1995).

3.3.6.2 ERP (Enterprise Resource Planning) Functionality

As ERP deals with an extensive amount of data, it shows much potential in the banking sector. The integration of both back-office systems and financial system can be done through ERP can integrate information, users, and various processes for better productivity. Thus, it can integrate financial systems with back office systems. ERP systems can integrate all banking and financial systems.

3.3.6.3 Benchmarking with Global Trend

Following benchmarks and best practices help to continuously learn, adapt and measure outstanding practices and processes to improve performance. It is a method aimed at improving performance by identifying and importing best practices.

3.3.7 IT & ICT Automation

3.3.7.1 Satisfy Customer Needs

The measurement of customer experience and identification of ways to improve customer satisfaction is essential. Improvement in the customer experience is the best determinant to differentiate any bank from its competition. It also shows the financial performance of the bank.

3.3.7.2 Convenient Time

The customer journey dramatically changes with the option of opening and managing accounts online or using a mobile and the simple designs by saving a lot of times. Digitally engaged customers can bank locally throughout the world now.

3.3.7.3 Employee Productivity

To assess the aspects of the banking system, efficiency and productivity play the role of indicators. In fact, the overall development of the economy can be measured by the productivity level in the banking sector. Thus, it helps to suggest preventative steps for regulating the business wherever necessary.

3.3.7.4 Turnover

Administrators and managers must reduce worker's turnover at any cost for organizational success. Employee turnover and the effects of turnover can help to evaluate the work on employee turnover. The bankers in the in-depth interviews agreed to this point.

3.3.7.5 Profitability

Regulators need not significantly increase the overall level of capital requirements of the banks. As capital reforms under the Basel-3 are finalized, care must be taken to ensure that lending to significant economic segments, such as SMEs and agriculture, are not unduly penalized.

3.3.7.6 Reduce Insecurity, Cybercrime and Fraud

Recent online robberies in Bangladesh have gone undiscovered for months or maybe years as a result of the criminals covertly moves away cash and shifts it away to different accounts by manipulating the banks' own business. In many cases, the hackers' transactions seem to be legal from the point of view of the bankers.

3.3.8 Service Quality

Innovation in 8 quality dimensions customized for the banking sector, focusing on PCBs in Bangladesh: Time, Timeliness, Completeness, Courtesy, Consistency, Accessibility and Convenience, Accuracy, Responsiveness.

4. Methodology

The methodology of a research describes the collecting process of data and its analysis. The tools and techniques explain how it is used in the study and the rationale behind their application. It also helps the researcher establish the validity and reliability of any research. Methodology helps future research and experiments similar to the field of the study.

4.1 Research Philosophy

This chapter outlines the research philosophy that had shaped the approach and methodologies adopted in this research paper.

The study researched the importance of innovative growth model for the competitive development of PCBs of Bangladesh. The researcher aimed to establish this study based on the findings derived through data collections from respondents who were external to the researcher. Thus, the study measured these 'social actors' (Saunders, Lewis, and Thornhill, 2016) through an objective lens instead of a subjective one.

Saunders et al. (2016) suggested that interpretivism is subjectivist in nature where researcher tries the respondents' shoes and collects data that have significance to the research respondents and thereby, bringing the researcher's interpretation of the data (facts) into the research process. For this study, the researcher took a positivist position and tried to establish the relationship between innovative growth model and competitive development through empiricist method relying only on facts, free from human biases (Saunders et al., 2016). Thus, the philosophy of this research is positivism and not interpretivism.

As a positivist, the author epistemologically tried to obtain measurable data from the chosen sample to draw causal relationships which can be further extrapolated to build generalized observations (Gill and Johnson, 2010) for the whole banking industry in Bangladesh.

The positivist philosophy adopted by this paper rested on some basic research assumptions, or in other words ontology of the research, made by the researcher (Saunders et al., 2016). Delanty and Strydom (2003) defined that ontology is concerned with assumptions about the variety of phenomena within the world. it's a theory of the character of reality. In easier terms, ontology is concerning what exists, what it's like, what elements create it up and how the components act with

each other (Hitchcock and Hughes, 1989). The ontological assumptions which were made in the study include:

- a strong relationship between innovation and competitiveness
- a strong relationship between innovation and competitive development
- a positive correlation between innovation and growth
- banking industry in Bangladesh lags in innovative practices

In alignment with the positivist stand of the study, it followed a deductive approach that initiates with an expected pattern that's tried out against perceptions. Following the deductive approach, which is concerned with developing a hypothesis (or hypotheses) in view of the existing theory and then arranging a research technique to test the hypothesis (Wilson, 2010), the study started with a theory and developed new hypotheses which were confirmed or rejected using objective data findings (Snieder and Larner, 2009).

4.2 Types of Research

The research is applied in nature, which allowed it to draw on the prolific work of previous researches across the world while keeping the local problem at the centre. Primary and secondary data sources were used in the study.

Methods of qualitative research, which associates the subjective judgement of both the research subject and the researcher, involves focused group discussion, open ended questionnaire survey and in-depth interviews, whereas, quantitative research deals more with the collected numeric data and its statistical analysis. Both kinds are used in the research in question.

4.3 Research Design

The research type adopted in this study is both exploratory and descriptive. Since the research issue has not been studied before in the context of Bangladesh, exploratory research was conducted. Because of this, the study remained open to the discovery of ideas and insights throughout the entire process without taking any rigid framework or approach. Descriptive research further allowed the amalgamation of richer quality information necessary given the nascent status of the research issue in the country. Data collection techniques included detailed

interviews, focus groups and a questionnaire survey. To categorize and address the components of growth of PCBs of Bangladesh, a non-probability, multi-stage sampling method was implemented.

4.3.1 Exploratory Research

4.3.1.1 In-depth Interviews

To identify 2 to 3 variables for each factor, fifteen in-depth interviews were carried out where the subject matter experts and senior bankers of local and foreign banks contributed their insights into this research. The outcomes of the in-depth interviews were qualitative in nature.

4.3.1.2 Focus Group Discussions

To develop an innovative growth model for competitive development for the growth of PCBs at national, regional and global level, nine focus group discussions consisted of subject matter experts and experienced mid to top level bankers were carried out. (Details shown in table 1).

Table 1: Details of Focus Group Discussion

SL	Group Size	Location	Age Group	Organization Position
1	8	Dhaka	40-45	FAVP to EVP
2	9	Dhaka	40-48	FAVP to SEVP
3	8	Dhaka	42-48	FAVP to SEVP
4	9	Dhaka	34-42	FAVP to SEVP
5	10	Dhaka	36-45	FAVP to SEVP
6	8	Dhaka	45-58	FAVP to DMD
7	9	Dhaka	40-48	FAVP to SEVP
8	8	Dhaka	42-48	FAVP to SEVP
9	9	Dhaka	34-42	FAVP to SEVP

4.3.2 Descriptive Research

For descriptive research, a questionnaire survey was conducted. The structured closed ended questionnaire consisted of 40 statements regarding the PCBs of Bangladesh. A 5-point Likert Scale

was used to collect their responses. 357 respondents from 17 different banks participated in the survey.

4.4 Data Collection and Sample Design

Primary data were collected through interviews, focused group discussion, and survey. A structured questionnaire was used to collect respondent's opinions in the survey.

The questionnaire consisted of open-ended question and Likert's scale. A pre-test was run to identify and check problems with the questionnaire. Due to the existence of the sample frame of the population, the study opted for probabilistic stratified sampling technique to collect respondents.

The study exhaustively used existing research literature to gauge the current scenario of PCB growth patterns in Bangladesh and the innovation ecosphere in the banking industry. The secondary data used for this paper were limited to properly recognized research materials, such as:

- Previous research articles on these issues- 120 pieces of literature were reviewed as secondary sources for the study.
- Published journal
- Online articles and publications

The specific objectives and the methods adopted to the specific objective are as follows (in Table 1):

Table 2: Specific Objectives and the Methods Adopted

SPECIFIC OBJECTIVES	METHODS ADOPTED
1. To identify and analyze the important components of competitiveness of PCBs in Bangladesh.	Literature Review Questionnaire Survey
2. To identify and analyze the major determinants for competitive growth of PCBs	Questionnaire Survey
3. To identify and analyze the significant constraints to competitive growth for the PCBs	Questionnaire Survey
	Identifying 2/3 variables for each factor identified using expert opinions

4. To develop an innovative growth model for competitive development for the growth of PCBs at national, regional and global level	Reinforced by Focus Group Discussions
	Questionnaire Survey

4.4.1 Target Population and Sampling Technique

The study used non-probability multi-stage sampling technique. This allowed a non-zero probability for every element of being included in the sample within the population. The sampling was done in two simultaneous steps.

In the first stage (proportional) of sample designing (Figure 1), population, forty-nine Private Commercial Banks in Bangladesh, was divided into three mutually exclusive non-overlapping groups (strata) which were intra-strata homogenous, but inter-strata heterogeneous. The three strata were:

1. Eight Islamic commercial banks,
2. Thirty-two local conventional commercial bank, and
3. Nine multinational private commercial banks.

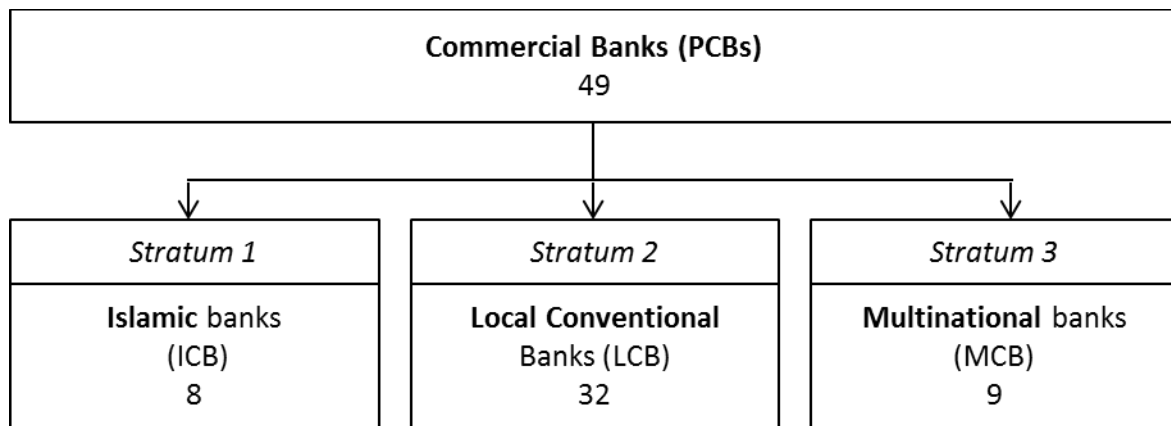


Figure 3 : Sampling Technique: First Step

All three categories were given equal weight (33.33%) to define the sampling frame. After assigning weight, eleven Local Private Commercial Banks, three Multinational Commercial Banks and three Islami Sariah Based Commercial Banks were selected.

In the second and final stage of sample designing (Figure 2), forty local private commercial banks (PCBs) were categorized according to generation into four strata:

1. Seven first-gen banks,

2. Five second-gen banks,
3. Ten third-gen banks, and
4. Nine fourth-gen banks.

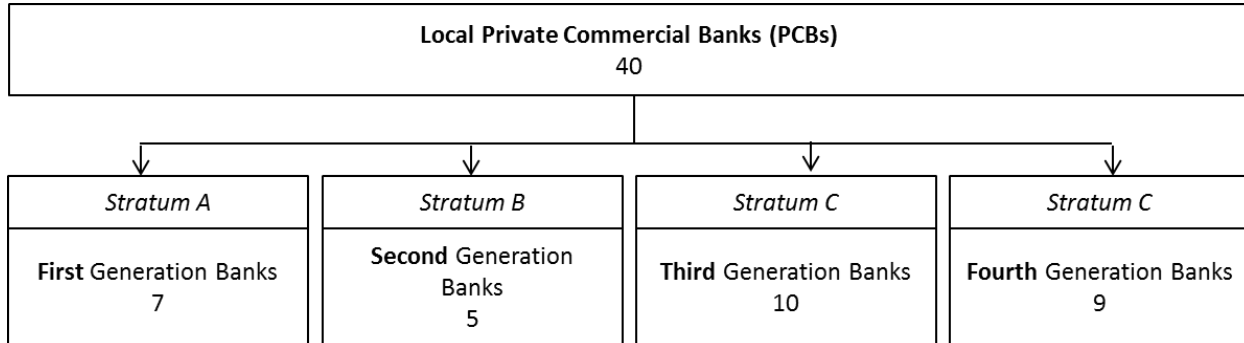


Figure 4: Sampling Technique: Second Step

LCBs were selected on the basis of the judgement of the researcher from each generation: two, two, four and three from the first, second, third and fourth generation respectively. For the ICB sample, one bank from each generation was randomly selected. The study selected the Commercial Bank of Ceylon, HSBC and Standard Chartered Bank from the Multinational Banks (MCBs) category according to the researcher's convenience. The final sampling approach looked like below:

Sample: 17		
Islamic banks (ICB) 3	Local Conventional Banks (LCB) 11	Multinational banks (MCB) 3
First Generation: 1 Second Generation: 1 Third Generation: 1	First Generation: 2 Second Generation: 2 Third Generation: 4 Fourth Generation: 3	3

Figure 5: Final Sampling Approach

The sampling technique was Non-Probability Multi-Stage Sampling Method. The First Stage sampling was proportionate to 49 commercial banks and the final stage sampling was judgmental and 17 commercial banks were chosen.

4.4.2 Sample Size

The following formula was used for calculating the sample size in the study. It is the fundamental technique for measuring the sample size of a finite population.

$$n = \frac{\frac{z^2 p(1-p)}{d_0^2}}{1 + \frac{z^2 p(1-p)}{d_0^2 N}}$$

Here,

n= sample size

z= z-score at 95% confidence level

p= proportion of the population for positive responses for a particular question

d_0 = Precision Level/ Expected error for the sample size calculation

N= Population size

Based on the total number of PCBs in Bangladesh and their respective branches, the estimated population was determined as 5000 (approximately); who were actually involved in executive-level decision making [Management Committee (MANCOM), Asset Liability Committee (ALCO), Senior Managers and Managers of Business Unit and Branches] for competitive development of PCBs in Bangladesh.

Additionally, the sample size accuracy relies on the percentage of the sample that picks a specific answer. The possibilities of error are remote, irrespective of sample size, if 99% and 1% reflect “Yes” and “No” respectively, However, if 51% reflect “Yes” and 49% reflect “No”, there are greater possibilities of error. Extreme answers are easier than middle-of-the-road ones. The worst-case percentage (50%) is used for determining the required sample size for a given level of accuracy. To work out the confidence interval for a specific answer, researchers will use the percentage choosing that answer and in turn, they will receive a smaller interval. Thus, the study was used a sample proportion of 50%, to calculate the desired sample.

In statistics, confidence interval (CI) shows the unwavering quality of an estimate. This estimated interval of the population parameter is totally determined from the observations. The confidence coefficient shows how frequently does the interval contain the parameter or how sure we can be

about the data. For example, 95% confidence interval shows the certainty level of 95% and so on. We can be surer about the information with the increase of the confidence interval. Thus,

$$n = \frac{\frac{(1.96)^2(0.5)(1 - 0.5)}{(0.05)^2}}{1 + \frac{(1.96)^2(0.5)(1 - 0.5)}{(0.05)^2 \times 5000}}$$

$$= 356.75$$

$$\approx 357$$

Thus, the desired sample for this study size was 357.

357 respondents were selected from the sample frame of 17 banks on equal weightage, which means 21 respondents were selected from each bank.

4.4.2 Questionnaire Development

The study used a standardized questionnaire of 40 questions. The Likert scale questions have responding values ranging from 1 to 5. The questionnaire developed the level of congruence through a series of statements. Every respondent was then given a score to reflect however favorable their perception was towards each statement. The scores were then accumulated to evaluate the respondent perception. The respondents were asked to provide their names and contact in detail to confirm the validity of the study.

The full questionnaire is included in the (Appendix 2 & 3).

Coordination Schema: Extensive literature review and numerous discussions with subject matter experts (SMEs) allowed identifying different variables relevant for this study. The correlation among the variables, both exploratory and explained, and the hypotheses is depicted in the coordination schema. The coordination schema is enclosed in the Appendix-1.

4.4.3 Pre-Testing

The study used a standardized questionnaire of 40 questions. The Likert scale questions have responding values ranging from 1 to 5. The questionnaire developed the level of congruence

through a series of statements. Every respondent was then given a score to reflect how favorable their perception was towards each statement. The scores were then accumulated to evaluate the respondent perception. The respondents were asked to provide their names and contact in detail to confirm the validity of the study.

Thirty employees of Bank Asia Ltd. participated in the pre-testing to identify any problems such as unclear wording or the questionnaire taking too long to administer. The feedback from the pre-testing was later incorporated into the questionnaire and used for the final study.

4.4.4 Reliability Testing

The consistency of a measure is represented by reliability. A measure is said to be highly reliable when the same result is obtained every time the measure is applied to the same object under consistent conditions. There are a number of techniques for measuring reliability, and following are three of the most widely used techniques:

- Parallel Forms
- Test-retest
- Split-half

The parallel forms technique was avoided as it is very difficult on our part to develop ‘two measures for each of our required phenomenon based on items that, despite appearing different, measure the phenomenon equally’, a pre-requisite for this technique.

Test-retest reliability requires that a certain time interval be present between the initial test and the subsequent retest. Adopting this would have lengthened the research period.

The split-half technique also has its flaws as the numbering of the items can greatly affect the reliability estimates; thus, different estimates are likely to emerge even if the same items are administered to the same individuals.

To avoid all these issues, the study used SPSS to find out the Cronbach's Alpha to test the dependability of the research questionnaire.

Table 3 : Cronbach's Alpha

Cronbach's Alpha	0.95
Split-Half (odd-even) Correlation	0.94
Split-Half with Spearman-Brown Adjustment	0.97
Mean for Test	52.6

The above table shows that the Cronbach's Alpha is higher than 0.7, the benchmark for high reliability. Hence, it can be claimed that the questionnaire is reliable, and generated the same responses from each of the same respondents each time.

The number of items for the Cronbach's alpha is 357 whereas the number of variables is 39. This is due to the fact that some of the questions are conditional and only apply for certain respondents under certain conditions.

4.5 Data Analysis

For the analysis of data and the generation of descriptive and inferential statistics, SPSS 23 was used. For the model development, various statistical tests like Mean, SD, t-test and regression analysis were conducted. t-test followed a respondent's t-distribution under the null hypothesis. Mean, and the SD were used to define the opinion variance from the data set. Cronbach's Alpha was calculated to test the reliability of the study.

5. The Banking Industry and Private Commercial Banks of Bangladesh

Right after independence of Bangladesh, the formerly better-known 'State Bank of Pakistan' was renamed as 'Bangladesh Bank', and with that, it became the institute for official foreign exchange reserve for the newly born country. Currency control, Credit control and Monitoring exchange were absolutely some of the other focal points of it. The local banks were nationalized, but the foreign ones could continue their business. In that decade, the government took multiple steps to develop the countries' banks. The focus shifted to industrialization that surfaced different challenges hindering the economic growth process in the latter decades. One of the primary challenges faced during the era of growing industrialization is the recovery of loans offered to the industrial sector.

Grameen Bank became a perfect example of loan management and recovery during this distressing period. The early eighties saw numerous futile policies being launched by the government aiming for financial recovery. The failed saga of recovering loans made by the government-owned banks continued.

In the 1990s several private banks emerged. As native corporations started to invest aggressively across industries, the flow of cash economy surged massively. During these virile periods of financial strength, Bangladesh Bank played an important role to manage these private banks with a newer outlook. Moreover, as a result, the banking sector has fully grown a lot.

Due to the affirmative and accommodative economic policies of the government throughout the 2000s, the economy, as well as the banking and business sector, grew. However, since 2011 numerous banking scams at government-owned banks and even Bangladesh Bank came into light which has shaken the banking industry and overall business industry with seismic shock.

Fourth generations of banks in the financial sector: The banks operating in Bangladesh can be classified into four generations according to their inception period. The first wave of commercial banks came to existence during the early seventies and eighties and the latest wave started from 2013 and is continuing.

Minimal differences exist between these three generations of banks and the very newly incorporated ones (the fourth generation). The difference between the fourth generation or the latest banks is yet to be determined in an organized structure as they are still quite new. Bangladesh

Bank officials suggested that there is little difference among the generation of banks; however, that is not significant.

Post-independence reforms in the banking sector: To cater to the industrial and agriculture financing needs of the country in a planned method, Bangladesh Shilpa Bank and Bangladesh Krishi Bank were established as 2 specialized banks by the government along with nationalizing the banks after the liberation. The primary goals were: (1) bringing financial assets under the control of the state; (2) saving a stranded banking system from the breakdown; (3) mobilizing financial resources by disseminating the inclusivity of the banking system to provincial areas; and (4) bringing an extensive borrowers constituency from a less special foundation and providing simpler access to banking services. (Banking Sector Reforms in Bangladesh, 2014).

Every one of these wonders at last reflected inside the declining gainfulness of the financial framework. This circumstance requested further change for the financial division

Ownership Reform (1982-1989): The ownership reform program was started in 1982 to support the non-public sector and to strengthen, fortify, and reinforce overall banking efficiency. Under the reformation, 2 out of six nationalized commercial banks were denationalized and local private banks were allowed. The purpose was to encourage the private sector, and to increase the competition. The ownership reform program (1982-89) expanded the financial intermediation activities inside the economy; however, the general banking efficiency declined in view of the presence of conniving conduct among banks pursued by coordinated credits of the govt. There was additionally a practice of improper accounting frameworks to record accrued interest financial gain, absence of direction from Bangladesh Bank, insufficient help for debt recovery, and lacking prudential regulations to rectify financial disappointments. Every one of these phenomena at last reflected inside the declining gainfulness of the financial framework. This circumstance requested further change for the banking sector (Banking Sector Reforms in Bangladesh, 2014).

The Financial Sector Reform Program (1990-1995): Under the Financial Sector Adjustment Credit (FSAC) of the world Bank in 1990, this program started with the following objectives:

- Improve the efficiency through G=gradual deregulations of the interest rate;
- Facilitate incentives related to market Provision for lending in priority sectors;
- Bring transparency in subsidies for the sectors with priority;

- Adopt appropriate monetary policies

Banking Reform Committee (BRC) (1996-2002): To repair the problem caused by FSRP, the govt. formed a Banking Reform Committee (BRC) in October 1996. The following were regarded for the broad objectives of BRC:

- Improve the environment of debt recovery environment in banks
- Increase the income, reduce the expenditure and standard up the service gradation in banks
- Improve the human resources of the banks
- Consider the committee's other related important issues (Banking Sector Reforms in Bangladesh, 2014)

Current Reform Programs (2003 onwards): After the expiration of BRC/CBRP (Cluster based mostly Routing Protocol) program, the govt. of Bangladesh has continued undertaking completely different measures and initiatives. A summary of those measures is presented within the Appendix –G (Banking Sector Reforms in Bangladesh, 2014).

Classification of the banking system in Bangladesh: Banks in Bangladesh can be broadly classified into two types:

- Scheduled Banks
- Non-Scheduled Banks

There are 62 banks scheduled banks as of now, of which there are six state-owned commercial banks (SCBs), 32 non-public commercial banks (PCBs), 9 foreign commercial banks (FCBs), 7 specialized banks, and therefore the rest 8 are Islami shariah Banks (APPENDIX-F). Sonali Bank and Pubali Bank are largest and leading among SCBs and non-public ones respectively. Standard chartered Bank is currently within the top 9 foreign banks' list. Besides the scheduled banks, Grameen Bank and Jubilee Bank are in operation within the financial sector and non-scheduled banks.

5.1 Financial Performance Analysis of Private Commercial Banks (PCBs) (1993-2017)

Using time series analysis, the financial performance will be assessed of the country's private commercial banks in this section. The banking industry of Bangladesh has boomed in the last 20

years with massive and significant progress in all major components of the growth of the financial industry. (See Appendix-6).

Net Profit and Manpower Parameter from 1972 to 2017

The following table shows the trajectory of net profit and manpower from the year 1972 to 2017.

Table 4 : Time Series Data for Net Profit and Manpower Parameter

Period	Net Profit After Tax (BDT in billion)	Change in Net Profit After Tax (%)	Total Manpower (in number)	Change in Total Manpower (%)
1972	1.24	-	16,956	-
1973	6.75	444.35	20,634	21.69
1974	8.17	21.04	23,517	13.97
1975	13.11	60.47	25,628	8.98
1976	9.18	-29.98	29,451	14.92
1977	13.22	44.01	36,078	22.50
1978	14.21	7.49	43,145	19.59
1979	19.98	40.61	48,613	12.67
1980	22.33	11.76	52,245	7.47
1981	23.83	6.72	55,377	5.99
1982	41.41	73.77	54,052	-2.39
1983	53.44	29.05	59,916	10.85
1984	80.71	51.03	66,837	11.55
1985	77.37	-4.14	69,198	3.53
1986	68.64	-11.28	72,317	4.51
1987	81.24	18.36	73,298	1.36
1988	75.05	-7.62	77,535	5.78
1989	45.76	-39.03	80,283	3.54
1990	(24.30)	-153.10	81,705	1.77
1991	(218.31)	798.40	81,730	0.03
1992	(209.79)	-3.90	81,894	0.20
1993	25.69	-112.25	83,594	2.08
1994	101.94	296.81	83,486	-0.13
1995	259.69	154.75	84,852	1.64
1996	258.32	-0.53	85,887	1.22
1997	295.46	14.38	86,042	0.18
1998	301.80	2.15	87,738	1.97
1999	311.48	3.21	88,011	0.31
2000	555.01	78.18	89,346	1.52
2001	812.53	46.40	90,981	1.83
2002	702.75	-13.51	89,810	-1.29
2003	820.24	16.72	92,614	3.12
2004	(776.22)	-194.63	93,768	1.25
2005	215.48	-127.76	94,845	1.15

2006	(2,860.26)	-1427.39	99,487	4.89
2007	1,909.98	-166.78	99,639	0.15
2008	4,854.76	154.18	102,478	2.85
2009	5,587.85	15.10	113,234	10.50
2010	7,853.91	40.55	121,932	7.68
2011	9,579.65	21.97	132,811	8.92
2012	(1,095.08)	-111.43	143,073	7.73
2013	8,367.35	-864.09	147,267	2.93
2014	8,444.49	0.92	153,691	4.36
2015	8,207.53	-2.81	154,904	0.79
2016	8,096.36	-1.35	160,024	3.31
2017	9,293.22	14.78	162,741	1.70

Source: Bangladesh Bank, 2018

In the table provided above, both the change in net profit and total human resources employed in the banking industry since independence is stated. With the help of the table and the two figures drawn from the table, we can analyze the banking growth in terms of employment. The overall picture depicting the growth of the PCBs from the human resources point of view can be easily observed. The highest amount of increase in manpower was seen in 1976-1977, whereas the highest amount of net profit after tax can be seen in 2017.

The compound annual growth rate of Net Profit in the banking industry from 1972 to 2017 was 21.93% whereas the compound annual growth of manpower over the same time period was only 5.15%.

These phenomena can be observed in the regression analysis of manpower and time. The coefficient of determination (adjusted r squared) is 0.93 which shows that 93% of the change in manpower can be explained by time in the model.

Table 5 : Regression Analysis of Manpower and Time

	Coefficients	P-value
Intercept	21707.86667	2.72E-08
Variable 1(Manpower)	2677.245267	1E-25

If we formulate the regression equation, it will be:

$$\text{Manpower} = 21707.8667 + 2677.24267 \times \text{Time Period}$$

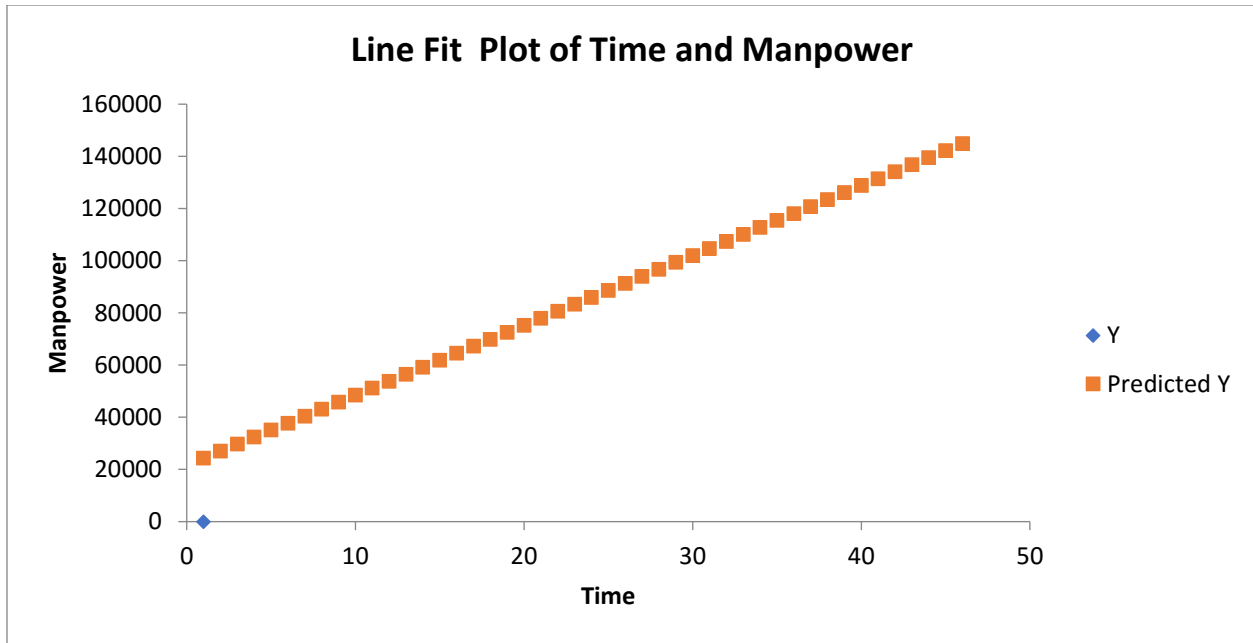


Figure 6 : Line Fit Plot of Time and Manpower

According to the line fit plot, the relationship between manpower and time is positive. It shows a gradual increase of manpower over a period of 45 years. In 1973, the number of manpower was 20,634, which gradually increased to 162,741 in 2017.

Furthermore, in the regression analysis of net profit and time, the coefficient of determination (adjusted r squared) is 0.59 which shows that 59% of the change in net profit can be explained by time in the model. Negative extreme values of net profit after tax of 1991,1992,2004,2006 and 2012 have not been considered in this case.

Table 6 : Regression Analysis of Net Profit and Time

	Coefficients	P-value
Intercept	-2106.058255	0.001635547004
Variable 1(Net Profit)	185.4970874	0.000000002899

If we formulate the regression equation, it will be:

$$\text{Net Profit} = -2106.058255 + 185.4970874 \times \text{Time Period}$$

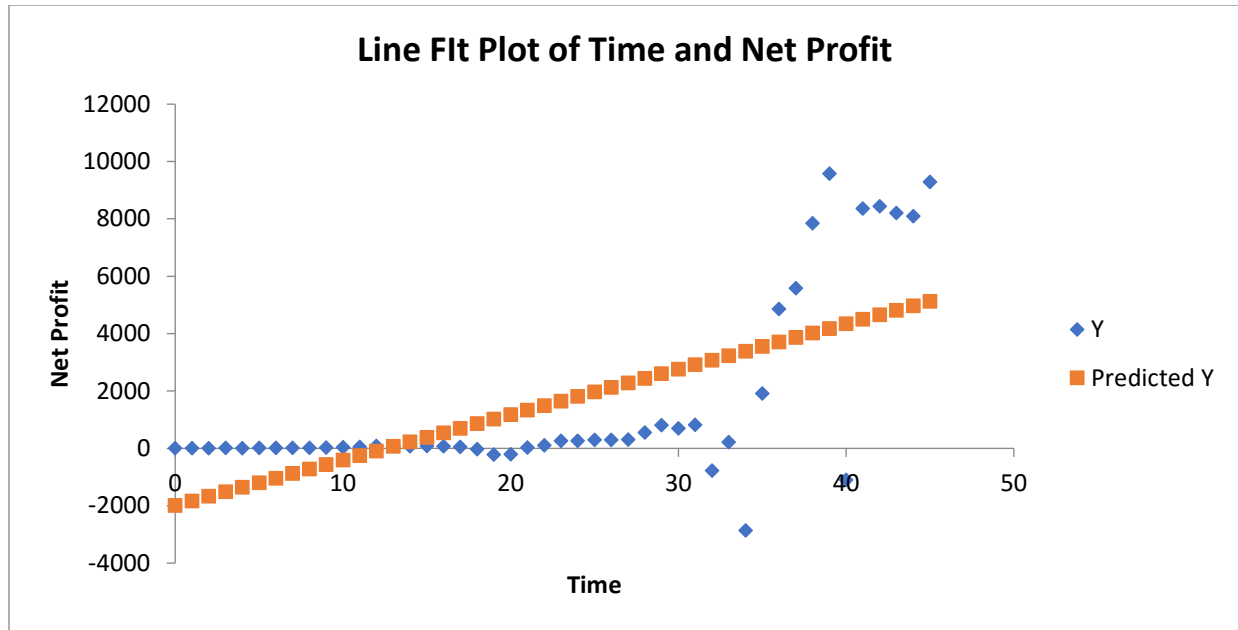


Figure 7: Line Fit Plot of Time and Net Profit

Here, the line fit plot of time and net profit shows a positive correlation. In 1972, the net profit was 1.24 billion BDT, which has increased to 9293.22 billion BDT in 2017. Over the course of 45 years, the net profit has increased substantially, but fluctuated in between these times. Thus, the coefficient of determination (adjusted r square) is 59%, meaning 59% of the change in net profit can be explained by time.

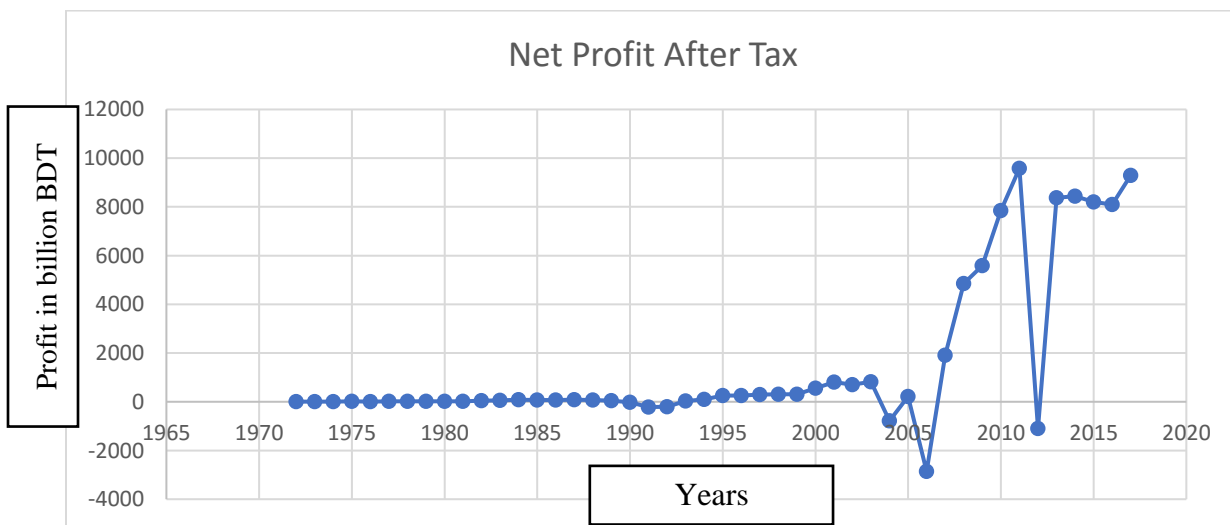


Figure 8 : Year wise net profit of PCBs

In the statistics shown, net profit increased as total employment increased during the year 1972 to 1985. After the year 1985, a sudden drop in a change in net profit was seen in the next year, which was only controlled in the following year, but the solution was not sustainable in the following few years, i.e., from 1988 to 1991. However, it is important to realize that the increase in human resources was constant during these years. This is a common phenomenon in economics called diminishing (returns to scale. i.e., continually increasing the same inputs will not increase the output in the long run. If seen closely after the year 1991, the change in total net profits remain above average compared to the past. The industry saw a massive boom and customer integration. It can be said that the industry learned to dominate the market. According to the basic principles of economic and industrial growth, this scenario can be explained as the incorporation of innovation. This scenario of market growth through innovation is the purpose of this research. Involvement of human resources no longer helped the banking industry to grow during the years 1985 to 1991, however with the help of constant innovation during the following years; the industry could successfully maintain good growth and profit. This research tries to find out new measures of innovation that will lead the banking industry, which is again coming to a steady state to sustainable growth once again.

Loan, Advance and Deposit parameter from 1988 to 2017

The trajectory of loan, advance and deposit from the year 1988 to 2017 is as follows:

Table 7 : Time Series Data for Loan, Advance and Deposit Parameter

Period	Total Credit (excluding inter-bank) (BDT in billion)	Change in Total Credit (%)	Deposit (BDT in billion)	Change in Deposit (%)
1988	18,741.40	-	17,860.00	-
1989	21,796.30	16.30	20,481.00	14.68
1990	24,443.70	12.15	23,078.40	12.68
1991	27,216.10	11.34	26,560.50	15.09
1992	29,632.70	8.88	29,744.80	11.99
1993	30,704.20	3.62	33,936.50	14.09
1994	41,425.60	34.92	39,071.10	15.13
1995	45,917.00	10.84	41,863.30	7.15
1996	50,888.20	10.83	46,551.80	11.20
1997	57,431.60	12.86	51,888.30	11.46
1998	65,056.50	13.28	59,231.70	14.15

Period	Total Credit (excluding inter-bank) (BDT in billion)	Change in Total Credit (%)	Deposit (BDT in billion)	Change in Deposit (%)
1999	73,115.30	12.39	70,201.60	18.52
2000	84,554.90	15.65	81,604.40	16.24
2001	94,052.30	11.23	92,006.30	12.75
2002	107,568.80	14.37	106,573.80	15.83
2003	119,889.60	11.45	121,286.90	13.81
2004	140,409.30	17.12	142,585.50	17.56
2005	162,842.70	15.98	168,989.30	18.52
2006	189,391.10	16.30	196,956.30	16.55
2007	235,732.90	24.47	231,678.90	17.63
2008	275,025.10	16.67	278,622.10	20.26
2009	334,654.80	21.68	336,845.70	20.90
2010	422,475.70	26.24	410,444.90	21.85
2011	507,085.00	20.03	490,022.70	19.39
2012	583,077.70	14.99	572,890.50	16.91
2013	670,166.30	14.94	662,540.40	15.65
2014	743,565.70	10.95	746,300.30	12.64
2015	840,573.20	13.05	849,581.00	13.84
2016	940,668.80	11.91	942,534.10	10.94
2017	1,075,431.80	14.32	1,044,094.70	10.78

Source: Bangladesh Bank, 2018

The above table shows a similar trend compared to the net profit data shown before. Concentration on innovation led to further credits and deposits in the PCBs. This information is reasonable since profits are directly related to credit and deposits in banks. Moreover, an increase in human resources in the banking sector occurs mainly due to branch amplification and investments in starting up more banks in the country. This is a trend that is usually seen in a growing economy, which influences investments in businesses, which in turn catalyzes banking in an economy. Bangladesh was no different in terms of this trend either; since 1988, as seen on the table above, the credit and deposits have increased exponentially over the years. The deposit has reached the 1 million billion BDT mark in 2017.

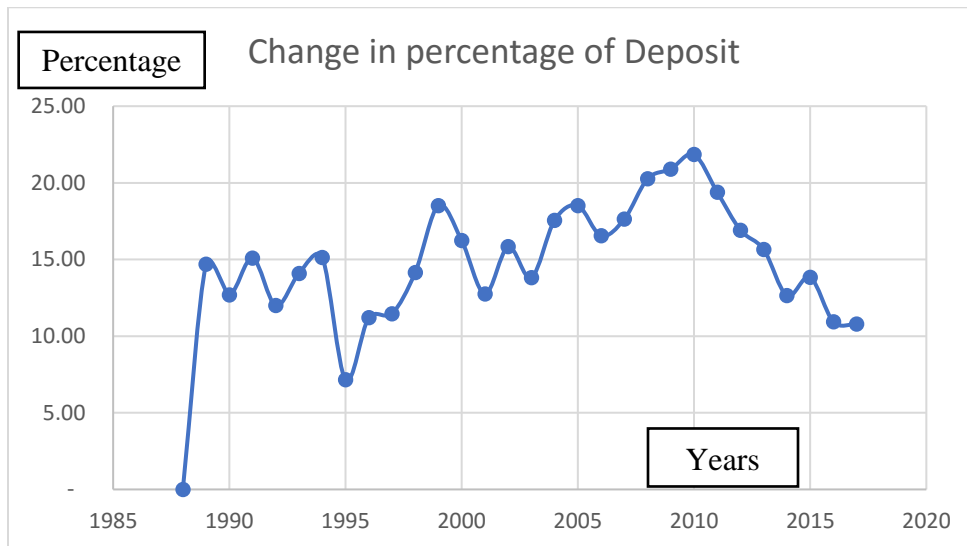
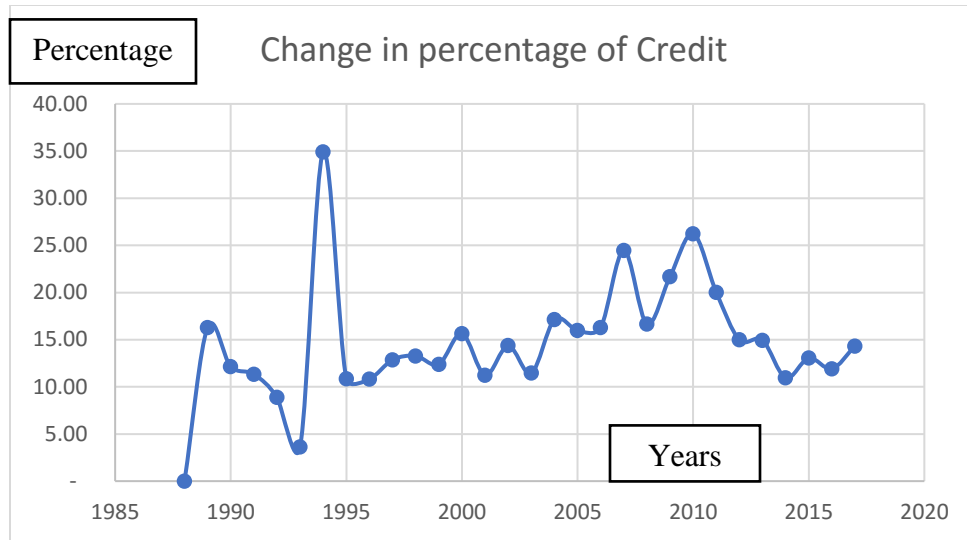


Figure 9 : Year wise Deposit and Credit changes of PCBs

Time series data for Export and Import from the year 1993 to 2017

The following table shows the trajectory of export and import from the year 1993 to 2017.

Table 8 : Time Series Data for Export and Import

Period	Export (BDT in billion)	Change in Export (%)	Import (BDT in billion)	Change in Import (%)
1993	9,799	-	16,766	-
1994	13,130	33.99	23,455	39.90
1995	13,857	5.54	28,304	20.67
1996	16,564	19.54	30,540	7.90

1997	20,393	23.12	34,183	11.93
1998	20,851	2.25	38,480	12.57
1999	24,923	19.53	42,131	9.49
2000	32,419	30.08	50,371	19.56
2001	30,934	-4.58	49,049	-2.62
2002	33,242	7.46	55,918	14.00
2003	40,581	22.08	64,257	14.91
2004	50,835	25.27	80,895	25.89
2005	62,601	23.15	99,130	22.54
2006	78,931	26.09	118,478	19.52
2007	87,022	10.25	148,370	25.23
2008	97,498	12.04	154,822	4.35
2009	102,148	4.77	164,241	6.08
2010	144,431	41.39	240,028	46.14
2011	180,313	24.84	280,963	17.05
2012	189,436	5.06	272,328	-3.07
2013	212,914	12.39	304,185	11.70
2014	226,522	6.39	314,209	3.30
2015	236,802	4.54	313,879	-0.10
2016	239,656	1.21	344,577	9.78
2017	266,770	11.31	435,041	26.25

Source: Bangladesh Bank, 2018

Both the highest import and export rate can be observed in 2010. The significant contribution to growth for Bangladesh was industrial production and exports. Over the years, the Ready-Made Garments (RMG), pharmacy and few other sectors have played an important role in mass production of goods, which led to quality and cheap exports eventually attracting many international clients for these sectors. Industrial production and exports are highly correlated (Mamun & Nath, 2005).

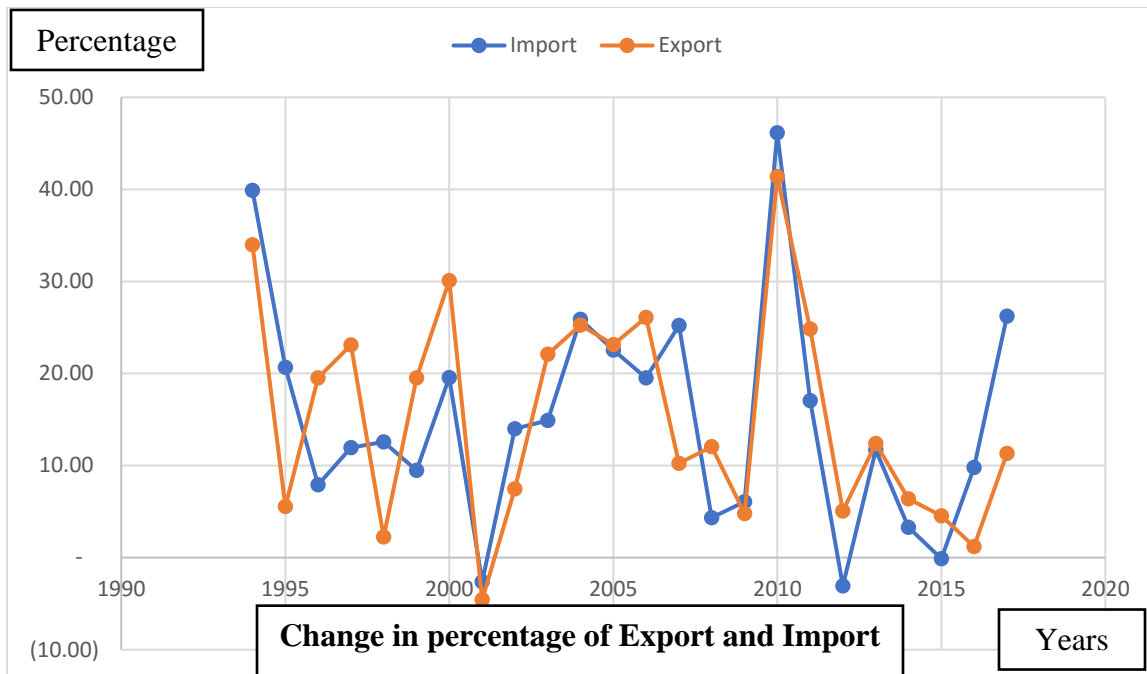


Figure 10 : Year wise export and import changes of PCBs

The RMG industry, where banks an important role, is the principal contributor to the economy of Bangladesh. The RMG relies heavily on banks of the country for loans, investments and foreign trade businesses. As the industry grew over the years, it attracted more banks. Moreover, due to the success of the RMG sector, more such sectors grew in the country eventually leading to more productions, exports and thus the popularity of banks grew even more. The statement can be validated from the statistics shown. Even after many global financial depressions and implementation of Export-Import policy, the change in investments in export and import never went down in Bangladesh. This is a very unusual scenario; however, the growth of Bangladesh itself has been of significant interest for scholars around the world.

Interest rate impact on deposit: The deposit interest rate fell below the 5 percent mark, which is well under the inflation rate, increasing the sorrows of already hit by a massive hike in excise duty on their balances savers. According to Bangladesh Bank (April 2017), the weighted average deposit rate decreased to 4.97% from 5.77% a year ago. However, 12.21% year-on-year growth in March, in comparison to last year’s March’s 8.28% growth was seen in deposits. Bankers attributed the deposit growth to the surplus liquidity in banks. The year-on-year growth in deposits in March 2017 increased to 14.12%, which was 8.19% exactly a year ago. As of March 2017, Tk. 913,834 crore, including Tk. 16,705 crore in surplus was the amount of total deposits. (BB quarterly report, 2017).

5.2 Assessment and Global Comparisons

Over the years, an increase in deposit can be seen in the commercial banks. An increase of 15.3% and 46% has been observed in terms of assets and liabilities respectively. Again, the Capital Adequacy Ratio (CAR) saw an overall increase from 2006 to 2007. As for the asset quality and judgement it by the Non-Performing Loans (NPLs) ratio, the commercial banks have shown signs of continuous improvement. Expenditure financial gain (EI) ratio indicates good signs as well but Return on Assets (ROA) and return on Equity (ROE) differs from sector to sector. Net Interest financial gain (NII) has shown a constant increase as well. So finally, in CAMELS rating, improvements can be seen in the banks. Bangladesh Bank is incessantly working on this situation. (ASA University Review, 2013). The following table showed the practices and benchmarks that the global banks use to reach and maintain their positions of leadership in the world economy.

Table 9 : Benchmarks and Best Practices of Top Five Global Banks

Industrial and Commercial Bank of China			
Serving the founding mission by leading profit level	Sound and stable development via effective risk control	Leading growth driven by diversified sources	Worldwide reputation gained in the pursuit of excellence
China Construction Bank Corp.			
Improving global network for financial services	Promoting operation and management of assets and liabilities on a consolidated basis	Reinforcing the strength of the wholesale business	promoting intensive development, innovation and smart banking
Agricultural Bank of China			
Improved client outreach and innovation	Collateral free lending and high recovery rate	Financing for rural development	Farmers' education, coaching and training
Bank of China			
New products and services	Improved internal services	enhanced client experience	
HSBC Holdings			
Financing economic growth and promoting international trade	Commitment to contribute to the global transition	engagement with stakeholders	Sustainable finance, sustainable supply chain and employability

Source: World Economic Forum, 2019

Table 10 : Top Five Local (Bangladeshi) Banks by Asset Value

HSBC Bank	US\$1.67 Billion (BDT 140.81 Billion)
Dutch-Bangla Bank Limited	US\$ 3.69 Billion (BDT 311.91 Billion)
Islami Bank Bangladesh Limited	US\$ 9.44 Billion (BDT 797.93 Billion)
Standard Chartered Bank	US\$ 3.36 Billion (BDT 283.57 Billion)
Prime Bank Limited	US\$ 9.23 Billion (BDT 779.60 Billion)

Note: Data collected from “Overview of Banks in Bangladesh” from Corporate Finance Institute (2017)

Note: US\$ 1 = BDT 84.5

Source: Bangladesh Bank, 2019

Banks want to change their business models to be in line with the adequacy of capital, new necessities regarding the regulations, rolling out of new channels like social media and analytics regarding client information and customer understanding. Thus, they are changing their business models. With the surge of mobile banking in Bangladesh, there's a requirement to upgrade on these spheres. Massive data completely changes the game for banks today through the improvement of profitability, better management of risks and delivery of client worth. Banks are now realizing its vast potential, although they have been handling and interpreting the information about clients for years. In what pattern do clients spend, how to support revenue growth and reduce risk and how to comply with the evolving regulations is now possible to answer using these massive piles of unstructured information.

Today, the huge piles of information can be mined to achieve insights and customer behavior patterns can be discovered by cutting edge data mining and predictive analytical tools. These data regarding payments, payables/receivables, services and trade used to sit untouched in the warehouse applications of banks ‘data.

Previous reform experiences need to be used to develop a short to long term financial sector strategy. A principal aim of the reform activities should be to channel enough loans to productive sectors and investors, and non-performing loans need to be handled exclusively efficiently and creatively.

With global regulatory atmosphere becoming tighter, resources getting scarcer and the global economic atmosphere becoming more volatile, innovative ideas are needed to conduct business in

Bangladesh for the banks. In the upcoming days, capital demand and skillful HR demand will increase. Thus, the innovative and efficient use of financial and HR is of utmost importance.

5.3 Future Outlook of the Banking Industry

Islamic Banking: Over ninety percent of the population of Bangladesh is Muslim. Islamic banking has flourished in the country by enormous demand. Currently, there are eight Islamic banks in operation. Balancing religious requirement and economic exigencies, these banks represent a strong frontier to the banking sector. Conventional banks are also offering Islamic banking services in tandem with conventional banking services to attract customers who value the Shariah-based system and also to enjoy the advantages of the special treatments from the Central Bank. (Ullah and Chowdhury, 2013)

With the rise in the standard of living and income level across the country, the proportion of people seeking Shariah-based banking services are on the rise which highlights strong growth potential of the Islamic banks in the country.

Mobile Banking: Out of around one-sixty million people in Bangladesh, only thirteen percent have bank accounts whereas more than ninety-five percent are mobile phone users (Islam 2013). Kabir (2013) found out that only 65.6% people of age between 20 to 35 years were using mobile banking services while the rest of the 34.4% were ignorant about it despite having the knowledge of it. As of 2019, there are 157 million mobile phone subscribers in Bangladesh as per BTRC.

Green Banking: In their study (2013) on green banking in Bangladesh, Rahman, Ahsan, Hossain, and Hoq, reported by bringing changes in the following spheres can banks be green: 1. Investment Management, 2. Deposit Management, 3. House Keeping, 4. The Process of Recruitment and Development of Human Capital, 5. Corporate Social Responsibility (CSR), and 6. Making Consciousness among Clients and General Mass.

6. Components of Competitiveness of Private Commercial Banks of Bangladesh

6.1 Dilemma of Growth of Banking Industry

The banking sector is considered as one of the critical players in fortifying the adequacy of an economy. The banking sector in the nation has been performing great regarding employment generation, gain, and operations for the past few decades. The estimation of bank shares in the securities exchange is sensibly high. Be that as it may, its interest in private area businesses has downturned in view of the counter speculation environment winning inside the developing nations like Bangladesh in the past. The banking system has been confronting the difficulties emerging from political shakiness and vulnerabilities, notwithstanding maladroit administration, frauds, corruption, deficient capital base, unprofessional HR in the administration, political obstruction in basic leadership, etc.

Banks dominate the financial systems in countries like Bangladesh and tend to be oligopolistic and short-term lending oriented. The health and stability of the financial institutions, which affect policies relates to the success of the financial policy. A strong foundation and financial and fiscal support are of utmost importance for every industry.

The investment of cash from the deposit holders to different sectors of the country is the main business of a bank. Stronger and stable investment sectors lead to the stable position of the banks. A country's fiscal and financial policies control the direction of investment to productive or non-productive sectors. These policies are dependent on the prudence of an investment in the right sector.

To speed up the operations, increase profits, enhance the performance and cut corruptions, the best practice of corporate governance is needed. These are in the crying need of time. Inconsistent interest rates of deposits and lending of banks in the country hinder banks' investment. Unhealthy loans and advances, dishonest practices, undercapitalization, rapid policy changes, and undue interferences from the board of directors are some of the other distress factors.

Being in a globalized world, most of the industries must face tough competition locally and globally. Although Bangladeshi banks have not reached the level to compete with the foreign banks, the opening of new bank accounts have created an artificial competitiveness. In fact, some

banks are resorting the credit terms and conditions. In fact, some banks are resorting to relaxing the credit terms and conditions.

The banking sector of Bangladesh needs a shift from traditional banking modality to more diversifying its products. The current goal is to find ways to capitalize the trends from the modern technology and innovations. Additionally, they must make sure that they return to the banks. Improvement of Information Technology (IT) can connect more customers and fasten banking operations, thus play a vital role in the banking industry. Nowadays, transactions can be done from home or office without the physical presence, but it is still inadequate in comparison to the needs of the customers.

6.2 Major Constraints to Growth of Private Commercial Banks (PCBs)

There are various reasons at the back for the capital shortage of banks. These are mainly high cash dividend payout ratio, lack of injecting additional capital, inappropriate lending and deposit ratio, especially excess lending over the deposit, sole dependence on deposit for loanable funds, substandard lending, deterioration of asset (loans) quality, and inadequate provisioning (Roy, 2015). Among these, high cash dividend payout ratio, a decline of asset quality which is commonly termed as non-performing loans (NPL), and insufficient provisioning are very common reasons held responsible for banks' capital shortage in Bangladesh. Traditionally, cash dividend payout ratio is relatively high in Bangladesh because this is a kind of good incentive for common shareholders. The number of high-grade investment companies is very limited. Besides, in many cases, there is a mismatch between the tenor of deposit and lending, as long-term lending is commonly funded with short-term deposit. Deviation from the standard ratio between deposit and lending, coupled with mismatching of loans and deposits, causes an adverse impact on the risk factor of banks' assets, which eventually affect capital adequacy requirement. More importantly, the quality of assets plays a very significant role in banks' capital calculation. Total NPL, as of last December 2017, stood at BDT 743.03 billion which increased from BDT 633.65 billion as of December 2016, i.e., 19.5 percent rise during the one-year period which is very alarming (Suchitra Mallik, 2018). NPL has the most negative impact on capital shortage or erosion of surplus capital in banks. The increase of NPL has caused a simultaneous impact on rising risky assets and dropping quality assets which eventually resulted in an increase of Risk-Weighted Assets (RWA)

calls for a higher capital requirement. Therefore, among others, high rate of NPL is considered as the most contributory factor in causing a capital shortage and wiping out of surplus capital.

6.3 Role of Bangladesh Bank in Growth of Private Commercial Banks (PCBs)

The central bank's policy initiatives are more relevant in the context of designing a sustainable financial system. Conventionally, there are arguments that the objectives of 'financial stability' and 'price stability' may contradict each other, and thus the goal of price stability may be hampered. Thus, policymakers and economists of the central bank are focusing on the task of attaining and preserving price and economic stability. Explicitly targeting 'financial stability' was generally viewed as a distraction and risk the central bank's attention in achieving its worth stability mandate. The recognition of the preservation of financial stability is appropriate and long overdue. Bangladesh Bank, like some other developing countries' central banks, has decided to move away from the mainstream financial policy approach of those of the developed economies. It has focused on following policies to support inclusivity and sustainable growth. The creation of a fully automated nationwide online clearing system and quick automation, notable initiatives taken to ensure supervisory and regulatory regimes for effective controlling internally, protecting customer interests and managing risks are some of the steps taken by the Bangladesh Bank.

6.4 Financial Literacy for Financial Inclusion

The proper design of financial products, besides their respective delivery methodologies, is key to banks for sustainable delivery of financial services. Inclusive products are designed from 3 perspectives: clients, service providers, and regulators. Unbanked consumers need to have both safe and regulated financial products and awareness and understanding of the terms and conditions and be able to select the best possible product for them to be effectively included in the financial market. Financial literacy is very important in reducing the demand-side barriers to financial inclusion. Improved financial literacy by the non-public commercial banks can make consumers more aware and increase their confidence and ability to use them, which will help to promote the demand for formal financial products and services. These are the growth factors. Moreover, financial literacy can result in more efficient financial markets.

Lending is quite popular in places where people can lend money bypassing financial intermediaries. Experimentations about agent banking models in the form of banking

correspondents to address the challenges of financial exclusion for growth, took place in some Latin American countries like Columbia, Peru, Brazil and Mexico. Through inclusion, this has also begun in Bangladesh.

There is no doubt that policymakers and market players in Bangladesh are working on handling financial exclusion challenge in the country. In some areas, even the success stories of Bangladesh are replicable. Several target savings products are bringing benefits to the targeted groups.

In connection with handling the challenge of designing agricultural credit products, microinsurance, or risk fund may help to handle credit risk, and products could be made more attractive amongst the farmers. For extending agricultural credit by the government-controlled banks, collateral or land valuation methods remain important factors, and processing time needs to be reduced. To ensure sustainable financial inclusion and adequate financing flows to the agricultural sector, introducing a warehouse receipt system is only the initial step.

Many people in the country possess only some information or a very basic level of financial literacy. This group needs constant nursing for up-gradation in terms of financial literacy. For attaining a better outcome, effective coordination is crucial for bankers and unbanked people. In a world where households don't have full information about saving problems and are unable to process information in a fully rational manner, and have difficulties implementing and carrying out plans, there must be synchronization of policies with strategies. Improvement of financial literacy would help to pull rural population from the access to pay to access to a range of financial services.

6.5 Factors of Growth of Private Commercial Banks (PCBs)

Kathuku, Ngugi, and Willy (2017) have addressed the macro-economic factors for the growth of commercial banks that include inadequate finance in public and private investment, lower quality managerial skills, low level of education within the national level, paucity of technical skills, and inability to convert a part of banks' profit to investment. The study by Wagemma (2006), which wanted to identify critical factors that influence access to bank credit and indicates to entrepreneurial orientation. On the other hand, there is a scope of new opportunities arising with e-banking. But at the same time, it will create new psychological and behavioral problems.

6.6 Different Parameters in the Banking Industry

Table 11 : Financial Parameters Identified in Different Researches

Author (s)	Inputs	Outputs	Period
Saha and Ravisankar -2000	Interest expenditure, establishment expenditure, non-establishment expenditure, and fixed assets	Deposits, advances, investments, non-interest income, spread and total income	1992-1995
Kumbhakar and Sarkar -2003	Labor and physical capital as inputs with the sum of reserve and equity as the quasi-fixed input	Deposits, loans and investments and branches	1985-1992
Sathye (2003)	(Model A): interest expenses and non-interest expenses (Model B): deposits and the number of employees	(Model A): net interest income and non-interest income (Model B): total loans and non-interest income	1997-1998
Ataullah et al. -2004	Operating expenses and interest expenses	(Loan-based model): total loans and advances, and investments. (income-based model): interest and non-interest income	1988-1998
Mohan and Ray (2004)	Interest cost and operating cost	Loan income, investment income and non-interest income	1992-2000
Galagedera and Edirisuriya -2005	Total deposits and operating expenses	Total loans and other earning assets	1995-2002

Table 12: Growth Parameters from Previous Researches

Author(s)	Dimension	Description	Critical review under objective criteria (Components)
Rucci et al (1998), Pugh (2001), Harter et al. (2002)	Behavioral	<ul style="list-style-type: none"> Rucci et al (1998) studied the employee-customer model which emphasizes the optimization of employee skills 	Self-confidence, responsiveness of the employee, responsibility of the employee towards service is the components to

		<ul style="list-style-type: none"> • Pugh (2001) demonstrated that the display of positive emotion by bank employees is positively related to service quality. 	create profitable growth for banks.
Kreps (1990)	Culture	Culture determines i) the efficacy of compensation in influencing employee behavior, ii) greater cooperation among employees to work in a manner (Kreps, 1990)	Integrity among the employees, strong teamwork, accountability, learning culture, articulate communication flow in the Organogram, decision making process are the key components.
Van den Steen (2010)		Culture based on two important ideas that shared values and beliefs (Van den Steen 2010a).	
Allen (1990), Ramakrishnan and Thakor (1984)	Relationship Banking	Relationship banking is most directly aimed at resolving problems of asymmetric information. (Allen, 1990; Ramakrishnan and Thakor, 1984).	Relationship lending and cross product selling are the components for the growth of PCBs.
Greenbaum and Thakor (1995)		The information can be used in multiple interactions with the same customer	
Ferri, Kang and Kim (2001)		<ul style="list-style-type: none"> • Reduced the liquidity constraints • Diminished the probability of bankruptcy 	
Mikoluk (2001)	Conflict Management	<ul style="list-style-type: none"> • Building a team environment that relies on the talents • Insights of many employees can facilitate business growth 	Personal conflict, role conflict, and conflict within groups are the common observations in banking sector.
Ryckman (2010)		<ul style="list-style-type: none"> • Conflict in any organization is uncomfortable, time consuming, and counterproductive. 	
Landskroner et al. (2005); Baele et al. (2007); Sanya and Wolfe (2011)	Diversification of Business	Diversification increases bank stability. Insolvency risk.	The Gross Domestic Product (GDP) in Bangladesh expanded 7.05 percent in 2015-2016 due to growth of different business sectors. Sector wise growth rate and

Amidua (2013)		Competition pressurizes banks to adopt strategies to diversify that affects bank	sectoral investment of banks for diversification are correlated for PCBs growth.
Jim Eckenrode (2013)	Competitive Advantage	Competitive Advantage in Banking in 2013: i) Industrialized operations ii) Asset protection iii) Delivery transformation iv) Return on capital.	Comparative advantage also known as cost advantage arises from skills or expertise or when services differ from its competitors. It ensures the PCBs ability to sell a product or service with a competitive edge than its competitors for the growth of the organization.
Accenture's Banking (2016)		<ul style="list-style-type: none"> • Three business models that can enable banks to achieve a competitive advantage: • Enhanced multichannel experiences to engage customers. • The “Financial/Non-Financial Digital Ecosystem” 	
Ernst & Young (2013)	Opportunity Utilization	<ul style="list-style-type: none"> • Expanding economies and a fast-growing customer base for financial services. • The emerging markets are attractive prospect for any bank for looking to grow its revenues. 	Opportunities for expanding business with a fast-growing customer base for financial services.
Scott et al (2009)	Research & Development	<ul style="list-style-type: none"> • Technological changes relating to telecommunications and data processing have spurred monetary innovations. • Altered bank products and services and production processes (Scott et al, 2009) 	Banks can involve with number of enterprises and institutions and to share new sources of knowledge and technology for growth.
European investment bank (2014)		<ul style="list-style-type: none"> • Investment in research and innovation is a key factor to improve competitiveness. • Ensure long-term economic growth and employment in Europe. 	
Bonaccorsi di Patti and Sette (2012)	Capital Base	The interbank market relied heavily on securitization prior to the subprime crisis that curtailed lending more than other banks.	Adoption of the increased capital base elevating the PCBs to be capable of combating internal as well as external shocks.
Tümer Kapan and Camelia Minoiu (2013)		The global financial crisis resulted in a renewed regulatory effort aimed at strengthening	

		capital and liquidity regulation that make banks more resilient to shocks	
Tanrikulu (2011)	Software and System Development.	<ul style="list-style-type: none"> • The business environment is becoming more technologically focused. • Business processes rely heavily on information systems. • Complexity and the increasing numbers of information systems force companies to establish MIS. 	Development of core components of System and Software Development for security development are considering the contemporary issue for growth of the PCBs.
Cipe (2008)	Transaction Transparency	<p>Corruption has multiple roots for poor design of institutions:</p> <p>i) Lack of transparency and accountability ii. Low public service salaries</p>	PCBs business model need to ensure transparency in transactions for reducing fraud and forgery for growth.
Michael Gold (1998)	Synergy	Coordination of synergies among the business's unit stronger accountability at the individual unit level.	Right co-ordination among the departments is considering a component for growth criteria.
Berndt and Gupta (2009)	Strengthen Specializing in Screening	Development of economy, the special monitoring role played by the banks for loan sales, increased disclosure, and a loan trading exchange with a clearinghouse.	Specialized department for asset customer screening and scanning assist to invest quality into quality customer for PCBs.
Pennacchi (1988) Gorton and Pennacchi (1995) Calomiris and Mason (2004)	Securitization Loans	<ul style="list-style-type: none"> • Fundamental change in the commercial banking business • Obtain liquidity from assets • Responds to regulatory capital arbitrage. 	Loan securitization is a cost minimization factor that increased the profitability by lowering the cost of capital and recovery of bad debts (classified loan) of PCBs.
European Council (2000) DFES, (2002)	Knowledge Transfer	<ul style="list-style-type: none"> • Dynamic knowledge-based economy in the world, capable of sustainable growth • Knowledge-driven global economy is critical to long-term competitiveness for successful exploitation of new ideas, new science, and new technologies by businesses. 	Contractual recruitment of foreign expertise for transfer of knowledge among different countries is a component for growth of PCBs.

6.7 New Indicators for Competitive Growth of Private Commercial Banks (PCBs)

The Financial Sector Development Indicators (FSDI) has compiled indicators that go beyond size and may help assess access, efficiency, and stability of monetary systems across and within countries. Banking systems can score very differently on each of these five aspects, i.e., Profit, Deposit, Lending, Export, and Import. It's so necessary to consider these jointly and in various combinations. Most of the new indicators refer to access to finance.

Table 13: Growth Parameters: Input and Output of Tianshu, Barbara, and Alessandra (2014)

Tianshu, Barbara, and Alessandra (2014) identified the following input and output dimension of the growth determinants of private commercial banks.

	Model I	Model II
Input	Total Operating costs	Total Operating costs
Output	Performing Loans	Total Loans
	Other Earning Assets	Other Earning Assets
	Fee-based Income	Fee-based Income

Table 14: Components for the Growth of Private Commercial Banks

From the technological aspect, Sadiq and Shanmugham (2002) found out the following components for the growth of private commercial banks:

Accessibility	Access of Internet
	Speed of Internet Connection
Reluctance	Adaptation of New Technologies
	Current Trend Awareness
	Change Adaptability
Costs	Computer Cost
	Internet Connection Cost
Trust in one's bank	Erroneous Transaction Correction
	Compensation for Security Losses
	Infringements
	Rate to Queries Reponses
Security concerns	Clear Instructions
	Internet Transaction Security
	Internet Experience Length
Convenience	Saves Time
	Easily Usable

<i>Convenient way of doing bank transactions</i>	E-banking Transaction
	Navigation in the Site of the Bank

Majumder (2012) considered that employee satisfaction towards the organization depends on various HRM aspects from the recruiting and selecting systems to the working environment. Job security, design and responsibilities, compensation and remuneration, motivating factors and rewards along with working environments are also included in it.

Kearney (2014) defined the growth of PCB into four divisions which are: i) Capitalization of the environment, ii) Business Model of the institution, iii) Operating Model, and iv) Pricing. Presently, the Bangladeshi environmental factors toward market are the toughest of all time. On one side, costs are increasing with the increased need for regulatory compliance, on the other hand market performance is failing to meet expectation with diminishing margins. The Business Model defined the building block of defining a set of values for the bank. The operating models are conflicted among three layers - management, products and transactions, thus being under immense pressure. Although pricing transparency in on the increase, it still has a long way to go by connecting every service to the charged fee and justifying the price for these services based on the added value. Nevertheless, the industry is walking towards absolute transparency and the regulators are pushing it.

Marco and Fernández (2014) explained the growth of PCB under the Spanish banking market. They underscored three vital features. First being the retention or investment of earnings in cultural or social activities (around 25 % of net yearly profits). The second being that there be no formal owners. The managers will have broader freedom of action if the bodies come from a diverse background like that of according of Garcia-Cestona and Surroca (2002). It was mentioned that 20-45% of the member come from depositors, 15-45% from the public administration and 0-35% from the founding body. Only 5-15% come from the workforce.

The third being depositors, public authorities, and workers, among others being included in decision making in PCBs. A variety of conflicting interests among stakeholders is thus, served by a range of objectives.

A bank needs to be innovative with its approach towards providing product/ solution/service to the customers. It must be embedded in the culture of the organization; the human resource is the key factor to drive innovation in the organization. In a highly competitive banking industry; continuous innovation is the name of the game, and without innovation, it is difficult to remain competitive both local and international market. Growth is also halted in the organization due to lack of continuous innovation.

6.8 The Growth Components of Private Commercial Banks of Bangladesh

There are several studies that identify and explain growth components and factors that affect the growth of PCBs. Using different statistical and theoretical models, researchers over the years have found many such factors that helped the banking industry to grow. However, the current growth of the financial market around the world needs specific attention. The world is going through immense changes. Technology and innovation in the financial sector are changing the scenario of the banking industry. Proper research and studies can only help the industry to sustain and cope with the changes that the world is facing.

In this chapter, the growth components and factors identified in recent years are discussed and explained. Studies related to different regions are considered to compare and contrast with respect to the current scenario of PCBs of Bangladesh.

Asset Quality, Capital Adequacy, Human Resources Information, Technology and Brand Equity, Monetary Innovation etc. are known as some of parameters determining the competitive strength of a bank in this globalized world (McNaughton and Diana, 1992) All the parameters are not directly measurable. However, it is necessary to note that, it's not just size of the bank, but the efficient use of its resources which is measured to evaluate the performance of any institution (Saha & Ravishankar, 2000).

6.9 Financial Components

To study the efficiency of banks, different strategies have given different outputs and findings at different levels and different regions. This may, however, be since there are differences in the manner in which a banking institution is modeled.

The operational details have been on the focus to address the question of what drives performance to understand the superior performance and struggle for it (Soteriou and Zenios, 1999). Profitability measurement is a very important requirement in this regard. Financial institutions (particularly commercial banks) are receiving increased attention recently on performance analysis, resulting into the shift of the research focus to a multidimensional systems perspective from performance characterization in simple ratios as ROA or ROE. The assessment of the relationship among factors like assets, profit, revenue, market value, employee number, customer satisfaction and investments can assist in improving the productivity, whereas accounting and financial ratios can provide relevant information about the bank's financial performance (Seiford and Zhu, 1999).

Financial measures are well recognized and follow the rules of General Accepted Accounting Principles (GAAP). Non-financial measure like quality, market share and customer satisfaction and human resources are subordinated to numeral figures. Thus, the financial measures are still much popular among companies. Again, organization strategy is heavily dependent on financial performance measures. The income statement and the balance sheet are very important as the company's operating performance is shown in the income statement whereas the net worth is mentioned in balance sheet.

6.10 Managing Risk

There are seven fundamental risks in banking, those are given below:

Credit Risk (Asset Quality): The primary source of bank failures is credit risk, which relates to the quality of bank assets or the risk that a borrower will default. If a borrower misses obligatory principal and interest payments, a default occurs. Bank officers perform a credit analysis with the aim of identifying the specificity of the sources and the likelihood of potential default. Banks see a decline in cash flows when a loan is defaulted as the interest and principal payments are deferred, reduced, or eliminated.

Liquidity Risk: Unanticipated deposit losses or demands of new loans require liquidity in the banks. Asset liquidity refers to the ease with which the owner can convert an asset to cash with a minimum of loss. In order to meet a bank's cash needs, the number of assets that can be readily sold and the bank's capacity to borrow is the focal point of measuring liquidity risk. Holding short-

term government securities, deposits at other financial institutions that are not pledged as collateral against some bank borrowing and federal funds sold will help bank to maintain its liquidity.

Interest Rate Risk: If changes in interest rates cause variations in the net interest income, interest rate risk occurs. Determining the change in a bank's interest income with the change of interest expenses is the main issue here. The focus is on the volume of rate-sensitive assets and liabilities that can be reprised when interest rates change. The interest rate risk is low when the rate sensitivity of assets is matched with that of the liabilities, and a bank has no off-balance sheet exposure.

Capital Risk: Capital risk is measured for the overall solvency risk of a bank. Assuming too much risk can bring insolvency, which occurs when the market value of a bank's liabilities is more than that of its assets. In banking, the term capital demonstrates the buffer or wellbeing margin given to protected depositors by value or related long-term sources of funds.

Operational Risk: This kind of risk takes place in day-to-day bank activities in full-service banks like PCBs. An incorrect check being cleared or the punching of a wrong order into a trading terminal can be cited as examples of this case. Any bank department can face this risk.

People Risk: The exploitation of power or incompetent personnel relates to this risk.

Information Technology Risk: Programming errors or failure of the IT systems of computers being hacked by outsiders are related to this risk. This can cause massive loss to the bank and take place anytime.

Process-Related Risks: Possibilities of errors in information processing, data transmission, data retrieval, and inaccuracy of result or output (Perez, 2014).

6.11 Competitive Growth Dimension

The growth of banks over time depends on a lot of various factors. These factors may vary based on region, time, resources, etc. Thus, it is also necessary that organizations and industries maintain ongoing research constantly. However, there is a tendency to resume the unhealthy habits after the results having reached the peak along with the energy and excitement (Rucci et al., 1998). Considering the subject matter of this research, the statement by Rucci et al. is consistent. The contribution of the latest factors to the growth of the industry is a necessity currently to refrain the

growth from stagnancy. In this part of the paper, a few factors that relate to the growth of the PCBs are discussed.

There are a variety of studies that discuss the customer-employee relationship. Many different authors have taken many diverse approaches to measure the effect. However, the biggest constraint in calculating the effect measures the attitude of satisfaction of individuals. Rucci et al. (1998) used a parameter known as TPI (Total Performance Indicators) to measure how well Sears (An American chain of departmental stores) is doing with customers, employees, and investors. Sears was the only company at one point of time who evidenced how necessary data and research could be in terms of the continuous growth of a company. In 12 months', time, Sears experienced 4% improvement in client satisfaction and 4% increase in employee satisfaction; which translates into \$200 million in additional revenues and market capitalization by nearly one-quarter of a billion bucks (Rucci et al., 1998). Sears proved that in-depth research and willingness to invest in time, energy, and resources in research is important for companies to grow in the long run. Considering the current scenario, it is even more important because data collection methods or secondary data is more readily available now.

Not only Sears, many different researchers, and organizations, later on, used many different models and research strategies to identify growth components of an industry or organization. Thus, it is important to consider correct and filtered recruitment of skilled human resources in an organization considering the type of job description that they fit. The study done by Morris and Feldman (1996) supports the above statement. Morris and Feldman discovered that people having the characteristics of communicatory motions might have vital choice implications for jobs requiring vital emotional labor. Nevertheless, it is not always possible to filter out the correct person for a job who will fulfill all the required features. That is where a study by Harter (2002) comes up, where he tried to figure out the correct job atmosphere to increase employee satisfaction and engagement to lead to organizational productivity eventually. From the study done by Harter (2002), it concluded that, (1) Through the selection of conscientious employees with common quality related goals and metrics the increase in opportunities for employees to have bilateral interaction, supervisors can influence how much employees respect one another; (2) By studying the top scoring employee engagement target units through collecting data and involving themselves in continuous research about their own organization can companies learn much about

the management skills and practices driving business; Similar results were concluded within the study by Rucci et al. (1998), where it absolutely was specified that, employees will not be able to make the whole factor work if they do not understand the aim of the system, realize the economics of the company and industry and see how what they do fits in the employee-customer profit model. Subsequent analysis has solidified that office norms affect displayed emotions (Rafaeli & Sutton, 1990; Sutton, 1991; Arvey et al., 1989; Bouchard, 1997). Moreover, a significant relationship between individual job satisfaction and individual performance in several studies (Judge, Thoresen, Bono, & Patton, 2001). The cycle of quality producing client loyalty, repeated business and leading to financial gains is a fundamental premise of research on service quality (Heskett, Sasser & Schlesinger, 1997).

7. Findings

This research demonstrates that certain factors play a vital role to ensure competitive growth for commercial banks. Even though innovation in product, service, and technology has taken significant attention from scholars and practitioners, there is still an opportunity and necessity to study the phenomenon. The product innovation, internet banking, and other relevant concepts have emerged to provide insights on changing the banking system. With an extensive review of existing literature and later parts synthesizing the existing knowledge and identified research gaps, a humble attempt has been taken to develop the Innovative Growth Model. The overall findings have been described in this chapter.

7.1 Analysis of the Growth Components of Private Commercial Banks (PCBs)

For this research, a study regarding the competitive growth of private commercial banks has been conducted and 10 components have been analyzed and explained here.

7.1.1 Competitive HRM

Human resources, as mentioned earlier, are the most important asset for any services industry including banking industry. Organizations, for the achievement of the strategic goals, need skilled as well as motivated employees who are assigned to execute them. In order to remain competitive selecting, recruiting, training and retaining the valuable employees are essential for banks. Remunerations and incentive packages are effective in this regard. The respondents also agreed to this point, and the mean of the responses to this statement is 4.77 (toward strong agreement) with $\sigma = .488$.

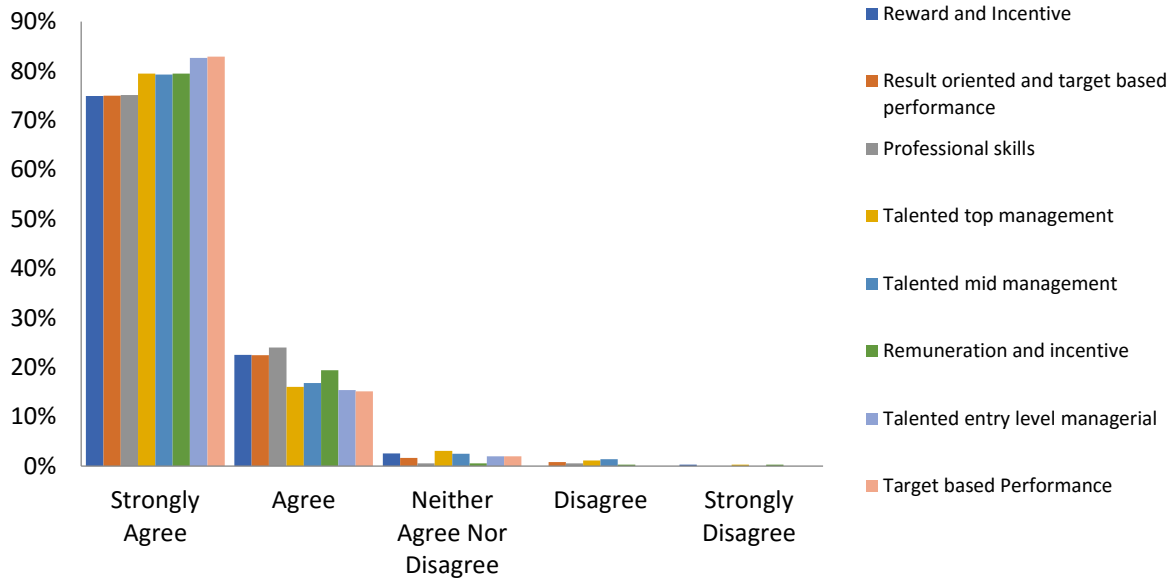


Figure 11 : Percentage Distribution of Responses Regarding Competitive HRM

Organizations also need to make their culture result oriented and target based. Most of the respondents strongly agreed to these factors and the mean in this regard is 4.81 and 4.71 respectively. Continuously revising, updating and acquisition of the relevant professional skills and competencies for the 21st century are essential for competitive growth of PCBs. The mean and standard deviation in line with the following 8 statements are shown in Table 14:

Table 15: Respondents Result Analysis Regarding Practices of Competitive HRM

Statements	Mean	Std. Deviation	t-Value
1. Adequate reward and incentive system play important role for competitive growth of PCBs.	4.71	.539	60.04
2. Continuously revising, updating and acquisition of the relevant professional skills and competencies for 21 st century are important for competitive growth of PCBs.	4.72	.530	61.32
3. Recruitment of talented top management is essential for competitive growth of PCBs.	4.73	.600	54.51

4. Recruitment of talented mid management is essential for competitive growth of PCBs.	4.74	.573	57.39
5. Attractive remuneration and incentive package for recruitment is an important factor for competitive growth of PCBs.	4.77	.488	68.71
6. Recruitment of talented entry level managerial personnel is essential for competitive growth of PCBs.	4.81	.442	77.17
7. Target based performance culture is important for competitive growth of PCBs	4.81	.440	77.63
8. Result oriented teamwork and target-based performance culture are important factors for competitive growth of PCBs.	4.71	.538	60.26

7.1.2 Competitive Product/ Service

In this section, questions were asked about innovation on multiple aspects of products and services in private commercial banks, e.g., deposit product, loan product regarding innovation in deposit product nationally, regionally, and globally, and respondents have agreed that innovation plays a crucial role. The respondents believe that new product development is required for successful tapping of the mass market. The mean score is 4.74 and $\sigma = 0.47$ regarding this question. The mean and standard deviation in line with the following 8 statements are shown in Table 15:

Table 16: Respondents Result Analysis Regarding Competitive Product/ Services

Statements	Mean	Std. Deviation	t-Value
1. New product development is important for tapping the mass market for competitive growth of PCBs.	4.74	.470	68.87

2. Innovation in deposit product has an important role for competitive growth of PCBs at national level	4.64	.577	53.54
3. Innovation in deposit product has a significant role for competitive growth of PCBs in South Asian region.	4.53	.721	40.01
4. Innovation in deposit product has a significant role for competitive growth of PCBs globally.	4.59	.592	50.63
5. Innovation in Loan product has a significant role for competitive growth of PCBs at national level.	4.69	.571	55.96
6. Innovation in Loan product has a significant role for competitive growth of PCBs in South Asian region.	4.56	.662	44.54
7. Innovation in Loan product has a significant role for competitive growth of PCBs globally.	4.50	.717	39.54
8. The present scenario of PCBs in Bangladesh has good growth potentials.	4.45	.0731	37.49

Innovation regarding loan product has a mean of more than other. However, the study finds that the difference between the importance of innovation in loan and deposit products is not statistically significant. Both should be on the limelight when it comes to innovate in order to grow competitively.

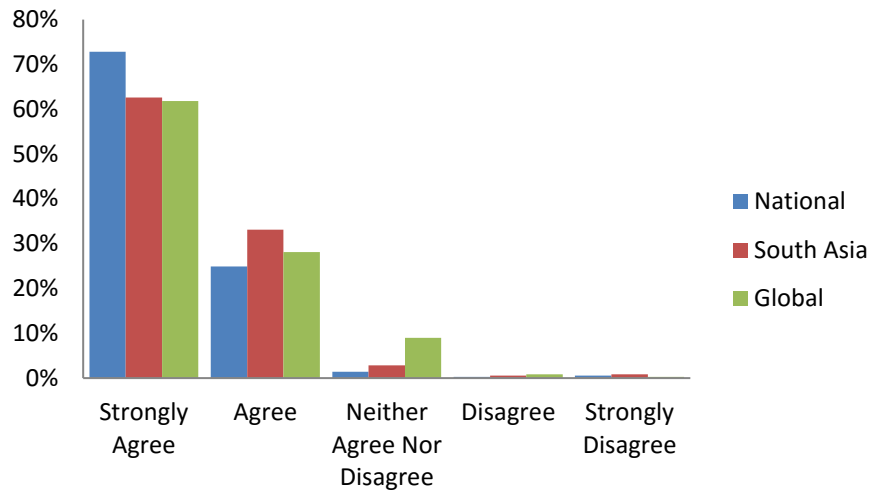


Figure 12: Percentage Distribution of Responses Regarding the Innovation in Loan Products

More than 97 percent respondents have agreed that innovation in deposit product is important (a, b, c), globally, regionally (South Asian) and nationally, and 2% people have neither agreed nor disagreed with the statement. However, 1 percent respondents have disagreed with the statement.

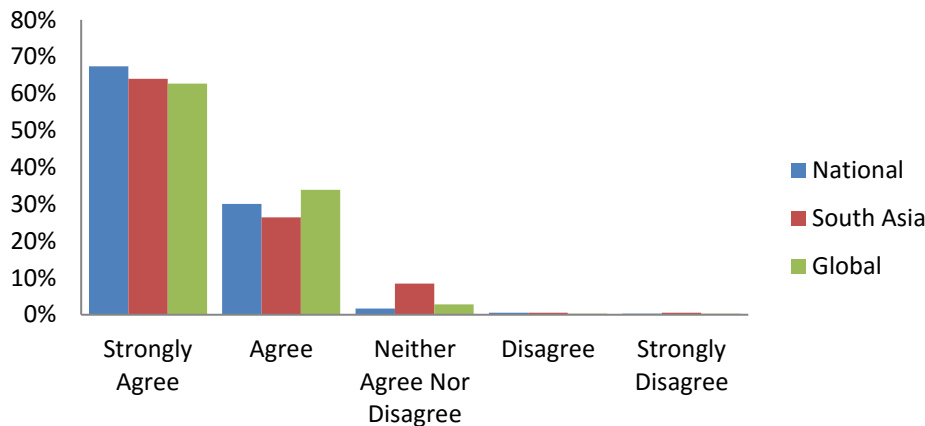


Figure 13 :Percentage Distribution of Responses Regarding Innovation in Deposit Products

7.1.3 Innovative and Efficient Process

The numerous processes that make a banking organization have to be efficient and innovative as well to remain competitive. Using the newest technologies plays a vital role in this regard. Agreement to this statement averages 4.80 with $\sigma = 0.431$. It signifies the strong agreement from the part of bank officials. Moreover, to grow in the competitive market, continuous technological advancement has no alternative. The success of Japanese companies lies in continuous improvement. Agreement to the continuous improvement averaged 4.77. The respondents also

agreed that there are some untouched markets beyond mobile, agent or internet banking that can be capitalized through innovation. The mean and standard deviation in line with the following 3 statements are shown in Table 16:

Table 17: Respondents Result Regarding Innovative and Efficient Process of PCBs

Statements	Mean	Std. Deviation	t-Value
1. Innovation in using technology/ IT has an important role for competitive growth of PCBs.	4.80	.431	78.75
2. Continuous technological improvement is necessary for competitive growth of PCBs.	4.77	.466	71.85
3. There are untapped aspects of innovation in banking sector beyond mobile banking, agent banking or internet banking for competitive growth of PCBs.	4.64	.641	48.41

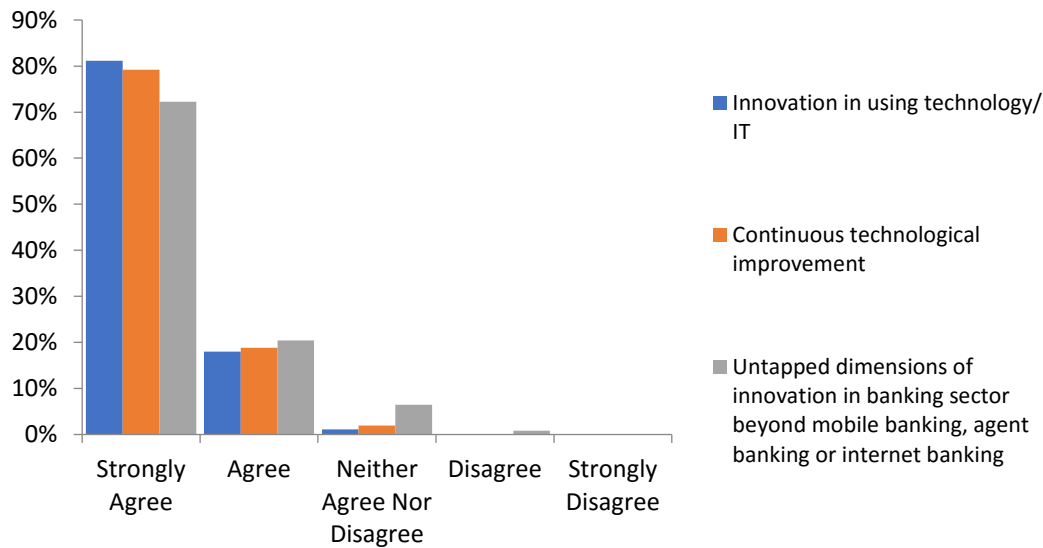


Figure 14 : Percentage Distribution of Responses Regarding Innovation and Efficient Process

7.1.4 Brand Management

Banks also need to transfer and acquire new banking technologies and knowledge from the successful, world-class banks. The respondent's agreement to it averaged 4.66 which indicate high agreement. In addition, the high importance of continuous market development and minimization of cost of fund (for low cost leader brand name) is demonstrated by higher mean score and relatively lower standard deviations. The mean and standard deviation in line with the following 6 statements are shown in Table 17:

Table 18 : Respondents Result Analysis Regarding Brand Management

Statements	Mean	Std. Deviation	t-Value
1. Transfer and acquisition of new banking technology and knowledge from world class commercial banks are important for competitive growth of PCBs.	4.66	.604	51.94
2. Minimization of cost of fund is important for offering competitive pricing.	4.70	.544	58.96
3. Optimum utilization of macro-economic opportunities is essential element for competitive growth of PCBs.	4.64	.601	51.56
4. Continuous market development is an important for competitive growth of PCBs.	4.73	.480	68.07
5. Core banking functions should be focused for competitive growth of PCBs.	4.57	.603	49.13
6. Strengthening, screening and monitoring services for quality business portfolio is an important element for competitive growth of PCBs.	4.70	.511	62.88

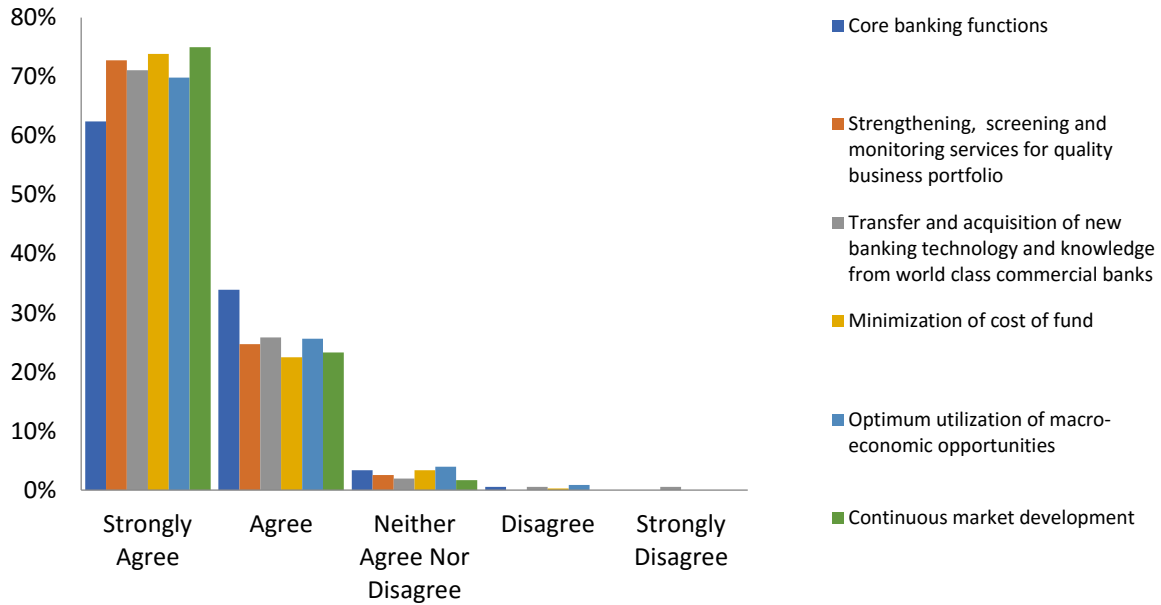


Figure 15: Percentage Distribution of Responses Regarding Brand Management

7.1.5 Value Chain

The value chain activities make the services of the bank available to the customers. Innovation in distribution channel plays a salient role in the competitive market. The management information systems of the bank must be strengthened since the banks are in the age of digitalization. The collapse of the system and software in the banks may result in the breach of security, customer dissatisfaction and monetary loss for the banks. However, the management has also to be focused on reducing the operational cost. So, the optimal trade-off has to be made. Agreement to these factors average more than 4.65 (toward strong agreement).

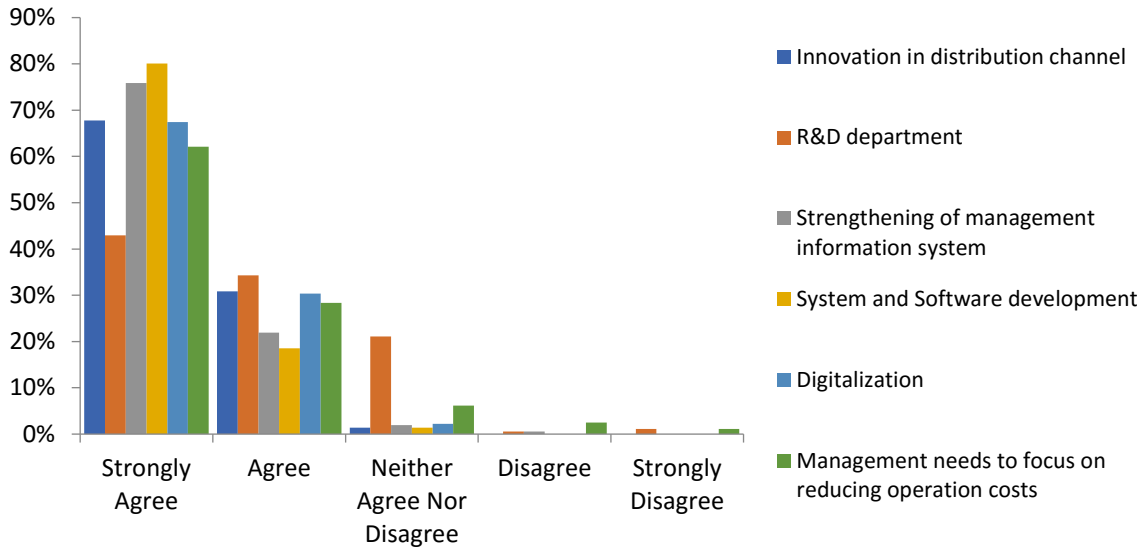


Figure 16 : Percentage Distribution of Responses Regarding the Value Chain

Interestingly, the importance of Research and Development function averaged much lower (4.17). The $\sigma = 0.857$ demonstrates varied responses in this regard. The mean and standard deviation in line with the following 5 statements are shown in Table 18:

Table 19: Respondents Result Regarding Value Chain

Statements	Mean	Std. Deviation	t-Value
1. Innovation in distribution channel has an important role for competitive growth of PCBs.	4.66	.502	62.64
2. R&D department plays a vital role for competitive growth of PCBs.	4.17	.857	25.89
3. Strengthening of management information system is an important element for competitive growth of PCBs.	4.73	.498	62.43
4. Digitalization is important to attract tech savvy generation for competitive growth of PCBs.	4.65	.523	59.69

5. Management needs to focus on reducing operation costs for competitive growth of PCBs.	4.47	.812	34.26
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7.1.6 IT/ICT

In this age where each and everything is being digitalized, IT and ICT plays an important role in the success of commercial banks. Their system software must be strong enough to protect the data from leaking to outside groups.

Table 20 : Respondents' Result Analysis Regarding IT/ICT

Statements	Mean	Std. Deviation	t-Value
1. System and Software development should have firewall system for security for competitive growth of PCBs.	4.78	.445	75.82

7.1.7 Competitive Service Quality

Banks, to sustain in the competitive market, must attach importance to their quality of service. Attempts to innovate in building faster, cost-saving and customer friendly processing give an edge. Respondents' agreement also supports the statement. The mean in this regard is 4.73 with $\sigma = 0.461$. The mean and standard deviation in line with the following statement are shown in Table 20:

Table 21 : Respondents Result Analysis Regarding Competitive Service Quality of PCBs

Statements	Mean	Std. Deviation	t-Value
1. Innovation in faster, cost saving, and customer friendly processing has an important role for competitive growth of PCBs.	4.73	.461	71.04

Respondents’ agreement also supports the statement. About 75% respondents strongly supports this statement and about 25% respondents support this statement which indicates that competitive service quality is an important part for competitive growth of PCBs.

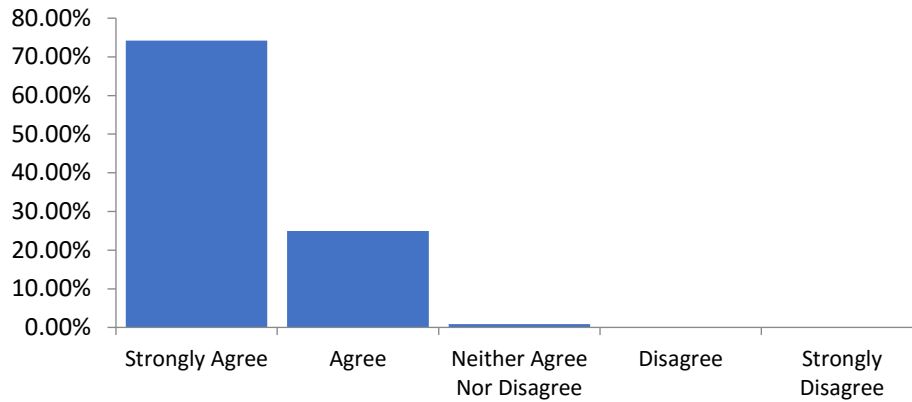


Figure 17: Percentage Distribution of Responses Regarding Competitive Service Quality

7.1.8 Strong & Healthy Corporate Culture

In this study, one inner triangle is behavioral analysis or culture. Culture is strong when the elements of culture are shared by the larger number of people in the company. On the other hand, ethics in banking is the number one priority since commercial banks deal with public money. Respondents were asked three questions regarding organizational behavior or culture. This section asked the respondents regarding the importance of strong corporate culture and effective implementation of a high ethical standard in the company. The responses show that the average score for this section is above 4.6 with a low response variation. Therefore, it can be said that strong corporate culture and effective implementation of high ethical standards are important factors for the growth of private commercial banks. The mean and standard deviation in line with the following 2 statements are shown in Table 21:

Table 22: Respondents Result Regarding Strong Corporate Culture

Statements	Mean	Std. Deviation	t-Value
1. Effective implementation of high ethical standard is an important element for competitive growth of PCBs.	4.73	.498	65.72

2. Strong corporate culture of the organization is an important element for competitive growth of PCBs.	4.66	0.535	58.64
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About 98% respondents believe that strong corporate culture and effective implementation of high ethical standard are positively and strongly correlated with competitive growth of PCBs. Only a small percentage of respondents did not give any polar responses which shows that corporate culture and ethical practice are important part for the growth of PCBs.

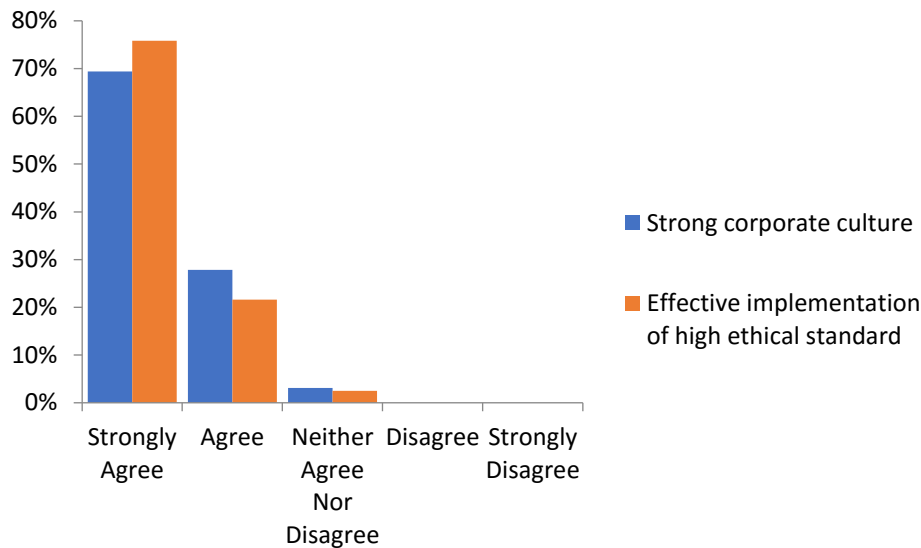


Figure 18: Percentage Distribution of Responses Regarding Corporate Culture

7.1.9 Organizational Restructuring

Banks must update and restructure their organization to meet the demand of changing environment. The question of centralization or decentralization, flat or chain, top down or bottom up organizational structure can be answered by the demand of the market in which the bank operates. The 357 representatives of 17 banks agreed that appropriate organizational structure is an important factor for competitive growth of PCBs. The mean response to this statement is 4.69 with $\sigma = 0.504$. However, agreement to the adaption of best practices of international banking standards and benchmarking is much lower. The average score in this regard is 4.26 with a high standard deviation ($\sigma = 0.720$). The mean and standard deviation in line with the following 3 statements are shown in Table 22:

Table 23: Respondents Result Regarding Organizational Restructuring

Statements	Mean	Std. Deviation	t-Value
1. The vision, mission and values of private commercial banks are important for achieving competitive growth of PCBs.	4.66	.556	56.46
2. Appropriate Organizational structure is an important factor for competitive growth of PCBs.	4.69	.504	63.30
3. Best practice international banking standards and benchmarking are important for competitive growth of PCBs.	4.26	.720	33.06

About 97% respondents believe that vision, mission and values of private commercial banks are very important to achieve competitive growth. Appropriate organization structure and best practice in international banking standards and benchmarking are also believed to be very important to most of the respondents.

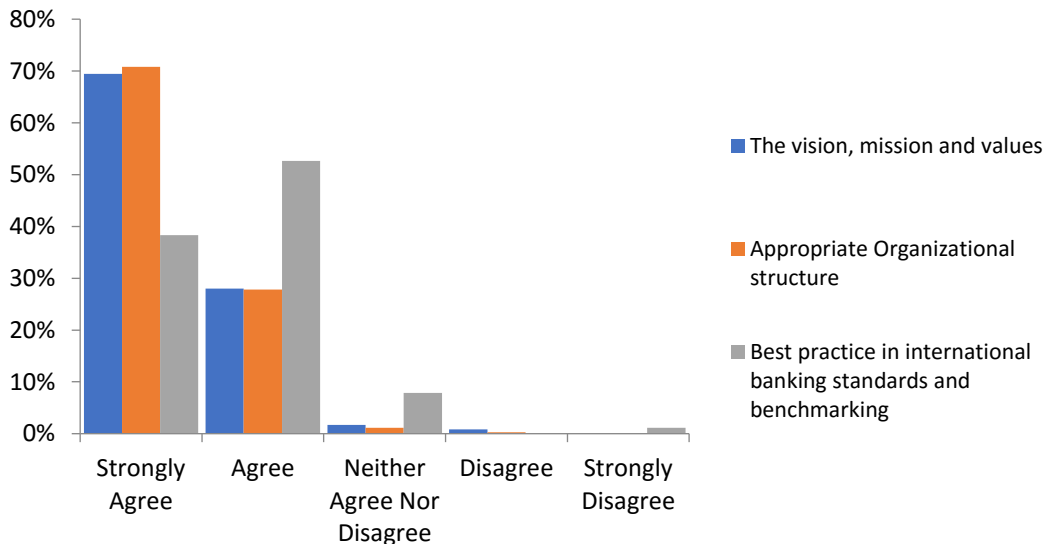


Figure 19: Percentage Distribution of Responses Regarding Organizational Restructuring

7.1.10 Good Governance

The importance of good governance for private commercial banks goes without saying. Banks must ensure that the negative political influence does not become an obstacle for their competitive growth. Specially in sanctioning loans, banks must be extra careful. The respondents also agreed to it and the mean of their responses in this regard is 4.73 and $\sigma = 0.535$. The mean and standard deviation in line with the following 3 statements are shown in Table 23:

Table 24: Respondents Result Regarding Good Governance

Statements	Mean	Std. Deviation	t-Value
1. Securitization of loan is an important element for competitive growth of PCBs.	4.63	.669	45.94
2. Sufficient resources need to be allocated for the implementation of business strategies for competitive growth of PCBs.	4.73	.473	69.23
3. Negative political influence is an obstacle for competitive growth of PCBs.	4.73	.535	61.29

The loans have to be securitized to protect the asset of the bank in case of default. According to 95.2 percent of the respondents, securitization of loan is important for every bank. Only 1.6 percent people have disagreed with this statement. About 99% respondents agreed with the statement that there is positive relationship between sufficient resources allocation and competitive growth of PCBs. Also, according to about 98% respondent's belief's there is strong negative relationship between negative political influence and competitive growth of PCBs.

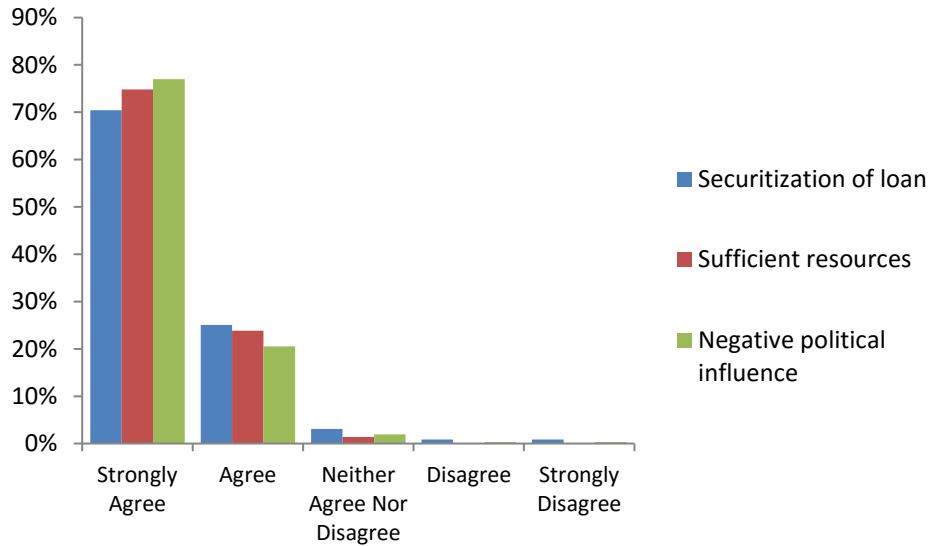


Figure 20: Percentage Distribution of Responses Regarding Good Governance

7.2 Findings

This study conducted a survey with a sample size of 357. The respondents were mid to top level management officials of seventeen different private commercial banks of Bangladesh inclusive of three Islamic Shariah Based Banks and three multinational banks. 21 representatives from each bank contributed to the study. The structured survey questionnaire was developed using a 5-point Likert scale, which ranges from 1 to 5, 1 representing strongly disagreement and 5 representing strongly agreement with the survey statements. (See Apendix-5).

Competitive Product/ Services, Innovative & Efficient Process, Strong and Healthy Corporate Culture are found to be positively associated with the competitive growth of private commercial banks. Moreover, the banks must restructure the organization to make the institution scalable so as to reap the benefit of growth in long term. Sustaining the growth necessitates good governance throughout crafting and executing strategies and day to day operations.

Human Resources are important assets to capitalize growth in any services industry. In banking industry, the importance of skilled and motivated officials goes without saying.

In twenty first century, the differentiation in the services of banks is fading away. In addition, the non-banking financial institutions are adding the woes with the same standardized set of services introducing extreme competition in the market. Thus, Brand Management has become essential

for survival. Brand Management is also linked to the value chain activities of banks. In the competitive market, service quality has become of utmost importance.

7.3 Hypotheses Testing

For this research, a study regarding the competitive growth of private commercial banks has been conducted using a structured questionnaire. Representatives of three Multinational Commercial Banks, three Islamic Shariah Based Banks and eleven local private commercial banks participated in the study. 357 respondents (21 respondents from each bank) took part in the study. The questionnaire consisted of 5-point Likert Scale statements where 1 being strongly disagree, 3 being neutral and 5 being strongly agree.

Respondent's data is then analyzed statistically to check whether these variables have impact to competitive growth of PCBs or not. One sample t-test was performed hypothesizing the test value being 3. Each hypothesis was tested at 95% level of confidence. For one sample t-test, the hypotheses are-

Null hypothesis, H_0 : Mean = 3

Alternative hypothesis, H_A : Mean > 3

The null hypothesis implies that there is no significant relationship between the factor mentioned in the statement and the competitive growth of private commercial banks. The rejection of null hypothesis (if the mean value being higher than 3 is statistically significant) will conclude that competitive growth of private commercial banks is dependent on the factor mentioned in the statement.

From the analysis as the p value for each hypothesis is less than 0.05, it can be deduced that the respondents take each of the statements positively i.e. they agreed to each of the statement.

A summary table of the group mean values of the growth components is attached below:

Table 25: Group Mean of the Components of Growth Model

Growth Components	Group Mean Value
1. Competitive HRM	4.16
2. Competitive Products/Services	4.59
3. Innovative and Efficient Process	4.74
4. Brand Management	4.67
5. Value Chain	4.54
6. IT/ICT	4.78
7. Competitive Service Quality	4.73
8. Strong Corporate Culture	4.69
9. Organizational Restructuring	4.54
10. Good Governance	4.69

From the table, it is revealed that Competitive HRM has the lowest group mean of 4.16. The group means of Competitive Products/Services, Value Chain and Organizational Restructuring lies between 4.33 to 4.66. Innovative and Efficient Process, Brand Management, IT/ICT, Competitive Service Quality, Strong Corporate Culture and Good Governance ranges from 4.67 to 5.

7.3.1 New Product Development

The 357 participants of the study were asked how much they agree with that ‘*New product development is important for tapping the mass market for competitive growth of PCBs.*’ The purpose was to test the null hypothesis mentioned below.

Null Hypothesis 1, H₀: *There is no relationship between new product development and competitive growth of private commercial banks.*

The mean of the responses has been found to be 4.74. ($\sigma = 0.470$). It can be stated with 95% confidence level that the mean value lies between 4.69 and 4.79. The probability associated with the test statistics is 0.001. The test score implies at 5% level of significance we can reject the null hypothesis with favor of alternate hypothesis. ($\bar{x} = 4.74$, $\sigma = 0.47$, $p = 0.0001$).

7.3.2 Innovation in Distribution Channel

To test whether competitive growth of private commercial banks depends on the innovation in distribution channel respondents’ agreeableness data on *New product development is important*

for tapping the mass market for competitive growth of PCBs. was collected on a 5-point Likert scale.

Null Hypothesis 2, H₀: *There is no relationship between new product development and competitive growth of private commercial banks.*

The mean of the responses is 4.66 ($\sigma = 0.509$). Nevertheless, the p value is 0.001. At 5% significance level, the null hypothesis can be rejected. ($\bar{x} = 4.74$, $\sigma = 0.47$, $p = 0.0001$)

Moreover, it can be stated with 95% level of confidence that the mean value lies between 4.61 and 4.72. The test value of one sample t-test supports the alternate hypothesis of strong relationship between innovation in distribution channel and competitive growth of PCBs.

7.3.3 Innovation in Using Technology/IT

From the summary table of hypothesis test, we see that the mean value of the statement Innovation in using technology/ IT has an important role for competitive growth of PCBs is 4.80. The standard deviation of the responses is 0.431. On the other hand, the p-value of one sample t-test where test value was 3 (neutral value) is found to be 0.0001. ($\bar{x} = 4.74$, $\sigma = 0.47$, $p = 0.0001$)

Null Hypothesis 3, H₀: *'There is no relationship between innovation in distribution channel and competitive growth of PCBs.'*

The p value of the test suggests the rejection of null hypothesis in favor of alternative hypothesis at 5% level of significance. Hence, we can say that median responses of the question whether innovations in using technology/IT have positive impact on competitive growth or not is above the hypothesized null value 3.

7.3.4 Innovation in Faster, Cost Saving, Customer-Friendly Processing

All 357 respondents answered on a 5-point Likert scale how much they agree to the statement- *Innovation in faster, cost saving, and customer friendly processing has an important role for competitive growth of PCBs.* On that scale, 1 represented strongly disagreement, 3 represented neutral position and 5 represented strong agreement. Like all other hypothesis testing scenario, one sample t-test was run on the collected data with 95% confidence level.

Null Hypothesis 4, H₀: *‘There is no relationship between innovation in faster, cost saving, customer-friendly processing and competitive growth of PCBs.’*

The mean is 4.73 ($\sigma = 0.461$). Probability associated with test statistic is 0.0001. Since, the level of significance of the study is 5%, we can reject the null hypothesis while the inference of alternate hypothesis can be supported by the result. ($\bar{x} = 4.73$, $\sigma = 0.461$, $p = 0.0001$).

7.3.5 Appropriate Organizational Structure

The hypothesis of the relationship between appropriate organizational structure and competitive growth of private commercial banks was tested on a 5-point Likert scale ranging from 1 to 5 (1 being strongly disagree and 5 being strongly agree). The statistical results prove that the mean of the agreement data is 4.69 ($\sigma = 0.504$). The one sample t-test (test value = 3) for this hypothesis states that p value is 0.0001. ($\bar{x} = 4.69$, $\sigma = 0.504$, $p = 0.0001$).

Null Hypothesis 5, H₀: *‘There is no relationship between appropriate organizational structure and competitive growth of PCBs.’*

At 95% confidence interval, the upper bound of the mean is 4.74 and the lower bound is 4.64. At 5% significance level, we can reject the null hypothesis. That the mean value is higher than the neutral value 3 is statistically significant. There exists strong relationship between appropriate organizational structure and competitive growth of PCBs.

7.3.6 Research and Development

R&D doesn't yield immediate profits, carries bigger risk and an unsure return on investment, and this is where it differs from the vast majority of corporate activities. To see whether or not R& D plays an important role in the competitive growth of PCBs one-sample t-test was conducted on the collected data from 357 respondents.

Null Hypothesis 6, H₀: *‘There is no relationship between R&D department and competitive growth of PCBs.’*

The mean score of the responses is 4.17 ($\sigma = 0.857$.) However, the p value is much lower than our level of significance. This result in the rejection of null hypothesis mentioned above. ($\bar{x} = 4.17$, $\sigma = 0.857$, $p = 0.0001$).

7.3.7 Adequate Reward and Incentive System

Reward and incentive packages are one of the numerous ways to motivate the employees of banking organization. To test whether competitive growth of private commercial banks is dependent on adequate reward and incentive system respondents' agreeableness data on "*Adequate reward and incentive system play an important role for competitive growth of PCBs*" was collected on a 5-point Likert scale.

Null Hypothesis 7, H_0 : *There is no relationship between adequate reward and incentive system and competitive growth of private commercial banks.*

The mean of the responses is 4.71 ($\sigma = 0.539$). Nevertheless, the p value is 0.001. At 5% significance level, the null hypothesis can be rejected. ($\bar{x} = 4.71$, $\sigma = 0.539$, $p = 0.0001$)

The test value of one sample t-test supports the alternate hypothesis of strong relationship between adequate reward and incentive system and competitive growth of PCBs.

7.3.8 Implementation of Ethical Standard

The 357 respondents representing 17 banks were presented with the statement '*Effective implementation of high ethical standard is an important element for competitive growth of PCBs*'. The purpose was to test the null hypothesis mentioned below.

Null Hypothesis 8, H_0 : *There is no relationship between implementation of high ethical standards and competitive growth of private commercial banks.*

The mean of the responses has been found to be 4.73 ($\sigma = 0.498$). It can be stated with 95% confidence level that the mean value lies between 4.68 and 4.78. The probability associated with the test statistics is 0.001. The test score implies at 5% level of significance we can reject the null hypothesis mentioned above in favor of alternate hypothesis. ($\bar{x} = 4.73$, $\sigma = 0.498$, $p = 0.0001$).

7.3.9 Continuous Market Development

In the highly competitive market of banking world, the competitors are looking for new markets continuously. From the summary table of hypothesis test, we see that the mean value of the statement- '*Continuous market development is an important for competitive growth of PCBs.*' is

4.73. The standard deviation of the responses is 0.48. On the other hand, the p-value of one sample t-test where test value was 3 (neutral value) is found to be 0.0001. ($\bar{x} = 4.73$, $\sigma = 0.48$, $p = 0.0001$)

Null Hypothesis 9, H₀: *‘There is no relationship between continuous market development and competitive growth of PCBs.’*

The p value of the test being lower than the level of significance suggests the rejection of null hypothesis in favor of alternative hypothesis at 95% confidence level. Hence, we can say that a median response of the question whether continuous market development has positive impact on competitive growth or not is above the hypothesized null value 3.

7.3.10 Recruitment of Talented Top Management

Human capital is considered as the most important for any service industry. In addition, the top management is tasked with core strategy formulation and direction. To test whether competitive growth of private commercial banks depends on recruitment of talented top management respondent’s agreeableness data on *‘Recruitment of talented top management is an essential for competitive growth of PCBs* was collected on a 5-point Likert scale.

Null Hypothesis 10, H₀: *There is no relationship between recruitment of talented top management and competitive growth of private commercial banks.*

The mean of the responses is 4.73 ($\sigma = 0.6$). Nevertheless, the p value is 0.001. At 5% significance level, the null hypothesis can be rejected. ($\bar{x} = 4.73$, $\sigma = 0.6$, $p = 0.0001$).

Moreover, it can be stated with 95% level of confidence that the mean value lies between 4.67 and 4.79. The test value of one sample t-test supports the alternate hypothesis of strong relationship between recruitment of talented top management and competitive growth of PCBs.

8 In-depth Interview Analysis

In this age of information, it's common to come across plenty of subject matter experts and highly experienced and rooted knowledgeable senior bankers in the banking industry who are knowledgeable in their fields. With data being accessible from the tip of one's finger, it's easy to perform a quick search and instantly be rewarded with answers, along with a sense of superiority in terms of information. However, nothing can replace the learning gained from the first-hand experience. This is where subject matter experts acquire play in the research. Managing director, Chief executive Officers, Deputy Managing directors and senior bankers have proficiency in the banking industry to confirm the content is correct. Competence generally comes from their education and experience in the relevant sector. Subject matter experts and highly experienced senior bankers have communicated their knowledge of structured growth of the banking sector. They act as consultants to identify the gap between the present situation of private commercial banks and international standard of banking practice. 15 subject matter experts and highly experienced senior bankers shared their opinions regarding the growth model of private commercial banks, which are summarized below.

8.1 Analysis of Growth Trajectory of Private Commercial Banks (PCBs)

Bangladesh banking sector has gone through a metamorphosis in the recent past. The banking situation can be traced back to the mid-'80s when the first-generation banks were licensed, and the country only boasted government-owned banks like Sonali, Janata, Agrani, and Rupali and specialized banks like Bangladesh Shilpa Bank, Bangladesh Krishi Bank, etc. These banks held most of the assets and liabilities of total banking portfolio during that time. Later, around in 1991, second-generation banks like Dutch Bangla Bank Limited (DBBL), Southeast Bank Limited (SEBL), Dacca Bank limited joined the picture and soon to be followed by other banks. After that, in 1999 and early 2000, the third-generation banks like Mutual Trust Bank (MTB), Bank Asia Limited, Shahjalal Islami Bank limited emerged. Within the last 2 or 3 years back, the fourth-generation banks came joined the ever-increasing banking sector when nine banks were licensed. Presently, 59 banks are operating in the country of that forty are Private Commercial Banks (PCBs).

The private commercial banks have brought major transformations in the banking ecosystem in the country. The PCBs currently hold the majority assets and liabilities of the country. The share of the government-owned banks has dropped a lot gradually. The PCBs were initially staffed with the highly trained bankers who had worked in the government-owned banks. They were selected by the banker's recruitment committee after undergoing rigorous processes. The first- and second-generation banks were led by these highly qualified bankers. Then the third-generation banks came in and started to mature. The IFIC bank set up early and then, of course, people from the foreign banks, especially ANZ Greenlays Bank and later the merger of Standard Chartered Bank. So, then the Bangladeshi people who were working in the foreign banks departed from their respective banks and started joining the PCBs of the country in the top-most senior positions like CEO, Deputy CEO, and others. Therefore, these people had the opportunity of traveling and working abroad. They had the right mix of international and regional banking knowledge with local exposure. These people came into private commercial banks, and along with the support of the existing human resources performed very well. They brought innovation in techniques, new ways of human resource management, new ways of motivation, and it enabled the system to evolve. The banks started doing very well, and the synergies were achieved. As of today, the local PCBs offer world-class services to its customers. While Bangladeshi nationals face far scrutiny and unwelcome stare from financial institutions while in abroad, the domestic or foreign customers are usually welcomed cordially by most of the banks in the country by their young employees working diligently.

More than adequate number of banks are operating in Bangladesh. However, the country's economy is growing moderately. Per capita, income and GDP are growing significantly in Bangladesh, which builds the foundation to reach the benchmark of a middle-income country. Government is taking initiatives to propel this economic growth and make the current GDP from 6 to 7.5 percent. To achieve the financial goal, the roles of Bank remain of utmost importance. The analysis revealed that banks are doing well, and they have achieved a moderate growth rate in the recent past. However, the main challenge of the banking industry is the management of non-performing loans (NPL) and arresting the further growth of NPL. Credit growth is necessary for the growth of the Bank. However, for healthy credit growth, credit expansion with due diligence and adherence to the basic credit relations is mandatory. Private commercial banks must follow

proper assessment for lending considering business growth. Aggressive lending is harmful to the economy in the long run.

8.2 Factors for Competitive Growth

Banks need to monitor the growth on a yearly basis. Growth of a banking organization must be analyzed based on the last five years' trend analysis and the present market scenario. Growth parameters include service, operation, and business. Profit should not be the only growth parameter; rather, the focus on growth should also include:

- Balance sheet growth
- Human resource growth
- Compliance growth

Banks must assess all the parameters in quantifying fashion. There are three types of resource in a Bank.

- Physical resource
- Human resource and
- Cash resource (deposit).

8.3 New Product Development for Tapping Mass Market

The local private commercial banks offer world-class services which include normal cash in-out, payment orders, and other transactions. People need to send money abroad for various purposes, and many prefer to do the transactions through credit cards. Customers avail numerous pension schemes with different maturity through banks. People also buy government savings certificates known as Sanchaypatras through banks. Banks provide these basic services to retail clients at an international standard. Banks have come up with various types of segmented products aiming at customers with varying and diverse needs. It is now possible to open a bank account in the country with ten takas. The segmented approach allows the PCBs to market these different products. The private banks started accumulating larger and higher profits and capitals, increasing balance sheet figures, and auditing capital from the retail credits. So, the PCBs became capable of standings by large loans. There are many enterprises in Bangladesh which have more than a billion US dollars as the top line. The banks are also trying to grow along with the pace of other industries.

As mentioned earlier, the mushrooming of banks has tightened the competitive landscape in the banking sector. To sustain in this competitive industry, banks have to introduce different products based on the client need and business prospects. Modern banks are shifting towards the immense potential of Financial Technologies (Fintech). Thus, the future competition will be based on the ability to create differentiation using Fintech.

In Bangladesh, around sixty-two percent of the population is outside the purveyor of the banking network. This suggests that a large number of banks are heavily concentrating on only thirty-eight percent of the total population. Fintech can allow the banks to include the unbanked people. This requires designing new financial products keeping the demographic position, consumer needs, income source, and business nature into consideration. As branch expansion is very costly, new avenues of product and branch development need to be explored, keeping cost in check while approaching the unbanked population.

Bank Asia and some others have already introduced Agent Banking to provide banking services for rural people. Microcredit, cottage loan, and small deposit market in the rural areas, where a staggering majority of the population resides, have immense potential to expand. The rural demands special attention as it plays a significant role in the economy. Banking measures like Agent Banking could play significant roles to nourish the rural economy. Emphasis on these types of projects could build up a solid foundation for the growth of banks.

8.4 Mission, Vision, and Values

Mission, vision, and values vary across banks. Every Bank has some written notion in this regard. However, the number of banks bringing these written ideas into practice is quite a few. To align the execution with the mission and vision, human resources must be utilized and recruited correctly. Now a day's banking employees are working up till late at night. However, their productivity is not increasing. Many banks are far away from achieving their mission, vision, and values. In many cases, mission, vision, and goals are not even defined concretely. Its existence stays in written form only, while executions are yet to see the daybreak. Every employee must internalize the mission, vision, and, values of their organizations and the culture must be created, keeping these principles at the core.

Every Bank has a separate mission and vision statement according to its goal. According to the mission and vision statement, planning and strategy are formulated that gears the growth and development of the banks. Vision and mission should differ across banking institutions as they usually pursue different goals. However, most of the private commercial banks in the country have almost identical vision and mission statements. At the same time, growth in private commercial banks is also viewed from a wholly financial perspective - the growth of the balance sheet. However, overall growth means achieving the different economic parameters like credit cards, deposit mobilization, advance growth, export, import, and others.

The recent mushrooming of private commercial banks in the financial arena brought its own perils. This has escalated competition while lack of innovation has not helped to push the boundary into new horizons. For most of the banks, business strategies are aligned with their mission and vision. Their mission and vision statements remained a check-the-box exercise devoid of any real-life implications.

The crucial thing for most of the commercial banks remains innovation. For the private commercial banks, what worked in the past will not work in the future. They must ensure innovative culture beyond innovation in technology. They must remain attuned to global financial developments. As suggested by the prominent Swedish banker JP Morgan that the technology companies are coming to eat the lunch of the banks, and this is going to be disrupted in a big way (Firoz, 2017). So, as far the vision, mission, and values of the private commercial banks are concerned, PCBs need to continue to focus on the customers keeping them at the epicenter of their journey. PCBs need to understand what the customers are looking for. In many cases, customers are looking for an innovative way to serve innovative products, a new way to do banking from their home, and new benefits in the corporate structure. So, as long as the vision, mission, and values of the banks remain aligned to the customers' interests, then only sustainable competitive growth is possible. The important point to remember is that most commercial banks probably already have these words in their vision, mission, and value statements; however, the execution of such requires more sincerity and efforts.

8.5 Innovation in Deposit Products

Banks need to design different innovative products to attract deposits from the market. The overall economic condition of Bangladesh is in an upward trend. Per capita income and GDP are both on the rise. This economic upgrade has boosted the consumer market from any other time. Banks need to focus on the innovation of new devices, new processes, and new technologies to grab untapped consumer markets. Product differentiation is the key. Banks need to offer innovative products according to demographic differentiation, earning seasonality, income differentiation, consumer requirement, market growth, etc.

8.6 Innovation in Loan Products

Product diversification should share focus besides the basic old loan products like CC(hypo), OD, LTR. Sophisticated products which exist in other parts of the world are still largely unavailable in the local market. Banking professionals need to examine regional banking practices, especially in the neighboring country like India, Sri Lanka, and Pakistan. Sri Lanka and Pakistan have some certain innovative financial products. Pakistani banking is evidently advanced in terms of pricing and charges. The banks in Thailand and Singapore have very sophisticated operations. Malaysian banks offer corporate banking products designed for entrepreneurs.

Innovation is very important for the lending growth in private commercial Bank. Banks are expanding significantly in terms of infrastructure, capital base, and experience. Our banks have passed several generations since inception. Therefore, different product innovation and development has become essential for lending growth. To boost lending growth, a number of national development projects are running. Banks have spread financing to bridges, hospitals, shipyards, etc. Economic return from these projects is also very lucrative. While financing these projects, banks must match the repayment tenures with the cash flows from these projects. The general life of a ship is 25 to 35 years. However, parts are needed to be replaced every 10 to 12 years. Banks also need to introduce medium-term financing for 5 to 10 years. Introducing "Inclusive banking" is mandatory for banks. Bankers need to encourage the agro-based entrepreneurs and design the products according to the specific needs and seasonality of this category of entrepreneurs.

Due to extreme competition, the scope of aggressive financing in any sector is almost non-existent. Now different NGO's are financing in rural areas with a high lending rate. A bank could expand business in those areas with a comparatively lower lending rate. Rates of return of those financing are high there. Banks must focus on high-tech data-based banking. Fintech is slowly becoming the next financial frontier, causing disruption in the financial sector by blurring the boundaries of technology and finance. Now a day, client segmentation is a high priority for the banks. Tomorrow's banking growth will hinge upon the retail side of the business.

8.7 Innovation in Distribution Channel

Branches are the marketing center for banking distribution channels. However, these spaces are changing because of information technology. Now, banks have undertaken a digital facelift in the form of mobile financial services (MFS) which has been a great success in Bangladesh. BRAC's bKash and DBBL's Rocket are two extraordinary success stories from MFS revolution in Bangladesh. However, few banks have been made over-investment in this sector, so there is not enough space to invest. For example, Mutual Trust Banks Limited (MTBL) has a license but do not feel to be in the market. In the case of agent banking Bank Asia is leading the pack.

Agent Banking could play significant roles to nourish the rural economy. Agents can drive investment by the growth of finance and fostering entrepreneurship. Agent banking is highly cost-effective, and through it, banks can bypass the struggle of reaching break-even for its branches in the rural regions. Through agents, banks can reach the rural unbanked people at a much lower cost while continuing branding and marketing.

8.8 Innovation in Marketing

Experts of this sector have stressed on the importance of marketing of banking industry and have related it to quality banking. Besides traditional marketing tools, banks must adopt tech platforms to promote their products and services. Using social media sites like Facebook, Instagram, and Twitter, interactive websites, and app-based banking can all help banks to reach out to more customers and strengthen their position in the customers' minds. Establishment of low-cost branches, agent points, kiosks, and adopting Fintech will reduce monitoring and distribution cost while at the same time used as marketing tools.

8.9 Innovation in Using Technology and System and Software Development

Technology has seeped into almost every industry, and the banking industry is no different. With the advancement of technology, the challenges of security have become the key point. Also, no industry is as much vulnerable to security breaches as the financial industry. Organized hackers trying to get into the financial system is commonplace now. The \$81 million theft from Bangladesh Bank through the rogue SWIFT transfer is one of the most high-profile breaches. This eventually resulted in theft of \$1 billion.

Thus, innovation must be brought into the security mechanism to withstand and defeat the proliferated ways of financial scams and embezzlements. The system must be secured by double and triple layers of security where banks are required to spend for awareness, training, and system development. Firewall protection needs to be strengthened for the protection of ATMs.

8.10 Innovation in Faster, Cost Saving and Customer Friendly Processing

Lengthy processing not only has a cost burden on the banks, but it also suggests management inefficiency and thus, a quality deterrent. Lengthy credit approval processes, repetition of the information in the credit memorandum, and a large number of board memos increase processing time. Wastages of paper have become an issue of concern through the banks are talking about green banking, saving the plant, and resources. Bankers should practice online documentation to minimize cost and improve their green footprint.

8.11 Technological Improvement for Untapped Aspects of Innovation in Banking Sector

The banking sector in developed economies is significantly cutting down the number of branches as a way of cutting down operating cost. A futuristic and cost-cutting approach suggests ATM would also follow suit. A new model in e-commerce is being created with the increased number of mobile internet devices. In Japan, as of 2018, there were more than 66.6 million users of mobile internet services. Mobile devices are typically used by a single person, and they provide a uniquely positioned platform for individualized services. As such, people will not need cash in cross countries. However, there are still branches because people still like to go to branches. However,

the day will come when the number of branches will come down, and new era banks will be running with digital branches.

Technology is crucial for a developing country like Bangladesh, with a demographic dividend to reap off. Adopting technology in everyday life is becoming increasingly commonplace as a large part of the population is youth. Banks must adopt more technology to align with the current generation's need. Some of the world's largest banks are unveiling pilot projects, planning to streamline processes, with the growing enthusiasm of blockchain. Bangladesh also needs to align with this trend.

In the context of today's world, mobile banking comes up with many opportunities of reaching out to the people at a more convenient way. But, at the same time, it introduces many concerns regarding the security of the transactions as well. In this context, banks need to address these threats and try to capitalize on mobile banking as much as possible. This will make it easier for the banks capitalize on the untapped market of Bangladesh. However, all security concerns need to address prior to focusing on it.

8.12 Securitization of Loans for Competitive Growth

The first securitization in Bangladesh was done in IDLC Finance Ltd, IPDC Finance Ltd also IDFC Bank Ltd. Securitization of accounts receivable is an innovative scheme in financing infrastructure. This scheme is particularly suitable for expensive infrastructure projects like Padma Bridge which usually have high economic values. The toll receivables for 3-4-5 years can be securitized for commissioning loan today. This way of securitization can offer exciting financial schemes for large projects with low risks.

8.13 Agile Corporate Culture

Corporate governance is an indispensable but frequently overlooked tool for the growth and development of the corporate arena and the business community. In PCBs, bank management committees and boards are equally responsible for ensuring the proper corporate governance. The approach to corporate governance must be top-down, i.e., the board must share the concept and pattern of governance and trickle down through management. Management will ensure the proper

implementation of corporate governance. Bangladesh Bank has already provided an outline of good governance.

All operational problems caused in banks are due to the following 03 (three) factors:

- Aggressive lending,
- Lending without due diligence and
- Lack of good governance.

8.14 Organizational Structure

The distribution of authority is enabled by organizational structures, thus it being crucial for communication. Department leaders play the role of funnel for communication of most companies. The organizational structure must be aligned with the mission and vision statement of the Bank. This is not a fixed process, rather a dynamic one.

8.15 Adequate Rewards or Incentive Systems or Remuneration

Performance management aims at promoting and enhancing employee effectiveness. In performance management, an incumbent's work objectives and overall contribution to the organization are planned, monitored and reviewed by managers and employees. It refers to the continuous process starting from setting objectives to providing feedback to make sure the targets and career goals are reached with assessment and coaching in between these. The administration must be very strong, transparent, and very fair to all concern since the banks are growing and people are coming to the industry. It is not possible to promote everybody since there is not enough space. Therefore, it is recommended that managers understand that only performance will be rewarded, and subjective elements in the promotion or reward scheme must be avoided. Canvassing of any sorts must be strictly eliminated.

8.16 Recruitment of Talented Top Management, Mid Management, And Entry Level Managerial Personnel and Different HR Functions

CEOs of Private Commercial Banks have emphasized on two issues- one is technology, and the other is service quality. There is intense competition in the industry. Moreover, there is a lack of expertise to guide the industry in this intensely competitive market. For fifty-nine private

commercial banks, fifty-nine CEOs, fifty-nine Chief Finance Officers, Chief Risk Officers, Chief Marketing Officers or Chief Business Officers, Chief of Branches or Communication, Chief of Audit, and Head of HR are needed. Fifty-nine sets of experienced people need to understand the industry thoroughly in terms of local, regional, and global scenario. Similarly, HR practices in banks are different from other enterprises of different industry. Thus, the HR department needs to be highly trained to deal with banking personnel. Core materials for HR practices in the banking industry are customer services, transparent high integrity, and honesty, along with high technology, product security, and product knowledge.

Brain metaphor is needed for the current banking industry. To execute innovative ideas in the banking industry, we need to recruit human resource based on the innovation concept. Existing human resource policies of our banks are not satisfactory. Human resources could play a significant role in taking innovation steps for the banks. Currently, banks are more corporate account oriented. They are, therefore, recruiting human resource based on that. However, if this situation continues, growth opportunities will be declined. New avenues of growth must be sought at every hierarchy.

Banks must define income sources using resources for achieving the goal. Lending growth target and deposit growth target must be set according to the income target. Targets for a deposit, loan, and profit strategies should be aligned with income structure. Skilled human resources play major roles in achieving targets. Managers must motivate themselves first. They need to know subordinates' actual needs and expectations. Good leaders invest their time, effort, and observation to discover the needs of employees. This plays a key role to motivate the employees and to achieve the target. The recommendations of HR practice in banks are:

- Carefully conducting recruitment and selection process;
- Introducing proper performance appraisal systems;
- Removing vague and unclear promotion cultures which are not followed by any criteria and merit in the industry;
- Inducing employees to perform well by providing reward, motivations, and other benefits;
- Giving unbiased promotion based on the qualification of employees and experience.

8.17 Role of Research and Development (R&D) Department and Strengthening Management Information System (MIS)

Presently, the core activities of the R&D department of a bank are to find out about competitors' moves, environmental best practices, and successful products and services from different countries. They always compare and scan information inside and outside of the banks to find out the myriad of unexplored opportunities.

However, most of the private commercial banks are not interested in R&D. Globally large corporate institutions are involved in R&D to keep pace on their growth. The business market is growing, and it is becoming more competitive than before. Bangladesh economy is no longer an isolated economy, and presently it has emerged as a lucrative destination of foreign investments. Financial regulation of Bangladesh is intertwined with global regulations. Countries are changing their regulations policies and tariff structures. Alongside, the regional economy is sifting through numerous changes. Bangladesh is building trade relationship with BRICS, EU, ASEAN, and other regional blocs, etc. Banks need to analyze the impact of these business relationships on the economy, and scan the market on a regular basis, develop new strategies in line with market dynamics and trends. Business strategy must also focus on the dynamics of international market competition. Banks must focus on the retail market. MIS based approach is needed to attract the customer and expand the business.

8.18 Management's Role for Reducing Operation Costs

Operation costs must be controlled by branch operation division and finance division. Significant rate competition is being generated by the long-running low-interest-rate and stagnant environment of the past decade. It has driven down margins in both loan and deposit operations. New technological capabilities with cost pressures are demanded more and more by the changing preferences. Banks must focus on two things of this regard: acquire technology to provide better access by investing time, money, and resources.

8.19 Target Based Performance Culture

Setting up a goal and agreed objectives at the beginning of the year are essential for transparent and fair performance appraisal. A proper guideline must be followed to achieve the goal.

8.20 International Standards for Business Modeling, Documentation, and Implementation

Private Commercial Banks are running on revenue, cost, and profit model. Banks must follow the international benchmark in this regard to protect the depositors' interest. Banking structure must be designed based on international operational indicators. Banks identify global standard revenue sources to become more competent. Core business division must be separated regionally. A separate independent business unit must be created. The finance department should work separately and independently. Meticulous internal supervision and digitalization of documentation are essential stages in the business model to continue the growth of a bank.

The issues of hidden charges and their impact on banking revenue and customer satisfaction need to be addressed in this regard.

9 Innovative Growth Model

Many managers can't create an environment of encouragement and rewards innovation despite innovation universally being called a positive catalyst for company growth. What managers can do to spark organizational creativity and leaders to increase successful change incidences are explored in theories of creativity and innovation. Regulatory conditions to promote innovation include:

- Generation of new ideas and recognition of new opportunities
- The move of innovation to market
- Removal of mental blocks to creativity
- Establishment of a strategic direction for product development which is profitable
- Encouragement of creative conflict between groups
- Creation of a culture inspiring innovation

Conventional knowledge holds that innovation springs only from the creativity of pure genius from external systems that managers might implement.

A framework of linkage between global and local growth parameter is illustrated in the following page:

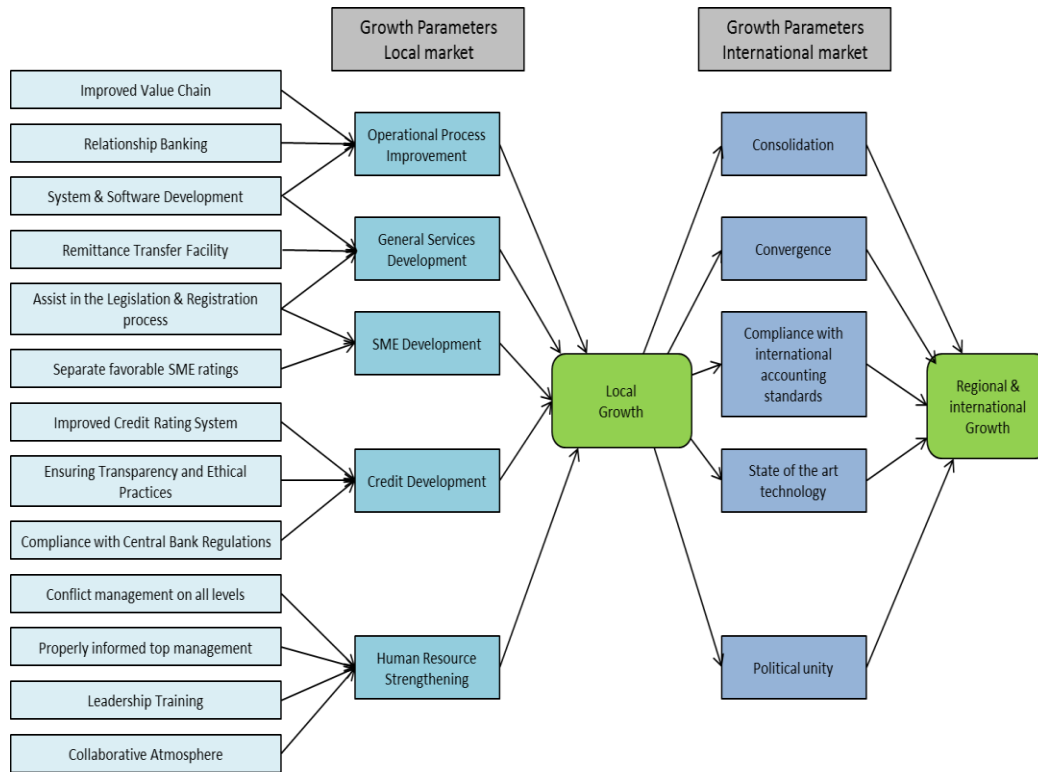


Figure 21: Linkage Between Local Growth Parameter And International Growth Parameter for innovative growth model of PCBs (Author’s Compilation)

The systems within banks are going through tech-modification and disruptive innovation. Customers and regulators are adding stress about revenues and establishing a cost of compliance. Thus, they incur much pressure on compliances and fees, but there's a lever banks are focused on -operating costs, which is a critical area, and effective implementation of service productivity gains has a direct effect on the bottom line. Disruptive innovation has the promises to be a game changer in this unique time for banking. There's still an excellent chance to leap from increasing market share into reality. Competitiveness impact model is given on the following page.

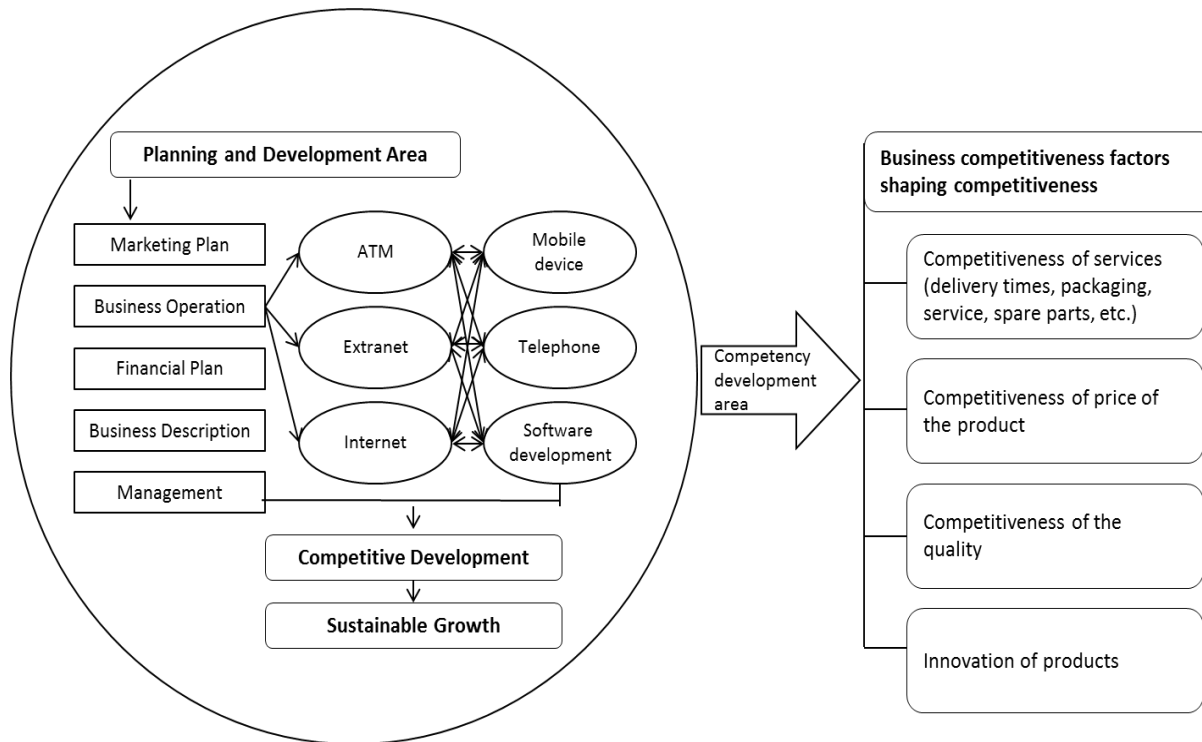


Figure 22: Competitive Enterprise Development Framework

(Hossain, 2016)

In addition to this, cost cutting techniques need to be reviewed in line with local, regional and global platforms as well, as PCBs are not complying with the Bangladesh Bank circular for internal renovation. They are incurring high administrative and operating costs, which poses a threat to the competitiveness of them.

Strengthening innovation and competitiveness of PCBs of Bangladesh

Technological innovation capability: The use of advanced computer algorithms to separate the patterns of client behavior through demographic, psychographic and transaction customer details is called technology. It is also known as data mining, which solves numerous transaction related issues and thus helps bank to achieve their business objectives. Profits increase and sustainable advantage can be regained over competitors through a successful use of data mining. From a theoretical perspective, the flow of various fields like finance, information technology, communication technology, marketing and computer science is technology, whereas it has 3 important parts from functional perspective:

1. The first dimension of the associated software works by using the right hardware for business and providing customer service through different channels and payment systems.
2. The second dimension constitutes of the use of advanced computer science algorithms. This helps to reap profits and outperform competitors by solving multiple transactional problems faced by the banks.
3. The third important dimension constitutes of all kinds of risks that banks may face, including risk quantification, measurement, mitigation and management of them. These risks cannot be ignored in business and customer service.

For operating business in the banking sector, a competitive strategy of the PCBs of Bangladesh should focus specifically on target policies, including innovation and business model development that improve the operational competitiveness in the industry.

Banking is a very structured business operation. There is a myth about the bankers that all they do is completely repetitive. However, in today's commercial banks of Bangladesh, mission and goals are set based on vision and a continuous drive for the well-being of the people. Taking this in mind, PCBs need to expand the sustainability business framework through contributing to building the society, strengthening governance issues, creating value for shareholders, managing a responsible business, and complying with environmental measures.

Accomplishment of organizational objectives is a result of resource allocation, which allows strategy execution by central management. Effective resource allocation is hindered by multiple factors, and risk should be mitigating under guideline development. The governance and outlook of the organization keep the organization purpose clear and helps everyone understand how all the pieces of the puzzle fit together.

Human resources of PCBs also need to provide the highest standard of training for executing day to day operations. Their training should incorporate all aspects of the law and practice while implementing the day to day business.

To execute a strategy to the particulars of its situation, specific capabilities need to be covered for different circumstances. Skilled human resources are capable of building up the competencies, abilities, and allocated resources strengths by the banks help to execute strategy. Investment and people are behind the drive for strategy execution. Policies, guideline, and procedures facilitate to

execute strategy. Best practices and benchmark operation in the industry are pushing for continuous improvement of services. Information and operating systems enable the banks to carry out their strategic roles proficiently. From a global context, human resources management is facing newer challenges like financial crises, growing money laundering, chaotic incidents, and corporate scandals which link to the change in overall regulatory and business environments and priorities. Regulatory compliance, developing efficient and ethical leadership and right remuneration for the senior management are some of the critical human resources challenges which have been brought into the limelight, from banks' concentration on the drive to economic growth and maximization of stakeholders' return over the years.

9.1 Traditional Business Model for Growth

Economic development hugely depends on the role of banks and the financial system. The growth studies about Private Commercial Banks (PCBs) follow a generic view of financial intermediaries. It operates as agents that monitor drives investment by the growth of finance and fostering entrepreneurship. The pertinence of PCBs' development to explain the differences in economic growth across countries are shown in these studies. The current study investigates the relationship between monetary intermediation growth factors and the growth factors at local, regional, global viewpoint.

Recently various perspectives have been taken into account to model the financial intermediation-growth. Benhabib and Spiegel (2006) argued that banks are increasing the productivity of capital by emerging endogenously and through investment projects monitoring, evaluation and financing. Goldsmith (1969), McKinnon (1974) and Lachman and Shaw (1974) contributed to this concept as well. By transforming savings into investment, banks reduce transaction cost. Differences in growth rates can be explained by the quantity and quality of financial services. PCBs have to reduce liquid funds holdings and direct them to highly performing illiquid projects to increase the productivity of investment. King and Levine (1993) explained that intermediation margins changes influence the aggregate output growth rate and are associated with financial innovation costs. Later in 2000, Levin et al. stated that efficiency is enhanced and the risks regarding monitoring costs are decreased and the productivity of investment rises with any given equilibrium growth rate by innovation. Galetovic (1996) additionally featured the job of development in a model where the endogenous business of PCBs is an important condition for growth sustainability. Financial

advancement improves the proficiency of the screening and observing capacities in assessing specific firm investment projects. The ideal degree of monitoring relies upon input costs and increments with capital collection. Also, enhancements in checking overhaul the risk properties of corporate contracts of loans and encourage an association's developments.

In traditional growth model, the following factors have been identified: low-cost funding in investment, monitoring and controlling for recovery, NPL reduction, focus more on non-funded business, strengthening advisory role, merger/ acquisition/ equity injection, identifying quality customers, continuous monitoring on cash flows, direct relationship, balanced growth of the business, focus on SME/ retail banking, infrastructure development, strengthening HR, reward and recognition, retaining loyalty of customers and employees, formal and informal relationship in internal HR, customer-oriented objectives, diversified business portfolio, geographic matrix to business matrix, customer need assessment, development of core banking software, reducing financial cost, strengthening IT software and increased dependence, upgrading and updating MIS system, proper utilization of contractual employees, developing firewall system for security.

Expansion into new markets to emerging countries for growth

Expansion into any new markets outside the country, by meeting the policies and regulations of the Bangladesh Bank and the Bangladesh government, will be an important factor for the expansion of the PCBs. New entrants have to develop the right operating model and identify the sub sectors providing the potential and find ways to differentiate themselves from the local competition, for example bringing down the cost of customer service through enhanced qualities of products or services or technology, as the emerging markets are quite sophisticated in their retail and commercial findings. The profitability and the reputation of the organization can be damaged by getting wrong. The following models are pursued in general:

1. The local operating model are generally implemented in countries where the regulations promote the requirement of back office functions inside the country.
2. The regional hub can be more cost effective if a degree of harmonization exists. It is more effective in homogenous markets, not in an entire continent as the region shares systems and operations in a single country.

3. A centralized operating model is more efficient than the previous model. Inconsistent demands of the local markets may not be the effective place for it as all the infrastructure and systems are in a single country, which supports all other countries, locally or globally.

Furthermore, banks need to adjust their interest rates in accordance with the international practices. Currently the spread of the interest rate (difference between the lending rate and the deposit rate) is from 5 to 7%, which needs to be brought down to 2% to compete in the international market. The difference between the buying and selling rates of the international currencies is another concern in this regard.

9.2 Environmental Effects on Growth Model of Private Commercial Banks

Despite coming a long way, the private commercial banks in Bangladesh have remained quite stagnant in their approach to the concept of growth. Most if not all banks set their growth targets using past growth figures as the benchmark. This concept of growth is rather backward-looking than forward-looking. Also, the idea of competitiveness is not an in-built factor to this growth model.

While banks measure their performance in terms of basic financial metrics like bottom line and margin, they miss out on the bigger picture of the overall assessment of their status in relation to local and global competition. Also, such focus on hard data also diminishes the much-required attention to soft and very significant parameters like human development, talent development, creating leadership, and so on.

The industry has not witnessed much innovation and out-of-the-box thinking in product design. With the advancement of technology, the scope to bring in product innovation has folded many times. Of all the resources, the human resource remains the most crucial one. However, the focus on this resource has not garnered the attention it deserves, being a primary reason behind the stagnancy of the banking industry.

To evaluate the performance of the industry in broader perspectives, application of a triple bottom line, i.e. (people, profit, and planet) framework is quite useful. The private banking industry has historically maintained a high return for its shareholders, adding to the exchequers, and allowing a vibrant business and economic environment. Adopting technology has positively impacted the environment and allowed the industry to reduce waste. A healthy banking industry enhances the

quality of life through bringing a positive economic contribution, easing business and personal transactions, creating employment, and others. Looking at the impact of the local private commercial banking industry on the triple bottom line can help the industry to self-assess their growth trajectory and realize if the current growth model is adequate to sustain and thrive in coming challenging years.

Current growth model adopted in local PCBs is quite myopic. Due to its use of historical growth figure as the base to determine future growth, it misses out on the opportunity of multiplicative aspects of growth through innovation and technology and knowledge sharing. Without special attention towards the soft resources in the banking industry and fostering the culture to create, build, and sustain innovation, growth scenario of the PCBs would very much remain the same. Hyper-competition and a slow-growing customer base would only diminish growth figures for most of the banks, which will ultimately result in an ailed banking and economic sector for the country.

The ultimate ambition of this paper is to deliver an innovative growth model for private commercial banks of Bangladesh which will be forward-looking instead of existing backward-looking and which will try to bring in competitiveness in this laggard industry and give them the guideline to break into regional and international markets.

9.3 Modified Conceptual Framework on Innovative Growth Model of Private Commercial Banks of Bangladesh

The modified model has been designed inconsistency to the collected primary data analysis, in-depth interviews, analysis of professional local and global bankers and in line with the focus group discussion. In each case, the relationship between competitive growth model of private commercial banks and the components of this model is well established by the results of the hypothesis testing. The corresponding mean value and standard deviation (in reference to chapter 7) reject the null hypotheses of the study.

Summary of Changes in the Modified Conceptual Framework

After an extensive literature review, the initial conceptual framework was developed. However, that model required significant changes in complex and simple variables after the questionnaire

survey, in-depth interview, focus group discussion, and data analysis. In this modified model, some elements have been added, and some have been revised.

The interrelationship between Good Governance and competitive growth of PCBs requires one of the elements of Good Governance - the addition of 'Good Governance' in the modified model. Securitization of loans has mean value of 4.63, and the standard deviation is 0.669.

Healthy and robust Corporate Culture has been added in this modified model. The sub-element is effective implementation of high ethical standard. The mean value of the element is 4.73, and the standard deviation is 0.498. The null hypothesis, as mentioned in chapter 7, was rejected.

Organization restructuring is also added since the null hypothesis of the independence of appropriate organizational structure, and competitive growth of private commercial banks was rejected. The mean value is 4.69, and the standard deviation is 0.504. The importance of service quality has also been added since this factor was brought in the in-depth interview and focus group discussion session. The following figure shows the modified model.

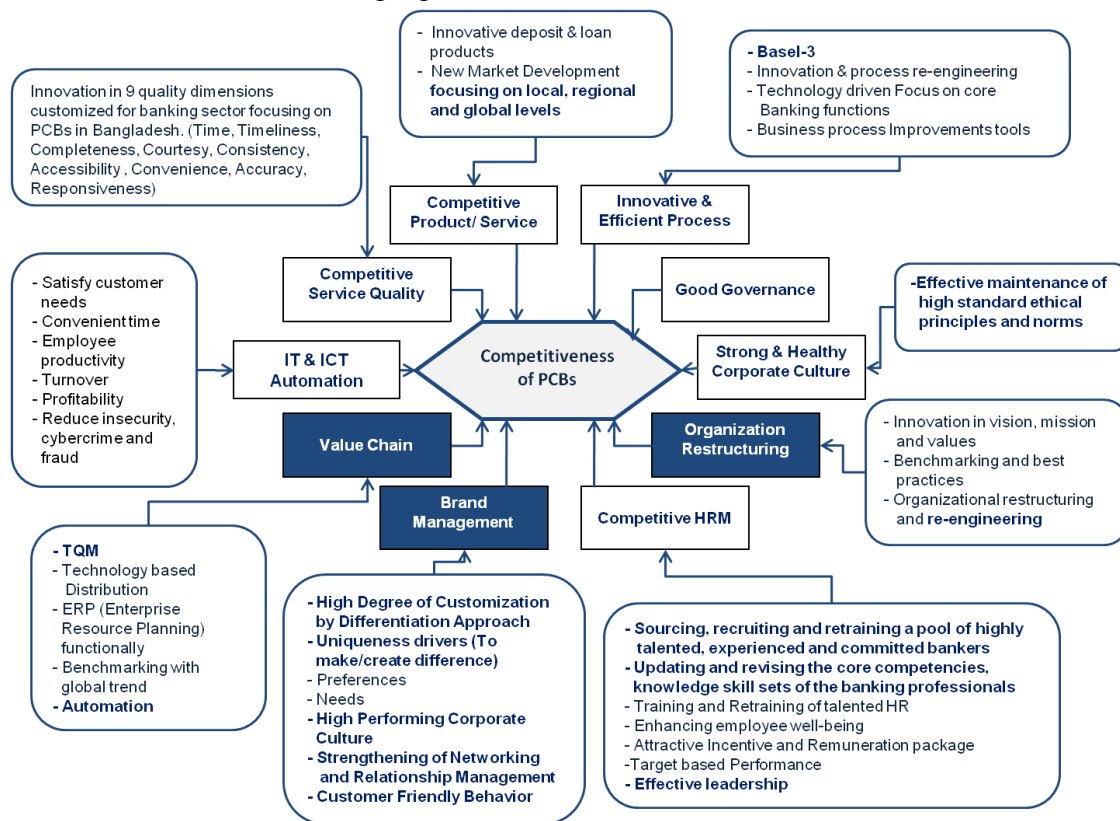


Figure 23 : The Modified Conceptual Framework on Innovative Growth Model of Private Commercial Banks of Bangladesh

(Author’s Compilation)

9.3.1 Competitive Product/ Service

In the twenty-first century where the borderline of the services provided by different financial institutions is being blurred, introducing competitive product or service in the market to serve the customers that will result in the growth of private commercial banks. The mean score in this relationship is 4.74 (out of 5 scales), and the standard deviation is 0.47. The null hypothesis testing of the independence of these two events (Competitive growth of PCBs and Competitive product and services) has been rejected (details are shown in chapter 7).

9.3.1.1 Innovative Deposit & Loan Products

The business needs innovation in banks' deposit and loan products, and the banks should not be so traditional and conservative anymore. In order to hold and attract customers, banks should innovate new products, processes for organizations. The issue regarding the Non-Performing Loans (NPL) needs to be addressed in this regard as well. At the national level, innovation in deposit products has mean value of 4.53 (standard deviation of 0.721) and innovation in loan products has a mean value of 4.69 (standard deviation of 0.57).

9.3.1.2 New Market Development Focusing Regional and Global Levels

In order to hold and attract customers, banks should innovate new products and processes for organization. Knowing what groups, which every bank or financial institution serve extremely well, are for themselves and their competitors, they can perfect their approach in one area and move on to a new cohort to help. In this study, continuous new market development's mean value is 4.73, and the standard deviation is 0.48.

9.3.2 Innovative & Efficient Process

Private commercial banks are, from a broader perspective, the sum of numerous processes which add value to the customers and results in the financial services. The efficiency of the processes in the bank is one of the key indicators of the overall management performance and day after day innovation in processes has to be introduced to remain competitive in the fast-moving banking ecology. The importance of innovative and efficient process in the competitive growth of PCBs has 4.77 mean value in the study, and the standard deviation is 0.431. The data completely supports the mentioned relationship.

9.3.2.1 Basel-3

The Basel-3 framework presents new capital necessities on bank loaning rates and development. Higher capital necessities lead to higher loaning rates by raising banks' minimal expense of subsidizing. To make the whole banking process more efficient, banks need to implement Basel-3 fully. The importance of Basel-3 came out in the in-depth interview session.

9.3.2.2 Innovation & Process Re-engineering

To meet the expectations of the customers, banks should focus on providing different and better types of services. To thrive in the long run, banks need loyal customers, who are satisfied and delighted. Banks should use Business Process Reengineering, which focuses on easily understandable and attainable goals, objectives, and targets for reducing cost, improving customer satisfaction, loyalty and performance of the banks, to become more efficient and effective and improve their performance.

9.3.2.3 Technology-Driven Focus on Core Banking Functions

Focusing on technology for customers' benefits may lead to enhanced customer satisfaction. as technology helps to analyze and predict customer behavior. Banks can upgrade resource utilization and efficiency through technology. The subject matter experts in the interview session have mentioned the need for technology-driven focus on core banking function.

9.3.2.4 Business Process Improvements Tools

To improve and grow continuously, business process improvement has no alternative. Below are a few tools that help in overall business process improvement:

- i. Focusing on the highest priorities
- ii. Holding more efficient meetings
- iii. Improvement of workspace
- iv. Filing and organizing with consistency
- v. Monitoring trigger points
- vi. Making process control more visual
- vii. Employing data dashboards

These factors were brought in the focus group discussion (FGD) session.

9.3.3 IT & ICT Automation

Information technology has become a buzzword in almost every industry, and banks are not the exception. It also brings in the question of security and data protection system. The respondents of the sample have an average of 4.78 (mean value) to the importance of system and software development, and the standard deviation was 0.445.

9.3.3.1 Satisfy Customer Needs

Improvement in the customer experience is the best determinant to differentiate any bank from its competition. It also shows the financial performance of the bank. The bankers also centered around the satisfaction of customer needs for the growth of PCBs. The subject matter experts gave the most importance on satisfying customer's need.

9.3.3.2 Convenient Time

The client journey changes substantially when convenience is defined by the simplicity of design; the ability to open and manage accounts online or with a mobile device can save plenty of time. The subject matter experts talked about the relation between convenient time and ICT automation.

9.3.3.3 Employee Productivity

To assess the aspects of the banking system, efficiency and productivity play the role of indicators. In fact, the overall development of the economy can be measured by the productivity level in the banking sector. Thus, it helps to suggest preventative steps for regulating the business wherever necessary. The subject matter experts also emphasized the need for increased employee productivity.

9.3.3.4 Turnover

Administrators and managers at all expenses must reduce worker's turnover for organizational success. Employee turnover and the effects of turnover can help to evaluate the work on employee turnover. The bankers in the in-depth interviews agreed to this point.

9.3.3.5 Profitability

Regulators need not significantly increase the overall level of capital requirements of the banks, keeping in mind the effects of low profit on banks' ability and willingness to lend. As capital reforms under the Basel-3 are finalized, care must be taken to ensure that lending to significant economic segments, such as SMEs and agriculture, are not unduly penalized.

9.3.3.6 Reduce Insecurity, Cybercrime, and Fraud

Recent online robberies in Bangladesh have gone undiscovered for months or maybe years as a result of the criminals covertly moves away cash and shifts it away to different accounts by manipulating the banks' own business. In many cases, the hackers' transactions seem to be legal from the point of view of the bankers. In the focus group discussion session, this phenomenon had the limelight.

9.3.4 Strong & Healthy Corporate Culture

The collaborative corporate culture in the private commercial banks is also a factor without which the growth cannot be sustained. The respondents agreed to the point of the relationship between strong corporate culture and competitive growth of PCBs. The mean value is 4.66, and the standard deviation is 0.535.

9.3.4.1 Deep Rooted Ethical Behavior and Practices

Banks must abide by all laws, rules and regulations to ensure soundness of operation and ensure that all stakeholders are fairly and equitably treated. Additionally, a transparent and truthful disclosure of the financial health should be put up by banks. The bankers in the focus group discussion highlighted the ethical behavior and practices.

9.3.4.2 Deeply Ingrained Positive Attitude and Mind-Set

The building and maintenance of a profitable business for banks depends on maintaining a positive attitude. Because customers now have numerous options, to grab customers and make a loyal customer base, a positive attitude has no alternative. The subject matter experts talked about the importance of a positive attitude and mindset in the banking environment.

9.3.4.3 Effective Maintenance of High Standard Ethical Principles and Norms

High standard of ethical principles and norms is essential. Banks should ensure a few things to maintain this. Transparency of operation should be ensured. Safe asset management and sustainable lending and investment are important factors too. Accountability should be ensured too. Checking the origin of money and not being engaged in any illegal activities are important too. Only by maintaining these, good customer service with proximity can be guaranteed. The mean score of this factor is 4.73, and the standard deviation is 0.498.

9.3.5 Organization Restructuring

The structure of the organizations is related to the growth of the organization. Although the entire banking industry is highly regulated and centralized, over the past few years, the restructuring of the banks gave some flexibility to the bankers. The importance of it was discussed in the focus group discussion session.

9.3.5.1 Innovation in Vision, Mission, and Values

Innovation in Vision, Mission, and Values is a vital factor for continuous growth, satisfying technology-driven customer base, and keeping up with the ever-changing trend of business and market. The mean score of mission, vision, and values is 4.66, and the Standard Deviation is only 0.556. The subject matter experts gave importance to the same topic.

9.3.5.2 Benchmarking and Best Practices

Following benchmarks and best practices helps to continuously learn, adapt and measure outstanding practices and processes to improve performance. The mean score of this factor is 4.26, and the Standard Deviation is 0.72.

9.3.5.3 Organizational Restructuring and Re-engineering

Successful restructuring helps an organization in many ways. It helps an organization to change the nature of its business, implement new methods, adopt new technology, cut down the complexity, focus on better activity, creating roles that are feasible, balancing the load of managers. The subject matter experts emphasized on restructuring.

9.3.6 Good Governance

Good governance is such a precondition that influences the financial sufficiency pointers of every institution. The nature of governance will affect the pointers of banks such as asset quality and capital adequacy ratio. The smooth functioning of the monetary intermediation process can be distorted by the regulative measures or the corporate management ambiguity. If one or more banks lack in transparency, accountability or oversight of their own administrative practices, corporate governance failure can happen.

Good governance can help a bank to reduce its number of Non-Performing Loans (NPLs) as well, as it will ensure more transparent and smooth banking practices. The mean scores of 'Securitization of loan' and 'Negative political influence as an obstacle for growth' are 4.63 and 4.73 respectively, and standard deviations are 0.669 and 0.535, respectively.

9.3.7 Competitive HRM

Human being and being human is not the same. The transparent process of being human is one of the competitive edges for any organization. Both in the in-depth interview and focus group discussion, the need for competitive Human Resource was discussed.

9.3.7.1 Sourcing, Recruiting and Re-Training a Pool of Highly Talented, Experienced and Committed Bankers

For building a sustainable organization, the most valuable resources are employees. Attracting and retaining exceptional talent is very important for responsible growth. It begins with how a company recruits employees and extends it in many ways by supporting that pool of talented employees' growth in career, professional development, and engagement when they are in the organization.

The pool of highly talented employees means the group of most talented employees available for or in an organization.

A pool of Talent or Talent Pool means a database of potential job candidates who have the potential to meet an organization's short- and long-term goals. People's skills, them being a cultural fit or not and their ability to fill in a role should be included in a talent pool. (Margaret Rouse, 2017)

9.3.7.2 Updating and Revising the Core Competencies, Knowledge Skill Sets of the Banking Professionals

By arranging different seminars, workshops, competitions, and activities, workers' knowledge, skill, and competencies can be updated and revised. The subject matter experts discussed the same.

9.3.7.3 Training and Retraining of Talented HR

Training help employees to know and explore more about the organization, industry, their responsibility and motivate them to know more and contribute more for growth. The respondents also agreed to the importance of training and retraining. The bankers in the focus group discussion session discussed the same.

9.3.7.4 Enhancing Employee Well-Being

Employee well-being should be a top concern for leadership and HR department. This affects how employee's perception and feeling about their job and organization. It has an effect on their job attitudes and performance. The bankers, in an in-depth interview, emphasized on it.

9.3.7.5 Attractive Incentive and Remuneration package

Attractive incentive program and remuneration package have a huge benefit for organizations. It helps to attract new staffs, help retain those staffs, links individual performance with business objectives, boost productivity, improve staff morale and happiness, encourage teamwork. The mean score of attractive incentive and remuneration package is 4.77, and the Standard Deviation is 0.488.

9.3.7.6 Target based Performance

Target-based performance helps to work for a unified result. Here, areas can be analyzed where the business is booming and where it can be improved through the measurement of a company's success through achievable goals. The mean value of 'Target Based Performance Culture' is 4.81, and the Standard Deviation is 0.44.

9.3.7.7 Effective leadership

Effective leadership helps to maximize efficiency and achieve organizational goals. A true leader creates a framework to encourage others to utilize their own skills and ideas to contribute to the

collective success. The bankers also agreed to the need for effective leadership in the focus group discussion session.

9.3.8 Brand Management

The brand name is one of the most valuable assets for banking organizations. Once a brand name is established, maintaining the same reputation is not easier. The respondents of the study in the focus group discussion and in-depth interview session agreed to the point.

9.3.8.1 High Degree of Customization by Differentiation Approach

Customization through differentiation is the newest branding strategy. It increases efficiency, ensures maximum resource at hand optimization, cuts down wastage and attracts more and more customers through different product lines. The respondents of the in-depth interview session have highlighted the point.

9.3.8.2 Uniqueness drivers (To make/create difference)

Unique drivers in banking need better data insights. Banks and credit unions need to focus on developing strategies to leverage data to have a better understanding and serving the customers in all channels and all stages of their financial lifecycles as customer demands increase from their user experience across different industries. The participants of the focus group discussion also talked about the uniqueness.

9.3.8.3 Preferences

Banks and other financial institutions need to determine the factors relevant to the customer's selection process, because of the deregulation and more sophisticated customers inflow. The results provide the grounds for a demographic and behavioral profile. This can test the emphasis of criteria among each other. The preferences of the customers were brought in the focus group discussion session.

9.3.8.4 Needs

Banks need to identify their needs for continuous growth and sustainability. They need to address the mobile banking's security concerns and go beyond the retail mobile banking which is traditional. A few specific tools are needed for a strong business model. The need for security

features increases along with the increase in the number of devices a company uses to manage its finances and the number of people who have access to the firm's banking services. Business executives need to know about the needed protections to stop cybercrime against all private and personal data breach. During the focus group discussions, it came into prime consideration.

9.3.8.5 High Performing Corporate Culture

Growth and company culture go hand in hand. But, the definition of company culture is up to the management as it is very ambiguous. The opinions and feedbacks of employees at all levels of one company by surveys or focus groups not only shape the culture of the company, but also help identify areas of strength, improvement, and growth. The respondents also agreed to the need for high performing corporate culture as the mean value is 4.66. (See appendix 5)

9.3.8.6 Strengthening of Networking and Relationship Management

Networking is especially important within the financial services industry because it is a naturally volatile job market functioning in an extremely competitive environment. More so than in many other industries, banks need to give people value in order that they value having the banks as part of their professional network. The bankers also agreed to the importance of networking and relationship management during focus group discussion.

9.3.8.7 Customer Friendly Behavior

Customer friendly behavior is a must in every industry. The commercial side of banks has not shown the use of various advanced analytical tools for improving performance and growth of customer relationships like the retail side. This may due to the size and the personalized services of the commercial banks. The opportunity lies in collecting insights from the data. The personalized form of services and products that the customers expect can be facilitated by analytics enabling critical employees, including service representatives at the contact center level.

9.3.9 Value Chain

Each connecting party in the value chain of a bank requires appropriate attention and nurturing. The need for ERP, Tech-based distribution, and automation was discussed in focus group discussions, and the participants agreed to the importance of these factors.

9.3.9.1 Technology-Based Distribution

Distribution of retail financial services is getting more attention in recent literature and gained more importance as a factor for determining the effectiveness of a company's competence in chosen markets. Competitive advantages can be availed in the marketplace by superior distribution strategies about communicating with and delivering the products to the customers in this increasingly competitive deregulated environment. Thus, distribution acts as a differentiation tool. (Devlin, 1995). Innovation in distribution channel has a mean value of 4.66 and a standard deviation of 0.502.

9.3.9.2 ERP (Enterprise Resource Planning) Functionality

As ERP deals with an extensive amount of data, it shows much potential in the banking sector. The integration of both back-office systems and financial system can be done through ERP can integrate information, users, and various processes for better productivity. Thus, it can integrate financial systems with back office systems. ERP systems can integrate all banking and financial systems.

9.3.9.3 Benchmarking with Global Trend

Following benchmarks and best practices helps to continuously learn, adapt and measure outstanding practices and processes to improve performance. It is a method aimed at improving performance by identifying and importing best practices.

9.3.9.4 Automation

Automation makes banking operations a lot of efficient in processing transactions. There are benefits because customers experience quick and efficient transactions and compliance. For example, customers will make cash deposits and withdrawals using ATMs (Automated Teller Machines) quick and efficiently.

9.3.10 Competitive Service Quality

Innovation in 9 Quality parameters customized for banking sector focusing on PCBs in Bangladesh. Time, Timeliness, Completeness, Courtesy, Consistency, Accessibility, Convenience, Accuracy, Responsiveness are the main quality factors in this regard. The mean score for innovation in faster, cost-saving, and customer-friendly processing is 4.73 and has 0.461 of standard deviation. The null hypothesis was rejected.

10. Summary and Recommendations

10.1 Recommendations

Innovation is an important element for competitive growth of any organization and for the PCBs, innovation has ample scopes to apply. Technology has a direct impact on bringing innovation into an application. Therefore, innovation and application must be taken into consideration for the competitive development of PCBs. The study was done to identify the components of growth of PCBs, and human resource is the key component for applying all the identified factors for the competitive development of PCBs. It has also been found during the study that skilled human resource with compassion and a positive mindset can bring a real change in the banking industry.

There is a gulf of difference between human being and being human. Only with being human attributes, a human resource can become a real human capital of any organization. In the study, it has been clearly shown that the complex variable related to human resource is Competitive HRM and the simple variables inherent to the complex variable of human resource are sourcing, recruiting and retaining a pool of highly talented, experienced and committed bankers, updating and revising the core competencies, knowledge and skill sets of the banking professionals, training and retraining of talented HR, enhancing employee well-being, attractive incentive and remuneration package, target-based performance, and effective leadership.

Considering the major changes taking places in the local, regional, and global financial markets, practitioners need to take new initiatives. For achieving the competitiveness, the private commercial banks should implement a few changes in its drivers where the performance level of the total financial industry can be improved ethically and with a high level of corporate governance by keeping in mind of people, profit and planet. The following recommendations are made to be followed by the PCBs of Bangladesh to ensure sustainable growth in the sector:

- Understanding the market volatility and the change in the life of customers is significant. Only then someone can reform their business and can cope up with the changes.
- The procedures of business and credit management should be focused for improving the customer relationship model.
- Large corporate accounts can be shifted from branches to head office. This will improve the overall customer relationship management.

- Every large client or a portion of the clients can be given under the supervision of one Relationship Manager (RM). She/he will provide them with all retail banking services. In this way, RMs will get to know more about the asset and income of the clients and will be able to bring more businesses.
- Focus should be diverted from High Cost and Long-term Deposits to Low-cost Deposits like current and saving bank deposits. Banks should be able to collect deposit from rural areas and provide those as loans to large corporate clients.
- PCBs of Bangladesh need a properly drawn Credit Policy. PCBs should change the mode of product development according to the change in the customer needs as well as the passage of time.
- For sourcing, private commercial banks with card business can deploy some skilled vendors in the market by giving them proper instructions and training. They will pay a commission to the banks when they get works and get paid at other banks in the market. The bank can go for delivering cards at the doors of the clients within the city area by a smaller low-cost transport.
- Private commercial banks with card business can launch a web to get orders from the client to be delivered at the mentioned day of the order placed in case of debit cards.
- The focus should be on Information flow in the whole supply chain. Some information cannot be controlled due to the nature of products and the facts. However, the smarter and technology-based information flow can make a positive difference.
- For launching a web, the whole cluster of banks can work together to reduce the burden of costs. The system may be run by one or two web masters employed by the total group of banks.
- In order to hold and attract customers, banks should innovate new products and processes for organization. Knowing what groups, which every bank or financial institution serve extremely well, are for themselves and their competitors, they can perfect their approach in one area and move on to a new cohort to help.
- In order to meet the expectations of the customers, banks should focus on providing different and better types of services. In fact, focusing on technology for customers' benefits may lead to enhanced customer satisfaction.
- Improvement in the customer experience is the best determinant to differentiate any bank from its competition. It also shows the financial performance of the bank.
- Regulators need not significantly increase the overall level of capital requirements of the banks, keeping in mind the effects of low profit on banks' ability and willingness to lend.

- Banks must abide by all laws, rules and regulations to ensure soundness of operation and ensure that all stakeholders are fairly and equitably treated.
- Bankers who will lead the bank should have clear knowledge about the banking activities. A good relationship is necessary between the top management and the board of the bank. Only quality leadership can prevent crisis in the banking sector.
- With the growing compliance necessities, demand for newer processes and technologies and increasing financial crimes, employees of banks would like regular training and capacity development programs. High management and board members of banks should be brought under effective capacity and knowledge enhancement programs on leadership and governance problems.
- The building and maintenance of a profitable business for banks depends on maintaining a positive attitude. Because customers now have numerous options, to grab customers and make loyal customer base positive attitude has no alternative.
- Safe asset management and sustainable lending and investment are important factors too. Accountability should be ensured too. Checking the origin of money and not being engaged in any illegal activities are important too. Only by maintaining these, good customer service with proximity can be ensured.
- There must be a training hub (both formal and informal) which can boost up any innovation into application. PCBs of Bangladesh should arrange in-house training where any innovation will be communicated to the customers.
- Following benchmarks and best practices helps to continuously learn, adapt and measure outstanding practices and processes to improve performance. So, PCBs of Bangladesh should follow them.

10.2 Conclusions

Any country's economic development depends highly on its banking sector. Banks fall under a key element of GDP – the service sector. The growth trajectory of the banking sector denotes the growth rate of a country. It has been revealed upon an extensive literature review, focus group discussion and after in-depth interviews with top bankers of home and abroad that an innovative growth model is a crying need for the competitive development of private commercial banks (PCBs) of Bangladesh.

This dissertation aimed to develop an innovative growth model for PCBs of Bangladesh, which in turn will improve the competitiveness of PCBs of Bangladesh not only locally but also regionally and globally.

Following some research questions at the start, the dissertation ended up with a big research question, which was subsequently validated by the broad and specific objectives of the research. Afterward, a thorough and extensive literature review has been done, and discussions took place with top bankers locally and internationally, which successfully resulted in developing the conceptual framework for the study.

The methodology has been done as per a sequential order. Philosophy has been taken from exploratory and descriptive research designs. After completion of successful questionnaire survey on 357 samples who are mainly mid to top management level commercial bankers of the country, a couple of FGDs and in-depth interviews with the renowned bankers from both home and abroad, the data analysis and findings section has complimented to develop the modified conceptual framework which is actually the research outcome, i.e., the innovative growth model for competitive development of PCBs of Bangladesh. While the study found out the complex variables (Competitive Product/ Service, Innovative and Efficient Process, IT and ICT Automation, Strong and Healthy Corporate Culture, Organization Restructuring, Good Governance, Competitive HRM, Brand Management, Value Chain, Competitive Service Quality), these are complemented by the simple variables discussed in the Modified Conceptual Framework section.

The business needs innovation in banks' deposit and loan products, and the banks should not be so traditional and conservative anymore. In order to hold and attract customers, banks should innovate new products, processes for organizations. One way to stay ahead of the competition is to pursue markets which are not sought after. In order to hold and attract customers, banks should innovate new products and processes for organization. Knowing what groups, which every bank or financial institution serve extremely well, are for themselves and their competitors, they can perfect their approach in one area and move on to a new cohort to help. These groups just need to offer the best solution, not be huge enough to make an impact on the market.

In order to meet the expectations of the customers, banks should focus on providing different and better types of services. To thrive in the long run, banks need loyal customers, who are satisfied and delighted. Banks should use Business Process Reengineering, which focuses on easily understandable and attainable goals, objectives, and targets for reducing cost, improving customer satisfaction, loyalty and performance of the banks, to become more efficient and effective and improve their performance. Focusing on technology for customers' benefits may lead to enhanced customer satisfaction as technology helps to analyze and predict customer behavior. Banks can upgrade resource utilization and efficiency through technology by providing the right product to the right customer at the right time.

The measurement of customer experience and identification of ways to improve customer satisfaction is essential. Improvement in the customer experience is the best determinant to differentiate any bank from its competition. It also shows the financial performance of the bank. Banks should control the expenses and must reduce employees' turnover for organizational success. As capital reforms under the Basel 3 are finalized, care must be taken to ensure that lending to significant economic segments, such as SMEs and trade, are not unduly penalized. Banks must abide by all laws, rules and regulations to ensure soundness of operation and ensure that all stakeholders are fairly and equitably treated. Additionally, a transparent and truthful disclosure of the financial health should be put up by banks. The building and maintenance of a profitable business for banks depends on maintaining a positive attitude. Because customers now have numerous options, to grab customers and make loyal customer base positive attitude has no alternative. High standard of ethical principles and norms are important. Transparency of operation should be ensured. Safe asset management and sustainable lending and investment are important factors too. Accountability should be ensured too. Checking the origin of money and not being engaged in any illegal activities are important too. Only by maintaining these, good customer service with proximity can be ensured.

Following benchmarks and best practices helps to continuously learn, adapt and measure outstanding practices and processes to improve performance. So, PCBs of Bangladesh should follow them. Successful restructuring helps an organization in many ways. It helps an organization to change the nature of the business, implement new methods, adopt new technology cut down the

complexity, focus on better activity, creating roles that are feasible, balancing the load of managers.

Good governance is such a precondition that influences the financial sufficiency pointers of every institution. The nature of governance will affect the pointers of banks such as asset quality and capital adequacy ratio.

In Innovative Growth Model, HRM is one of the key components for competitive growth of PCBs. Attracting and retaining exceptional talent is very important for responsible growth. By arranging different seminars, workshops, competitions, and activities, workers' knowledge, skill, and competencies can be updated and revised. Training helps employees to know and explore more about the organization, industry, their responsibility and motivate them to know more and contribute more for growth. Employee well-being should be the top concern for leadership and HR department. Attractive incentive program and remuneration package have a huge benefit for organizations. It helps to attract new staffs, help retain those staffs, links individual performance with business objectives, boost productivity, improve staff morale and happiness, encourage teamwork. Target-based performance helps to work for a unified result. Here, areas can be analyzed where the business is booming and where it can be improved through the measurement of a company's success through achievable goals. Effective leadership helps to maximize efficiency and achieve organizational goals. A true leader creates a framework to encourage others to utilize their own skills and ideas to contribute to the collective success.

Customization through differentiation is the newest branding strategy. It increases efficiency, ensures maximum resource at hand optimization, cuts down wastage and attracts more and more customers through different product lines. Unique drivers in banking need better data insights. Banks need to focus on developing strategies to leverage data to have a better understanding and serving the customers in all channels and all stages of their financial lifecycles as customer demands increase from their user experience across different industries. Banks and other financial institutions need to determine the factors relevant to the customer's selection process, because of the deregulation and more sophisticated customers inflow. After that, a demographic and behavioral profiling can be done. This can test the emphasis of criteria among each other. Banks need to identify their needs for continuous growth and sustainability. They need to address the mobile banking's security concerns and go beyond the retail mobile banking which is traditional.

A few specific tools are needed for a strong business model. The need for security features increases along with the increase in the number of devices a company uses to manage its finances and the number of people who have access to the firm's banking services. Business executives need to know about the needed protections to stop cybercrime against all private and personal data breach. Growth and company culture go hand in hand. But, the definition of company culture is up to the management as it is very ambiguous. The opinions and feedbacks of employees at all levels of one company by surveys or focus groups not only shape the culture of the company, but also help identify areas of strength, improvement, and growth. Thus, company culture resonates the personality of the organization. Networking is especially important within the financial services industry because it functions naturally in this competitive volatile job market. More so than in many other industries, banks need to give people value in order that they value having the banks as part of their professional network. Customer friendly behavior is a must in every industry. The commercial side of banks has not shown the use of various advanced analytical tools for improving performance and growth of customer relationships like the retail side. This may be due to the size and the personalized services of the commercial banks. The opportunity lies in collecting insights from the data.

Distribution of retail financial services is getting more attention in recent literature and gained more importance as a factor for determining the effectiveness of a company's competence in chosen markets. Competitive advantages can be availed in the marketplace by superior distribution strategies about communicating with and delivering the products to the customers in this increasingly competitive deregulated environment. Thus, distribution acts as a differentiation tool.

As ERP deals with an extensive amount of data, it shows much potential in the banking sector. The integration of both back-office systems and financial system can be done through ERP can integrate information, users, and various processes for better productivity. Following benchmarks and best practices helps to continuously learn, adapt and measure outstanding practices and processes to improve performance. Automation makes banking operations more efficient in processing transactions. There are benefits because of customers experience quick and efficient transactions and compliance. For example, customers will create cash deposits and withdrawals using ATMs (Automated Teller Machines) quick and efficiently.

Innovation in 9 Quality Parameters customized for banking sector focusing on PCBs in Bangladesh: Time, Timeliness, Completeness, Courtesy, Consistency, Accessibility, Convenience, Accuracy, Responsiveness are the main quality factors in this regard.

Thus, this dissertation will help practitioners in the banking industry to take the necessary steps for the holistic growth of private commercial banks (PCBs).

10.3 Direction for Future Research

In the future, further studies can explore other factors regarding innovation and competitive development linkage for achieving sustainable competitiveness in different sectors of the country. Future studies may also test the effectiveness of the derived innovative growth model from this study in different industries within and beyond the border.

Primarily, professionals of the banking industry will be benefitted as it has addressed the innovation factors and enterprise competitiveness for a growth model. This study has also looked into the factors which negatively affect the performance of the PCBs. On the contrary to local understanding, the study focused heavily on the human resource factor in PCBs and in overall, society. The study discussed how the banking industry should move away from the myopic vision of a single bottom line to more holistic triple bottom line: Profit, People, and Planet. This discourse will help to address the overall societal problem of harnessing human resources for economic development. The study incorporates a huge multiple works of literature from the recent past and opinions of the industry experts and banking professionals which will enhance the knowledge and understanding of banking industry enthusiasts.

Penetration of digital banking and mobile financial services are going to bring new growth challenges and complexities which may create uncertainties and volatilities. These uncertainties, along with the virtual banks and the rapid degree of digitalization can be focused on future researches. Another factor which can be reiterated in future research is the integration of industrial revolution 4.0 with the growth of commercial banks.

Appendix 1: Coordination Schema

Parameter of the study is to develop the growth model of private commercial banks of Bangladesh. The components of Complex Variables and Simple Variables along with the corresponding values are given the table.

Complex Variable	Simple variable	Value
Competitive Product/ Service	Innovative deposit & loan products	Likert Scale
	New Market Development focusing on local, regional and global levels	
Innovative & Efficient Process	Basel-3	Likert Scale
	Innovation & process re-engineering	
	Technology driven Focus on core banking functions	
	Business process Improvements tools	
IT & ICT Automation	Satisfy customer needs	Likert Scale
	Convenient time	
	Employee productivity	
	Turnover	
	Profitability	
	Reduce insecurity, cybercrime and fraud	
Strong & Healthy Corporate Culture	Effective maintenance of high standard ethical principles and norms	Likert Scale
Organization Restructuring	Innovation in vision, mission and values	Likert Scale
	Benchmarking and best practices	
	Organizational restructuring and re-engineering	
Good Governance	Securitization of loan	Likert Scale
Competitive HRM	Sourcing, recruiting and retaining a pool of highly talented, experienced and committed bankers	Likert Scale
	Updating and revising the core competencies, knowledge skill sets of the banking professionals	

	Training and retraining of talented HR	
	Enhancing employee well-being	
	Attractive incentive and remuneration package	
	Target based Performance	
	Effective leadership	
Brand Management	High degree of customization by differentiation approach	Likert Scale
	Uniqueness drivers (To make/create difference)	
	Preferences	
	Needs	
	High Performing Corporate Culture	
	Strengthening of networking and relationship management	
	Customer Friendly Behavior	
Value Chain	TQM	Likert Scale
	Technology based distribution	
	ERP (Enterprise Resource Planning) functionally	
	Benchmarking with global trend	
	Automation	
Competitive Service Quality	Innovation in 9 quality parameters customized for banking sector focusing on PCBs in Bangladesh. (Time, Timeliness, Completeness, Courtesy, Consistency, Accessibility, Convenience, Accuracy, Responsiveness)	Likert Scale

Appendix 2: Questionnaire for Quantitative Study

SURVEY QUESTIONNAIRE: AN INNOVATIVE GROWTH MODEL FOR COMPETITIVE DEVELOPMENT OF PRIVATE COMMERCIAL BANKS OF BANGLADESH

SECTION A: IDENTIFICATION DATA

Name: _____

Bank Name: _____

Area of work: _____

Contact No. (Optional): _____

E-mail (Optional): _____

This survey is being conducted as part of the Doctor of Business Administration, a research-based doctorate degree equivalent to Ph.D. in Business Administration. The survey aims for developing an innovative growth model for local private commercial banks (PCBs) of Bangladesh after identifying and analyzing components, determinants and constraints of growth factors for competitive development of private commercial banks (PCBs). The survey also tries to find out the future prospects of the industry. Your honest response to this questionnaire is highly appreciated.

OBJECTIVE OF THE SURVEY

The objective of the survey is to identify and analyze the major determinants of along with the significant constraints to the competitive growth of private commercial banks (PCBs) of Bangladesh so as to develop an innovative growth model for competitive development for the growth of PCBs at national, regional and global level

No.	Statement	Strongly Disagree	Disagree	Neither Agree nor	Agree	Strongly Agree
		1	2	3	4	5
a.	Competitive Product/ Services					
1	New product development is important for tapping the mass market for competitive growth of PCBs.					
2	Innovation in deposit product plays a significant role in the competitive growth of PCBs at national level.					
3	Innovation in deposit product plays a significant role in the competitive growth of PCBs in South Asian region.					
4	Innovation in deposit product plays a significant role in the competitive growth of PCBs globally.					
5	Innovation in Loan product plays a significant role in the competitive growth of PCBs at national level.					
6	Innovation in Loan product plays a significant role in the competitive growth of PCBs in South Asian region.					
7	Innovation in Loan product plays a significant role in the competitive growth of PCBs globally.					
8	The present scenario of PCBs in Bangladesh has good growth potentials.					
b.	Innovative & Efficient Process					
9	Innovation in using technology/ IT has an important role for competitive growth of PCBs.					
10	Continuous technological improvement is necessary for competitive growth of PCBs.					
11	There are untapped aspects of innovation in banking sector beyond mobile banking, agent banking or internet banking for competitive growth of PCBs.					
c.	Organizational Restructuring					
12	The vision, mission and values of private commercial banks are important for achieving competitive growth of PCBs.					
13	Appropriate Organizational structure is an important factor for competitive growth of PCBs.					

No.	Statement	Strongly Disagree	Disagree	Neither Agree nor	Agree	Strongly Agree
		1	2	3	4	5
14	Best practice international banking standards and benchmarking are important for competitive growth of PCBs.					
	d. Value Chain					
15	Innovation in distribution channel has an important role for competitive growth of PCBs.					
16	R&D department plays a vital role for competitive growth of PCBs.					
17	Strengthening of management information system is an important element for competitive growth of PCBs.					
18	System and Software development should have firewall system for security for competitive growth of PCBs.					
19	Digitalization is important to attract tech savvy generation for competitive growth of PCBs.					
20	Management needs to focus on reducing operation costs for competitive growth of PCBs.					
	e. Competitive Service Quality					
21	Innovation in faster, cost saving, and customer friendly processing has an important role for competitive growth of PCBs.					
	f. Good Governance					
22	Securitization of loan is an important element for competitive growth of PCBs.					
23	Sufficient resources need to be allocated for the implementation of business strategies for competitive growth of PCBs.					
24	Negative political influence is an obstacle for competitive growth of PCBs.					
	g. Competitive Human Resource Management					
25	Adequate reward and incentive system play important role for competitive growth of PCBs.					
26	Continuously revising, updating and acquisition of the relevant professional skills and competencies for 21 st century are important for competitive growth of PCBs.					

No.	Statement	Strongly Disagree	Disagree	Neither Agree nor	Agree	Strongly Agree
		1	2	3	4	5
27	Recruitment of talented top management is an essential for competitive growth of PCBs.					
28	Recruitment of talented mid management is an essential for competitive growth of PCBs.					
29	Attractive remuneration and incentive package for recruitment is an important factor for competitive growth of PCBs.					
30	Recruitment of talented entry level managerial personnel is essential for competitive growth of PCBs.					
31	Target based performance culture is important for competitive growth of PCBs					
32	Result oriented teamwork and target-based performance culture are important factor for competitive growth of PCBs.					
	h. Strong & Healthy Corporate Culture					
33	Effective implementation of high ethical standard is an important element for competitive growth of PCBs.					
34	Strong corporate culture of the organization is an important element for competitive growth of PCBs.					
	i. Brand Management					
35	Transfer and acquisition of new banking technology and knowledge from world class commercial banks are important for competitive growth of PCBs.					
36	Minimization of cost of fund is important for offering competitive pricing.					
37	Optimum utilization of macro-economic opportunities is essential element for competitive growth of PCBs.					
38	Continuous market development is an important for competitive growth of PCBs.					
39	Core banking functions should be focused for competitive growth of PCBs.					
40	Strengthening, screening and monitoring services for quality business portfolio is an important element for competitive growth of PCBs.					
	Remarks (if any)					

SECTION B: CLASSIFICATION DATA

a. Gender of the respondent: _____

b. Position in the institution: _____

c. Educational Qualifications: _____

Thank you for participating in the survey. Your efforts are highly appreciated.

Appendix 3: Questionnaire for In-Depth Interviews (IDIs)

INTERVIEW: AN INNOVATIVE GROWTH MODEL FOR COMPETITIVE DEVELOPMENT OF PRIVATE COMMERCIAL BANKS OF BANGLADESH

SECTION A: IDENTIFICATION DATA

Name: _____

Bank Name: _____

Area of work: _____

Contact No. (Optional): _____

E-mail (Optional): _____

This survey is being conducted as part of the Doctor of Business Administration, a research-based doctorate degree equivalent to Ph.D. in Business Administration. The survey aims for developing an innovative growth model for local private commercial banks (PCBs) of Bangladesh after identifying and analyzing components, determinants and constraints of growth factors for competitive development of private commercial banks (PCBs). The survey also tries to find out the future prospects of the industry. Your honest response to this questionnaire is highly appreciated.

OBJECTIVE OF THE SURVEY

The objective of the survey is to identify and analyze the major determinants of along with the significant constraints to the competitive growth of private commercial banks (PCBs) of Bangladesh so as to develop an innovative growth model for competitive development for the growth of PCBs at national, regional and global level

Open Ended Questions:

1. What are the factors, do you think that banks may address for profitable growth?
2. What are the responsibilities that a banker should perform for achieving sustainability of the PCBs?

3. How do you link the organization culture with the growth factors of the PCBs?
4. What are the core business functions that PCBs should focus for competitive development?
5. What are the macro- economic opportunities presently available in the market that PCBs need to exploit in the optimal way for the growth?
6. What are the factors that PCBs need to focus for HR development for growth?
7. How do PCBs achieve synergic effort of different departments by minimizing bureaucratic complexity?
8. What are the market segments that PCBs need to focus for sustainable growth?
9. How do you give importance on strengthening specialization in screening and monitoring services for quality business portfolio?
10. How do PCBs strengthen the management information system for Database management system of growth?
11. How do you explain the low-cost foreign currency that is presently available in the market and that increases the liquidity in banking business operation?
12. How securitization of loans would be a factor for sustainable growth?
13. How R&D department play a role for PCBs growth?
14. How do you explain in context of present banking scenario for recruitment (contractual) of foreign expertise for transfer of knowledge?
15. What are the scopes of technological improvements for sustainable growth?
16. What are the core factors that help in reducing operation costs?
17. What are the international challenges PCBs may face to run the operation?
18. What are the strategies that PCBs may adopt for dealing with the global challenges?
19. What are the core components for System and Software Development for security development?
20. What are the constraints concerning development process in terms of international standards for business modeling, documentation and implementation?
21. How the banking system store or process any data worthy of protection for increasing service efficiency (e.g. How a customer may protect their password while using their mobile apps while they are using multiple apps (along with free apps which are risky for data transmission) in Smartphone)?

Appendix 4: Sampling Method

Population and Sampling:

Presently in Bangladesh 49 private commercial banks are in operation. The study has taken into consideration the following sampling frame:

- 32 check data of Private Commercial Bank- Local Conventional Banks (LCB)
- 8 check data of Private Commercial Bank- Local Islamic Banks (LIB)
- 9 check data of Private Commercial Bank- Multinational Banks (MNB)

Since all the banks are doing commercial banking operations, therefore total population is considered 49 banks.

Now, for the research, the following applications has been taken place-

- No. of LCB: $32 \times 0.33 = 11$
- No. of LIB: $08 \times 0.33 = 03$
- No. of MNB: $09 \times 0.33 = 03$

Therefore, the proportional sampling SBC of Commercial Banks is:

- Local Private Commercial Conventional Banks- 11 Banks
- Local Private Commercial Islamic Banks-03 Banks
- Multinational Private Commercial Banks- 03 Banks

Generation wise Proportional sampling SBC of Local Private Commercial Conventional Banks is:

- 1st Generation: $11 \times 7/32 = 2$
- 2ND Generation: $11 \times 5/32 = 2$
- 3rd Generation: $11 \times 10/32 = 4$
- 4th Generation: $11 \times 9/32 = 3$

We have selected 01 bank each form the first three generation of Islamic Banks

For the convenience we have selected Standard Chartered Bank, HSBC and Commercial Bank of Ceylon from the category of Multinational Bank.

Now $n= 357$ (By applying International Rule)

For the research survey, the questionnaire has been rotated the following way to 357 human resources of different Commercial Banks.

- No. of HR from LCB: $11 \times (357/17) = 231$
- No. of HR from LIB: $03 \times (357/17) = 63$
- No. of HR from MNB: $03 \times (357/17) = 63$

Therefore, total 231 human resources of 17 Local Commercial Conventional Banks, 63 human resources of 03 Local Commercial Islamic Banks and 63 human resources of 03 Foreign/Multinational Commercial Banks have been taken into consideration.

Sample size of each Bank irrespective of the generation and nature:

- Total HR/ Total Sample of Banks: $357 / 17 = 21$

Therefore, sample size of HR person from each bank of each generation as well as each nature is 21.

The sample banks are as follows

I	Local Private Commercial Conventional Banks	1	AB Bank Limited
		2	United Commercial Bank Limited
		3	Prime Bank Limited
		4	Eastern Bank Limited
		5	Bank Asia Limited
		6	Mutual Trust Bank Limited
		7	Brac Bank Limited
		8	One Bank Limited
		9	NRB Bank Limited
		10	Meghna Bank Limited
		11	Modhumati Bank Limited
II	Local Private Commercial Islamic Banks	1	Islamic Bank Bangladesh Limited
		2	Social Islami Bank Limited
		3	Shahjalal Islami Bank Limited
III	Multinational Banks	1	Standard Chartered Bank
		2	HSBC
		3	Commercial Bank of Ceylon

Appendix 5: SPSS Output for Regression Analysis between Time and Manpower

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.96
R Square	0.93
Adjusted R Square	0.93
Standard Error	10,605.92
Observations	40.00

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1.00	55,000,000,000.00	55,000,000,000.00	489.22	0.00
Residual	38.00	4,270,000,000.00	112,000,000.00		
Total	39.00	59,300,000,000.00			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	23,804.50	3,149.68	7.56	0.00
X Variable 1	2,705.08	122.30	22.12	0.00

	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	17,428.30	30,180.70	17,428.30	30,180.70
X Variable 1	2,457.49	2,952.66	2,457.49	2,952.66

Appendix 6: SPSS Output for Regression Analysis between Time and Net Profit

SUMMARY
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.780361667
R Square	0.608964332
Adjusted R Square	0.59867392
Standard Error	2091.11552
Observations	40

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	258770717.8	258770717.8	59.17783598	2.89922E-09
Residual	38	166165036.5	4372764.119		
Total	39	424935754.3			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	2106.058255	621.0065549	3.391362359	0.001635547
X Variable 1	185.4970874	24.11335028	7.692713174	2.89922E-09

	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-3363.220301	848.8962096	-3363.2203	848.8962096
X Variable 1	136.6821618	234.312013	136.6821618	234.312013

Appendix 7: Summary of Findings of Questionnaire Survey

SL No.	Statements	Mean
1.	The present scenario of PCBs in Bangladesh has good growth potentials.	4.45
2.	The vision, mission and values of private commercial banks are important for achieving competitive growth of PCBs	4.66
3.	New product development is important for tapping the mass market for competitive growth of PCBs.	4.74
4.	Innovation in deposit product plays a significant role in the competitive growth of PCBs at national level.	4.64
5.	Innovation in deposit product plays a significant role in the competitive growth of PCBs in South Asian region.	4.53
6.	Innovation in deposit product plays a significant role in the competitive growth of PCBs globally.	4.59
7.	Innovation in Loan product plays a significant role in the competitive growth of PCBs at national level.	4.69
8.	Innovation in Loan product plays a significant role in the competitive growth of PCBs in South Asian region.	4.56
9.	Innovation in Loan product plays a significant role in the competitive growth of PCBs globally.	4.50
10.	Innovation in distribution channel plays a significant role in the competitive growth of PCBs.	4.66
11.	Innovation in using technology/ IT plays a significant role in the competitive growth of PCBs.	4.80
12.	Innovation in faster, cost saving, and customer friendly processing has an important role for competitive growth of PCBs.	4.73
13.	There are untapped aspects of innovation in banking sector beyond mobile banking, agent banking or internet banking for competitive growth of PCBs.	4.64
14.	Core banking functions should be focused on competitive growth of PCBs.	4.57
15.	Securitization of loan is an important element for competitive growth of PCBs.	4.63
16.	Appropriate Organizational structure is an important factor for competitive growth of PCBs.	4.69

17.	Best practice in international banking standards and benchmarking are important for competitive growth of PCBs.	4.26
18.	R&D department plays a vital role for competitive growth of PCBs.	4.17
19.	Continuous technological improvement is necessary for competitive growth of PCBs.	4.77
20.	Strengthening, screening and monitoring services for quality business portfolio is an important element for competitive growth of PCBs.	4.70
21.	Sufficient resources need to be allocated for the implementation of business strategies for competitive growth of PCBs.	4.73
22.	Adequate reward and incentive system play an important role for competitive growth of PCBs.	4.71
23.	Management needs to focus on reducing operation costs for competitive growth of PCBs.	4.47
24.	Negative political influence is an obstacle for competitive growth of PCBs.	4.73
25.	Strong corporate culture of the organization is an important element for competitive growth of PCBs.	4.66
26.	Effective implementation of high ethical standard is an important element for competitive growth of PCBs.	4.73
27.	Result oriented teamwork and target-based performance culture are important factor for competitive growth of PCBs.	4.71
28.	Strengthening of management information system is an important element for competitive growth of PCBs.	4.73
29.	System and Software development should have firewall system for security for competitive growth of PCBs.	4.78
30.	Digitalization is important to attract tech savvy generation for competitive growth of PCBs.	4.65
31.	Continuously revising, updating and acquisition of the relevant professional skills and competencies for 21st century are important for competitive growth of PCBs.	4.72
32.	Transfer and acquisition of new banking technology and knowledge from world class commercial banks are important for competitive growth of PCBs.	4.66

33.	Minimization of cost of fund is important for offering competitive pricing.	4.70
34.	Optimum utilization of macro-economic opportunities is essential element for competitive growth of PCBs.	4.64
35.	Continuous market development is an important for competitive growth of PCBs.	4.73
36.	Recruitment of talented top management is an essential for competitive growth of PCBs.	4.73
37.	Recruitment of talented mid management is an essential for competitive growth of PCBs.	4.74
38.	Attractive remuneration and incentive package for recruitment is an important factor for competitive growth of PCBs.	4.77
39.	Recruitment of talented entry level managerial personnel is essential for competitive growth of PCBs.	4.81
40.	Target base performance culture is important for competitive growth of PCBs.	4.81

Appendix 8: Banking Industry Performance Overview (1997-2017)

Period	Net Profit After Tax	Change in Net Profit After Tax	Total Manpower	Change in Total Manpower
1972	1.24		16956	
1973	6.75	4.44	20634	0.22
1974	8.17	0.21	23517	0.14
1975	13.11	0.60	25628	0.09
1976	9.18	-0.30	29451	0.15
1977	13.22	0.44	36078	0.23
1978	14.21	0.07	43145	0.20
1979	19.98	0.41	48613	0.13
1980	22.33	0.12	52245	0.07
1981	23.83	0.07	55377	0.06
1982	41.41	0.74	54052	-0.02
1983	53.44	0.29	59916	0.11
1984	80.71	0.51	66837	0.12
1985	77.37	-0.04	69198	0.04
1986	68.64	-0.11	72317	0.05
1987	81.24	0.18	73298	0.01
1988	75.05	-0.08	77535	0.06
1989	45.76	-0.39	80283	0.04
1990	-24.30	-1.53	81705	0.02
1991	-218.31	7.98	81730	0.00
1992	-209.79	-0.04	81894	0.00
1993	25.69	-1.12	83594	0.02
1994	101.94	2.97	83486	0.00
1995	259.69	1.55	84852	0.02
1996	258.32	-0.01	85887	0.01

1997	295.46	0.14	86042	0.00
1998	301.80	0.02	87738	0.02
1999	311.48	0.03	88011	0.00
2000	555.01	0.78	89346	0.02
2001	812.53	0.46	90981	0.02
2002	702.75	-0.14	89810	-0.01
2003	820.24	0.17	92614	0.03
2004	-776.22	-1.95	93768	0.01
2005	215.48	-1.28	94845	0.01
2006	-2860.26	-14.27	99487	0.05
2007	1909.98	-1.67	99639	0.00
2008	4854.76	1.54	102478	0.03
2009	5587.85	0.15	113234	0.10
2010	7853.91	0.41	121932	0.08
2011	9579.65	0.22	132811	0.09
2012	-1095.08	-1.11	143073	0.08
2013	8367.35	-8.64	147267	0.03
2014	8444.49	0.01	153691	0.04
2015	8207.53	-0.03	154904	0.01
2016	8096.36	-0.01	160024	0.03
2017	9293.22	0.15	162741	0.02

Appendix 9: List of Existing Banks in Bangladesh

Scheduled Banks are licensed under the Bank Company Act, 1991 (Amended up to 2013).		State Owned Commercial Banks		Specialized Banks		Private Commercial Banks		Islamic Shariah based Commercial Banks		Foreign Commercial Banks
	1	Agrani Bank Limited	1	Bangladesh Krishi Bank	1	AB Bank Limited	1	Al-Arafah Islami Bank Limited	1	Bank Al-Falah Limited
	2	Janata Bank Limited	2	Bangladesh Samabaya Bank Ltd	2	Bangladesh Commerce Bank Limited	2	EXIM Bank Limited	2	Citibank N. A
	3	Rupali Bank Limited	3	Rajshahi Krishi Unnayan Bank (RAKUB)	3	Bank Asia Limited	3	First Security Islami Bank Limited	3	Commercial Bank of Ceylon PLC
	4	Sonali Bank Limited	4	Ansar-VDP Unnayan Bank	4	BRAC Bank Limited	4	ICB Islamic Bank Limited	4	Habib Bank Limited
	5	Bangladesh Development Bank	5	Karmashangosthan Bank	5	City Bank Limited	5	Islami Bank Bangladesh Limited	5	National Bank of Pakistan
	6	BASIC Bank Limited	6	Probashi Kollayan Bank	6	Dhaka Bank Limited	6	Shahjalal Islami Bank Limited	6	Standard Chartered Bank
			7	Palli Sanchay Bank	7	Dutch-Bangla Bank Limited	7	Social Islami Bank Limited	7	State Bank of India
					8	Eastern Bank Limited	8	Union Bank Limited	8	Woori Bank
				9	IFIC Bank Limited			9	HSBC Bank	

			1 0	Jamuna Bank Limited			
			1 1	Meghna Bank Limited			
			1 2	Mercantil e Bank Limited			
			1 3	Midland Bank			
			1 4	Modhum oti Bank Limited			
			1 5	Mutual Trust Bank Limited			
			1 6	National Bank Limited			
			1 7	National Credit & Commer ce Bank Limited			
			1 8	NRB Bank Limited			
			1 9	NRB Commer cial Bank Limited			
			2 0	NRB Global Bank Limited			
			2 1	One Bank Limited			
			2 2	Premier Bank Limited			
			2 3	Prime Bank Limited			

				24	Pubali Bank Limited			
				25	South Bangla Agriculture & Commerce Bank Limited			
				26	Southeast Bank Limited			
				27	Standard Bank Limited			
				28	The Farmers Bank Limited			
				29	Trust Bank Limited			
				30	United Commercial Bank Limited			
				31	Uttara Bank Limited			
				32	Shimanto Bank Ltd			
Non-Scheduled Banks are licensed only for specific functions and objectives, and do not								

offer the same range of services as scheduled banks.)										
	1	Grameen Bank								
	2	Jubilee Bank								

Appendix 10: Local Commercial Banks with Incorporated Date

Bank's Name	Incorporated Year/ Date
Period (1980-1990)	
AB Bank Ltd	12 April, 1982
City Bank Ltd.	27 March,1983
National Bank Ltd.	28 March, 1983
Pubali Bank Ltd.	1983
IFIC Bank Ltd.	1983
UCB Bank Ltd.	26 June, 1983
ICB Islami Bank Ltd.-(IB)	20 May, 1987
Islami Bank Bangladesh Ltd. -(IB)	13 March, 1983
Uttara Bank Ltd.	1983
Period (1991-2000)	
Eastern Bank Ltd.	1992
NCC Bank Ltd.	1993
Prime Bank Ltd.	17 April, 1995
Southeast Bank Ltd.	25 May, 1995
Al-Arafah Bank Ltd. -(IB)	27 September, 1995
Social Islami Bank Ltd. -(IB)	22 November, 1995
Dhaka Bank Ltd.	5 July,1995
Dutch-Bangla Bank Ltd.	1995
First Security Islami Bank Ltd. -(IB)	29 August, 1999
Bangladesh Commerce Bank Ltd.	1 June, 1998
Bank Asia Ltd.	1999
Mercantile Bank Ltd.	20 May,1999
Mutual Trust Bank Ltd.	29 September 1999
One Bank Ltd.	1999
Premier Bank Ltd.	10 June, 1999
Standard Bank Ltd.	3 June,1999
Trust Bank Ltd.	1999
EXIM Bank Ltd-(IB)	3 August 1999
Period (2001-2017)	
Brac Bank Ltd.	2001
Jamuna Bank Ltd.	2001
Shahjalal Islami bank Ltd. -(IB)	10 May, 2001
Meghna bank Ltd.	21 April, 2013
Midland Bank Ltd.	20 March,2013
NRB Bank Ltd.	2013
NRB Commercial Bank Ltd.	2April 2013
NRB Global Bank Ltd.	23 October 2013
SBAC Bank Ltd.	2013
The Farmers Bank Ltd.	3 June 2013
Union Bank Ltd. -(IB)	2013
Shimanto Bank Ltd.	21 July 2016
Modhumoti Bank Ltd.	

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