Case Study on
Impact of COVID-19 on the Banking Sectors of Bangladesh

By

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A case study submitted to BRAC Business School in partial fulfillment of the requirements of the degree of MBA

BRAC Business School

BRAC University

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Declaration

Hereby declared that,

1. The case study report is my own original work whilst completing degree at BRAC University that I submitted.
2. My case study report does not include material before published or written by a third party, apart from where this is properly cited throughout full and exact referencing.
3. My case study report does not include material which has been accepted or submitted for any other degree or diploma at a university or other organization.
4. In my case, I have acknowledged all major sources of help.

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Letter of Transmittal

Dr. Salehuddin Ahmed
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BRAC Business School (BBS)
BRAC University.
Mohakhali 66, Dhaka-1212

Subject: Submission of a Case Study Internship Report.

Dear Sir,

With humble respect, I would like to inform you that, I am a student at BRAC University's BRAC Business School (BBS). It is a great pleasure to submit the Internship Case Study titled **'Impact of COVID-19 on the Banking Sectors of Bangladesh'** which was conducted as part of the BUS-699 course requirement. Your guidelines have been followed in all aspects of preparation and have done my best to create an effective case study. The internship case study report focuses on the theoretical and practical knowledge that I acquired in my MBA program.

I have attempted my best to complete the case study report with relevant information and academic guidelines provided. And as possible I have tried to do in a presentable manner. I trust that, the case study will meet the desires and I hope this satisfies your requirements. Any inquiry on this case is welcome.

Sincerely yours,

____

Faria Jahan Nusrat
ID: 19364041
BRAC Business School,
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Date: January 9th, 2022

Acknowledgement

First and foremost, I would like to thank the Almighty Allah for giving me the opportunity, strengths and potency to complete my Internship Case Study Report in this pandemic situation.

I am grateful to the entire BBS Department of BRAC University for organizing the Internship and providing enormous support and guidance for my Internship case study. I am glad to complete the report successfully with the combination of theoretical knowledge with reality. And especially thanks to my academic supervisor- Dr. Salehuddin Ahmed, Professor, BRAC Business School (BBS), BRAC University, wholeheartedly for the encouragement, guidance, techniques and valuable guidance.

I would not have been able to complete this internship case study report without the help of the above people and different online sources mentioned in the reference part.

Executive Summary

The preparation of this Case Study Report was done to pass the MBA program of BRAC University. The case study has been done to see how Covid-19 impacted the Banking Sectors particularly in Bangladesh. I have talked to many employees of different banks as respondents and got advice, gathered information about the change & solutions. Those banks are- Trust Bank Ltd, UCB Bank Ltd., Mutual Trust Bank Limited, Sonali Bank Limited, Eastern Bank Ltd., City Bank Ltd, Islami Bank Bangladesh Ltd, BRAC Bank Limited etc.

Covid-19 is an invisible disease that has spread around 188 countries of the globe and is affecting individuals physically, economically and psychologically. The COVID 19 not only creates panic in China, but also in developing countries like Bangladesh. Corona virus pandemic situation puts the world financial system at danger. Individual, monetary and community life has fallen upon a widespread risky situation for COVID 19 pandemic. There are many obstacles facing Bangladesh to control the spread of the virus. As a result, corona virus pandemic problems have hindered the development, left people jobless in many sectors and caused a major global economic crisis. The case study found, Covid19 has numerous effects on banking sectors in Bangladesh & the economy. Bangladesh's banking sector is facing huge tax shortfalls, rising bad loans, individual investments and falling operating profits, while at the same time risky closings for lockdown. Bank employees are severely affected by the performance of their daily basis activities. Since the disease can spread through the air, workers' daily life is being hampered & spends their daily routine activities with enormous fear.

The case study report first presents the general effects of the pandemic on various banking sectors and therefore analyzes how it affects our economic progress.

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I. The Objectives of the Case Study

The banking sector is the key player in any country's economic activities. Here from the case study, I will try to identify the impact of COVID19 on the banking sector of Bangladesh & how its affect our country's economy. We know that the banking sectors are interrelated with the financial system and the superior power of these sectors in not only one's personal procedures but also depend on the improvement of all other sectors in the country. The banking sector struggled before the situation of COVID19 from the unfulfilled loans and lowered the margins in a sealed interest system; the deterioration of various indicators for efficiency, the administration directed the reformation of loans and reduced demand for services etc. Currently, the COVID19 has put the organization under greater anxiety.

Additionally, my case study has some following objectives. They are -

- Identify the effects of Covid-19 disaster condition on the Bangladesh banking sectors.
- Here I analyze the impact of risks on Bangladesh's banking sector in times of pandemic.
- Describe how banks in Bangladesh face great uncertainty and skepticism, particularly regarding loan repayments from their customers when their business activities are in disarray.
- In order to identify Nonperforming loans that leave the banks but do not end up in their files again, they are accused of falling monetary adequacy.
- When banks' bad loans rates are high, it ultimately reduces banks' lending power and increases risks for shareholders.
- Suggest some alternative courses of action with political implications and recommend some possible solutions to overcome the problem areas identified.

II. Requirements & Standards

A. Introduction

In March 2020, Covid19 was confirmed to have spread in Bangladesh. As a result, management announces lockdown all over the nation. Mainly Financial risk happened in banking sectors of Bangladesh due to corona virus pandemic disaster. Banks are at growing risk for credit and default. The banking sector of the country is currently facing numerous challenges. Such as: decreasing lending rate to a single digit, bring down advance-deposit ratio, tackling fraud, ensure good supremacy, maintain sufficient liquidity, stimulating and retain depositors' self-assurance destabilized by scam, exasperating deposit interest rate, bankruptcy rumors, and the recovery of huge defaulted loans. The biggest challenge, however, is collecting overdue loans. The Bank of Bangladesh received an opinion that the number of banks in Bangladesh is sixty one (61). There six State-Owned Commercial Banks (SOCBs), three Specialized Banks (SDBs), nine Foreign Commercial Banks in Bangladesh & 43 Private commercial banks . Public and Private both banks had 10,578 bank branches nationwide during the state through last November 2019.During the COVID 19 pandemic period most of the branches of these banks were closed. For the duration of the difficult time, a quantity of branches was opened with special care but transactions were limited and restricted. Commercial bankers affected 27,237 by the corona virus and 143 bankers died from Covid19 (as of June 2021) as of banking data. The Bangladesh Banking sector was already suffering miserably from non performing loans and will be compounded by this outbreak over the next few years. The NPLs volume rose by more than 7% to Taka 950.85 billion in the period January-March 2021 from Tk. 887.34 billion in the preceding section regardless of political support from the central bank in relation to credit categorization. Credit growth in the private sector slowed in April 2021 year on year continued to 8.29 percent compared to 8.79 percent a month ago, mainly due to the second wave of the Covid19 pandemic.

In this situation, the Bank of Bangladesh rules are necessary to start talking about and the reality is indirectly and directly related to large borrowers. This situation is vital to concentrate the beginning assist rules used for feasible go down of huge credits that are vital for sustainability because of fact various folks, recessive linkage, SMEs are indirectly and without holdup connected with huge credit score debtors. In September 2019, NPLs totaled a record Taka 116,288 core in banking sectors. Consistent with the Bank of Bangladesh, bank deposits cut down to Taka 12, 28,000 cores at the end of this April as of Taka 1253, 600 cores in January 2020. The banking sector is facing liquidity problems to balance deposits and decreasing problems in collecting credit.

There is a need to analyze the economic impact of the corona virus pandemic particularly in the banking sectors.

Corona virus statistics on Bangladesh as of December 05, 2021; [IEDCR, 2021]

Total Confirmed	**Total Recoveries**	**Total Death**
1,577,443	**1,542,274**	**28,001**

B. Background

Covid19 affects form and mind, contravening the perception of the globe economy with the worldwide village. Still the biological sciences of the world are deteriorating to contain the disease. Bad loans are the major difficulties and challenges facing the banking sector in Bangladesh. Intelligence ascendancy & politics are major factors in keeping banking trade unsatisfied. Corona virus is hindering the ordinary actions of the agro related economy in Bangladesh. As a result, the significance of agricultural harvest decreases and is not sold. Ultimately, farmers suffered heavily. In this situation, they create a force to repay credits. Bad loans were the main cause of a bank's liquidity squeeze. Assuming GDP to be $ 334 billion, based on 2020 fiscal year GDP in the 2021 national budget documents. A large range of services banks offer together in retail and commercial sectors. Because of the diversity of the services offered by the banking industry, the banking industry carries a high level of risk. Utmost risk in the economy shows a crisis in the banking sector is more than 75 percent of those surveyed. Central bank allowed listed banks to reschedule past due loans of 50,000 cores Taka previous year, lowering the official NPLs rate to 9.32 percent. They are blamed for the worsening financial condition of banks. The cumulative non-performing loans from six state-owned commercial banks currently amount to Taka 43,836 core compared to a combined total of Taka 49,191 core from 42 private commercial banks.

Bad loans of high rate decrease the bank’s ability to loan more money and raise risks for shareholders. Additionally, recent management restricting banks' interest charge to a maximum of 9% on loans & 6% on deposits have also heightened fears for liquidity imbalances in the banking sector and added delay in enlargement, especially for SMEs businesses. The International Monetary Fund (IMF) is discussing how bad loans are really much superior.

As well, the unnecessary flow of finances from the bank sector to the supervision segment and the Government's attempt toward seizing unused funds from government agencies in banks are also seen as elements of further deterioration. Authority is the solution matter in the banking sector, where non-performing loans rose to nearly 12% of whole excellent loans by 2019 September.

C. Evaluation of the Case

Various key issues:

The Economy's backbone is called banking sectors, moreover the fitness of any financial system is unswervingly connected to the fiscal strength of its banks. Minimizing these risks is dangerous to maintaining fitness of banks and in essence, health of the financial system. It is significantly designate conscious of these risks that reduce them. For example the COVID19 pandemic has caused a variety of disruption to the wealth and thus brings several risks. Banks generally reclaim more than Taka 2,000 core of their overdue loans every quarter, but their efforts ran into a hurdle when Covid19 hit the country's shores in March last year. The bad loans stood at Taka 95,085 core as of March, up 7.1 percent more than three months earlier and 2.8 percent annually.

The current epidemic has exacerbated risks to Bangladesh's fiscal solidity due to high levels of non-performing loans, weak funds buffers and poor supremacy and risk supervision by banks. Decreased profitability, weaker asset quality and lower credit growth can have a big impact on the real economy in the second round. In accordance with lessons titled 2020-Bangladesh Capital Market Sentiment Survey, GDP growth slowed sharply to an estimated 2.4% in fiscal year 2020. Banking sector is apparent because of the main danger in the financial system of Bangladesh, after that reduced confidential credit enlargement, financial misconduct as well as weak export.

To beat the harmful export growth, more than 60% recommended diversifying the export basket; only 18% would stimulate the clothes business plus 21% called for the exchange to be devalued. Above 58% of respondents anticipate the Bangladeshi Taka toward devaluation against the U.S. dollar into 2020, as they mainly expect no major changes in the countries foreign swap funds.

In addition, 73.5 percent surveyed believe that inflation will continue to rise in 2020, while 53 percent fear a further deterioration in the liquidity situation on the money market and an increase in the cost of credit. Concerning 52% consider single digit charge will be implemented this year and 57.6 percent fear confidential credit growth will not recover in 2020-related to community health and nationwide efficiency.

Evaluate key issues:

The banking sector is an essential part of the financial system. The strength of the banking division depends on the governance of bank and development of all other related divisions. Corona virus has unfortunately attacked the financial sector of Bangladesh. Even before COVID 19, banks struggled to adjust to the terms of Treasury Department guidelines, trying to reach a maturity of 6 percent interest taking place deposits and 9% on loans, declining margins, unprotected status of assets and capital markets dying long before the pandemic. As the impact of Covid-19 worsened, many large orders from RMG customers were canceled, a worrying situation for banks as they feared that many loans would default.

Banks are also exposed to liquidity risk. The Advanced Deposit Ratio (ADR) and Investment Deposit Ratio (IDR) were already high compared to the rate requested by the Bangladesh Bank. The agency had set a deadline, but most institutions were unable to lower the ADR below the expected rate. Due to the economic downturn, the flow of funds will decrease, leading to a new liquidity crisis. For now, banks need additional financing to implement the regulations announced by the government. These funds must be sold through the internal finances of the bank.

Public sector banks are also facing credit losses. China's financial and technical support for major projects such as Karnaphuli Road Tunnel, Padma Bridge, Rail Link, Bridge Project and Sustainable Urban Transport Projects for Dhaka Metropolitan Area is hampered. However, this temporary slowdown in public debt could open up the possibility of lending to the private sector. We look forward to seeing the effects of this opportunity.

Discussion of key issues:

Discussing the above data, the researcher noted that the banking sector in Bangladesh has been hit hardest by the pandemic as it is related to remittances and the exchange rate. The global pandemic if there is a sudden drop in transfers, it might be difficult to find an acceptable range for the exchange rate. Inappropriate foreign exchange rates would ultimately affect our checking account balance.

Bangladesh's continuing expansion project will certainly experience delays due to the current pandemic, which has high explicit and implicit expenses. So a huge drop in GDP growth rate is expected in fiscal year 2019-2020 that could affect the country's creditworthiness and risk profile.

D. List of questions central to the Case Study

Here the case study report, I will aspire to examine some subsequent questions. I have talked to many employees of different banks and got advice, gathered information about the change & solutions. Those banks are- Trust Bank Ltd, UCB Bank Ltd., Mutual Trust Bank Limited, Sonali Bank Limited, Eastern Bank Ltd., City Bank Ltd, Islami Bank Bangladesh Ltd, BRAC Bank Limited etc.

1. What is the current economic state of the banking sector?
2. What are the risk factors implicated in the banking sector in times of Covid19?
3. What Are the Major Risk Components of the Banking Sector in Bangladesh?
4. Why do banks in our nation like paper documents and physical dealings with clients so much?
5. How do you map the effects of the COVID19 pandemic on banks?

E. Proposed Solutions and Changes

Banking sectors the principal danger to Bangladesh financial system. To find solutions to the questions, here I did study various financial & banking websites, The Ministry of Finance, Bangladesh Bank statistics, articles, journals, news etc. **Additionally, I also spoke to many bankers as respondents and collected information. Those banks are-** Trust Bank Ltd, UCB Bank Ltd., Mutual Trust Bank Limited, Sonali Bank Limited, Eastern Bank Ltd., City Bank Ltd, Islami Bank Bangladesh Ltd, BRAC Bank Limited etc.

Overall several proposed solutions and changes I found based on the sources of information and persons I talked with regarding the questions, answers and suggestions that are discussed below-

<u>Some suggestions, solution and changes-</u>

- After raising a problem the management of Banks can identify the problem by analyzing both internal and external sources of that problem and later they discuss and plan to form a strategy where the main objective of the strategy is to support both mission and vision statement at the same time.
- The global economy has been hit by the COVID-19 pandemic (global pandemic), causing a contraction in business activity and an economic downturn. As a result, Bangladesh's banking sector is already subject to a variety of fraud and fraud, such as high delinquency loans and expanded loan repayments. In this situation, the industry is suffering as if adding salt to the wounds of the COVID-19 pandemic. New challenges lie ahead for the nation and the banking sector.
- Problem Loan Status NPL reached BDT 95.85 billion in January-March 2021, up more than 7% from the previous quarter's 887.3 billion, despite the central bank's support for its loan classification policy. BB also predicted that the deterioration in asset quality due to high NPL rates and poor profitability conditions could further worsen the banking sector's performance in the next quarter.
- Addressing long-term structural challenges could step up recovery from COVID-19. Reform priorities include diversifying exports outside of the RMG sector, deepening the financial sector, improving urbanization and strengthening public administration. Closing the infrastructure gap can accelerate growth and close the opportunity gap between

regions and cities. Human capital development also remains a top priority. Bangladesh's human capital index is above the South Asian average but below the level seen in the comparative countries. Eliminating vulnerability to climate risks will support the resilience of economic development to future shocks. A pivot to green growth can support the sustainability of development outcomes for future generations. With the right policies and timely measures, Bangladesh can step up its recovery from recession and continue its progress towards above-average status.

- Banks should maintain focus on customers' requirements to help them recover from the impact of COVID 19. Likewise, banks must adjust their operating modals to drive efficiency and flexibility. Additionally the banking sector continues to fill a huge credit gap by offering tolerance and giving customers superior access to credit facilities. The Banking sector distributes a variety of governments' monetary packages. Banks require ease savings chances previous than disbursing any sparkling aids which would assist to address the expanding non-performing loans.
- For the consequences of rising NPLs and growing concerns about additional risk in the market, banks need to reassess their existing loan portfolio where an increase in credit exposure may need to raise more capital to cope with the increased credit exposure. The extra capital requirement will be a major complexity for everyone, especially new banks and historically troubled banks. Banks, even the most decentralized and branch-centric, are emerging to inspire the practice of online platform based networks and services that have never been their willful priority. The current situation is particularly complex, banks must use this time by showing real closeness and empathy towards their customers. The thought of customer service is becoming more tangible than ever before and it is making

banks even more influenced to speed up digital transformation through partnerships with the fin-tech community. The importance of developing a business stability management process has increased significantly due to the consequences of Covid19. The benefits of technological innovation help us ensure business continuity for the banking sector.

COVID 19 has a numerous effect on the economy and on the banking sector in Bangladesh. As a result the management of banking sectors can revise the strategic plan by adding or ignoring any issues. When the plan is useful, it could definitely bring a positive and effecting change in the organization. Changes may come only when the management is fully cooperative to employees in every possible way to ensure a peaceful environment.

Question 01- What is the current economic state of the banking sector?

Answer 01- For Covid-19, thousands are dying each day, leading to irrecoverable losses of human capital. The IMF said that the economy of the world will shrink by at least 3% in 2020, which is the worst after the Great Depression of 1930.

Solutions and changes

I analyze some financial data from banks and realize that economic growth of Bangladesh is badly hampering the Covid19 pandemic. The main engine is banks of economic activity in Bangladesh. At this critical moment of the lock-in period, payments are considered essential payment services and loan installments that have been closed. Thus, banks are faced with a financial situation and then NPLs rise. Due to the increase in defaults once a year, the credit risk of banks increases. The Bangladeshi government recently adopted an alternative to the single interest rate on loans and all the banks have already implemented it. This move will help borrowers, but it will drastically reduce bank profits. Now the people of Bangladesh are affected by a Covid19 pandemic. Income is the requirement of saving and saving offers investment opportunities. The result of the last word is that individual savings decrease. A different excuse is that people are generally not interested in saving a lot of money in banks because banks pay less interest than post offices or the like. Mobile banking, online banking, agent banking, and ATM support help people keep transactions and manage the things they need in their lives, but not all banks offer that kind of assistance. Customers enjoy cellular phone banking, digital banking techniques and Agent banking systems all over the country, but most ATMs are located in branches at district level.

Question-02 - What are the risk factors implicated in the banking sector in times of Covid19?

Answer 02:

It is essential to reveal some important factors that increase the risk of the banking sector during the period Covid19.Figure 1 illustrates the key factors that increase the monetary risk of the banking segment.

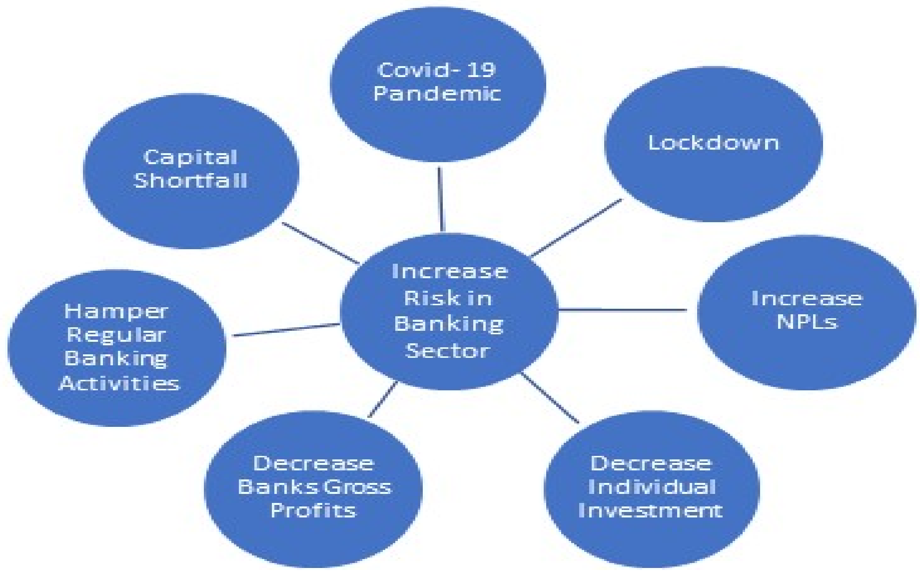

Figure 1: Factors that increase the banking sector's fiscal risk

Suggested solutions and changes

Rising Bad Debt Bangladesh: The banking industry has faced a number of challenges lately such as single digit charges, low deposit rates, bankruptcy, dishonesty, lack of superior supremacy, rumors, lack of liquidity, low depositor confidence, low deposit rate and overdue loan items. The biggest challenge is collecting overdue loans. Along with the Bangladesh Bank last December, the total volume of Taka, which stood at 10.18 trillion, corresponded to overdue loans. Of these loans, Taka 943.31 billion was bad debts.

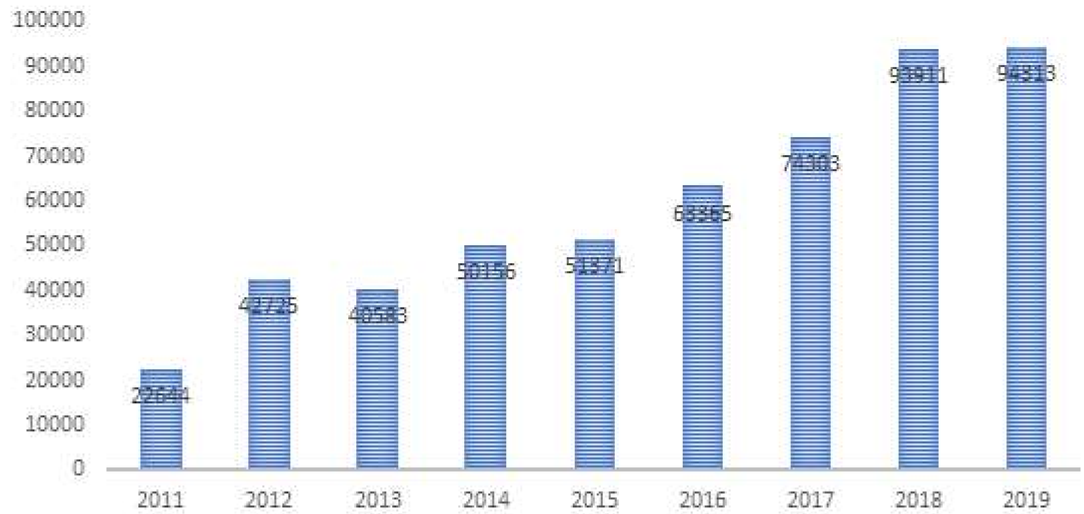

Figure 2: Represent of bad debts at Taka core (2011-2019)

The ratio of gross bad debts to the bank's total bad loans was 9.32% in December 2019. This proportion has increased every year 2011-2019, otherwise in 2013, South Asia topped the list of default rates. A credit report of 11.4% was expected for 2019. From Figure 02, last year 50,186 cores Taka have been restructured and so far the loan breakdown. From Bangladesh Bank (BB) statistics, at the beginning of 2019; it is profitable to achieve 94,313 Cores Taka and about 0.42 percent annually.

Declining operating profit: The offensive of the terrible and horrible Covid19 epidemic has wreaked havoc on state-owned commercial banks in Bangladesh. There are 11 state-of-the-art banks, specialized banks and unchanged banks that lose out of the confusion of TAKA 3.239 cores due to the April suspension of interest on all loans and a pending pandemic. The loss for the banks is increasing because the installment payments for disbursed loans have been postponed to June 2020. In the case of cash collection fees, there are also no service fees from various banks. At an alarming rate since the transactions within the exchange were reduced to lockdown, the income of this sector has declined for this reason. As a result of Covid-19 pandemic effect, Govt. Banks face the loss of TAKA 7,717.15 cores expected from the division of Fiscal Institutions under the Ministry of Finance.

Table 01: Symbolizes the distress of Covid-19 Pandemic State Banks

State-owned Bank name	Bank's potential losses (Taka in Core)
Janata Bank Limited	2,533
Sonali Bank Limited	1,600
Agrani Bank Limited.	1,015
Rupali Bank Limited	856.9
Bangladesh Krishi Bank Ltd.	440
Basic Bank Limited.	319
Ansar- VDP Unnayan Bank Ltd.	316.25
Probashi Kallyan Bank Limited	247
Rajshahi Krishi Unnayan Bank Limited	179
BD Development Bank Ltd.	150
Karmasangsthan Bank Ltd.	61
Entire losses (TAKA)	**7717.15**

Table 02: (Symbolize operating profits for some Private Banks in January-June, 2020-21)

Operating Profits of banks for First Half-2020 & First Half-2021 (TAKA in Cores)		
Bank Name	**First Half-2020**	**First Half-2021**
Islami Bank Bangladesh Limited	1,007	1020
DBBL	417	504
Pubali Bank Limited	401	503
Bank Asia Limited	351	484
Southeast Bank Limited	342	472
Eastern Bank Limited	372	450
Mercantile Bank Limited	243	358
EXIM Bank Limited	317	340
NCC Bank Limited	290	328
IFIC Bank Limited	159	321
Dhaka Bank Limited	263	310
Al-Arafah Islami Bank Ltd.	305	310
Jamuna Bank Ltd.	262	301
Preier Bank Ltd.	186	301
Shahjalal Islami Bank Ltd.	247	280
Social Islami Bank Ltd.	175	227
NRBC Bank Ltd.	91	150
Modhumoti Bank Limited	124	127
South Bangla AgricultureBank Limited	70	80
Meghna Bank Limited	12	70

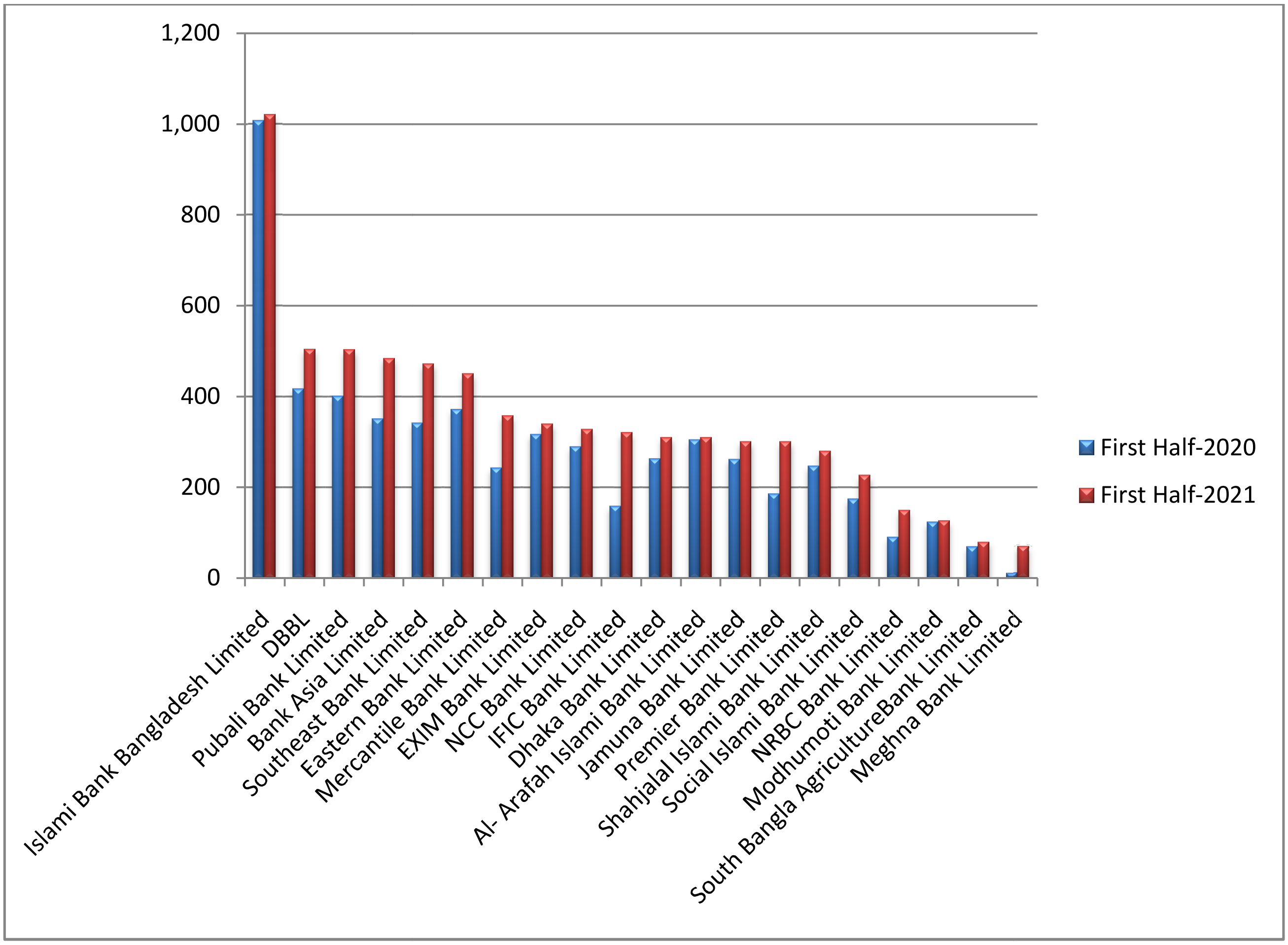

Figure 3: Comparison Operating Profits of banks for First Half-2020 & First Half-2021 (TAKA in Cores)

Banks in Bangladesh achieved a remarkable operating result in the first half of 2021 despite the slowdown in business caused by the corona virus pandemic. The lower deposit rate and moderate interest rate helped banks achieve the highest operating profits in January-June. Lenders managed a good return on its capital markets investment as stocks performed well over the period. The foreign exchange business also turned upside down and the banks received good commissions and fees for the sharp rise in exports and imports. Some banks might have shown their income from credits even if they did not receive an installment of the loans in the first half of the year. The BB allowed the banks in the first quarter before to provide customers with deferred support so that borrowers were not in default despite the default of the loan.

In such a situation, banks could have shown unrealized interest as income, which inflated earnings. Islami Bank Bangladesh achieved the highest profit of Taka 1,020 Core in the first half of the year, in contrast to Taka 1,007 Core in the same period of the previous year. Dutch-Bangla Bank formed the core of Taka 504, an annual increase of 21 percent. Both loan and deposit rates fell dramatically in the first six months due to the slowdown in business. However, the interest rate on savings fell faster than that on loans, which enabled lenders to obtain higher returns. Many banks are now mobilizing deposits at 34 percent interest, while they offer loans at 78 percent.

The interest rate differential, the difference between asset and liability rates, was 3.26 percentage points in May compared to 2.94 percentage points in the previous year. The revenue earned by the banks was much superior to predictable, given the declining development of the private sector credit growth. Credit growth was 8.29 percent in April, up from 8.82 percent annually. Some banks may have added your unearned interest to your income. The banks' export and import revenues increased significantly in the first half of the year, which helped the banks to achieve excellent profit growth. In addition, the construction of extensive infrastructures began despite the pandemic. Bank loans for projects are highly guaranteed and benefit from the segment. Southeast Bank had cut service expenses recently, which gave a boost to the revenue. The bank's profit rose 38 percent to the core of Taka 472. Then the bank credited deferred central bank support for the higher profit. Investing in the secondary bond market had made a significant profit for the bank. The lender's income rose 15 percent to the core of 301 taka. The bank has invested more than 10,000 Taka cores in the secondary market for bonds. Pubali Bank had taken several steps to keep its profits positive during the pandemic. Pubali Bank stood in the core of Taka 503, an annual increase of 25.43%.

<u>Reduce individual investments:</u> At the time of the Covid19 pandemic, most people suffered a lot. They are not carrying out their usual activities adequately. Industry, educational institutions, commercial organizations, financial and non-financial organizations are partially or fully closed during the embargo. After the blackout period, not all organizations seem to be doing their jobs well. Educational establishments are now completely closed. The government is a top priority to protect people from this pandemic. On the idea of the tariff in question, the kingdom declared a block in the red zone. Activities are partially or totally included in this area. Very often, people's regular income is reduced and they only use their savings to maintain their livelihoods. Some people stay at home and protect their families first. The bottom line is that banks are not receiving adequate deposits from their customers. BRAC is the largest NGO in Bangladesh that has investigated Covid19 with its own income. 95% of the populace across the country suffered and lost their gross earnings.

<u>Bank workers affected by Covid19 and interfering with normal banking activities</u>: Bank workers have been affected by Covid19 and interfering with regular banking activities. The Bank of Bangladesh took the bank staff into account and insured itself for those infected with COVID19 to work in the bank. In this state, 2,179 bank employees in numerous bank branches are infected with the virus, but most are recovering. Of these, thirty-six (36) employees died as a result of the Covid19 attack. Bankers have realized that large crowds at bank branches are the main reason for the increase in the rate of infection and death among bankers, but the rate of infection and death is increasing day by day.

<u>Question 03:</u> What Are the Major Risk Components of the Banking Sector in Bangladesh?

<u>Answer 03-</u> This is for the reason that economic information, including risky positions, can represent your perspective on current and potential investors and can influence your investment behavior. I do study and find out some major risks. Maximum risk weighted assets are held for the credit risk of the banking.

Figure 4: The major components of bank risk

Suggested solution and changes:

1. **Credit Risk**

Credit defaults have always been a major problem in the banking industry, as demonstrated by the catastrophic financial crisis of 2007-08 which began as a result of the credit risk inherent in the financial sector. Credit risks create a position where the borrower cannot pay the down payment or interest. Banks are the middleman where they take deposits from people in a small group but invest on a large scale, with net interest being their main source of income. Parties like the depositor and the borrower should stand on the same side and put more effort into collecting the loans. It has been found that over 50% of the risk arises from credit risk.

Instead of increasing the distribution of luxury goods, the credit quality should be further increased and the credit for importing quality goods should be further increased. The impact of credit risk on a bank's finances is determined by the structure of a bank's balance sheet, in particular the bank's capitalization indicates the extent to which losses can be incurred and insolvency avoided when loans exceed the value shown in the balance. Private Banks have loans disbursed twice as fast as deposits, which has caused a liquidity crisis in the country's private banks. The decision to lower the debt-to-deposit ratio and the equity ratio was approved. The danger that banks face depends on the power of the bank, a high leverage bank will face high risk, and a low leverage bank will face low risk. This means that a bank which has resources valuing its assets for 10 periods will be more indebted than a bank which has resources valuing its capital 5 periods and in the event of a crisis the least leveraged bank would have more capital to defend itself than the bank more leveraged Bank.

While the high-risk or high-leverage fiscal institutions seem able to investors due to their contribution of a higher ROE (Return on Equity) than low-risk or low-leverage monetary institutions that offer a higher ROA(Return on Assets) , in the case of understanding the risks incurred by banks. There is a greater likelihood that higher risk monetary institutions will go bankrupt.

The unusually high level of leverage used by these institutions was one of the main reasons for the monetary catastrophe of 2008-09, partly responsible for the formation of the credit bubble and then the obvious final explosion of the collapse of the sector benchmark bank.

Credit risk types:

- **Counterparty credit risk**: Counterparty risks may arise in connection with derivative and securities financing transactions.
- **Credit concentration risk:** The concentration of credit risk is a risk such as the distribution of exposures to a limited number of clients and business partners when the potential default of a relatively small group of counterparties or a only big consideration is due to a common underlying cause. Concentration of borrowers, concentration by economic sector, concentration of counterparties in commercial activities, etc.
- **Country risk:** Country risk refers to the potential losses that may arise as a result of an economic or political event, etc. occurring in a particular country, the event of that country, controlled by its government, but not by the lender / investor.

2. Marketplace risk

It means the possibility that those investment securities of a bank may not produce expected returns or the value of securities may fall. The bank has exposed market risk in various ways. The volatility of similar assets is affected by systematic risks in the financial markets;

alternatively, the individual asset is affected by a specific risk. All market operators are exposed to market risk and banks must put in place adequate guarantees to protect themselves from market risk throughout the year. Measuring market risk is very important because:

- Management decision
- Setting limits
- Use of resources
- Performance assessment
- Effectiveness of regulation

In the banking sector, four common types of market risk are identified:

<u>Types of market risk</u>

- Equity risk
- Exchange risk
- Interest charge risk
- Commodity risk

<u>03. Operational risk:</u>

Operational risk refers to the risk of losses linked to the operations of a bank's capital. It includes mixed risk due to radical actions, natural disasters, recklessness and human error, deceptive behavior by bank employees, etc. There isn't much that can be comprehensive to mitigate this risk.

In the circumstances of the current irregularities in the banking and financial sector, it is not possible to reconcile development and strong growth. This is why radical reform in this area takes time. Consuming year after year due to irregularities and corruption, the lack of good governance means that central banks control less for these banks has become increasingly difficult. Some troubled institutions are overdue with more than one public bank. Some companies, public banks and private banks, have defaults. However, many other institutions are not on the debt restructuring and reconstruction list and on the court's writings. In addition, banks have disqualified many institutions and blocked the financial records of their accounts. If these are measured, the default loan image will be even lower. The entity fell into disaster due to its loose supremacy policy, crude supervisory system and weak internal operational risk control strategy.

Operational risks types

- **Internal fraud:** Internal fraud includes embezzlement of assets, tax evasion, misidentification of positions, corruption, etc.
- **External fraud:** External fraud includes information theft, damage caused by hacking, theft and counterfeiting by third parties, and so on.
- **Workplace Safety and Practices:** Workplace safety and practices include discrimination, worker compensation, worker health and safety, and so on. vices, fiduciary violations, closure of accounts, etc.
- **Property damage:** Property damage includes acts of God, terrorism, vandalism, failure, software errors, hardware failure, etc.
- **Process execution, provisioning and management:** Process execution, provisioning and management include bookkeeping error; statistics access error, neglectful losses of consumer resources etc.
- **Business disturbance and Systems failure:** Business disturbance and systems failures contain efficacy disruption, hardware failure, software failures, etc.

04. **Liquidity Risk :**

The perception of liquidity risk is closely related to financial risk in the current banking system. In fact, the lack of liquidity makes banks more vulnerable as banks are involved in loans and other investments that cannot be extended due to financial crises. The reason for this incompetent credit approval or undeserved asset triggers the future liquidity crisis which leads to higher market risk due to declining performance and volatile returns. After the global monetary crisis, the practitioner, regulators and market participants are more worried about the liquidity crisis and have tried to update the principles obtainable with the incorporation of defensive events for the bank liquidity crisis. . This can lead to a bank run and sudden bankruptcy in some situations, bank run can be both short term and long term, and the panic factor in an economy plays a very big role in bank run.

Liquidity risk types

- **Funding risk:** Funding liquidity risk is defined as the inability to raise funds to meet liquidity obligations.
- **Time risk:** It means not getting the probable inflows of active productive assets into non-productive assets that require compensating.
- **Call risk:** The purchase risk results from the formation of potential liabilities. It can also happen when a bank is unable to seize profitable business opportunities when they arise.

The Ministry of Finance, the Bangladesh Bank and parliamentary committees have issued guidelines for avoiding insolvency. They are taking steps to improve the delinquent loans of their banks. Regular meetings are organized and the results of the workflow are monitored in the field. Branches have emerged with the predominance of arrears. Past due credit is a good symbol from the banking sector. In this manner breaking the bank's regulation and harmfully distressing interest charge and savings following influence on lending by the bank's leader, director and CEOs (MD) is the core cause for the credit deficits. This is the moment to start a consciousness program to bring to an end the unrestricted credit pathway.

Some other risks similar to ethical danger and unhelpful choice, trade / strategic risk, reputational risk, systemic risk and outstanding risk etc. are also faced by banks. An accepting of the a variety of risks that banks face is essential in order to grow risk supervision or alleviation strategies and techniques to deal with the different risks that these institutions face.

Question 04: Why do banks in our nation like paper documents and physical dealings with clients so much?

Answer 04: The answer is that these practices and necessities evolved over many years before computers and smart phones became an integral part of our lives. Our business practices, regulations and legal structures still need to be extensively updated to keep pace with technological advancements.

The necessary reforms and the removal of barriers to full digitization can eliminate reliance on physical branches. This will help banks improve the customer experience and redefine their roles from transaction processor to solution provider. Taking advantage of the opportunities outlined above, here are some key reforms for Bangladesh.

Question 05: How do you map the effects of the COVID19 pandemic on banks?

Answer05: The effects of the COVID19 pandemic for banks below the following figure 5 shows the illustration of the possible effects of the COVID19 pandemic on banks in a scenario without political intervention.

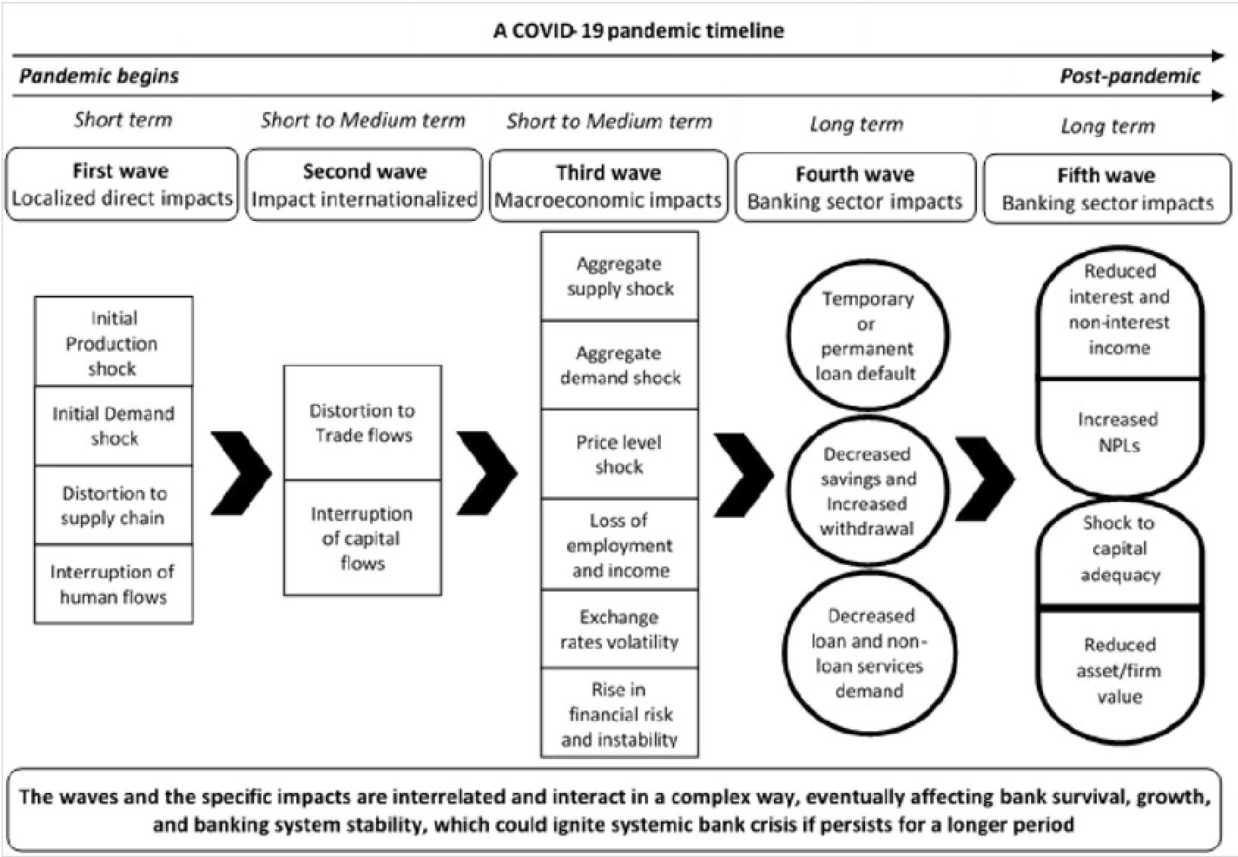

Figure 5- COVID-19 pandemic timeline

In the second flourish of COVID19, the central bank extended its moratorium on credit classification for a further three months until June 30, 2021. Figure 5 shows the mapping of the possible effects of the COVID19 pandemic for banks in a "no political intervention" scenario.

<u>Methods of Recovery:</u>

Resolving longer-term structural challenges could accelerate recovery from COVID19. Restructuring priorities include diversifying exports beyond the RMG sector, improving urbanization, strengthening public supervision and deepening the fiscal sector. The rate of growth and reduce the spatial differences in opportunities between regions and within the city filling the communications break would increase. The development of human capital also remains a priority compared to the values observed in the comparison countries. Addressing vulnerability to climate risk would make economic development more resilient to future shocks. The evolution to emerald enlargement could maintain the sustainability of improvement results for the next generation. Bangladesh can accelerate its recovery from the economic downturn and further evolution towards the superior middle earnings level by the right policies and the right procedures.

F. Recommendations

Suggestion for improvement:

- On behalf of banks, the pandemic is causing a wide range of crises, mainly due to rising default rates. These will probably be even worse in emerging countries with poor financial market architecture. Due to various macroeconomic shocks, bank borrowers, individuals and businesses are exposed to a high risk of default. The banking industry may experience sharp increases in risk and default rates due to declining income and lower cash flow from its borrowers due to the economic downturn and forced shutdown.
- The disaster will get worse for borrowers reliant on exports to the international market as the global economy struggles to survive the pandemic. The impact will also be severe for small businesses whose only livelihood is to continue their day-to-day operations and generate sufficient income to generate operational cash and cash equivalents to survive.
- Due to the pandemic, the profit opportunities for humans and businesses have turned out to be a limited increase, which could cause them to spend their financial savings. In particular, humans who quit their jobs will desperately try to live off their financial savings. This situation, if it persists for too long, will lead to liquidity shortages and limit the lending potential of banks. As companies curtail their activity and production, the demand for short- and long-term finance drops significantly with no chance of recovery until the financial system recovers. This will damage the straightforward commercial version of banking and selling technology and create a huge selling surprise in international locations where credit dominates banks' commercial portfolios, as is the case with growing lots and growing economies.

- The problem could be exacerbated by the solvency limits to which banks are exposed to increased withdrawals due to liquidity bottlenecks. In addition, income from sources of interest and other sources is likely to decline due to the reduction in international trade, currency exchange and transactions. Interest income could fall further, as banks in many countries have already started cutting fees and expenses, increasing credit card limits, taking mortgage holidays and accessing fixed savings accounts to help their customers survive the pandemic. The outcome of the effects discussed so far will be an increase in non-performing loans and a decrease in the quality of bank assets. Such a persistent scenario would inevitably decrease the value of banks' assets or goodwill. Banks' capital adequacy may also decline, as many banks may try to use part of their Tier 1 or Tier 2 capital to support their operational and financial viability.

The effect of the corona virus has caused a surprising change in the way of life and economy in Bangladesh. The investigator believes that strategic measures can be taken to conquer this situation. Here, the investigator seeks to recommend effective measures to improve the economy for both short and long term purposes. The suggestions are explained below:

- The Banking sector needs to recover and perform a completely digitized fiscal practice. They should make sure a protected, contactless, and united monetary platform for the business deal.
- Mask wearing should be made essential inside banks and offices particularly for those people who come in closeness to others. For that reason, no visitors should be permissible without wearing a mask and the staff dealing with the visitors should also follow all along.

- Digital and contactless imbursement can be implemented in most deals. Not only this reduces the risk of carrying the virus inside but also it will also reduce black money and corruption.
- A crisscross sitting agreement should be implemented to evade sitting side-by-side. The cubicles inside the office could also be rearranged. The staff could use conference calls even within the same room to avoid proximity.
- The administration should guarantee lower long-term interest rates to reduce the liquidity crisis of many companies.
- Bangladesh's administration and central organizations should ensure efficient cloud-based home work to manage the financial system.
- There should be a decline in the government budget to offset emergency spending for the pandemic.

III. Additional Notes on writing my Case Study

A. Fitness & safety initiatives in pandemic: Covid-19 cases continue to increase day by day. Therefore, all banking sectors must uphold Occupational Safety and Health (OSH). Some of the following initiatives taken during the pandemic:

- Workplace safety with daycare
- Wearing personal protective equipment (PPE) during office hours is mandatory for administrative staff and security guards.
- Free masks have been given to all bank employees and they believe there is no mask or entrance.
- Necessity of a Covid19 check for every employee and such affordable financial support.
- They try to control community care for effective manners and support their mental condition, health with lifestyle suggestions.
- The World Health Organization (WHO) recommends maintaining a space of at least 1 meter (3 feet social distance). For some organizations, it is recommended to keep a distance of 1.83 meter (6 feet) away to prevent viruses.
- Hand disinfectant was provided to all bank staff.
- The clean surface has been retained since opening.
- In view of the fact that most companies have no residential complexes, it is complicated to adhere to a full observance course of action.

Following the instruction of UNICEF, ILO and WHO as approximately 70% of the staff live near the factory location, so the condition of quarantine or isolation facilities for staff in the banking sector are almost impossible to keep our economy going, the banking sector tries to do its best possible contribution.

B. The extent of the impact of the pandemic will depend on the length of the crisis and the containment measures taken. The administration of Bangladesh has acted rapidly with the public health directions, the stimulus package and the extended social safety programs. The World Bank accepted $100 million in financial aid to avoid and respond to the COVID 19 epidemic and keep people protected earlier this month. We are committed to helping Bangladesh cope with the pandemic, accelerating recovery and building resilience.

C. Therefore, this study suggests a more rigorous application of the following factors to improve and stabilize the banking sector:

- Stricter banking supervision
- Stricter classification and provision of loans
- Limitations on loan rearrangement.
- Computerization of the imbursement and payment method.
- Credit Information Bureau (CIB) strengthening.
- Social inclusion curriculum extensive.
- Weight on the internal control agenda & risk executive.
- Worldwide preservation is reasonable.
- Basel-III structure is accomplished, which focuses on the least capital obligation, the decision-making review process and market discipline.

- **Flexible work and work from home:** While not directly related to the digitization of banking transactions, another lesson from Covid19 around the world is that you don't have to physically go to the office for everything. With the right tools and the right connectivity, you can stay productive and do most of your work efficiently from home. During the Covid19 pandemic, many bank workers did so at all levels expect those in customer-centric roles that require face-to-face interaction. Allowing continuous work from home can reduce health risks and overcrowding, while improving job satisfaction and productivity for banking professionals. The industry will be able to diversify its workforce by hiring more women who are often unable to pursue full-time careers due to family needs. Banks can also hire professionals who are not based in big cities, where most banking jobs are now concentrated.

These initiatives do not require large technological investments. Most involve political, legal and corporate reforms. Dividends, however, can be substantial, even revolutionary. The end-to-end paperless information flow will lead to significant improvements in financial inclusion, transaction speed, accuracy, convenience, safety, health and safety and a dramatic improvement in the rate of return. Ease of doing business for the country.

- **Integration and interconnection of systems:** With the search for automation, many manual processes have been computerized in recent years.
- **Electronic Payments:** Bangladesh has made significant progress in digitizing payments through the adoption of electronic payment systems (EFT, RTGS & NPS) and the enormous popularity of mobile financial services. However, checks and money orders are still preferred for many government payments. We may require that all government

payments be made electronically. Preservation and archiving of digital documents: the regulations in force require that transactional documents be kept for at least five years after the account is closed, which requires a lot of storage space and costs. In litigation, old records could be scanned, digitally saved and the paper destroyed.

- **Uses of modern technology:** Digital technologies similar to mobile banking services can help people use speed to fund, but they weren't educated enough before COVID19. P2P), salary and bill payments, etc., have gone a long way in improving people's digital financial access during this pandemic. People with digital transactions have also helped improve their financial access.

Banks provide financial services digitally, for example via mobile phones, to rural residents and to people without a bank account. While digital technologies such as mobile banking can dramatically accelerate the right to be used to finance people in developing countries similar to Bangladesh, sufficient attention was not paid before the COVID19 pandemic.

IV. Conclusion

The investigator believes the Bangladesh supervision, like other governments, works hard to ease the brakes on the pandemic situation. Undoubtedly no management was ready for these pandemic circumstances. The whole world is facing a huge decline in GDP, not only Bangladesh but we are looking ahead. The banking industry, an essential part of modern life, necessarily set the once on this path of revolution. Digital revolution could start for banks that may be overdue. We know, in Bangladesh Banks are the central fiscal institutions. In Bangladesh, banking risks can amplify for a huge number of reasons. Banking sector is severely affected by the Covid19 epidemic. Bangladesh banking sectors are suffering from non-performing loans terribly, and possibly the pandemic could majorly increase NPLs. Recently, the person's deposits are currently incredibly much lower. Banking activities are running in the Covid19 period but interest rate is slow. In this situation, banks face a capital shortage and credit risks increase a decrease in individual investments and do not carry out their uninterrupted economic activity. In addition, bank employees are regularly affected and deaths occur indiscriminately. Now is the time for the Bangladeshi economy and banking sector. Overcoming this problem may be a necessity for sustainable economic development. Digital technologies like mobile banking, agent banking, ATM support etc. are being introduced for its clients in Bangladesh. These types of modern services could help bank's clients complete their valuable dealings without worrying about the Covid19 pandemic. Government financial support is essential to curb the banking sector's opportunities. The government of Bangladesh is taking the initiative to resolve this issue. For banking or other sectors, the Government announced some stimulus packages. An entire thing is normal, if the financial system and economic framework is sustainable as we expect. Then the citizens of Bangladesh enjoy a happy and relaxed life.

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