A Technology and Management Perspective on Performance in Private and State-owned Banks –Bangladesh Cases

Authors: Khan, Enamul Haque
Supervisor: Lions, Catherine

Student
Umeå School of Business
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Abstract

Title: Comparative Study between Private and State-owned Banks: Technology and Management Perspectives

Author: Khan, Enamul Haque

Supervisor: Catherine Lions

Background: Bangladesh is a lower developing country with limited resources and income. In Bangladesh, both private and state-owned banks operate side by side but under dissimilar conditions. State-owned banks are obviously overstaffed but secured by the government guarantee while private banks need to be competitive and profitable to survive. Two major competitive factors are technology innovation and good governance system. Private banks in Bangladesh are providing 100% online solutions and function with a decentralized management while state-owned banks behave opposite due to government’s traditional attitude. Therefore it is relevant to explore what the state-owned bank can learn from the private bank so that the former can be more effective and profitable like private banks.

Purpose: The purpose is to explore what the state-owned bank can learn from its private competitor. My first purpose is to analyze the functioning of technological improvements that, due to generation change, are vital for banks in developing countries. Secondly, since good governance is necessary for the organization to be efficient, I want to identify the main differences between state-owned and private banks that influence the performance. Finally, how to adapt these issues by state-owned banks to improve the performance is other purpose of this study.

Method: Unstructured interviews with qualitative approach were carried by interviewing a private bank and a state-owned bank expertise. Primary data collected through telephone interviews helps to identify the practice in the different ownership systems and how growth factors work. Secondary data works as accelerator of the primary data.

Conclusion: I have found that state-owned banks have three major problems are: Poor IT infrastructure, clumsy managerial governance working on regulatory bindings and political influence. To overcome these problems, state-owned banks should try to move towards decentralization of managerial activities and meet the technology standard requirements.

Key words: Information Technology (IT), Private Bank, State-owned Bank, Developing Countries, Management, Ownership, Government, Regulation, Politics, Interview, Primary and Secondary Data.
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Chapter 1: Introduction

1.1 Background

Banks as financial intermediaries are considered an important element for growth in all types of economies, and in emerging economies by most (Levine and Zervos, 1998; Rajan and Zingales, 1998, in Mian, 2003, pp.1-10). In most countries, but essentially in emerging ones, there are three types of banks: state-owned, private domestic and private foreign. The roles of these banks are important for the development of the economy but it is widely observed that private owned banks perform much better that their government counterparts. However, we can observe that in different continents and countries, banking systems and bank ownership reflect local history and political issues. If we observe a country like China, we can notice that the banking system operates mostly through the state-owned banks meanwhile in developed countries like Sweden, state-owned banks are almost no longer exist. To the extreme, in the US that have a free market economy with “survival of the fittest” rules, the banking industry is heavily regulated, with a clear distinction of investment banks and retail banks.

State-owned banks have frequently poor cash flow incentives and suffer from the moral hazard problem of being owned by both the owner and the regulator (Mian, 2003, p. 2). “Studies found that state-owned banks perform uniformly poorly, and only survive due to strong government support” (Mian, 2003, p.1). In developing countries like Bangladesh, both state-owned and privately owned financial institutions share a large market and must clearly find their own appropriate positioning. To have some control over the financial activities and to support specific purposes, developing countries consider as a necessity to main some banks which are fully owned by the government. But at the same time it has become a challenge for these governments to make these banks effective and financially solvent. In fact, “the average state-owned bank makes a loss in developing countries, they are also significantly under-capitalized relative to other banks, and have considerably higher loan default rate compared to other banks” (Mian, 2003, p. 4). In 2009, the Asian Development Bank conducted a thorough study on the restructuring and development of Bank Rakyat, a government owned bank in Indonesia (Asian Development Bank, 2009, pp. 1-20), in order to identify causes and consequences of these weak performances. As the major problem, it has been recognized that weak governance and susceptibility to political influences have reduced the incentives for these institutions to focus on long-term viability. The implicit government guarantee was found to limit this type of institutions’ effort to achieve sustainability. The study recognized that in order to focus on restructuring, two issues need to be addressed: success factors and sustainability. Bank Rakyat which was initially loss-producing and overstaffed entered the restructuring process that has been quite successful and became the most profitable bank with the largest micro banking network in Indonesia. The case study particularly concentrated on four areas, i.e. policy framework, ownership and governance, strategy and institutional change to report the process of change in the bank.

Following the restructuring of the bank and the implementation of a better governance system, the second most important factor is related to technology. Studying the banking industry demonstrates that there are general problems in measuring the effects of technological progress and how these problems might be addressed. Various studies have investigated the performance effect of Information Technology (IT) by analyzing the direct relationship between economic
return and IT investment (Anderson, 2001; Weill, 1992; Brynjolfsson, 1993; Hitt, 1996). However, new evidence suggests that IT effectiveness is related to application that strengthens the organizations’ inherent management approaches and decision structures, and creates competitive advantage by enhancing idiosyncratic information processing capabilities (DeSanctis, & Poole, 1994, pp.121-147). It is argued that computerized communication technology can support more flexible strategic decision-making process and lead to new ways of making organizations succeed (Bettis, & Hitt, 1995, pp. 7-19).

It refers to technological innovation such as internet banking systems and is not usually satisfactory in the state-owned banks compared to the private banks operating in the developing countries (Intarakumnerd, Chairatana, & Tangchipiboon, 2002, pp. 1445–1457). Accordingly, governance and technology issues appear to be the most important challenges for state-owned banks in developing countries markets. Countries with higher levels of state involvement in the banking sector tend to have slower economic growth and less financial development in sixteen different absolute and medium developing countries (Bangladesh, China, Hong Kong, India, Indonesia, Macau, Malaysia, Nepal, Pakistan, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam) (Cornett, Guo, Khaksari, & Tehranian, 2005, pp.1-56). Therefore, customer services offered by the state-owned banks are not likely to be effective enough and can be considered a major threat for development of these banks. Lessons from the study on Bank Rakyat Indonesia emphasize that the new ways of transforming state-owned banks in developing countries into more effective organizations refer essentially to better governance practices by implementing new governance systems or making changes of existing governance, and to technological developments by investing into new types of customer services and processes. Bank Rakyat, as a pioneer, implemented new governance and new technology based infrastructure to enhance the managerial work. Online solutions helped to accelerate the overall infrastructure development.

As focused in the Asian Development Bank study of Bank Rakyat, there are clearly identified dominant factors to consider in a restructuring of state-owned banks in the developing countries. The lessons of the case of the Bank Rakyat highlight the dependency and interrelations between management, technology, and policy framework in establishing the bank’s strategic competitive position because bringing the Internet and the governance together means bringing the greatest technology of our times to bear on the most fundamental concerns of our society (Bedi, Jeet Singh, & Srivastava, 2001 cited by Sarah, 2003, pp. 1-49). Even more important than technology is managerial function needed to handle the technology efficiently.

Similar to prior research (Bank Rakyat Indonesia) technology and management are selected by the author of this research as the important factors in order to understand their role in building a sound and sustainable situation. Because Bangladesh is a poor developing country, the contribution of this research focuses on providing some knowledge and understanding on how to make the state-owned banks more capable to support an economic development. Governance and managerial issues are the monitoring point of making regulations, and will be one big part of this thesis, while the second factor “technology” must help to make more effective business and improve the production process. Moreover, evidence shows that managerial improvement alone is not strong enough to support the sustainability of the organization, but technology is also required to change the poor infrastructure. Therefore the question is not to focus only on
managerial issues or technology issues but it must be a combination of these factors that should provide more effective state-owned banks in developing countries.

However, the ADB 2009 reports influence to understand the key fundamental of the success for the Bank Rakayat Indonesia, the knowledge gap found in this case is the theoretical breach. This study is mainly concerns about the official study where evidence based analysis is precisely involved. But market position and environment always in a changing trend and it creates problem, increases uncertainties and threats for almost all organizational operations (Hyder, & Abraha, 2003), banks need to operate effective financial services and products. Therefore most of the private banks require new technology and service to develop their competitive positions.

Information Technology (IT) is one of the wide services which have brought huge change in the banking industry (Panwar, 2010, pp. 1-12). Online banking reduces time and provides user-friendly services. ATM card reduces insecurity in carrying the cash. Buyer and seller do not need to meet for making the transaction. But technology requires technically competent employees who can handle the situation properly. Demand for such employees and nature of job responsibility bring changes in organization culture. Paper based banking transactions are getting less frequent in the banking business.

Private Banks are flexible to change and therefore they are in a better position to acquire and adapt innovative technologies (Mian, 2003). But state-owned banks have often rigid structure due to government ownership and control. Therefore, most of the average private organizations are performing better than government organizations (Mian, 2003, pp. 1-36). Many government organizations find difficulty to sustain because government organizations ignore the contemporary market demand. Some government banks are seen to make profit after privatization (Mian, 2003, pp. 1-36). Privatizing the government banks cannot be the only solution and benchmarking and learning from the private banks is essential for these banks to be sustainable. How the learning from private to public banks takes place is an important area to focus.

One guideline for this study is that banks are drivers to the development of the country’s economy. And since it is generally accepted that the state-owned banks are poor performers compared to private banks (Mian, 2003, pp. 1-36), even if the latter are young and small sometimes, the needs for the society that they can fulfill are inescapable. Therefore a comparison between private bank and state-owned banks is important to determine why the performance of state-owned banks is not good, and how it can be improved. Among others, Bangladesh is a low-income country that is clearly into this problem of poor performing state-owned banks. There is a lack of studies on Bangladesh banking sector meaning that, for a number of different reasons, it is a country that is not very popular as a subject for research. A study in Bangladesh based on the previous study conducted by the ADB in Indonesia will provide interesting consistency of this study (Asian Development Bank, 2009, pp. 1-20).

However, the ADB case only cannot be the evidence to improve the directive guide lines; there are not many studies evaluating and integrating the factors affected in the banks’ performance for management and technology. Most studies concentrate on the ownership relation to the banking sector development reform. Extant empirical studies in emerging countries (Herrero, Gavilá, & Santabárbara, 2009, pp. 2080-2092) focus on the reforms of banks, their ownership concentration associated with the profit relation over hundreds of bank during 1983 to till date (e.g. Wen, 2003,
2006 & 2008; Cubin and Leech 1983; Leahy, 1991; Chi and Wang 2009) and similar condition applies to the Bangladesh situation. Empirical studies made by the Riaz & Arun, 2006 as well as Mian, 2003 did not explore the relationship between technology and management in the banking industry. But a white paper by Brink (2002, pp.1-8) explained that the involvement of the infrastructure and technology is greater but difficult to measure and compare with financial return. Further without the good infrastructure and technology driver, the performance application will not work competitively (Brink, 2002, pp.1-8). Therefore, in this thesis, the author focuses on the managerial and technological effects in financial return in the banking industry in a comparative manner to explore and describe the condition of the banks and how to improve the performance of the state-owned banks in developing country.

A few empirical articles appear to prove that problems with internal governance hamper financial return. However, most empirical studies on bank reforms (e.g. Luo, Zhang & Zhu, 2010, pp. 1-19) was mostly focused on the ownership concentration of the banking industry. Separately, technology and management have been studied in the context of banks, for example by The European Central Bank (1999) and Zhu & Chen (2002). Financial performance and ownership control did provided different results in different experiments (Wen, 2003, 2006 & 2008). One study found empirical evidence of the performance factor behind the low profitability of the 87 Chinese banks during 1997 to 2004 due to poor asset quality, low efficiency and scarce capitalization. Research suggests that banks’ financial return should reflect the quality of the management and shareholders behavior as well as their competitive strategies (Luo, Zhang & Zhu, 2010, pp. 1-19). However, the studies cited are concerned about the executives and management quality, but the combination of the management and technology competency in the banking unique evaluation was missing from most of the research empirically established on the Chinese banks reform (Lin & Zhang, 2006, pp. 1-10). Finally a complete lack of investigation on integrated technology and management in the banking industry suggests that the current research can make a contribution, also supported by the 2009 reforms of Bank Rakayat Indonesia. The Bank Rakayat Indonesia changed their governance structure and implemented new information technology in order to sustain the banks position (ADB, 2009, pp. 1-35).

In Bangladesh, both private and state-owned banks operate side by side but under dissimilar conditions, which makes the assessment of the degree of competition quite difficult to compare financial return based on technology and management (Mian, 2003). Typical state-owned banks are poorly performing in developing countries, and in particular in Bangladesh. The Asian Development Bank initiated research (ADB, 2009) on this field, and by now, the Bank Rakayat case produces some knowledge on how to change the technological infrastructure and governance to assure success and sustainability of the state-owned banks. Thus, this thesis is a continuation of these considerations and the first one applied to the specific context of Bangladesh. Bangladesh is a developing country and both private and public ownership banking exists in Bangladesh and operating the financial market (Jahangir, Shill, & Haque, 2007, pp. 36-46). Sonali Bank is the largest state-owned bank in Bangladesh and this bank has wide services compare to other state owned banks (Bangladesh Bank 2010). Empirical studied completed by Ahmed, 2009 provides the list of private banks and their growths from 2002 until 2006 where Prime Bank, Dhaka Bank, Dutch-Bangla Bank are in good position. Further, these banks are almost similar in position according to the Dhaka stock exchange, 2010. Sonali Banks highest asset, wide services could determine the state-owned banks infrastructure position and a huge
number of employees control system can present the governance practicing by state-owned banks.

In the next section the first part of the research question is intended to focus on gap between the two banks in terms of management and technology and to understand how these areas impact the performance. Based on this, the solutions that the poor performer can learn from the better player to improve its competitive position will be considered. Therefore, it is important that the research question is split into two parts, since from the findings of the first part it will bring the elements to answer to second part.

1.2 Research question

Within the scope to compare private and state-owned banks, for improving the performance of state-owned banks, the research question is formulated as follows:

- In Bangladesh, why does the private bank (Prime Bank) better performing than the state-owned bank (Sonali Bank)
- What can Sonali Bank learn from Prime Bank to become an effective and profitable state-owned bank?

1.3 Sub-purposes

By comparing a private and a state-owned bank in Bangladesh, this study aims to identify major differences between the banks and also suggest what the state-owned bank can learn from its private competitor. The aim of this study split into three different sub purposes to find the unambiguous outcome of this study. As the objective is to develop an understanding of how technology and management functioning in the banking sector impact the performance level and what lessons come out for the state-owned bank from the analysis of the private bank:

The first purpose of the author is to analyze the way technological improvements are made, due the idea that, because of generation change, modern technology is vital for banks in developing countries.

Secondly, since good governance is necessary for the organizational culture to be efficient, the author wants to identify the main differences between state-owned and private banks that influence the performance.

Finally, a third purpose is to provide advice on how state-owned banks can improve their performance.
1.4 Research area and contribution
The research area focuses on the banking sector in Bangladesh, and the first contribution of the research is to provide a general idea regarding state-owned banking sectors development in developing country. From the background study it can be seen that the banking sectors development increases the country’s economic growth. Most of the state-owned banks in developing countries are poor performing and reducing the economic value of the country. Therefore, a comparative analysis of a private and state-owned bank from Bangladesh was consisted as a case for evidence in developing country. The second contribution stands from the lack of research in technology and management field in the banking industry in developing countries. In order to develop this idea, the ADB, 2009 case study was used as a conformity study in this research. The expectation is that this research can be used by bank management as a guideline for successful banking.

1.6 Preliminary statement and perspective
This research has been decided under the statement that state-owned banks in low income countries are not performing well, and that this is an obstacle to further economic development of the country. This statement is made by the Asian Development Bank and is in need for knowledge. Accordingly, this thesis will be designed with the perspective of the management of the state-owned banks, that is looking for factors to work with, and that is willing to learn from more dynamic and profitable competitors.

1.7 Disposition
Second chapter (2) will explain how the research is designed and includes an academic discussion about research epistemology and theoretical approach. It will also develop the practical method, going through data collection process as well as interview guide.

Chapter three (3) will elaborate a review of the existing literature and will build the theoretical framework about bank management in general and banks of Bangladesh in particular. It will include performance, technology and management issues.

Chapter four (4) will detail the empirical study and the findings from the interviews and from collected secondary data.

Analysis part will integrate the chapter three and chapter four, in order to try to fill the gap between the theory and empirics in chapter (5).

Conclusion (6) will answer the research question and will debate the fact that potential changes are needed in the state-owned bank.
Chapter 2: Research Methodology

This chapter presents the methodological choices and the practical design of the research.

2.1 Pre-understandings

Gadamer declares that pre-understanding is an intentional structuring which is activated when we are regarding something as something (Îm, & Dahlberg, 2001, pp. 339-346). Our regarding is not always accurate because of our subconscious mind, which also drives the emotional understanding. Such understanding varies person to person and belief system differs based on individual understanding. Therefore, assumptions associated with research problem contain risk obtaining results that are primarily a reacted image of something already existing in our understanding (Îm & Dahlberg, 2001, pp.339-346). Thus, I have considered both my understanding and experience related with the constitutional theory to develop this study. My own knowledge, adapted from the society, academic studies and practical observation, makes my cognitive understanding concerning this research and builds my first hand pre-understanding. Bangladesh is my birth place and I have spent there until 25 years of my life. I have both academic and business knowledge from Bangladeshi culture. From these particular experiences from cultural and business context, I got interested to study this issue about the banks which is also related with my academic background. I got interested about the management and technology because I have faced organizational problems in these two areas during my service period.

On the other hand, this thesis is written within the framework of research initiated by the Asian Development Bank. My opportunity of studying a case from Asian Development Bank about restructuring and reforming state-owned bank made my pre-understanding to generate this idea and formulate the research problem. In first hand I assumed that the state-owned banks make less performance than the private banks in general in all developing countries because of the poor management and low-grade technology. In second hand pre-understanding, I have got the same results from scientific sources. In general it is a general finding in almost all background literature that state-owned banks need to perform better. Later I have strictly brainstormed the same analysis about the country context and some theoretical aspects of strategic management. Combining academic theory of strategic management, existing case study results by ADB, 2009 on Bank Rakayat Indonesia, other scientific sources and my personal understanding developed my conscious and subconscious mind; I intend to do research in the Banking Sector.

However, my first hand and second hand pre-understanding in addition the case of ADB, 2009 supports to continue this study of management and technology aspects. My practical knowledge and assumption regarding managerial and technological contribution insist me to conduct this study. My presumption about the management and technology contribution over banks’ performance already existed. Conventional business strategies are becoming poor and infrastructure is important to perform the work easy and accurately. Both customers and employees need better and friendly operational return while dealing with the services. The research answer was also in my assumption that the management and technology has big participation to the financial return. So, more use of technology and more dynamic the management, the company will do better. This belief influence to collect the data related with management and technology. But both management and technology integrated research in the
financial institution is a new contribution and this idea of contribution strict me to employ this study so that a new area of study could be focused by the future researcher.

2.2 Generating and refining the ideas

The purpose of this section is to develop why the study is being conducted and what intention is being created (Locke, Spirduso, & Silverman, 2007). I consider additional statement that “how” to create the intention. At the very beginning, I was thinking about several intentions before choice a topic. Various intentions were; first; the topic must relevant to my academic courses and the research theme would be appreciated by society. Second; what benefit I will get from this thesis while conducting the research. Finally, what is the practical benefit that I can get after completing this study? While I was trying to answer these questions, I have found that most of the subjects I have chosen in my previous semesters are management and finance. Hence, I thought, it is important to create idea from researcher experience (Saunders, Lewis & Thornhill, 2007). My academic and practical knowledge about Bangladesh culture and business organizations also inspired me to conduct this topic. While I have been studying finance and management, I became interested in financial markets, financial institutions, management and performance. My theoretical knowledge and curiosity about the subject will be helpful to go into the depth of study and I have the answer of the first question of my intention that, this study will be easy for me to complete. This topic is also be appreciated by the supervisor and society because this problem is about the organization’s “technology and management” process and development which might take benefit as a research paper to use for both university and organizations. I have also studied literature and I have linked literature and my knowledge about market environment, changes, uncertainties etc and I felt need of being in this research.

A second intention was the practical and theoretical development of this study. My research problem is both an academic and practical theme. There are a lot of literatures available in the web. I can find a large number of experts while I can go for help. My supervisor also has the vast knowledge in this area. A strong insight was that I could get the respondents easily because I have known some experts in the banking sectors in Bangladesh.

My, final intention was my personal long-term benefit after completing this study. While I was thinking of this research question, I was trying to focus on which organization I’d like mostly to join for future job. I knew it before that ADB and World Bank are the major fields of business development sector. Further I have searched and found some similarities with one existing research about Bank Rakyat Indonesia which case helped to be more focused in this topic.

2.3 Research Philosophy

Ontology, epistemology, axiology and rhetorical parameters are important aspects of the philosophy of research. These parameters and related views on appropriate methodological choices are discussed across the research structure of post positivism, constructivism-interpretive and critical-ideological perspective (Ponterotto, 2005).

Philosophical ideas are not visible or touchable when conducting the research. It is connected with the researcher’s own perspective and pre-understanding. Individuals are influenced by their preconceptions and ideas to form a research design. Research design and the method of research are drawn according to the worldview of the philosophical idea. Worldview here means the
individuals as “a basic set of beliefs that guide action” (Guba, 1990. P. 17.) Individuals’ perspectives are accounts of knowledge of knowing the subject, the object of study and what relationship between them which is called epistemology (Luttrell, 2010, p.78). The relationship between the subject and object of study will explain different paradigms and is explained by epistemology and ontology.

2.3.1 Ontology and epistemology

Most commonly, useful and established methods of research are quantitative and qualitative methods. Both of the methods were established by different groups of scientists who have a common set of beliefs. One trend follows a positivist belief, meaning that the reality cannot be changed (ontology) and the outcome of the observation should be true or false (epistemology). “Positivist realist holds that the aim of the science is to provide a true description of the world further postpositive does also accept a true reality. But they believe it can only be apprehended and measured imperfectly (a position known as critical realism)” (Okasha, 2002. pp. 58-66). The second group stands on the point that the reality is constructed and modified by the society and therefore it is changeable (constructivist) (Cohen, Duberley, & Mallon, 2004. pp. 407-422). However positivist and constructivist approaches point out their arguments on the basis of their personal views of the world. My realization is constructivist consistently for some events of the reality. Some of the reality is changeable and some other reality is unchangeable. Since my contribution aims at identifying necessary evolutions of state-owned banks, I want to focus on the changeable part of the reality of these banks.

Therefore choosing the research paradigm in relation to phenomenon is the interesting point of departure. I have formulated the research problem as socially constructed.

Technology and management are a real construction of the world that creates needs to the society. Another angle of investigation is that the bank’s performance depends on how the bank is constructed by its employees, owners, and management. Therefore the ability of the human skills, infrastructure development and technology are always in action where every individual’s co-operation makes a combined real power is one main reality. My research problem is to explore the function of the management and technology in the banking sector in Bangladesh, in order to construct some knowledge about performance improvement. Of course, technology requires the technical hand to operate the organization but when the technological level of required knowledge is increasing, infrastructure is also evolving. On the other hand, managerial improvement making better decisions by acquiring knowledge and learning from the overall organizational process is socially constructed as a changeable reality of the world. Considering how to transform reality, I have followed a constructionist research process in this study. This research topic creates an agenda for changes or reforms for state-owned banks in Bangladesh. It is already established that state-owned banks are performing poorly compared to private banks in Bangladesh (Mian, 2003). Therefore there is no need to test or develop any hypothesis in this connection (Hyder, & Abraha, 2003). The research has a phenomenological focus due to the researcher’s own knowledge and understanding. However limited secondary data will be the starting point, but it is not enough to support the theory of the research. Creating the primary data through the interview method will enhance an authentic study. Therefore, I have planned to collect the primary data even for further use by scientists.
At the core of qualitative research is the constructivist and phenomenological view, suggesting the appropriateness of case study method and creating and agenda for change or reform of the problem (Creswell, 2009, p.17). Thus, a qualitative strategic inquiry was appropriate to conduct this study because the author focuses on the changeable part of the world which was constructionist view. The research problem formulated on a true result based on empirics which is a case of Bangladesh. Private bank has a much higher financial return is already theoretically and empirically established phenomena (Mian, 2003). It was considered that a qualitative type of research method would be beneficial for the study; The research question stands on ‘why and how’ which also indicates the benefit of using the qualitative research when analyzing the reasons and improvements. More elaboration of the qualitative approach will discuss in the next section under the type of the research used and its justification.

2.3.2 Types of research

There are three different types of research design applied depending on the nature of the research problem:

1. Exploratory research
2. Descriptive research
3. Casual research.

When the research problem is poorly understood, an exploratory research is adequate (Ghauri, & Gronhaug, 2002). Perceived and undefined problems are available in the exploratory research. Flexibility in data collection is an important issue to address the perceived problem in exploratory research. Exploratory research also does not include the cause and effect relationship (Ghauri & Gronhaug, 2002). In this study, I want to focus on the function of governance and technology in the banking sector which is by now only perceived and undefined. Very few reports about the technology and governance functions are available in the banking industry in Bangladesh. So, I’m interested to do an in-depth study as exploratory research.

In descriptive research the problem is structured and well understood (Ghauri, & Gronhaug,2002, pp. 49-50). When secondary data are not available in the market, researcher plans to collect the data by a survey using personal interviews (Ghauri, & Gronhaug, 2002, pp. 49-50). As for example, when researcher wants to compare between private banks and state-owned banks’ position in the financial markets, it is wise to take the interviews from same experienced levels of employees. Primary data collection method of this research is based on interviews. Therefore the descriptive research is also suitable to conduct this study.

Causal research is very structured and the researcher is confirmed about the cause-effect relationship of the research problem (Ghauri, & Gronhaug, 2002, pp. 49-50). “Main objective of the causal research is to focus on some key characteristics of the problem” (Ghauri, & Gronhaug,2002, pp. 50-51). Most often, it is done through hypothesis testing. As for example, if

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1See financial return of Prime Bank and Sonali Bank in the annual report of Prime Bank (2009), Sonali Bank (2008,2009)
product price decreases by 10%, sales will increase by 20%. A cause–effect relationship indicates that price change has a causal relationship with sales volume (Ghauri & Gronhaug, 2002, pp. 50-51). Since I am not looking for any reason for the cause-effect relationship in this research; there is no need to develop or test any hypotheses regarding the research problem. Therefore, causal research is not suitable for this study.

### 2.3.3 Research Approach

Researchers tend to use one of two main scientific approaches, deductive and inductive. These two approaches build the relationship between theory and empirics. Deductive approach is used to confirm or infirm knowledge based on existing theory while inductive approach constructs theoretical knowledge as derived from the empirics and evidences (Saunders, Lewis, & Thornhill, 2007, p.117). In this particular thesis based on a phenomenon and an existing case study from the bank Rakyat in Indonesia it is not recommended to develop new knowledge supported by a deductive approach. The lack of specific theories regarding bank performance in the poorest countries does not allow extensive hypothesis testing, acceptance or rejection of paradigms and generalizations. The aim of this research is to analyze the role of the technology and management of the banks and present the outcomes based on a comparative analysis of two banks. A comparison is the key issue to formulate the research findings. But, according to alternative predicted explanations: “First, that due to better management which has been able to generate greater employee commitment, where this plan is based on theory related to strategic and human resource management and second, due to fears about changes and uncertainty in the future, where this intention is, in addition, based on theory related to organization behavior and change management” (Saunders, Lewis, & Thornhill, 2007, p.391) insisted me to use deductive approach.

Besides, the lack of secondary data and theory pushes the author to refuse to implement a fully deductive approach. A flexible approach will allow the partial deductive study. Primary data creation and knowledge building based on evidence will provide a constructed framework. As there are not very general theories about the specific areas of the banking sector performance evaluation on technology and management, I appreciated to conduct combined deductive and inductive study. The deductive and inductive study was not based on the separate investigation but the combined approach was applied due to the contexts need randomly. As the purpose is to develop an understanding of how technology and management functioning in the banking sector impact the performance level and what lessons come out for the state-owned bank from the analysis of the private bank, it is reasonable that a comparative study considers an inductive approach. Further, the lack of prior literature about the state-owned bank in Bangladesh insisted me to acquire the inductive approach. Data collection from banking experts and interpretation of the data derived from the interviews will provide more knowledge and enhance the analysis and discussion. However, by taking the help of existing case of Bank Rakayat Indonesia implemented by Asian Development Bank, I use a theoretical framework related to resource based strategic management, organization behavior and change management, I also have a deductive element to my study. The use of prior literature helps me to guide and focus my questions and to interpret the data. Therefore, I present both deductive and inductive reasoning in my study.
2.3.4 Development of the theoretical framework

Different perspectives are clarified to develop the theoretical framework. At the very beginning, the author tried to provide his world view influenced by a secondary source: (ADB, 2009) restructuring of the state-owned financial institution Bank Rakyat in Indonesia. This specific literature helped the author to think about the state-owned banks and their function. A further aim is to compare state-owned bank with private bank is a regular organizational process to study the market position. The author studied various sources to get support from the literature. Thus open minded approach utilizes the full strength of the scientific literature to support the theory (Hyder, & Abraha, 2003).

Evidence based primary data creation through the interview will be the most committed. Beside interviews, some additional feedback by email will be another source to fill the gap of the missing process of well-focused secondary sources.

The use of existing literature helps creating a well-focused theoretical framework and evidence based data creates more authentic empirical findings. Both the theory and empirics create new understanding and/or support existing theory. Combined analysis of the theory and empirics is the perspective of the research.

2.4 Case selection and respondent selection

Randomly taken sample is not the effective way of understanding complex issues related to human behavior and organizational process (Marshall, 1996, pp. 522-525). Case selection for the qualitative study can be small and effective (Marshall, 1996, pp. 522-525). Beside the human behavior, personal values, attitudes, employee’s cognitive participation in an organization do not have the evidence to be fit randomly respondent selection process.

In this study I have selected a small sample of cases; only two banks from private and public sectors. Public sector means in this research that the bank is owned by the state. There are only five full commercial and one agricultural state-owned bank in Bangladesh and Sonali Bank is the largest bank among the state-owned banks. Therefore, among all state-owned banks, I have selected the largest bank because all characteristics of the state-owned banks are associated with this bank. Further, most of the state-owned banks in Bangladesh are in similar condition (chapter 4) and state-owned banks recruitment and selection as well as the structures are same.

Prime Bank is the best bank among the private and public banks for its high quality products and service as well as market image. Since I follow a benchmarking process, it makes sense to select as the benchmark the best performing bank in Bangladesh. Examples of the achievement include: “Best Award” from SAFA (South Asian Federation of Accountants) for Annual Report-2008

• ICAB (Institute of Chartered Accountants of Bangladesh) Award for being the best Bank in Bangladesh for published accounts and reports for five consecutive years Best Corporate Governance Award from ICMAB (Institute of Cost & Management Accountants of Bangladesh)” (Prime Bank 2009, P.9).

One important reason to select the case of banks is to get more information with easy and accurate basis. My personal relation with the experts of these banks also was a strong reason to select the banks and respondents.
2.4.1 Case (Banks) Selection

Sonali Bank is the largest state-owned commercial bank in Bangladesh considering its assets, liabilities and owners’ equity. This bank is very old and popular to the lowest and low middle income customers. Although this bank is a commercial bank, most of the socially responsible services are provided by this bank. This bank serves more clients than all other banks in Bangladesh. Varieties of products and services provided by this bank are considered to be more than necessary to the citizens of Bangladesh from rural to urban everywhere. This bank also gets some special privileges from the Central Bank of Bangladesh. Sonali Bank provides services on behalf of Bangladesh Bank in many places. These services are important for the common people in Bangladesh. Approximate 26,000 employees in different branches are working in this bank. In terms of economic, political and social terms, Sonali Bank is the most fundamental player, and it is more than urgent that its performance is improved. Therefore it is reasonable to find the contact to conduct the interview from this bank. That is why I have searched in my personal network to find a good link so that I could complete a good research. Besides, I must highlight that Prime Bank is a good bank that always tries to focus on research and development.

It is become a general understanding by the peoples of Bangladesh that, among all the state-owned banks, Sonali Bank has more branches, employees and good name in Bangladesh (Sonali Bank, 2010). Different ownership system between private and state-owned bank is more about the description when analyzing the problem. Descriptive and exploratory research method by qualitative study found the need for analysis the functions of the management and technology and how to improve those factors in the state-owned banks. Therefore, a large state-owned bank has more functions and services which can provide more detail information. As, Sonali Bank provide more services compare to other banks and it has different characteristics than other commercial bank, choosing this bank was a good idea to see the different functional strategy and technology capability to compare with a private bank. The objective of the Sonali bank is also different from other commercial banks which indicate the stakeholder’s wealth maximization can be an issue to see the ownership effects in the state-owned banks. One benefit of the state-owned bank is cost effective and the bank can run on general guidelines. State-owned banks are compensating the risk of price because of single ownership system (Demsetz& Lehn, 1985). Cost of capital for one single shareholder is lower by reducing the cost of capital; the state-owned bank can reduce the service price and fill the social responsible work. The interesting point of departure to choice is the state-owned banks objective and different service and single ownership system one way good for traditional business and other way totally different from private banks objective and group shareholding system. This is also a big reason to choice the Sonali bank as the case of state-owned bank.

Therefore, the company size, functional complexity and how technology related to the administrative intensity could provide the knowledge to get good result by studying this bank.

Prime Bank’s official website and annual report influenced me to choose this bank at the very first sight, on the other hand my previous knowledge about Sonali Bank and its wide services confirmed me to include this bank in my study. There are 50 private banks in Bangladesh where Prime Bank is the number one among all banks according to the “Best Award” from SAFA (South Asian Federation of Accountants) for Annual Report-2008. The difference among all the private banks is not big in terms of technology and management. Therefore this sample will provide enough commonalities and differences in the comparative study. This bank has a good
reputation and a consistency in the stock exchange market (Dhaka Stock exchange, 2010). Prime Bank is technology focused bank among all the private and state-owned banks in Bangladesh (Prime Bank, 2009). The group of shareholders wealth maximization is the opposite direction to compare with the Sonali bank. However, Sonali Bank produces the lower cost of capital because of its single ownership but Prime Bank like to split the shareholders risk among the owners. However the cost of capital is higher for the Prime bank due to its shareholding behavior, empirical study informs that the control panel is stronger when the owner are more and more expanses to the control panel. Prime Bank management also have the control over the employees and system and therefore, more adaptation technology and decentralized managerial process worked in this bank. Thus a total different attitude from Sonali Bank and Prime Bank was the easiest way to see the comparison and learning insight of these banks. Finally a comparative table between these two banks was the last episode in establishing this study plan.

Table I: Reasons to compare these two banks are as follows:

<table>
<thead>
<tr>
<th>Prime Bank</th>
<th>Sonali Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>The leading private bank in Bangladesh</td>
<td>Number one bank among all state-owned banks in Bangladesh</td>
</tr>
<tr>
<td>Decentralized management and diluted ownership</td>
<td>Centralized management and ownership</td>
</tr>
<tr>
<td>User of advanced technologies</td>
<td>Mostly paper based system</td>
</tr>
<tr>
<td>Most of the product and service information delivered by the Information Technology (IT)</td>
<td>Face to face customer services</td>
</tr>
<tr>
<td>Modern and dynamic marketing policy</td>
<td>Traditional business policy, a lot of customers but lack of utility</td>
</tr>
<tr>
<td>Politically free service provider</td>
<td>Unseen politics within a central regulatory</td>
</tr>
</tbody>
</table>

From the above table and my tight contact with the Sonali Bank employees, it makes sense to make a comparative study between Prime Bank and Sonali Bank. It is obvious that the performance of Prime Bank is much better than the performance at Sonali Bank, and it is needed to understand what can be improved. In order to find depth knowledge about the performance comparison I have selected some respondents from both banks.

2.4.2 Respondent Selection and Interviews

At the very beginning I have searched my personal network to these banks for further work of my thesis. Fortunately I have found two reliable contacts from these banks and both of them assured me to confirm top level management’s interviews. In Bangladesh, it is not easy to get
introduced to respondents at an executive level. I will come to it later in the analysis, but for cultural reasons, managers are usually reluctant to disseminate information about their decisions. It could be one reason for the absence of previous studies focusing on Bangladeshi banks, despite the need of understanding performance construction. However, after I have got the certainty to make interviews, I studied these banks websites before confirming the interviews.

In Sonali Bank employees are quite nervous and do not want to expose themselves. Their thinking is that even though they are not focusing, they are secured to get the salary. Volunteer work will not help them to upgrade their job status. There are also some constrains from the political view to the government employees about biased information. However the above reasons do not hinder me to conduct the interview, all the state-owned banks have similar problem. It was quite difficult to conduct taking interview from state-owned banks, I knew some of my friends and relatives working in the Sonali Bank that can help me to complete the interview study. Respondents list including their competencies are given to the appendix 6.

2.5 Data collection and analysis

The difference between qualitative and quantitative research is not a matter of quality but the process or mechanism which reflects on the research problem and purpose (Ghauri & Gronhaug, 2002). Qualitative study is a descriptive rational approach and quantitative study provides numerical and quantifiable arguments. There are several characteristics of research: information collection, use of various sources when collecting information, emphasis on study object, time and flexibility, organization culture should be socially constructed and contacts with the phenomenon is necessary (Bryman, 1995 cited by Hyder & Abraha, 2003). Data collection depends on which research approach is being accomplished. Qualitative data is based on the explanation and word expression while quantitative data is based on numbers. A quantitative method provides mathematical solution to support the answer of the research question. In this thesis, since a qualitative analysis has been selected, data gathered from interviewee will objected to connect the inductive research to understand the present capability of banks, how to improve the management and technology maters with some inter-related factors affected in the management and technology. Besides, contribution of theory based on strategic managerial perspective connects the deductive approaches which were presented on chapter 3 for the state-owned banks improvement in developing countries. Both deductive and inductive study conducted combined to collected, gathered and used different types of data. In order to understand the comparison between two banks and how these two banks performance differ, an explorative method of unstructured interview was chosen as data gathering tool. However, a semi structured question was send to the interview, the aim was to make the interviewee to understand the research focus, and no data were selected and gathered from semi structured questions presented in appendix 2 and appendix 3. After gathering all secondary and primary data, a model for data sorting and analysis structure was explained on the fig 1 (2.4.3) and an extension of fig 1 in the same section. However most of the data sorted and translated in English language, but according to the state-owned bank, some secondary data are provide in Bengali language exampled in the (Appendix 10: Job advertisement of the state-owned Bank).

2.5.1 Secondary data

Secondary data can solve partial or entire research problem (Ghauri, & Gronhaug, 2002). This kind of data already exists in the market and therefore it is easy to find and use in the research
study. Several sources of secondary data can be used in a research: (Ghauri, & Gronhaug, 2002, pp 76-81) Internet web pages of different companies; government publications; statistical reports; scientific articles; reports of institutions and departments such as universities; other articles.

As a starting point, I have used the banks’ financial data from their annual report to see the financial return, management structure and risk management process. Annual reports are logically the first source of data, since it is disclosed by the firm itself and has a legal value. I have also found limited useful information on technology and pattern of ownership in their websites. As secondary data is prepared for some other purpose, I found some risk to use only secondary sources. Secondary data is not sufficient and fully appropriate for this kind of descriptive and exploratory research. There was not detailed information about the bank as a whole. Old data was not upgraded regularly by the state-owned bank. Very little information was included about risk management policy and process in the state-owned bank’s financial statement. In terms of technology, it was not enough to understand their present condition and future forecast to use technology. Moral hazard problem and political involvement’s effect in the banking industry is withheld from the annual report of those banks. However, some preliminary issues on risk management, technology and managerial functions are included from the secondary sources, but those data do not clarify any detail and depth analysis. Therefore primary data collection process was also important to conduct a research to gain managerial, technological, moral hazard as well as political insight.

2.5.2 Primary Data

When a research lacks data from the secondary sources, it is necessary to collect the primary data. Primary data collection is based on the research problem. Experiment, observation and interview are the best methods to collect primary data. This type of data is most authentic and accurate for the evidence based research. But primary data collection process is costly and time consuming (Ghauri, & Gronhaug, 2002, pp 76-81).

I want to compare different factors for state-owned banks with private banks. Historical data analysis from private and public banks is necessary to know about initial position and growth of both the banks. Primary data is necessary to observe how the experts think about the private and state-owned banks, what solution is provided by the experts for the sustainability of state-owned banks related to governance and technology. Seeing the relevance of the data collection procedures, I will combine primary and secondary data in this study.

2.6 Interview Guide

Interview is a qualitative research method that can be structured, semi structured and unstructured. A structured interview is a standard format of interview with fixed response categories and systematic sampling and loading procedure combined with quantitative measures (Ghauri, & Gronhaug, 2002, p. 100). Unstructured interview is liberty to discuss based on respondents’ independent reaction. The interviewer can just raise the lead question like how and why (Ghauri, & Gronhaug, 2002, p. 101). In modern times, more and more researchers also conduct the interviews through video conference technology. In a structured interview, researcher uses a detailed interview guide like a questionnaire in qualitative study (Ghauri, & Gronhaug, 2002, pp. 100-108). While I was studying the website of the both private and state-
owned bank, I have made two different semi-structured questions (Appendix-2 & Appendix-3), for state-owned bank and private bank accordingly and sent them by email so that they will understand the pattern of the question during the interview. I have also included a cover letter (Appendix-1) detail with the semi-structured question so that the interviewee can understand author’s purpose to conduct the interview. Instruction about the unstructured interview given to the respondents by over phone so that during the interview, the question will be more open and unstructured and respondents can lead what he/she wants to say in relation to the banking sector development. Because, an unstructured interview was given the respondent freedom when interviewing (Ghauri, & Gronhaug, 2002, pp. 96-108), telephonic conversation was the method of the interview guide because of distance difference between author’s and respondents. The language of the interview guide was chosen according to interviewee’s point of view both in Bengali and English medium. Other conditions of the interview was a verbal non-discloser agreement that, author can record the voice only for study purpose and after completion of data collection, the author should destroy all the data because few response was disfavor of the state government and politics involvement and moral hazard problem in the state-owned bank. A scope of taking several times of interview from same interviewees was open to the author to avoid the miss understanding between author and respondents, to produce more information and screening the data according to their common and different opinion in different time. As telephone interview was the method of unstructured interview guide, the reason for choosing the telephone interview is described in the next section (2.6.1)

2.6.1 Telephone interview

“Telephone interviews have advantages compared to face to face interviews both from practical and administrative point of view” (Colombotos, 1996). One study reports that data collection cost for telephone surveys can run from 45% to 64% lower than comparable personal interviews (Robert, & Robert, 1979). Telephone interviews cut the travel costs and other costs. In a long distance project, the travel costs are higher; sometimes researchers need to get accommodation if the interview is held in the other region (Ghauri, & Gronhaug, 2002, p. 104). But less participant’s involvement in the interview is best suited to the telephone interview (Blumberg, Cooper, & Schindler, 2008, p.294). In this research, I think that telephone interview is very logical because my location is 5000km away from the research area. Unstructured questions through the telephone were suitable for this research to avoid the cost and time.

Telephone interviews are best suited when respondents are scattered over a wide area. It is also an effective method to use interview when the respondents are not at home or difficult to identify the location. Fixing a date and place can be falling in uncertainty because of traffic problem where telephone could be a best media to avoid uncertainty. Place is a big issue with face to face meetings and respondents are sometimes not willing to organize and confused to set up the meeting in office place due to business and home can be a too personal issue. Any location in fact creates a bias. Most of the time it was possible to follow up the respondents answer via telephone again and again. Of course there are some limitations using the telephone interview. Facial expression is one kind of psychological reliability that is only possible to analyze by face to face interview. Respondents are keen, attentive and ethical concentration is higher during the face to face interview. Respondents are careful while fixing the interview date and not trying to avoid the circumstances. Any respondent willing to avoid the response can switch off the telephone. This is one weakness of the telephone interview.
2.6.2 Preparing the interviews

The first important issue here is to introduce the study and its purpose and to guide the respondents (Ghauri & Gronhaug, 2002, pp. 100-108). As an interviewer, it is necessary to answer all questions coming from the respondent. Interaction between the interviewer and respondent will provide reliability of information. Before interview, I have explained in advance these questions: who would benefit from the study? When will the final report be ready? Will they get a report or not (Ghauri & Gronhaug, 2002, pp. 100-108). To collect information on the technological services of the banks, it was necessary for me to talk with the people who are in these managerial positions and monitor the bank at the corporate level. I have tried to find some employees from my personal network. I have got one of my friends working in the private bank Prime Bank as a Senior Officer, Corporate Branch, Dhaka. He promised to help me and convey his boss anonymously and one other top management was also willing to respond. Further he sent me an email that he had managed experience interviewee for my research (Appendix-4).

Similarly, I have got other friend working in the state-owned bank since March 2008. Her name is anonymous in this report. She is working in Sonali Bank, Local Office, Dhaka. She helped me to contact with a top manager, Corporate Branch, Sonali Bank. A respected top level manager then selected some other experts to complete the interview for this research. After a preliminary understanding, I requested them to fix the date and time for the interview according to their convenience. I was asking to the respondents about what language they prefer to provide the information and I have followed to take the interview from private bank respondent in English and state-owned banks interviewee feel comfortable in Bengali Language.

2.6.3 During the interviews

I have discussed several hours through telephone conversation with the private banks and more than two hours with the experts of the state-owned banks. During the interview the private bank’s experts were keener, according to me than those at the state-owned bank. I have sent them an open ended unstructured questionnaire before the interview so that they were not feeling hesitate to respond. Both Bangle and English language were used in the interview method to get the real feeling from the respondent. I have avoided the leading question because this kind of questions reduces exciting information. During the interview, Prime Bank Officials were out spoken. They were taking time to answer the question and most of the time they have spoken to management and technology related issues. Other than technology and management, they have added some valuable information which was necessary for the development of the banking sector like risk, politics and economy of Bangladesh in current context. Some employees were providing information about the privileges of the state-owned Banks is quite higher in terms of government regulation. Besides, when asking for the Sonali Bank position and managerial functions, they were trying to focus in other subjects than of the technology and management. However they are thinking about the technology and management issues but they were thinking more about the corruption during the implementation stage of the technology. Managerial function does not work effectively during the project funding declaration by the government and required technology might not be available even started some projects. However, they were upset and afraid during the interview, my promise not to send their voice to any authority and report their name as anonymous motivates them to talk freely over telephone.
Also for some of them, I have taken several different interviews of same interviewees and they were very curious to know about this study results. This happened both because of telephone connection problems and also because I wanted to confirm some opinions. From the beginning of my research these particular respondents were helpful to provide information within their knowledge. Therefore, it was my epistemological justification to be silent during the interview and interpreting the question by rephrasing their answer.

### 2.6.4 Involvement of Respondents

Choosing the respondent depends on the research method and approach. It is important to understand the involvement of the respondent beforehand of the interview. This study aims to focus on the experts of the banking sector from the state-owned bank and private bank for obtaining more reliable data. Both technical and managerial experienced decision makers were involved in the interviews. Involvement of the respondents depends on the willingness, experience and skills of the employees with related research problem. As I have selected the respondents from both state-owned bank and private bank, I have given freedom to the employee management to select the most qualified experts by themselves which enhances the flexibility to the responses. This flexibility was the first motivation to the management to convey this study. More experienced and knowledgeable experts from the particular bank and their freedom to provide open and unstructured statement increased the contribution of the respondents during the interview. Finally, respondents gave me freedom to take the interview multiple times. Therefore more communication and follow up helped to build a strong relation between the interviewer and interviewee. This strong relation creates the respondents contribution more and more. The created inter-relation between interviewer and interviewees must be considered in this particular case as strength for the research. In the local context of Bangladesh, one must keep in mind that corporate culture is not that much in favor of openness and transparency. It could explain the lack of research about the business environment in this country. So, I do believe that the existence of this research and the high level of interest shown by the respondents are really valuable.

However telephonic interview has some kinds of limitations but in my research, first 7 respondent’s participation and involvement were really good and they were excited to respond. The fact of being interviewed was highly appreciated. Mobile network problems due to communication technology problems did not made them biased. Some of the respondents called back when the connection went off during the response and I think that this is a reliable example of the involvement of the respondents. Every time follow-up-respondent appreciated and asked to call without any hesitation. All the respondents asked to receive the final report so that regulators could see the message and try to notice to further develop the bank’s situation.

To sum up, most of the contacted persons felt honored, and wanted to be very active and productive for my research. The commitment of the respondents and their willingness to participate in suggestions and improvements for the bank’s performance appears to me as a strong value of my thesis, if we consider the local context. Beside all technical problems and limitations of the telephone interview, the results were valuable for the interviewees and their bank.

However I have taken three more interviews from private bank and state-owned bank, the response was not satisfactory and young respondents were not much expressing in their mood.
These three more persons were selected because most of the interviewee responses before were not provided depth data and it was difficult to find out the proper outcome of the theses at the beginning, but at the later stage of the theses, respondent 5 from Sonali Bank influenced me to study a publication and her translation regarding corruption in the banking sectors helped me to indentify major problem residing the state-owned bank’s success. Data gathered from experts was most of the times to express their current position and state-owned bank’s experts did not follow much about the economic development issues. However all the respondents were very much experienced, it was understand from their response that they are not concern and not willing to think about the country’s economy and other developing country. It’s because, may be they have number of years’ experience in their specific field of working area and academic knowledge about economy was not in their inner or they just wanted to find them in specific banking sectors improvement in their working banks.

My final interview was another sequence of involvement evidence. Among all the ten employees, I have called 4 most experienced employees from both banks and reason for this final call to them was to get a clear idea about the research problem, what they think in terms of state-owned banks development. Is the management and technology only important issue? What are the learning that, state-owned bank can learn from private bank and Bank Rakayat Indonesia? All of their respond was technology and management issue besides they were more involves participating during the interview from political perspective. State-owned banks participants’ feeling about who cares who cares regarding state-owned banks success; is it government or the bank management?

2.6.5 Data sorting and analysis

Data analysis is the process of bringing order, structure and meaning to the mass of collected data (Ghauri, & Gronhaug, 2002, p.137). The key purpose of a qualitative research is to understand and gain insight into phenomena (Ghauri, & Gronhaug, 2002, p.137). I have structured and organized the data in a categorical order. At the very beginning I have made two flyer cards for the interview data. Those are the private bank named Prime Bank and the state-owned bank named Sonali Bank. After separating these banks, I have separated the data from those banks in two different segments because secondary data from state-owned bank have little information content and official websites are not upgraded regularly. However these are type of data (primary and secondary), I have segmented these data as category under Banks to fit the fig: 1. In order to understand why state-owned banks performing poorly, some explanation are needed to justify with the qualitative study. Based on the descriptive and exploratory study in qualitative method unstructured interview is the best use of gathering data from the respondent. These data will drive the primary data to connect the theory and practical method. On the other hand, when I have segmented the primary data and secondary data, it is useful to justify the respondent’s ethical witness. Secondary data from the private bank is extensive and separation is mandatory to support the practical method. When ordering the data in a structured way presented in the empirical study, to analyze the arguments, those secondary and primary data will together connect an important part of the theoretical model. Data sorting order is explained below. See next page.
Researcher generates categories and identifies themes and patterns (Ghauri, & Gronhaug, 2002, p.138). The above two functional strategies helped me to find the technology and management based themes. Secondary data in the data sorting order sorted the data based on data technology, management and other data, whether primary data includes only one unit named reports of interviewee, technology and management are segregated from the primary data after respondents were explaining their situation. When discussing secondary data by separating the technology and management function, there are some other data that can help to be used as the driver function for the research problem and example of those issues are mission and background of the banks, performance of the banks, rewards and achievements etc. From the figure 1, it was a structure of the chapter 4 to gather data from interviewee and secondary sources but the data analysis process was explained under an extension of the fig 1 on the basis of performance factors affected in the banking sector for both theory and respondents view in chapter 5. State-owned Bank and Private Banks data was analysis based on performance indicators and their competencies, inter-relation and side effects. The extension of figure 1 explained below the data analysis process. See next page-
As data gathered from the different functional banks’, it is reasonable to present the author’s and respondents’ ethical contribution of data collection and analysis.

2.6.6 Ethical Contribution

Most of the data collected from the state-owned bank was involved with political issues. Thus respondents’ ethical contribution is necessary to present in this study. Most of the data collected from respondents’ were taken several times interview to understand and analysis the commonality and difference of the same issue. But the author received same knowledge and data result from multiple data analysis. Besides, author tries to store the data by recording. Most of the data was recorded and few data recorded were missing both sides conversation due to the technical problem of the computer and software. The data collected through the VOIP telephone call, Skype as well as the personal mobile phone (Nokia, 1200; Type: RH 99). The personal phone of the author’s did not have the option to record the call. However, author got recording option with Skype, only one interviewee had the Skype conversation when he was at home. Besides, Skype use is not permitted to the office place. Call recording through VOIP was quite ok but few interviewees were recorded was side conversation due to author’s technical knowledge gap. But this recording problem was not creating any problem because the author also has written the response from the interviewee. Besides, the author taken several times from the respondent was helpful to analysis the data strength. However, the respondents from state-owned bank request not to disclose their name and contact in the international journal, a separate sheet of the respondents will be presented along with the theses to the supervisor as evidence. Those respondents’ name and contact will not be included in the theses when uploaded in the university website.
Technology and management are important issue and the major concern of data analysis process. Theory from chapter 3 was elaborately discussed about the impact of technology in the organization and their need. Connecting to those theories, respondents view and secondary sources of data analyzed under few basic competencies of technology and management. However technology and managerial issue were discussed, existing case, literature review and respondents continues evidence of political impact and organizational culture were analysis due to the need of raise the answer of the research question. Continuous revision of the interviewees’ response and update the information from those recording helps to find the accurate meaning of those data analysis process. Prior research, existing case of ADB 2009 was logically connected to the data analysis according to respondents’ point of view and evidence from secondary data sources. Key factors of data analysis found from the chapter 4 are management, technology; politics and organizational culture based on some key themes were management flexibility, hierarchy and employee selection process. Technology received importance in the analysis were the cost effectiveness, use of technology and the capability of the technology in the banks.
Chapter 3: Discussion of prior research

Theoretical framework is based on current and existing literature related with the major success indicators defined by the restructuring of the state-owned financial institution Bank Rakyat in Indonesia due to fit with the purpose of the study. Bank Rakyat Indonesia case supported the author to investigate about the state-owned banks and their functions in terms of strategic management.

Ownership in State-owned banks follow the theory of Stake Holders perspective while private banks are concerning about to gear up the Shareholder wealth maximization. Although their ownership system is different, this study based on the competitive sustainability according to managerial operations and use of technology which is connected with resource based view of strategic management. Because, the research purpose is, how functioning the technology and governance system and what improvement for state-owned banks is important. How technology and management becomes the driver of the performance and what relation these factors have with financial and operational return is important. The technology and management are the performance driver because of the competency of the technology and management are described below:

3.1 Financial and operational performance

The performance of the firms can be considered from many different angles. Firms’ operational performance and financial performance can be determined from many angles that how the company or the researcher target to look at. The research question arises in this study based on management and technological aspects. Therefore, how this technology and management involved both the financial and operational performance is important to observe.

One empirical study reflects the technology helps the organization to become cheaper and more powerful (Brynjolfsson & Hitt, 2000, p. 24). Firm level experiments in this study explores the performance competencies of information technology are the technical capability that enhances the ability of the managerial process. It reduces cost of coordination, information processing cost as a result technologies are substantially larger than would be predicted by simply multiplying the quantity of capital investment devoted to them by a normal rate of return (Brynjolfsson & Hitt, 2000, p. 24). However, the competitive advantages of the technology are involved, this study results that the technology helps to forecast the future investment capability and how the performance factors are driving the firm (Brynjolfsson & Hitt, 2000, pp. 24-48). Intangible outputs are focused by the operation of the business process and managerial decision making and flexibility (Brynjolfsson & Hitt, 2000, pp. 23-48).

However, the managerial decision making process are intangible, besides the training for the managers’ and employees also effect the performance of the company as evidence results that the return on investment is much higher than believe and it helps to perform work better and quick what has a long-term value which implies that the training provides guidance to firms on their human capital investment decision (Bartel, 2000, pp. 502-524). Therefore, competencies of the technology and management are co-related and help each other to perform better. Both technology and management is surrounding with asset, information and human interactions. Resource based view includes, asset (technology), knowledge, information, human etc, which are
inter related with each other. Utilizing the competencies and using best strategy in terms of strategic resource based view is the main theoretical path of this research.

Management is the art of managing: the conducting or supervising of something and technology management can be thought as creating, supervising, managing and developing the skill of using techniques (Hakkarainen, 2006). And strategic management best fit with the organizational needs means the ‘primary question in the field of Strategic Management is how organization’s achieve and sustain competitive advantage’ (Teece, Pisano, & Shuen, 1997, pp. 509–533). Firm’s performance are better when managerial and technological practices become competitive (Teece, Pisano, & Shuen, 1997, pp. 509–533).

Strategic management is dealing with complexity arising from the ambiguous and non-routine situations within the organization. However strategic management is wide to discuss and its priorities vary case to case (Ethmrooth, 1997, pp. 1-17). In the base case, several strategic directions were taken to increase the organizational performance. Concerning this specific study, a resource based strategy is viewed by the author as the best approach in order to sustain the bank position. Enhancing competitive advantage of the resources, the state-owned bank could get sustainable performance improvement. Resources consist of Assets, Human Resources, Knowledge, and Information and those are the key drivers of creating organization performance. Also they are inter-related. For example, Technology is the asset that helps to develop human resource efficiency and speed, and on the other hand, human resource management is playing to improve efficiency of organizational processes. Technology in this study will also connect information and technology. Besides, the structure of personal/people management system refers to the role structure of players that are the key to the performance of the HRM (Bredin, 2008, pp. 31-54). In this study, governance or management is the key players of the banks. Thus the management is considering a partial view of the Human Resource Management which fits with resource based view along with the information and technology.

However the above study concerns about resource and technology and it also provides the theory of inter-relation among information, asset, technology and human resource, there are more factors which enhance and refuses to acquire the competitive positions like: human relation with politics and moral hazard, organizational culture, technology relation to organizational infrastructure changes impacted with countries economy etc. were not found from existing literature as performance affected factors in existing literature. Because, Humans bounded on rationality and its accompanying frailties of motives and reason (Simon 1985, pp/294-304). As business operates by the human and they can process the information based of their psychology and rationality implies that they can be both politicize or prestige-size (Simon 1985, pp.294-304). This organizational politics and policy affects the organizational culture (Erez and Gati, 2004). Hence, organizational culture is other issue to influence the performance of the organization by co-operation and adaptation of the dynamic culture (Kondra & Hurst, 2009). Adaptation and use of technology and development of the infrastructure therefore can enhance the performance of the organization. Therefore, interrelation among politics, organizational culture with affects technology and management is a new theory provided in the conclusion as one outcome of the study. Similar issues discussed in the case of Bank Rakayat, Indonesia (ADB, 2009). Due to the inter-relation among management, politics and technology, the
Indonesian bank have reform the regulatory body with the help of government to make politics free management, and technology implemented to run managerial practice as well as for cost efficiency of the bank.

The learning from ADB, 2009 case is how Indonesia Bank got success and this study influenced the author to have some knowledge to banking sectors improvement from prior research. Thus this chapter presents main theoretical issues and previous research work related to the current study, mostly focused on IT management and governance and their inter relation. The purpose of this chapter is to identify those theoretical aspects on which the empirical part is based.

3.2 The resource based view

The resource-based view (RBV) of the firm defines a strategic asset as one that is rare, valuable, imperfectly imitable and non-substitutable (Meso & Smith, 2000, pp. 224-232). A resource is competitive when the firm can exploit the opportunity by using its value, spoil the competitive threats, the asset should be non-substitutable and if it has no strategic equivalents (Meso & Smith, 2000, pp. 224-232). Most of the tangible assets can either be imitated or acquired, they are not strategic therefore, a further quality for strategic assets is that they are intangible (Meso & Smith, 2000, pp. 224-232). Information Technology (IT) is intangible and it is knowledge based asset what is possible to acquire but not perfectly imitable due to the set with different organizational infrastructure requirement. One study results, in order to enhance the organizational competitive advantage, a socio technical perspective of resource based view is important (Meso & Smith, 2000, pp. 224-232).

Another resource based view is the firm’s human resource: is perfectly not imitable and every individual skill are different. The resource based view in human resource is, specifically ability to manage the institutional context of its resource decisions (Oliver, 1997). A firm’s institutional context includes the internal organizational culture, influence from outside state, society and inter-firm relation defines socially acceptable behavior (Oliver, 1997). Therefore, both asset and knowledge integrated resource based view explain about the inter-relation among the asset, knowledge, information etc. As resource based view defines an integrated theory of the asset and human resource development issues, some other theory explain it in more product and knowledge based integration like Information Technology (IT) and governance related in e-governance (Bedi, Jeet Singh & Srivastava, 2001). The next section will explain about the inter relation between and technology, specifically Information Technology (IT) and management relation and later the external and interssnal institutional effects will be discussed separately as political issues, organizational culture, technology and management.
3.3 Inter-relationship between technology and management

![Diagram of inter-relationship between technology and management](image)

**Fig 2:** Inter-relation between technology & management (Resource Based View)

Source: Sarah, A., Information Technology (IT) and Governance, India, (2003).

When technology changes it invites to change and acquire technical resources. Thus Technology enhances productive growth in economy and building human capital. The application of Information Technology (IT) including the governance brings more speed, transparency and responsiveness in government function which then enhances accountability (Sarah, 2003). The Information Technology (IT) in India brought new resources and opened up communication.

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2Note: Above Fig: 2 edited and some parts were eliminated due to fit with this particular study
channels for the administration which offers a bridging gap between the government and peoples through the interaction and dialogue and new alliances (Sarah, 2003). Interaction between technology and governance, the new skill of human resource is developing their managerial decision making process which residing as tactic knowledge and creating dynamic organization culture (Meso, & Smith, 2000, pp. 224-232). Therefore, the resource based view of strategic management provides the interaction and inter relation among, information, knowledge, asset and human creates new organizational culture, utilize organizational competencies which influence to protect the external pressure like politics. Finally avoiding technological demand from the organization thus reduces the competencies of the company.

3.4 Technology in the business

Technology has become an important component of today’s business. A combination of computers, telecommunications and internet technology is now being widely used for a variety of service delivery purposes including the provision of banking and financial services, information, booking, and retail shopping services. Both customers and service providers benefit from these integrated technological services (Bitner, Ostrom& Meuter, 2002; Binter, Brown & Meuter, 2000; Brown, 1997; Dabholkar, 1991; Dabholkar, 1996; Meuter, Ostrom, Roundtree & Bitner, 2000). It is reported in one study that company’s technological strategy supports the development of both network and technological competencies (Ritter & Gemunden, 2004, pp. 548-556).

Previous studies suggest that II is the product of human action as well as material asset (Orlikowski & Robey, 1991 cited by Andersen, 2001) thus technology is not a single phenomenon rather it is an integrated component in offering services. Technological progress and integration in the service market have changed customer’s needs. Service providers’ operations are also changing. Customers can pay the electricity bill and travelling costs etc. via mobile. Mobile company receives the payment through banks. Banks use internet, computers and software systems for financial services. Hardware is necessary to perform those software services. Therefore, hardware (computer), software (service) and Internet (online transaction) are key technological service options to the “communication and finance based business”. Therefore service providers and customers are automatically moving towards technological network. Dependencies on technology are increasing rapidly. By reducing the overhead cost and personal cost, service providers attract the close attention of the customers (Walker& Johnson , 2006, pp. 125-135) and customers are provided with better expediency, potential time saving and faster response (Walker, & Johnson, 2006, p. 126).

Although different kinds of integrated services create dependency on one another, beside this collaboration, competition is also growing actively. Financial transactions through the MIS banking are popular almost everywhere in the world. And bank is the most popular financial organization. Therefore, how technology works in the banks is important to consider.

3.5 Competencies

In management, core competencies mean some special qualities of the company and by acquiring those qualities; a company should get competitive advantage. One study describes “Resource based view of competition, which explains a company’s success in terms of its (internal) competencies” (Ritter& Gemunden, 2004, pp. 548-556). The term competence is used to mean
not only having knowledge or possessing skills and qualifications, but also using those qualifications (Ritter, & Gemunden, 2004, pp. 548-556). In this research, I have defined the qualification, knowledge and skills for employees or management qualification and the skill processing unit of operation is technology. “Studies (Carlsson, & Eliasson, 1991; Malerba, & Marengo, 1995; Sanchez & Heene, 1997) have taken a broader view by including managerial competencies: internal competencies are of particular interest for innovation success, technological competence and a marketing or network competences” (Ritter & Gemunden, 2004, pp. 548-556).

An adapted infrastructure of information technology, integration between IT and management and technical hands becomes a competitive weapon of the organization (Ross, Beath, & Goodhue, 1995, pp.1-24). Because IT aligned the strategic opportunity of the business, new skills of IT capabilities are delivered services quickly and operation supports are cost effective. IT-business relationship creates the path of competitive advantages when they can consistently identify and implement strategic applications faster and more cost effectively than their competitors.

Uses of quality human resources can vary company to company. A company can achieve its competencies when the company human resource’s special quality. Technology produces technical hands for the company is a competency both as employee’s skills and the technology which is used to produce better products and services. Information technologies in different organization used in different ways, thus technical employees are also produced different services. In the management competencies are also same as technical employees to some extent. Primary productive resource of the firm is knowledge resides in the individual employees (Grant, 1996, pp. 109-122). The organization selects and recruits the people to use their knowledge and information. Special skills related employee selections produces special services is important issue. Some company recruit employees for very specific purpose to serve the specific task and some organization those do not follow the special selection but recruit employees through general selection process provides poor organizational performance comparatively. Therefore, limited use of technology and flexible decision making in organization differs to make out perform in organization according to the organizational structure. Besides the technical competencies, organization management and its structural system provides the direction of creating and utilizing the competencies. As for example, organizational decision making process, co-operation and coordination depend on the organizational chart and their hierarchy as well as flexibility.

Hierarchical organizations have two types of problems; first one is coordination and second is cooperation (Grant, 1996, pp.109-122). It is not possible to get pure coordination among employees and directories if the organizational chart is more hierarchical. Step by step decision making process from boss to subordinates through formal system information sharing among employees reduces coordination that belongs to the outside of the formal hierarchy. Information distributions among subordinates restrict and diminish the point of independence and motivation among employees. There is also problem of integration between rules and directives when needed according to fill the organizational purpose. Consequently organizational member feel barrier to transfer the information and that diminish the speed of decision making. Higher levels of decision making are depends upon immobile lower level knowledge (Grant, 1996, pp.109-122). The formal hierarchy also mismanage the information sharing thus new recruited people
and mid level experts cannot co-operate when need innovative idea in hand. The spirit of team working is less productive when a rigid hierarchy practiced by the organization because team based organization is the access point to utilize individuals (Grant, 1996, pp. 109-122).

### 3.6 Technology competencies

Network competencies help company to make relationship with other companies, thus chances of collaboration increase and supply chain network become strong (Ritter, & Gemunden, 2004, pp. 548-556). In the business transaction, every company needs to increase supply chain network. Easy communication can help to make more relation-based supply chain. Easy and accurate business transaction with one party generates goodwill to the other party. So, company’s long-term growth increases. This kind of network and competencies will not come without any innovative effort. Companies who use better and more technology options enable those competencies (Malerba & Marengo, 1995) and have greater innovation possibilities than those companies that have lower use of technology (Ritter, & Gemunden, 2004, pp. 548-556). Banking industry is one that uses the technology and management as a base for the core competencies. Therefore this study explores how technology and management function in the banking industry. In general, organization uses technology as a strategic tool for the safeguard of long-term competitiveness, cost efficiency and profitability (The European Central Bank, 1999).

Banks may choose to be “technology leaders or only gradually to adapt their strategies. In case banks need to be fully aware of new developments in order to sustain their market position (The European Central Bank, 1999). “Banking supervision Committee of the European System of Central Banks (ESCB)- describes the scope to which developments have taken place in the European Union and investigates banks’ strategic adaptation and risk related technological progress as well as relevant supervisory issues” (The European Central Bank, 1999, p. 5). One best way of develop banking sector is to replace paper based and labor intensive methods by Information Technology (IT) (The European Central Bank, 1999, p. 5). Within this framework, it appears that the use of technology by banks can become a main competitive advantage.

#### 3.6.1 Information Technology (IT) in banks

Most of the developed countries are now captivating advantages of Information Technology (IT). In developing countries business organizations are also now very much aware about the IT services. Many early adapters and organizations try to change the market environment towards them instead of just follow the market trend. Therefore the faster and innovative solutions are keys to structure a successful business atmosphere. Technology is one solution that creates that atmosphere by delivering services that include ease of use, conversation of times, conveyance, privacy, accuracy, multifunctional capabilities and use of advanced IT. Example of IT based banking service delivery options includes ATMs, online banking systems, internet banking etc (Zhu, Jr. & Chen, 2002, pp. 69-90). Online banking systems reduce the transaction and other service time. Easy and accurate solutions by the online system motivate both employees and customers to use and provide the frequent services. It also Increases the capability of the customer. In fact, the total automation system is splitting every unit of cost and providing cost effective solutions. Internet banking process is also delivered their product and service knowledge to the customer’s home and creating opportunity. This kind of online solutions and internet banking produces the valued customer and creating technical competent employees and developing economic value for both bank and country.
3.6.2 Internet Banking

Internet banking refers to the use of the Internet as a remote delivery channel for banking services. Such services include traditional ones, such as opening a deposit account to transferring funds among different accounts, and new banking services, such as electronic bill presentment and payment (allowing customers to receive and pay bills on a bank’s web site) (Furst, Lang, and Nolle, 2000, p. 3). Those institutions that are better performing have internet banking system compared to non internet banks (Furst, Lang, and Nolle, 2000, p. 2). Customers want variety of options for quick and frequent services. Many individuals and business investors do not want to provide extra time for financial transactions every day. Investment in share market business depends on the timing of buying and selling securities. Customer does not have enough time to go to the bank to deposit money and withdraw every day. Concentrated buyer of the financial services is very analytical and wants more information than average buyers. Many concentrated buyers are confused to buy the service if there is alternative. Which product or service best suits with them is their concentration but if there are a lot of options, it is difficult to give them verbal feedback. Cost of the customer service increases for this kind of concentrated buyer. In that case both customer and supplier want to be satisfied in equilibrium by saving both cost and time. Internet web-based information helps to recover this kind of problem. Customer can study the website of the bank and choose the options among the services. Provider also does not need to think about losing the customer. The website of the bank also helps to advertise the bank products and services.

Bank technology as another option very popular and required by the customers is ATMs service. One research result suggests that a bank’s ATM network membership decision is essential to its later success in enhancing deposit market share via deployment of ATMs (Banker & Kauffman, 1988, pp. 1-22). Automated teller machines (ATMs) are often regarded as weapons which commercial and savings banks use to capture or protect deposit market shares in return for providing higher levels of convenience to their depositors (Banker, & Kauffman, 1988, pp. 1-22). People do not need to carry the cash at hand and 24 hours ATMs services helps to reduce the time, cost and stress of the customers.

Literature provides information about the Information Technology (IT) is important and it is one of the best ways to develop the infrastructure which can lead the competitive advantages. Conventional and traditional bank cannot forecast their success because the Information Technology (IT) reducing the product and service cost, increasing accuracy of work, improving knowledge and information gap between customers and providers etc. Prompt and secured customer services through ATM’s are other competitive advantages for the bank.

3.7 Bank Management

Bank management concerns the managerial governance of the banks and is said to be mostly responsible for Asian financial crisis in 1998 (Hanazaki, & Horiuchi, 2003, pp. 305-325). Lack of capital market discipline increases the market risk. Therefore, restructuring, change of ownership, new regulation and managerial discipline are inevitable to structure the bank and its management. And also, bank management in developing countries includes some specificity discussed in this section.
3.7.1 Bank ownership, management and board

Studies cited in Wen (2003, 2006 & 2008, pp. 1-18) explain the different results of ownership concentration in the industrial firms: in UK there was positive association between ownership concentration and profitability in large industrial firms (Cubin and Leech 1983), while Leech and Leahy (1991) found it negative, and both Short (1994) pointed a negative relationship in firms at the London Stock Exchange. Few Chinese researchers found a quadratic relationship for the companies those are listed in the stock market (Chi and Wang 2009), similar results are reported from US (Gedajlovic & Shapiro, 1998), and Spain (De Miguel et al. 2004). Not only for the industry and companies but for the bank operation investigation under ownership concentration and banks profit relationship relies complex cubic relationship evidence within 423 banks in 39 different countries (Wen, 2003, 2006 & 2008, pp. 1-18). About 50 Chinese banks investigation made by Wen (2003, 2006 and 2008, pp. 1-18) and found a negative relationship associated with the ownership concentration and return on equity and asset. More control over ownership concentration provides the complexity of the results besides also explains the need for the performance factors examinations. While different study results different based on country context and situation, the ownership concentration in developing country in china, an empirical study results that the state-owned banks were poor performing and after reform and changed the ownership, there was a little performance change in either short or long run (Lin & Zhang, 2006, pp. 1-10).

An empirical study made by Pondy (1969) on 45 manufacturing industries found that the bigger Company size need to higher administrative intensity to decrease the functional complexity and separation of the ownership and management. This study advised that, making more administrative strength, technology can be determined the structure and task of the organization (Pondy, 1969.). The newness of this study on the administrative intensity and the determination of the technology indicated the performance driver of the bank are administrative staff means management and technology. Fast economic growth is the result of strong financial market, which can be seen in cross country studies (Reaz, and Arun, 2006, pp. 94-103). For the past 20 years financial instability has taken place in developing countries and this problem was created because of inefficient and incompetent governance practice in the banks. (Reaz, and Arun, 2006, pp. 94-103).

Banks in developing country face a number of problems. The banks in developing countries are faced with high improper policies in use and the governance system strict and influenced by special interest groups (Basel Committee on Banking Supervision BCBS, 1999, P. 10). A better governance system could minimize the problems and at the same time help improve financial development. One solution to prevent conflicts of interest between the government banks and business is to establish independent regulatory agency (Shleifer and Vishny, 1997; Arun, and Turner, 2002). Therefore, banks in Bangladesh only have one board level according to a survey made by Reaz and Arun, in 2006. The board can either be a management board or a supervisory board (Reaz, and Arun, 2006). Even though board members are highly experienced, they are not typically compensated for their participation in board work. It can also be seen that in addition to bank experience less than half of the board members have five years of experience of board work and majority of the board members have three years of experience. The board members serve a very important function because most banks require their CEO to report directly to the board. (Reaz, and Arun, 2006, pp. 94-103).
Some practice of managing people is necessary to organize business activities and produce skill and competencies among employees are: employment security, fair selection of recruiting talent, high salary and compensation, training and development etc (Pfeffer, 1995, pp.55-72).

1. Employment security: Security of employment signals a long standing of commitment by the organization to its workforce (Pfeffer,1995). Job security increases employee satisfaction and reliability of the organization so that employee contributes more in its permanent job.

2. Fair selection of recruiting talent employees: Security of employment and reliance on the work force for competitive success means that one must be careful to choose the right people (Pfeffer, 1995, p. 58). It is widely accepted that there are two methods of augmenting the inventory of skills present in any organization: 1) acquire new skills through recruitment and outsourcing or, 2) develop them through training and development activities (Dr. Sullivan, and Burnett, 2008). It is important to screen the employee’s background before recruiting. Many organizations recruit employees from different academic backgrounds to different places and cause inefficient output. Some employees are more motivated by reward than money (Pfeffer, 1995, pp. 55-72). Profit sharing and self-status generating are two important objectives of the employees.

3. High salary and wages and incentive pay: It is common sense that if any organization wants to recruit high talented employees, it must follow the high provision of salary to attract the employment opportunity. Motivations of employees create space of competency and help to make a good organizational culture. Status of the employees promotes the individual competition in the internal organization which produces competencies among employees.

4. Training and development: Training can and should be a powerful agent of change, facilitation and enabling a company to grow, expand and develop its capabilities thus enhancing profitability (Story,& Westhead,1994, pp.13-24)\(^3\). Training helps people to be confident, competent and improves awareness and efficiency.

5. Communication: Communication across levels is greatly enhanced by the opportunity to interact and meet in less formal settings. This means that senior management is more likely to know what is actually going on and be able to communicate its ideas more directly to everyone in the facility (Pfeffer, 1995, pp. 55-72). Informal decision making process helps to form decentralized decision making process by the management and increases communication among employees and boards.

However, employment security, training and fair selection improves employees skill and competencies, organizational policy and regulation provides the direction of the training, salary structure and security of employees. Thus current structure and banking regulation has a relation to acquire those competencies.

### 3.7.2 Current banking structure and regulations

A number of cross-country studies investigate the impact of ownership structure on banking in transition countries. Empirical studies vary in terms of country and period under analysis (Lin & Zhang, 2006). For example, results indicate that the “Big Four” state-owned commercial banks

\(^3\) Note: Story, D. &Westhead, p. , a broader study on management development in SMEs(1994),
in China are less profitable, are less efficient, and have worse asset quality than other banks (Lin & Zhang, 2006, pp. 1-10).

Many countries are facing the structural ownership problem in the financial institutions. Thus regulation reform is necessary for national and international banks. Laws and regulations that were implemented generally were designed to ensure that banks operate in a “safe and sound” manner (Barth, Nolle, & Rice, 1997, pp. 1-35). Most of the causes for the Asian financial crisis are not only for bad luck, but also bad policy and bad banking system from the financial crisis bank management. Due to the experience in crisis, US implemented a series of new laws and regulations during the past few years in an attempt to promote greater confidence and stability in the banking industry (Barth et. al, pp. 1-35). This country implemented the regulations reflecting verifying economic, political and social conditions. Some theoretical arguments and country comparisons suggest that a less concentrated banking sector with many banks is more prone to financial crises than a concentrated banking sector with a few banks (Beck, Demirgu –Kunt, & Levine, 2006, pp. 1581-1603). It is established that, fewer regulatory restrictions on banks—lower barriers to bank entry and fewer restrictions on bank activities reduce banking system fragility (Beck et. al, 2006, p. 1582). Therefore many private organizations are concentrating on deregulating their internal policy.

3.7.3 Changes and a general trend in the banking environment

A bank with market power is likely to reduce the information asymmetry problem and develop on-going relationships with individual firms (Petersen & Rajan, 1995, pp. 407-443). The market leaders have more customers; they use more network and relation with other enterprises. Therefore they got the facility of effective information collecting through their wide network. More information increases opportunity. Utilizing those opportunities, firms can strongly access to the competition. Some researchers argue that banks not exposed to competition tend to be less efficient than banks subject to more competition (Berger & Hannan, 1998, pp. 454-465). However the above complement is for the stable market and has meaning for developed countries market but in most of the developing countries banking industry is unstructured and unorganized compared to develop countries. Therefore the relationship between market structure and bank efficiency is limited for developed markets and practically non-existent for developing countries (Berger and Humphrey, 1997, pp. 454-465). Both developing and developed countries financial market structure changed, changed the ownership and regulations. Private and public sectors are two major changes of the banking industry and environment. During the past 15 years, over 250 commercial banks have been fully or partially privatized by governments of 59 countries either publicly through a public offering of shares, or privately through an asset sale (Meggison, 2005, pp. 1931-1980).

The empirical evidence clearly shows that state-owned banks are less efficient than privately owned banks, and that state domination of banking imposes increasingly severe penalties on those countries with the largest state banking sectors (Meggison, 2005, pp. 1931-1980). Compelling evidence began to accumulate showing that state ownership was not working as planned (Meggison, 2005, pp. 1931-1980).

First, State-owned Enterprises (SOE) managers will have weaker and/or more adverse incentives than managers of privately owned firms, and thus will be less diligent in maximizing revenues and (especially) minimizing costs. Second, state enterprises will be subject to less intense
monitoring by owners, both because of collective action problems—potential monitors have less incentive to carefully observe managerial performance because they bear all the costs of doing so but re-appropriate only a fraction of the rewards—and because there are few methods of electively disciplining SOE managers in the event that sub-par performance is detected. Third, the politicians who oversee SOE operations cannot credibly commit to bankrupting poorly performing SOEs, or even to withholding additional subsidized funding, so State Enterprises inevitably face soft budget constraints (Megginson, 2005, pp. 1931-1980).

Therefore many economists believed that financial liberalization would lead to hazardous outcomes, most notably in emerging or developing economies (Wang, 2009). A new set of challenges deal with risks associated with unregulated financial innovation and liberalization in most financially advanced countries (Wang, 2009, p. 64). Inadvertent investors must pay the price for the irrational exuberance and irrational complacency (Wang, 2009, p. 64). However, regretfully, the U.S. Federal Reserve policy marked some bailout episode. In order not to repeat another similar type of crisis in the future, the major central banks and international financial institutions must beef up the financial architecture to deal with financial innovation and serious moral hazard problems (Wang, 2009, p. 64) which reduces the value of organizational culture.

### 3.7.4 Organization Culture

Organization performance is enhanced by the organizational culture: such managerial perspectives assume cultural reproduction at the organization level informed largely by the environment of the business (Pederson and F. Dobbin, 1997 pp. 431–43 cited from Kondr & Hurst 2009, pp. 39-58. Business environment created by the human resources, through the managerial process and by acquiring changes of the infrastructure belongs to that organization. Infrastructure is those that are visible and tangible most of the time like building, logos, policies and written procedures (Kondra & Hurst, 2009, pp. 39-58). Although the business infrastructure is possible to change easily, the invisible psychology of the culture is not accepting a quick and easy change of the organization climate. Therefore a change need in the technology (pure infrastructure) relates not only to the desired investing requirements but the overall organization culture changes is the considerable element. Technology and management issues are interrelated with the organizational cultural bond. Liking and bridging these two factors (technology and management) need to prior adapt the appropriate organizational culture, belief system, ethical concentration and professionalism. Thus organization culture also creates problem from different perspectives. Cultural changes in one level impact and produce changes in all levels, upward, downward and sideward (Erez and Gati, 2004).

On one way organizational culture creates problems but on the other way this organization culture makes values among the employees, makes decorum of the organization, contains shared unambiguous values and reduces the conflict in the internal organization. Each culture forms and integrates by internal co-operation and adapts by the external pressure (Kondra & Hurst, 2009).

Following the case of Bank Rakyat Indonesia’s reforms and restructuring suggestions to change the governance, it requires the overall organizational culture and climate changes. Management changes required the policy changes and to adapt to the new policy and practice of those issues further it needed the infrastructure changes through online banking system. Therefore one change meets other changes from all levels of changes like downward, upward and sideward.
3.7.5 Lessons from Bank Rakyat Indonesia (Restructuring and reforms)

Bank Rakyat Indonesia (BRI) was a loss producing, overstaffed state-owned bank now transformed to the most profitable bank with large network in Indonesia (ADB, 2009, pp. 1-35). Government and political unspoken limitations were constrained to get sustainability. But a demand of political will and government commitment to allow the BRI autonomy helped the BRI to get success. The BRI reforms comprised a new management team, better control of management, reformulated targets, effective risk management and adherence to the principles of good corporate governance under effectively enforced prudential regulation (ADB, 2009, p. 19). Partial privatization also helped the BRI to get success. A regular change in the management, team work, regulation and response from the autonomous team and their follow up was the turning point to get presence decision.

A key aspect of BRI’s restructuring was the installation of new board of directors and commissioners in July 2000 (ADB, 2009, p. 13). BRI managers were asked to implement the performance agreement system which required the improvement of the Information Technology (IT) including system redefinition, separation of front and back office, and establishment of integrated settlement and treasury operation guidelines and procedures; (iii) an organizational diagnosis for credit risk management, human relations liability, due diligence, and compensation program improvement; (iv) a redefinition of the accounting, supervision, financial reporting, and auditing structures; and (v) the introduction or improvement, respectively, of online services, real-time online information access, automated teller machine sharing, operational efficiency, and Information Technology (IT) investment effectiveness (ADB, 2009, p. 13).

BRI’s performance, market position and structure before restructuring and reform have similarities with the Sonali Bank Bangladesh. Both the countries are in developing order and cultures are quite similar. Besides, the private banks in Bangladesh have similarities with the BRI’s success after restructuring. As BRI has got success by restructuring and reform, whether most of the private banks in Bangladesh are successful, therefore, a lesson from BRI and private banks in Bangladesh is necessary to the Bangladesh state-owned banks to structure the organizational function both from governance and technological issues. More in-depth lessons for state-owned banks are:

The Micro Banking Unit of BRI was not sound in conditions, there was no rhythm of financial business among micro banking principles to cluster small, medium and corporate finance. Clumsy and weak corporate governance was dominated by the practice of political involvement thus unable to recover from the crisis and reform.

An important lesson from BRI was that, during the crisis period of the BRI, both government and management were committed to make a change and reform that bank.

Additional positive factors moving the reforms forward have included a corporate culture of open management, a strong emphasis on communication, and ambitious targets and performance incentives, together with effective risk management following the monetary crisis. Also the central bank was instrumental in establishing good corporate culture and risk management by enforcing prudential regulations and fit and proper tests for senior management (ADB, 2009).
Both reform processes were preceded by adjustments in the policy framework (ADB, 2009, p. 13). An independent board of directors free of government interference as well as a code of conduct was requisite for the successful transformation of a state-owned bank. Restructuring and reforms in an institution need to get support from its environment and culture (ADB, 2009, p. 13).

IT infrastructure development helped to work within an organized system and it provides quickly, cheap and robust solutions. Designing the front and back office separation and improvement of total Information Technology (IT) platform as well as establishment of the automated integrated settlement and treasury operation guidelines procedures improved the credit risk and human resource management problem.

One main strategy of Bank Rakayat Indonesia was to develop good governance and implement smooth banking operational process by adapting new and cost effective technology so that the managerial operation does not hinder due to ineffective or unskilled labor. However some other problems like corruption and external political pressure were identified when implementing the strategic managerial process. As an answer, government of Indonesia helped this bank management to form an independent regulatory body to avoid those constraints.

3.7.6 Bank’s risk management

Risk sometimes reduces the value and opportunity of the institution. Value reduction and risk characteristics have unlimited fashion. Risk patterns could be new or existing with knowable terms. But researcher identifies the risk in several functions according to the most common and catchable measurements. Major sources of risk and value loss factors are market risk, credit risk, liquidity risk and capital risk. Operational risk and performance risk are other interesting modes to see the risk factors (Pyle, 1997).

Market risk is linked to the changes in net asset value due to change in economic factors like exchange rate, interest rate, equity and commodity price, while credit risk is meeting the contractual obligation that has the change effect in asset value (Pyle, 1997, pp.1-13).

Operational risk involves costs incurred through mistakes or improper use of transactions such as settlement failure, failures to meet regulatory requirements and untimely collections (Pyle, 1997, pp.1-13). Performance risk is the most interesting part of this study which encompasses losses resulting from the failure to properly monitor resources or to use appropriate methods (Pyle, 1997, pp.1-13). In this study, I have established the research question to eliminate from the current and future performance risk practicing by the state-owned banks in Bangladesh. Performance risk of monitoring employees is in the perspective of the functions of managerial governance and one of the good methods is to achieve the performance by using the technology as bank strategic weapon. Although during the past 15 years, over 250 commercial banks have been fully or partially privatized by governments of 59 countries (Megginson, 2005) but it is not obvious that privatization provides clear benefits. Therefore, followed by the management evaluation of the Bank Rakayat Indonesia, the state-owned banks could get success (ADB, 2009). In addition, instead of privatization it could be by taking lessons from the private banks. State-owned banks could implement and try to invite changes presented in the research.
3.8 Politics and Bank performance

State-owned banks located in developing countries are usually less profitable than their private counterparts and the deference between the performance of public and private banks increases during election years (Micco, Panizza & Yanez 2007). It is found that bank ownership and performance have a weaker relationship in industrial countries (Meggison, 2005, pp. 220-240). The increase in the quantity of loans observed during election years is accompanied by an increase in the price of loans. The loan also provided to the state-owned enterprise managers and directors belonging to the same political groups (Meggison, 2005, pp. 220-240). Not only in the election period but politics in developing country have some unseen effects. Due to political reasons, the state-owned organizations are often subsidized. A political pressure in the management could create frustration and employee ineffectiveness. Therefore politics is a factor to consider the performance of the banks in developing country.

A cross country analysis provides the report regarding the corrupt politician and bureaucrats who chose to spend more components of public expenditure towards them and obtain more revenue for themselves (Paolo Mauro, 1998, pp. 83-107). They not only increase government expenditure and their share on that expenditure but increase and shift the composition of the government expenditure in those areas in which bribe can be collect more efficiently (Paolo Mauro,1998 pp. 263-279). Therefore, politician and business persons’ involvement in the bank crate the space of interest of bribery negotiation. Loans are a most important issue that creates a path relationship with banks and politicians and business negotiator to expense governments’ money and motivate the efficient bribery negotiation with the management and experts of the bank. Management or individual can become non protestant due to the influence from the government level and politicians and personally try to expense privately governments’ expense. Thus the unethical expenses increases cost of investment and reduce the performance. Other empirical study on decentralization and corruption results by the European Consortium for Political Research and explains that, countries non-Protestant followers or the weak business management involved in the politics directly or indirectly create inefficient governance, ineffective regulations, and with public institutions of poor quality, were considered to be more corrupt (Buen & Pere, 2007, pp.2-20).

Leff (1964) cited in an empirical study by Buen & Pere (2007, pp. 2-20), argues about the corrupt pubic employees are not efficient if they are not charged directly for their salary and remuneration; because charging the salary directly, employees can count and compare the incentive return with task and they can feel emergence to secure their remuneration. Public organizations are highly secured for the employees because the traditional government organization provides more job security with less performance evaluation (Frank &Lewis, 2004, pp. 36-51) and there is no employees dismiss course on the ground or place or they effort for self-reported work than of team working (Frank &Lewis, 2004, pp. 36-51). Thus when government experts’ feel security in their job and there is no direct control from the owner as well. Self-reported work created lack of information and co-operation. Hidden information consist the space of individual level corruption and crate a space for private earning (Paolo Mauro, 1998, pp. 83-107). Therefore, motivation to the public experts is needed efficient work and it is possible by forming good infrastructure, better salary and organizational culture (Roux&Stanz, 2006, pp. 1-77). Good infrastructure one way helps to reduce the inaccuracy of the work, produce reliably; other way, IT based infrastructure can create some risk for the
individual experts by storing the work evidence and signature of the individual. Some risk of the employees involved in the IT system that can eliminate the nature of bribery. When employees’ feeling the personal involvement in work place is an evidence based information storing system, it could be a risk for the corrupted worker and infrastructure will not allow eliminating information from the database. Therefore, (Kim & Bretschneider, 2004, pp. 1-10) explores the importance of interaction between IT and IT managers, IT capacity and IT influence. Cases suggest an interpersonal and integrated structural relationship among IT managers, top administrators and IT capacity (Kim & Bretschneider, 2004, pp. 1-10). IT manager can built the relationship with top managers, administrative leaders and politicians’ to reduce the effects of corruption and formulate the IT managerial capability can be compensated by large financial and administrative supports for long run (Kim & Bretschneider, 2004, pp. 1-10). However, corruption varies country to country; a report of World Bank provides the implication to strengthen the domestic institution in order to attract more investment to accelerate the countries growth and poverty reduction (Rahman, Gregory & Kapil, pp. 1-24). “The paper findings suggest that countries serious about improving governance and reducing corruption should redefine the role of government, overhaul the system of incentives and strengthen domestic institutions in order to make sure that the necessary checks and balances are in place” (Rahman, Gregory & Kapil, p. 17).

3.9 Banks in Bangladesh

Bangladesh became independent in 1971. Up until 1982 the government was responsible for the financial sector Reaz, and Arun, 2006). All the financial institutions and regulation had seen implemented and controlled by the state government up to this time. During that period the banks performed poorly, for example the banks provided loans to the people that were not repaid. Beside non performing loan another example is capital shortfalls are due to an inefficient banking system. This inefficient banking system was due to corruption and there was no discipline in the organization. All these problems resulted in loss on financial return for the banks and management became weak. During the early Bangladesh period all the state-owned banks were subsidized by the government, a capital shortfall were a continuous routine for the bank management (Hassan, 1994).

After that, government permitted to invest in banking in private sectors. A growing number of private and foreign banks were established after year 2000. Although private banks are doing well, most of the state-owned banks are still unorganized and unpopular in terms of management and service practice due to technical incapability, conventional management decision making process, hierarchy problem as well as political pressure (ADB, 2009). However, government bank’s service is wide and the branches are covering the whole country. Private Banks are very small units and most of the private banks set up their branches focusing on the business transactions and worthy customers. Private Banks usually establish their branches with fully computerized banking system. Although all the district level branches are not providing the online banking options but their internal banking systems are computerized. Management is recognized to be skilled and technically competent.

One new turned on the banking industry is Islamic Banking System. The Islamic Shariah is the guidelines for this kind of banking system. Interest profit is prohibited in the Islamic Banking System. There are five fully Islamic Banks in Bangladesh besides, most of the private and state-
owned banks are also implementing few units and branches under the role of Islamic Banking System. One study by Sarkar (1999) found the gap between practice and policy or idea about the Islamic Banking System. Although, this Islamic banking operation and policy of interest system is a big issue to discuss and there are different opinions, but this system is becoming wider and attractive in the banking industry in Bangladesh. 3.9.1 State-owned Banks in Bangladesh

Most of the banks in Bangladesh are not listed in the open stock market. Most of the banks shares are owned by private individual and a small number of capitalists. As the economic differences among upper and lower income people are very high in Bangladesh, number of capitalist are belongs to few groups or syndicates. Maximum number of bank shares are transitioned in the open market is 20 percent on an average. (Reaz and Arun, 2006). A 100 percent share of the public banks is owned by the state government. As state-owned-bank and private banks mission is different and ownership system is also different; their hierarchy, regulations and management formality is also different. Thus different rules and objective of these banks makes differentiation among compensation of the employees and power application system.

Foreign banks pay their top executives 20 percent more than state-owned banks and local banks pay their executives at least 10 percent more than the state-owned banks. (Reaz and Arun, 2006, pp. 94-103). Although the government is approaching to increase the salary scale of the all government sector employees, it is not enough until the official process is done. Not only the remuneration and salaries are poor to the employees and management, but the global environment of the public limited banks is continuing in unorganized and unpopular way. So government banks are financially unstable and management is poor as well as their infrastructure is not developed. Politicians steer the bank executives and often this bank executives lack qualifications and motivations. “The politicians sitting at the Ministry of Finance (MoF) dictate all appointments, transfers and promotions”(Reaz and Arun, 2006, pp. 94-103).

The decreases in performance of state-owned banks were significantly larger than the decrease in performance of privately-owned banks. Countries with higher levels of state involvement in the banking sector tend to have slower economic growth and less financial development. So, private banks are more efficient than state-owned ones (Cornett, Guo, Khaksari & ehranian, 2005).

In this research the state-owned bank will compare with the private bank because the private bank is more advanced in technology and the decentralized management helps to improve the bank’s structure. Decentralized management seems to be also helpful to protect against the potential political pressure. Acquiring new technology like online solutions helps to use, produce and practice the dynamic services by dynamic people. But the conventional government business process does not support the contemporary organizational development process. Thus a comparison between private bank and state-owned bank is suitable to find new information and knowledge.

3.9.2 Private Banks in Bangladesh

The banking law prohibits share holding of more than 10 percent by members of one family in Bangladesh (The Banking Company Act, 1991). However, there are rules and regulations made due to balance of business and economy, section 3.8.1 provides information regarding a limited number of capitalist owned banks shares. Few groups, institutions and families are involved to
the bank business. It is difficult to evaluate how family business and institutional business functioning in the market and number of increasing shares purchased by one family; but success of the performance of the banks is quite easy to distinguish after a year from the annual report of the private companies and banks.

World project report expressed that the principal objective of the first private sector development project is to support and help accelerate the government reform program in the financial sector (Staff appraisal report, 1995). Private banks’ help to promote the links between commercial banks and enterprises. There are 52 private banks in Bangladesh. Prime Bank, Islami Bank Limited, National Bank Ltd., Dhaka Bank Limited are remounted among the all private commercial banks. Most of the private banks in Bangladesh have internet banking system and online banking is also growing.

To lay the foundation of the empirical study, a theoretical framework comprised of technology, bank management, politics and performance, and bank industry in Bangladesh has been outlined. Technology has been recognized as an important factor in banking as it largely relates to the efficiency and productivity of the banks as institutions. Internet banking, online solutions and ATM services are found to constitute the competitiveness of the banks and create major difference between private and state-owned Banks. In regard to management, ownership, government regulations, employee selection and risk management have been highlighted. Government ownership compared to private ownership is found to play a significant role in organizing and structuring the bank. In general, political factor has been seen to formulate banking regulations in the country. Particularly state-owned banks have been frequent objects of political influence.

3.10 Findings of literature review

The literature above includes the banking ownership system, technology competencies, managerial view of the banks, organizational performance as well as the political impacts on the banks. However the ownership system of the banks affects the management function, this ownership terms is excluded from the research purpose to avoid a wide study. Besides, the state-owned banks problem mostly in their infrastructure due to limited Information Technology (IT) and centralized managerial process. Technology and management is the key performer to drive the organizational performance. Management board and ownership system of the banks are strongly related by policy and business process. Therefore, when studying developing countries state-owned banks, political involvement in the bank management became more and more extrusive. It is becoming one main problem when analysis the literature to contribute the performance development in the developing countries banking sectors. Existing case of Bank Rakayat Indonesia big issue was to make the bank free from politics (ADB 2009, pp. 1-35). Thus both from existing case of ADB and prior researchers (Literature Review) developed a new concept that can be seen the politics is one impediment in the banking business in developing country. Technology and management is important but to produce good technical hand and better implement of technology, it is important to overcome the political pressure and nepotism from the state-owned banks in developing countries.

The major gap of the literature review is: the relation between state-owned banks performance in relation to economic development in general. Because, banks are the financial intermediaries and a major part of the economic growth depends on the countries financial institution’s
success. Interesting findings from the theory is the inter-relation among performance factors and the strategic perspective. Not only technology and management are related with each other but performance is affected from different factors influence parallel in the organization. This literature review performs to find relation among technology, management, politics and organizational culture.

The literature review discussed more about the technology and management due to understand the performance of the Banks, their inter-relation and other performance indicators. Organizational culture and politics are the other factors and those influenced to the bank performance. Organizational culture is not independent factor that cannot be created without any influence from both external and internal business factors. Political pressure (external), poor management (Internal) and limited technology (internal and external) can generate a disorganized and unexpected organizational culture. Similarly, better use of technology, good governance and less political influences consist good organizational culture. Politics prioritized in the prior research ADB 2009 and literature review and build a new theory regarding political involvement and its detriment in the banking industry, to explain the disadvantage of politics in relation to performance, a practical view from two banks in respondents will present in chapter 4 and implication will be followed through the chapter 5.

Within this framework, the empirical study that will explore the performance of the two selected banks, in terms of the technology, management and political pressure. Aligned with the inductive approach, the goal is to learn from the reality at Prime Bank and to construct some knowledge that is transferable to Sonali Bank. In the other part, interviewees’ responses regarding their perception about why problems arise, what changes are needed, and how success comes in the private bank will elaborate new constructed knowledge in regard with supporting theory. The goal is to determine how much of the differences can be explained by different use to technology and different management in the two banks. From the literature review it has been found that politics as important key issue but how this political affects decreases countries economic value was not discussed widely with any evidence. However, a relation among political involvement, management and technology created a new model to analysis, but the balance needed in the technology and management was not described in this study.
Chapter 4: Empirical study

In the empirical study, difference between banks performance driver found both for the constant reality and transform realities point of view. To find out the strategic opportunity, analysis between banking sectors are important. The system of bank ownership in the banking sector in Bangladesh is state-owned banks, private banks and foreign banks. However the banks have three different ownership systems, bank’s performance factor varies in banks managerial control system and space of technology substance. Private bank’s management is flexible to take decision and change processes but government counterpart is quite heretical and rigid in structure in tradition, therefore difficult to initiate change requirements without the help of strategically change of management. So, management, technology and other influencing issues will explain most of the times in the empirics for the analysis of the compression between private and state-owned bank.

This chapter deals with the empirical part of the study based on both secondary and primary data. This combination of the sources was necessary for general presentation of the banks and also to go into the depth of the research questions. Secondary data were collected and developed from the national newspaper of Bangladesh, official website from banks and annual reports of the Prime Bank and Sonali Bank. The secondary data on the studied banks have been presented largely as a case study for the individual banks. Starting from the history with continuation of the current situation followed by the empirical performance of the banks will explain the cases. The current situation and performance at the beginning will shortly present in the table of two banks and finally separate bank’s performance will present in the individual case of the banks. But the primary data, which was collected directly from the bank officials, is presented as separate interviews. However, in the analysis, both secondary and primary data have combined following the theoretical structure.

4.1 Introduction to the two cases

Introduction of the two cases will draw bank’s core financial performance, management and technology condition comparatively. Comparison between Prime Banks and Sonali Bank’s basic performance are tabled below:

Table II: Management & technology between Prime Bank and Sonali Bank

<table>
<thead>
<tr>
<th>Performance</th>
<th>Prime Bank</th>
<th>Sonali Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>Shareholders’ wealth maximization</td>
<td>Stake-holders’ wealth maximization</td>
</tr>
<tr>
<td>Authorized Capital</td>
<td>BDT. 10,000 million</td>
<td>BDT. 10,000 million</td>
</tr>
<tr>
<td>Paid up Capital</td>
<td>BDT. 3,000 million</td>
<td>BDT. 9,000 million</td>
</tr>
<tr>
<td>Equity Capital</td>
<td>Tk. 6697 million</td>
<td>BDT. 22471 million</td>
</tr>
<tr>
<td>Performance</td>
<td>Prime Bank</td>
<td>Sonali Bank</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Management</td>
<td>Decentralized</td>
<td>Very much centralized</td>
</tr>
<tr>
<td>Risk Management</td>
<td>Organized</td>
<td>Experts do not have clear knowledge about risk management</td>
</tr>
<tr>
<td>Technology</td>
<td>Online banking fully automated</td>
<td>Mostly Paper based banking</td>
</tr>
<tr>
<td>Corruption and political involvement</td>
<td>Corrupt free</td>
<td>High political involvement</td>
</tr>
<tr>
<td>Islamic Banking Branch</td>
<td>Successful</td>
<td>Started the journey on 2010</td>
</tr>
</tbody>
</table>

**Note:** Authorized capital is the total share capital that a company authorized to issue.

**Paid up capital is the amount of money received by the share holder by issuing the amount of shares**

Table III: The authorized capital of Prime Bank and Sonali Bank are same but the paid up capital or issued share capital of the Sonali Bank is two times higher than Prime Bank. The investment made by the Sonali Bank compare to Prime Bank was much higher. However, the investment is higher; the managerial and technological function was not improved and modernized in Sonali Bank. However, the stakeholders’ wealth maximization is important to the Sonali Bank, this a different ara of the commercial bank’s objective. Therefore, some social responsible work and work for Bangladesh Bank can also affect the performance of the Bank (Sonali Bank, 2010). Conventional banking with more concentrated ownership system and low-grade Information Technology adapted by the Sonali Bank has observed in the secondary source (Sonali Bnk, 2010). Islamic Banking system inaugurated by the Sonali Bank very lately when the prime bank’s Islamic Banking growth 103% (Sonali Bank 2010; Prime Bank, 2009). Paper based banking remaining to the Sonali Bank is also one unsuccessful event in the recent years. Sonali Bank has more branches in rural areas in Bangladesh compared to Prime Bank. Many Branches of this bank is responsible for social responsible work. One popular issue need to include the both banks have 5 branches of Islamic Banking System. This is a new and successful banking system implemented by several banks in Bangladesh. Although both of these banks are commercial bank but for the main details and events, present contribution and performance evidence, a case of Prime Bank and Sonali Bank are introducing in the next section. Before introducing the case of the banks separately; a complete and imbalance financial chart is given below to understand a poor performance compare to investment by the Sonali Bank.
Table III: Financial strength: comparison between Sonali Bank & Prime Bank

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Sonali Bank</th>
<th>Prime Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>16.45</td>
<td>-38.22</td>
</tr>
<tr>
<td>Growth %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit before tax</td>
<td></td>
<td>1834.17</td>
</tr>
<tr>
<td>Profit before tax growth %</td>
<td></td>
<td>11.84</td>
</tr>
<tr>
<td>Net profit after tax</td>
<td>218</td>
<td>(36275.6)</td>
</tr>
<tr>
<td>Net Profit Growth %</td>
<td>-36275</td>
<td>97.32</td>
</tr>
<tr>
<td>Return on Investment</td>
<td></td>
<td>5.34%</td>
</tr>
<tr>
<td>Return on Asset</td>
<td>0.96%</td>
<td>0.33%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td>10.82</td>
</tr>
</tbody>
</table>


The asset return and return on investment in the Sonali bank is lower than Prime Bank accordingly 2007 until 2009. However, the profit after tax on 2008 was a sudden increase in the Sonali Bank profit and loss account and this scenario was a different attitude received from the Sonali bank information. Therefore, inorder to understand the sudden improvement in a particular year of 2008 have investigated and it was seen that the profit before tax BDT. 1616 million was lower than profit after tax BDT2311million which was due to the differed tax (See appendix 9). Further, little or no information was disclosed to the annual report of Sonali Bank to clarify the huge differed tax provision. The information less annual report one way helps to reduce the trust of the public, other way open the in house corruption. Finally, a basic investment return implications presented this section found below in a graph is to see the financial strength of two banks’ at a glance from 2007 till 2009.
Prime Bank was formally launched in April 1995 with one branch at Motijheel Commercial Area, Dhaka, Bangladesh with commitment of excellence customer service in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity. In 1995 a group of entrepreneurs with 27 branches and 730 staffs started the operation of this bank. From the very beginning, Prime Bank’s experts thought about the local business possibilities. Islamic Banking System was also implemented by five different branches due to location where there are more transaction possibilities by Islamic minded peoples. As the economic position of Bangladesh varies across the country, most competition is also concentrated on divisional and district levels where business activities take place. Prime Bank is trying to focus on creating business in different location by using cost effective technological service and organized managerial strategic plan. Therefore the performance of this bank is based on technology and management. Besides, there are some other influential factors which effects the banking business, those issues doesn’t have any written evidence in the secondary sources, thus provided in the respondents view separately to support the analysis. However there are some obstacles to measure the performance because this bank doesn’t have branches all over the country, performance of Prime Bank has still heavy growth compare to other banks in Bangladesh. The mission of Prime Bank is “To build Prime Bank into an efficient, market driven, and customer focused institution with good corporate governance structure. Continuous improvement of the business policies, procedure and efficiency through integration of technology at all levels” (Prime Bank, 2009).

4.2.1 History: Main details and events

Prime Bank was formally launched in April 1995 with one branch at Motijheel Commercial Area, Dhaka, Bangladesh with commitment of excellence customer service in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity. In 1995 a group of entrepreneurs with 27 branches and 730 staffs started the operation of this bank. From the very beginning, Prime Bank’s experts thought about the local business
context and tried to deliver the products which are attractive to the customers. Experts of this bank thought that most of the people live in Bangladesh are Muslim and a big portions of those Muslims like the Islamic Banking System. Having this concept in mind, this bank was also started the Islamic Banking Operation by the month of December of the same year. Prime Bank became the listed of Dhaka Stock Exchange and Chittagong Stock Exchange in 1999 through initial public offering. And Prime Exchange Co. Pte Ltd. in Singapore is the first fully subsidies banks in foreign country operating privately from Bangladesh. This Prime Exchange Co. Pte Ltd. started adventure since 8th of July 2006 and helps to generate potential remittance from Bangladeshi nationals living in Singapore. This Bank introduced the ATM on March 2008 and online banking solution established fully by 2009 which makes this bank as prime as its name.

4.2.2 Current situation and performance

Although Prime Bank is a profitable company, a stock market loss in 1998 was big depression more or less for all organizations, specifically in the bank industry. However that was a big loss, Prime Bank used that stock market fall as a good learning for them. Otherwise the bank’s profitability is outstanding compared with the bank industry in Bangladesh.

Consolidated assets of the Bank stood at Tk 124,985 million in 2009 as against Tk 110,517 million in 2008. Total asset of PBL stood at Tk 124,806 million in 2009 from Tk 110,437 million in 2008 registering a growth of 13.01 percent. The increase in assets of PBL was mainly driven by growth of customer deposits. The growth of deposits was used for funding growth in credit and holding of securities for SLR purpose and as primary dealer (Prime Bank, 2009, p. 115).

Table IV: Financial performance, management and technology condition of Prime Bank

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Equity as per 2009</td>
<td>30.19%</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>BDT. 4.59 billion</td>
</tr>
<tr>
<td>Growth rate</td>
<td>30.19%</td>
</tr>
<tr>
<td>Foreign trade growth</td>
<td>8.95%</td>
</tr>
<tr>
<td>Loan and advance growth</td>
<td>18.76%</td>
</tr>
<tr>
<td>Nonperforming Loan</td>
<td>BDT. 1323</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management Performance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Good governance</td>
<td>Skilled employees, experience board members, Organized customer service and risk based management</td>
</tr>
<tr>
<td>Risk Management portfolio</td>
<td></td>
</tr>
<tr>
<td>Financial Performance</td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td>Technology performance</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ATM’s services</th>
<th>Skilled and trained employees, cost effective technology and prompt services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online solutions</td>
<td></td>
</tr>
<tr>
<td>Internet Banking</td>
<td></td>
</tr>
</tbody>
</table>

Compared to the year 2008 the growth of the Prime Bank is much higher. Both foreign and local market growth was unbelievable achievement. However the authorized capital of this bank remained unchanged, the both asset and liabilities increases means that the company well performing. Nonperforming loan amounting BDT.1323 is considerable to this bank management due to big expansion of the business in compare to market trend in loss provision. Issued paid up capital is very little and this bank is still secured and does not need to issue all the shares soon.

As a commercial bank, however, the financial return is good but it is necessary to observe what initiative this bank has taken for its long term market growth. Therefore performance of the management and technological advancement is also important factors to analysis. A story of the managerial position and technological circumstances are available below.

Management contribution and technological contribution in the Prime Bank is always running and when the new technology needs to acquire, Prime Bank’s management is coping with new technology, both technology and management factors are enhancing the financial return. Every single coin returns to this bank has the contribution by the operation and operator. Operators are the management and employees, and technology operates the process made by this managerial operator. Prime Bank does have a huge investment both for technology and management which are considered are total asset terms. Prime Bank’s financial return in 2008 was (Bangladeshi Taka) BDT. 1551 million consolidated among 52 branches whereas other popular bank like Primer Bank and Dhaka Bank Limited made profit accordingly BDT.522 and BDT.959 million in 2009. However the Dhaka Bank share price is domination within top 20 share price in Bangladesh, it is because of the number of issued share is smaller compare to Prime Bank.

4.2.3 Management

Management includes the total managerial issues of the banks and where audit factor and risk management get priority to present a current story and performance of the bank. Fairness, Transparency, Accountability and Responsibility are the minimum standards of acceptable corporate behavior today (Prime Bank, 2009, p.27). According to the Prime Bank, its governance is efficient, transparent, professional, and accountable to the society and environment friendly. Ensuring shareholders’ wealth maximization is considered to be an important strength of Prime Bank. Number of total board members are 15 in Prime Bank in which 12 members come from the bank and the shareholders. One member is an independent director and remaining two are the bank depositors.
By being managing this 15 member’s board, Prime Bank chosen director from both bank and depositors. Therefore, the decision making process was not only depends on the Prime Bank owners but the depositors have also power to negotiate. Thus thinking from both clients (depositors) and shareholders (board members) view considered to the decision making policy. That is why decision making process from the top level management was corruption free. An 11 member team consists of the executive committee. This committee practices the policies and guidelines of the Bangladesh Bank in terms of loans and other banking operations. Credit proposals are examined by the executive board to judge the borrowing conditions and the repayment schedule where the loan amount is substantial. Therefore, the above argument and goodwill of Prime Bank proved that the decision making process by its management is good.

The bank is complying with the Securities and Exchange Commission’s corporate governance guidelines (Prime Bank, 2009, p.27). Board members are highly experienced and qualified both from academic and professional fields. Their knowledge and efficiency have been significant to properly monitor and control the board. Budget and business plan are passed every month by the board members to guide the business of the bank. If necessary the board also reviews the manual and policy of the bank in order to maintain and develop key operations and risk portfolio management. The board conducts a monthly meeting regularly and also sits, if necessary, for the emergency meetings.

4.2.3.1 Audit Committee

Prime Bank works efficiently to fulfill the requirements of the Central Bank. In general, private banks go through strict control by the state. As banks are involved in financial transactions, central bank imposes some rules and regulation to the private banks. Failing to meet the requirements of the government can result in reduced confidence on the private bank’s management and financial activities. The Audit Committee examines the policy and financial report of the bank. The Audit Cell of the Board and the Internal Audit team of the Bank undertake various special audits as per the advice of the Audit Committee (Prime Bank, 2009, p.30). As one of the leading private banks in the country Prime Bank employs its own audit team to avoid irregularities and confusions of financial matters. This audit team communicates with external audit committee to discuss the risk management and other policy. Working in close collaboration with government inspection authorities, helps Prime Bank to be updated with possible changes in respect to audit regulations. They also discuss the preparation of the financial statements as per international requirement. Further it helps bank to develop its competences on financial management issues.

4.2.3.2 Risk Factor, Process and Risk Management

To safe guard the bank’s assets and its profitability, the bank calculated risk in a manageable way is risk management. There are some unpredictable external factors those affect in the business. Factors could be general or political and technical, depending on general business and political conditions. “PBL’s performance greatly depends on the general economic conditions of the country” (Prime Bank, 2009, p.64). Political stability is necessary to stable the economy and business. Quality of the credit is very important to measure the credit risk because credit causes the financial crisis. New government or regulatory body’s changes affect the policy and review the price, interest rate, performance and other financial terms which is very common in
Bangladesh and changes in policies with regard to interest rates, pricing have significant effect on the performance of the bank.

The Central bank of Bangladesh expected to reduce the interest rate spread. If the interest rate spread reduces the performance of this bank will also change. Prime Bank is also ready to take these changes in terms of risk management issue. Thus Basel II implemented and already effective fully since early 2010. Implementation of Basel II will be needs to be complying with respect to credit risk management, its supervision and establishment of effective internal control (Prime Bank, 2009, p.64). Basel II will help to invest more in technology to reduce the cost. Credit becomes slow or declined but making the grading to the borrower is helped to reduce the loan loss or non performing credit.

![Risk Management Process](image)

**Fig 5: Risk Management Process**

Source: Prime Bank (2009)

It is vital to explore the risk sectors and types so that different initiatives will be possible to get the risk as a gain form. Management of Prime Bank differentiates the risk as Credit Risk, Liquidity Risk, Market Risk, Operational Risk and Reputation Risk. Market risks include Foreign exchange risk, Interest rate risk and Equity risk (Prime Bank, 2009, p.65).

Prime Bank always considers the risk assessment, frequency assessment, assessment of documentation and accountability allowing the credit to the customer with a formal procedure.
As the loan officers are experienced and professional; most of the time loan officers try to understand the psychology of the borrower. Anticipated requirements need to follow from both clients and banks officers are executed properly by the experts. Smart executives are technically handling those documents and test client’s psychology when dealing with the customer. Customers are always influenced to sign the loan covering insurance against credit. Insurance denied by the customer must need proper justification. “The Credit Risk Assessment includes borrower risk analysis, industry risk analysis, historical financial analysis, projected financial performance, the conduct of the account, and security against the proposed loan (Prime Bank, 2009, p.68)”.

Prime Bank Treasury Division manages the market risk. Interest rate movements could increase the riskiness of the business.

<table>
<thead>
<tr>
<th>Particular</th>
<th>1 - 90 days</th>
<th>Over 3 month to up to 6 month</th>
<th>Over 6 month to up to 9 month</th>
<th>Over 9 month to up to 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Sensitive Assets</td>
<td>34,546,298,028</td>
<td>15,451,791,248</td>
<td>7,801,258,315</td>
<td>7,204,428,427</td>
</tr>
<tr>
<td>Rate Sensitive Liabilities</td>
<td>23,545,400,572</td>
<td>14,506,187,000</td>
<td>7,861,245,879</td>
<td>7,136,749,421</td>
</tr>
<tr>
<td>Gap</td>
<td>11,002,896,354</td>
<td>945,594,248</td>
<td>-59,987,984</td>
<td>155,676,006</td>
</tr>
<tr>
<td>Cumulative GAP</td>
<td>11,002,896,354</td>
<td>11,949,492,602</td>
<td>11,888,504,738</td>
<td>12,044,163,744</td>
</tr>
<tr>
<td>Adjusted interest rate change</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Quarterly earning impact (Cum. Gap*RC)</td>
<td>27,130,434</td>
<td>2,331,602</td>
<td>(147,015)</td>
<td>383,866</td>
</tr>
<tr>
<td>Accumulated earning impact to date</td>
<td>27,130,434</td>
<td>29,452,037</td>
<td>28,314,121</td>
<td>28,657,887</td>
</tr>
<tr>
<td>Earning Impact / Avg. Quarterly operating profit</td>
<td>1.90%</td>
<td>2.07%</td>
<td>2.06%</td>
<td>2.08%</td>
</tr>
</tbody>
</table>

Fig 6: Interest risk analysis

Source: Source: Prime Bank (2009)

“Treasury division of the Prime Bank also manages the foreign exchange risk which is other type of market risk. To evaluate the extent of Foreign Exchange Risk, a Liquidity Gap Report is prepared for each currency and gap or mismatch of maturities can arise either because of speculative trading positions or due to customer transaction resulting in a long or a short position for the Bank” (Prime Bank, 2009, p.70).

“Money laundering is an operational risk that Prime Bank Compliance Officers independently review the transactions of the accounts to verify suspicious transactions (Prime Bank, 2009, p.65). Core Risk Guidelines on Internal Control and Compliance of Bangladesh Bank, the MANCOM review on yearly basis the overall effectiveness of internal control system and provide a certification on the effectiveness of Internal Control Policy, Practice and Procedure” (Prime Bank, 2009, p.64).
4.2.4 Technology

Technology is not only the tangible asset like computer and software, ATM’s etc. but it produces and meets the needs and wants of the people by modification of the products and services. In the banking sector internet banking, online solutions are used everywhere to display the results and solutions aim to fulfill bank’s objectives. Prime Bank is also one of the best technology user and producer of the efficient products and services to its clients. Having these sources of technology, Prime Bank got benefit and adapting advance technologies.

4.2.4.1 Internet Banking

Technological innovation is always adding value to the bank business. Key mile stones of IT Infrastructure of bank were established during year of 2009. The Bank initiated an IT infrastructural development project few years back for business process-improvements and structural realignment to retain its position as well as be prepared to face onslaught of foreign and new generation local banks in the market (Prime Bank, 2009, p.107). As a part of this process, the bank has decided to bring the subjective changes in following areas: Core Banking Solution: implementation of a robust and proven banking solution; Set up of Intranet: for reliable and stable data communication for all kinds of banking applications; IT Security and Compliance: to secure the PBL network; Mobilization of the Card Business and Alternate Delivery Channels; Transactional Switching System: to build a robust network for alternate delivery channels like ATM, POS, Kiosk, CDM, Phone etc.; Preparation for implementation of Bangladesh Automated Clearing House (BACH) (Prime Bank, 2009, p.107).

Fig 6: Credit Risk Model

Source: Prime Bank (2009)
4.2.4.2 Core Banking Solution

Prime Bank successfully implemented the automation of the banking service and infrastructure which is highly secured. For Core Banking System the bank selected “TEMENOS T24” a world class proven technology platform, implemented and supported over 90 countries worldwide (Prime Bank, 2009, p.107).

Now Prime Bank is offering true online centralized banking where a customer can do transaction from any point or from any branch or from any ATM (Bank’s own 39 ATMs and over 600 shared ATMs of another bank) or SWIFT (Prime Bank, 2009, p.107). 50 more ATMs are going to added by the bank within a very short time. Prime Bank is also planning to start the mobile banking very soon. The bank will put customers in control to their accounts as such they will have the ability to manage their business finances and cash flow through functionalities that include reviewing account activity, pay bills, transfer funds and remittance from one place.

Bangladesh Bank implemented a circular issued to minimize the capital risk to the best practice of the risk portfolio in the banking industry. This is a circular named Basel II issued on 31st December 2008. Starting phase of the Basel II approaches are: 1) Standardized Approach for calculating Risk Weighted Assets (RWA) against credit risk; 2)Standardized (Rule Based) Approach for calculating RWA against market risk; 3) Basic Indicator approach for calculating RWA against operational risk (Prime Bank, 2009, p.109). Under the Standardized Approach of the Risk Based Capital Adequacy Framework (BASEL II), credit rating is to be determined on the basis of risk profile assessed by External Credit Assessment Institutions (ECAl) duly recognized by Bangladesh Bank (Prime Bank, 2009, p.109). Prime Bank is prepared to submit the quarterly report depending on the Basel II requirements demand by the Central Bank. The bank already implements the Basel II team and training for this program is also arranged. On review of the capital adequacy of the bank, in addition to internal capital generation the option for external capital generation was also considered in the form of issuance of subordinated bond of Tk 2,500 million (Prime Bank, 2009, p.109). The bank is also planning to issue right share to strengthen the capital base of the bank.

4.2.4.3 Bank credit rating and award

As per Credit Rating Information and Service limited “AA” rating to PBL in the long term and upgraded short term rating to ST-1 from ST-2 based on good fundamentals.

<table>
<thead>
<tr>
<th>Rating by CRISL</th>
<th>Long Term</th>
<th>Short Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surveillance Rating 2008</td>
<td>AA</td>
<td>ST-1</td>
</tr>
<tr>
<td>Surveillance Rating 2007</td>
<td>AA</td>
<td>ST-2</td>
</tr>
<tr>
<td>Outlook</td>
<td>Stable</td>
<td></td>
</tr>
<tr>
<td>Date of Declaration</td>
<td>June 16, 2009</td>
<td></td>
</tr>
</tbody>
</table>

Fig 7: Prime Bank Rating

Source: Prime Bank (2009)
Prime Bank continues to earn recognition and trust for its strong and sustained financial performance and product management. In 2009 Prime Bank received 3 most valued awards for its published accounts and reports and corporate governance viz. “Best Award” from SAFA (South Asian Federation of Accountants) for Annual Report-2008 ICAB (Institute of Chartered Accountants of Bangladesh) Award for being the best Bank in Bangladesh for published accounts and reports for five consecutive years. Best Corporate Governance Award from ICMAB (Institute of Cost & Management Accountants of Bangladesh) (Prime Bank, 2009, p.244).

4.2.5 Concept of Islamic Banking

The main concept of the Islamic Banking System depends on the Islamic law that prohibits the interest payment. The word used by the Quran concerning the ‘interest’ is called Riba (Islamic Bank, 2010). The literal meaning of the Riba or interest in Islam is money increase what is not accepted by Islamic Shariah (Law). Money increase by the business as profit and loss is the target of Islamic Banking System. The fundamental meaning of this system is concerning the uncertainty. The most important issue of the interest payment is: this is always a positive and defines result when money changed (Islamic Bank 2010). Some other main characteristics of interest are: The banking business should be prohibited by Islam when the interest should be on a loan related issue, defined the return amount in advance within a fixed period. As Islamic Banking System is to make the transaction of profit and loss other than interest payment, some key differences between interest and profit are as follows:

Table V: Difference between interest and Profit. Source: Islamic Bank, 2010

<table>
<thead>
<tr>
<th>Riba/Interest</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>When money transitioned and changed in favor to positive definite results</td>
<td>When money is used to trade and the result is uncertain</td>
</tr>
<tr>
<td>Interest = Principal amount + amount charge on principal amount for a fixed rate with definite period</td>
<td>Profit is the difference between the value of the products or services and cost of the products/services</td>
</tr>
<tr>
<td>In Islamic Shariah, this is Haram(Prohibited)</td>
<td>In Islamic law, it is Halal (Approved)</td>
</tr>
</tbody>
</table>

4.2.5.1 Role of Islamic Banking System in Prime Bank

All activities of Islamic Banking System and its operation is running in respect to Islamic Shariah (Rules) which absolutely prohibits receipts and payments of interest in any form (Prime Bank 2009). Prime Bank has 5 different successful branches in different location of Bangladesh. Besides the conventional banking system, Prime Bank’s board and management are very much planed and focused to its Islamic Banking success. Bank’s board members were formally and informally discussed to change and re-arrange good operational process in the Islamic Banking System. The report shows that due to the Islamic Banking Software, this bank was not able to
utilize the maximum opportunity. According to the annual report of Prime Bank 2009, it has been shown that the ratio of the investment possibility and forecasted demand the Islamic Banking business are increasing. Only due to lack of special Islamic software system the Islamic Banking System of Prime Bank is hampering to utilize the maximum opportunity. Therefore, few steps are going to implement by the Prime Bank are: Implementation of new Islamic Baking Software for its Islamic Banking Branches, limited transfer of the Islamic banking Specialist, and special training on Islamic Banking Issues to the employees. Islamic Banking growth of prime bank is 103% compare to the conventional banking growth of 60% which is very high. Profit before tax on Islamic Banking System is 598 million BDT where the conventional banking represents 3091 million BDT on 2009. (Prime Bank, 2009). The integration of conventional and Islamic banking system is a new adventure started by Prime Bank and received the portfolio success.

4.2.5 Report of “Interviews” by Prime Bank’s Respondents’

Most of the interviewees were strict within same results. Respondents’ from Prime Bank supports to increase the use of the Information Technology (IT). They have experienced about IT production that reduced the cost and enhance capability of the company. A decentralized management system is better according to these respondents, because in the current banking system informal decision making process and co-operation increases communication and provides better results or value for the company. The respondents believe that the state-owned bank does not have proper IT infrastructure and their management is strict, the suggestions from interviewees from Prime Bank is to develop their IT infrastructure and management. These interviewees did not indicate to follow the Prime Bank but overall, state-owned bank could follow the private banks recruitment system so that capable resources can be seen in the state-owned banks. All the interviewees were strict on the political issues are constrains to develop the IT infrastructure and good governance. A summary of all interviewees for Prime Bank’s respondents’ are presented in the appendix 7.

Respondent 1:

Respondent 1 explains that, Prime Bank is one the most successful private banks in Bangladesh because of its continuous success and achievement both in terms of shareholders growth and market image. The driver of this success is the technological adaptation which minimizes overall cost of the products and services. The internal policy of the Prime Bank is a balance regulatory among the customer, employees, management and system control over the activities. The total branch automation system is not only making the service prompts, easy and presentable but it helps to fight against the nepotism and other political pressure. Respondent describes that their governance is good and the employees, management and technology are dependent to each other. Prime Bank is better performing not only because of management but all these three integrated parts provides valuable services. This bank takes best human resources and best compensation is allocated for them. There is no political misuse and pressure over the private banks directly but sometimes political business person who made transaction with other banks is questioned about the loss of opportunity. As private banks credit policy is very strict, clients need to fill all the requirements of the credit regulation. During the ARMY takeover period, many of the political business persons were in the courts and were mostly inquired about the financial fault. This kind of political instability is not only problematic to reduce vulnerability of the financial sector, but total country is losing the economic value. Lack of the political stability reduces the probability
of fair competition which is necessary to make better strength of the private banks. Like other private banks, Prime Bank is also bound to follow some rules from the Central Bank which is not imposed to the state-owned banks. Overall, he is not sure that the management and technology implementation is possible for the state-owned banks because, state-owned banks are more related with other seen and unseen governmental functions. However, government dose have sufficient money to invest for the banking sector development but an unorganized and upland conventional banking policy, structure, influence from politics and countries down economy in the rural areas are related to those banks. But if government anyhow can eliminate the invisible political and other nepotisms to use and implement fund in the banking development sector, it would be quite easy within short time for the state-owned bank to develop. Then it is not necessary to follow the private banks but state-owned bank could itself will create competitive advantages.

**Respondent 2:**

Prime Bank is a leading private commercial bank in Bangladesh among 52 private banks. This bank’s products and services are organized, infrastructure is developed and technology based quick solutions to the customer makes service the bank unique. Private Banks in Bangladesh have extra image, however it is like a brand that some special people could use this service, most of the service price is reasonable from lower medium to high income level customers. Different types of programs and products launched by the Prime Bank are unique in its nature.

Cluster management program is one program that is unique in its nature. Prime Bank segregated total branches on area basis under mentorship program. And 4 mentors are being responsible for all sorts of well-being for the branches. However, this mentorship program has been introduced only Prime Bank in banking community, this program has been started at the initiative of prudence guidelines of the board of directors 3 years ago. Four DMDs are mentors of 4 clusters and they have to sit together quarterly and have to submit report to the board based on their performance based on target set earlier.

The structured finance policy and a sound liability management created dominating position over the competitors. Basel 2 now been implemented in a satisfactory level what is an international requirement in the banking sector. Current capital and liquidity ratio is in comfortable level. Top level management is very much competent and experienced. T 24- world latest banking software implemented by the bank and it has been successfully running since last three years. Competent and trained skilled technical employees support one way helping to run the entire system of the bank. Other way bank’s good customer and sales service executives enlarges the customer group. There is an overall communication balance among the departments and employees that innovate new idea and customize the product and services to the valued customers. As banks business is online, information communication is going to be very easy. Online branch communications produce quick and cost effective services and new opportunities. Sometimes opportunities depend on the quick response by the employee, in case of the absence of that employee a decentralized decision can be made by other with well justification. Prime Bank’s continuously upgraded the poor platforms and tries to provide customer satisfaction. This bank also implemented electronic complain card so that customer can get access to criticize. E-commerce, SMS and mobile banking service make them competent in the field of new banking business.
The swift change in the human resource management development in Bangladeshi private organization increases the job competition. A huge number of dynamic young professionals believe that the performance could be the only way to success to build a good career. Therefore, Private Banks in Bangladesh try to structure good human resource management department. Recruiting policy is both written and oral. Prime Bank’s recruitment department thinks that right people are necessary for the right places and nepotism is prohibited in this bank. The respondent also argued that a huge number of IT graduates are now unemployed. A good IT enables business to overcome the employment problem and he thinks all the private banks, telecom industry and IT infrastructure organizations are minimizing the unemployment rate. Many IT training institutes are growing and business becoming faster. Learning for the state-owned bank can be follow the recruitment process by selecting employees from the similar background students related with the scope of work. Implementing the full volume Information Technology (IT) up to the district level is very important in the current market. However, in some places, internet is not available and many people from rural areas do not know what is internet, still the country is going to be digital and organization should focus on beforehand the competition. Therefore a well managerial body is important to forecast the future plan where should be flexibility and fair policy.

Recently, Sonali Bank has implemented the Islamic Banking System in 5 different branches in Bangladesh. This is one new system to Sonali Bank which was implemented by the Prime bank on 1995. But, all state-owned banks and private banks follow the same guideline for Islamic Banking System under Bangladesh Bank policy. Therefore, Sonali Bank also provided the separate baking system other than traditional business policy. Prime Bank and Sonali Bank do not have any competition due to different branches location and there is a prospect for Sonali Bank to get higher return. Further, this respondent helps to make another interview (respondent 5) from an expert on Islami Banking System.

Respondent 3

Respondent 3 feels proud because he is an employee of Prime Bank Bangladesh limited. A well-developed governance, good corporate culture and stable infrastructure meet all his requirements of the job satisfaction. Many of his friends respect him because he is in a good position in a good bank. He believes that, private bank’s employees are class conscious. Recruitment is very much selective (see appendix-3). Although most of the time the salary structure of Prime Bank changed, the current recruitment offered from any Private Banks circular is enough to understand the job requirements and salary structure (see appendix-3). Both in-house and outside organizational work guidelines set by the human resource department are favorable for the employees. He claims that best people are working in the bank not only for the best salary but also for the best environment.

Prime Bank designs its products and services on the basis of the customer’s requirements. Many old banks do not enter in the new market because they make the policy for their own point of view. This bank is different from other banks in regard to customer orientation and satisfaction. May be state-owned bank should focus on the better customer services, they can start telephonic customer service and online solution is important in terms of competition. However the private organizations culture is more focused, hierarchy is decentralized and flexible management, and state-owned bank can start practicing informal managerial process to cope with market environment. Due to reach the level of market competition, traditional behavior is old and does
not suite with market demand. Market environment is always changing and risk heading process is necessary to adapt when need what system. Therefore, Prime Bank always waits for the opportunities to grasp the changes in the market demand. To be fast in the market, banks should be prepared to move its activities towards market environment. Sometimes this changing behavior helps organization to be innovative.

Prime Bank tries to help the researchers with information so that new insights on management and marketing can come up and in long run can help the banking business and the customers. Good code of conduct of the employees of this bank is highly appreciated by the employees but there is also very few examples of the fired employee because of their unethical behavior.

About the banking regulations, He gave one example about the government bindings on some specific purpose and regulations in terms of bank transaction: A few Letter of Credit (L.C.) like weapon import L.C., issued by the private banks need to get regulatory access from the Central Bank and sometimes private banks need to go to the state-owned banks for completing specific financial transactions.

**Respondent 4**

Respondent 4 from Prime Bank was not prepared while taking the interview. However the meeting time was fixed before, he forgot to see his schedule. Although the meeting time was late office hour, this respondent was busy with clients. Therefore, I have waited about 45 minutes to get him free. At some stage in the interview this respondent did not feel comfortable because he did not completed client services and one client was supposed to call him for credit service in the office telephone. Thus the respondent decided the meeting for next day morning.

This respondent mostly answered about the credit support and how management co-operation regarding credit analysis, support and collection. Technical issues are also explained by this customer in terms of credit risk.

Respondent 4 explains that he was working in Prime Bank since 2006 in a Branch office residing in Gulshan, Dhaka. He was experienced in the credit sector, responsible to issue the credit. At the beginning of his service, he got the Information Technology (IT) which was not much advance. Therefore, it was not possible to find the data within estimated duration to analysis the borrower’s background. Due to lack of the proper customer background, sometimes he had chosen the borrower who had the possibility not to recover the money. Accurate credit services were not possible because the respondent was feeling doubt when providing the loan. Now he can see the existing customer’s background easily with the help of Information Technology (IT). Prime Bank has good relation with other banks so that they can get information about the borrower’s loan return condition. They have stored the in-bank client’s information and few big clients’ information from other sources were collected and put in their IT system. This is not only the employee’s dedication but it is becoming a strong policy to upload potential customer’s information by the Prime Bank management. He not only work in the office place but inspect the customer details before providing the loan and he believe that all the credit officer from Prime Bank inspect the situation of the borrower. That is why loan loss is reducing every year.

Prime Bank management tries to control the loan loss by doing insurance against loan which is not common in Bangladesh Banking sector. Bank managers think that information is very
important for banking business; thus the management delivers information from the boss level to entry level position. It is not the system that only higher level of employee gives priority to get information. Sometimes this respondent can take decision against his boss and many times boss appreciate him for his good performance. So, he thinks that there are flexible decision making process is handled by the management for the business development.

Maximum clients like to take loan from Prime Bank because many business persons doing the stock business and quick transaction important for them. As Prime Bank’s online banking system provides maximum error free transaction, clients like to take loan and they feel comfortable. Because of IT enabled services, this bank gets more depositors and borrowers. As this bank is providing transaction with IT enabled services, ethical concentration is almost not necessary from the employee’s perspective. The IT system will not allow employee to make any fake transaction.

This respondent is also considering the ethical concentration about the recruitment system. He told that, recruitment in any Private organization is corruption free. However some government organization recruitment system has large population, there are corruption in the recruitment. Many unemployed give donation to get job in much government organization. One example: during last 10 years, the BCS examination question was exposed before the examination. This kind of corruption and unethical consideration is not the example happening in the private sector. More or less, in every state-owned project, there are some unskilled people got the job with the help of political power. He is very happy that Prime Bank is out of corruption. A suggestion to the state-owned bank is to make free from politics and corruption and then it is possible to implement good governance system and technology will then produce better services otherwise, the investment for technology and governance will not work.

**Respondent 5**

Islamic Bank practices the banking as an investment formation where people can use their common sense to invest. The profit sharing among investors is the main role of this banking system. However, the investment and profit is the target for Islamic Banks, there are some restricted business are: dealing with alcohol, gambling and consumption of pork. Islamic banking functions on the risk diversification among several businesses portfolio. In case of the profit and loss, both carried by the depositors. Borrower does not get money at hand but Islamic Bank helps to fill the customer’s needs by consume the goods and services. In case, of projects loss incurred by the Islamic Banking System, depositors get an overdue payment which comes from welfare fund secured in the Bangladesh bank.

All the full Islamic Banks and partially operated Islamic Banking System in few banks are doing profit. Human psychology on making profit other than taking the fixed interest under Islamic Law is main strength of this business policy. Recently, state-owned banks are also providing the Islamic banking Services. The Islamic Banking System is separated from the other banking system due to its different characteristics. Banks, those have similar rules and regulations followed under the Bangladesh Bank, so there are no such differences among this banking system among banks. Bank that is good and prompt service provider will do better. In fact, there is a growing market trend, so there is no forecasted provision for loss. Just need to do the business ethically. All the banks have similar software system and there are similar types of problems as well as advantage among the Islamic Banking service providers. Managerial
functions are also same based on Islamic Banking System and Shariah or Islamic research base board and experts. Sonali Bank can follow the customer service system, flexible managerial process so that the organizational culture could get a new pattern other than Sonali Bank’s traditional business.

4.3 Introducing Sonali Bank

Introduction of the Sonali Bank will follow the main details and events in the history of the Sonali Bank, present contribution and performance evidence to support the analysis.

Although the state-owned banks are continuously declining in terms of both deposits and loans in recent years, but still they are dominating over the private banks in the regulated areas. Government and state-owned bank’s insolvency is well known but they are surviving because of the state support. Multiple special services provided by the Sonali Bank are popular to the small investors. This bank not only provides commercial services but is practicing wide social responsible services. Common products and services provided by the Sonali Bank are: Deposit, savings accounts, collection payments, loans etc. But the entire bank has a lot of differentiated products running since the beginning of the bank. Utility bill payment, employee’s salary and pension payment, sells and purchases of different certificates are general products and services. Industrial loan, house loan etc are the investment sector of this bank. Both deposit and loan interest is lower than private banks. Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country (Sonali Bank, 2009).

However this bank has a big history but according to the website and annual report’s information, it is claiming by the banking experts that this bank doesn’t provide long range information and the standard of the financial statement is not up to the mark. Most of the information looking for the management, technology and achievement as well as risk factors was not detailed from the very beginning still today.

4.3.1 History: Main Issues and events

Soon after independence of the country Sonali Bank emerged as the largest and leading Nationalized Commercial Bank by proclamation of the Banks’ Nationalization Order 1972 (Presidential Order-26) liquidating the then National Bank of Pakistan, Premier Bank and Bank of Bhwalpuronali bank, 2009). Initially the bank was established not only to business purpose but the social responsible work was the core adventure of this bank. From the very beginning, this bank was losing money in terms of commercialization because of social responsible services and lack of organized management. Unstable political climate and lack of skill resources were permanent factors of this bank. However all the bank established after the independence was nationalized bank, most of the banks did not see the profit during the after war condition. Even though the financial statement of the Sonali Bank shows some profit in the recent years, most of the people known as this bank as a loss producing bank in Bangladesh. Now days the attitude of the public are changed and they are trying to believe that this bank and other banks as well as some government organizations are performing in a minimum satisfactory level. But according to the commercialization, bank age, numbers of assets, the profit condition are not up to the mark compare to the growth of private commercial banks. Further most of the state-owned banks do
not have fully or satisfactory automation level. Paper based accounting is still continuing by this bank. Further, Sonali Bank was incorporated in Bangladesh on 03 June 2007 as a Public Limited Company under Companies Act, 1994 with its Head office at Dhaka and is governed by the Bank Companies Act, 1991. Subsequently on 15 November 2007 the bank took over the undertaking and business of Sonali Bank with all its assets, benefits, rights, powers, authorities, privileges, liabilities, borrowings and obligations etc. as a going concern under a Vendor’s Agreement signed between the Government of the People’s Republic of Bangladesh and the Sonali Bank with a retrospective effect from 1st July 2007. It is now a fully state-owned largest Commercial Bank in Bangladesh. The Bank has 1181 branches including two overseas branches at Kolkata and Siliguri in India as on 31 December 2008. During the year 1(one) branch was opened and 3 (three) branches were merged with two other branches. A money remitting company under the name and style of Sonali Trade and Finance (U.K) Limited was incorporated as a subsidiary under the U.K. Companies Act 1985 on 30 June 1999 (Sonali Bank, 2009). Sonali Bank holds 51% share of this remitting company and rest 49% share owner is the government republic of Bangladesh. Sonali Bank also subsidizes Sonali exchange co. Inc. was incorporated 1994.

Three State-owned Banks have been converted to a Public Limited Bank with 100% ownership of the government and started functioning as Sonali Bank, Agrani Bank Limited and Janata Bank Limited on November 15, 2007 by taking over all assets, liabilities and business of the all assets of three banks. Sonali Bank is the largest State-owned Bank in Bangladesh.

4.3.2 Current situation and performance

Sonali Bank is responsible for the Central bank’s job in many places of the country. Total authorized capital of the Sonali Bank is BDT. 1000 core which is five times bigger than Janata Bank Limited (2nd largest bank in Bangladesh) and paid up capital of Sonali Bank is BDT. 900 core.

Total number of branches is 1184 and urban branches are 341. However there are 11 branch already shut down, it is not noted in the financial statement of the Sonali Bank. It is claimed that this bank does not provide any detail information in the financial statement thus the quality of the bank produces disqualification issues to some circumstances. Although the political pressure decreases from the state-owned banks and power of the top level management increase, still it is not up to the mark to continue a fully fighting bank in Bangladesh compare to private banks. The loan loss provision is very big every year.
Table VI: Financial performance, management and technology condition of Sonali Bank

<table>
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<tr>
<th>Financial Performance</th>
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<tr>
<td>Return on Equity as per 2008</td>
<td>0.010%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>BDT. 2311 million</td>
</tr>
<tr>
<td>Growth rate</td>
<td></td>
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<tr>
<td>Nonperforming loan</td>
<td>BDT. 61154 million</td>
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<tr>
<th>Management Performance</th>
<th></th>
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<tbody>
<tr>
<td>Governance</td>
<td>Mostly paper based accounting, corporate branches and one other branch is partially computerized</td>
</tr>
<tr>
<td>Risk Management portfolio</td>
<td>Weak risk management due to technology and political pressure</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Technology performance</th>
<th></th>
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<tbody>
<tr>
<td>ATM’s services</td>
<td>Only very few ATM’s implemented</td>
</tr>
<tr>
<td>Online solutions</td>
<td>Internet banking and online solutions will take time to established</td>
</tr>
<tr>
<td>Internet Banking</td>
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</tbody>
</table>

Net profit made by the Sonali Bank was Tk. 2311 million in 2008 which is very poor compared to other private banks. Besides, nonperforming loan was also higher about Tk. 61154 million means that this bank is performing very poorly. Sonali Bank net profit after tax is Tk. 2311 million a very minimum amount compared to its authorized capital of 10,000 m. Paid up capital is Tk. 9000 million.

Sonali Bank, provides information that, as per 2008, the total employees of the Sonali Bank was 21,839 whereas the total number of branches were more than 11,000. Financial return compared to the technology and management is very difficult to calculate. Sonali Bank does not have that kind of open options to see the total group’s investment in terms of technology and management for the research, even many employees also do not know this options. But, as the invest in the Sonali Bank in terms of technology is very limited and banks are operated by the human resources with a partial computer system, the managerial contribution than of the technological contribution is very high for the financial return. Return on equity of the Sonali Bank was 0.010% where the asset return became 0.0047% which was very poor.

Making the financial return, Sonali Bank’s experts are also thinking that technology and management are the best factors to enhance the growth of this bank. Thus current situation of the
management and technology could provide the organizational environmental and forecasting market growth of this bank.

4.3.3 Management

As per secondary source and primary source of information, Sonali Bank management means its department, employees and organization chart. There are very little or no concept about the skill management and meaningful decision making process in terms of risk management and technology. However it is shown that the Sonali Bank has a management and company organizational chart but it is still not understandable what is a good management and how are the activates of the management of Sonali Bank. Who are the experts and performers to carry the growth for the company? The lack of prudential roof is seeable from the outside of the company. Corporate culture is also status less and employees are doing work for working only. Individual employee’s objective for this company is not visible and competitions among employees are negligible due to proper performance reward system.

Managerial governance of the Sonali Bank leads by the CEO & Managing Director. A central and rigid hierarchy is the structure of the Sonali Bank management. Subordinates need to follow the immediate boss to get any decision. Entire decision making process is very much centralized. Regulation of the management is very hard by its nature. This bank is managed by a Board of Directors consisting of 13 (thirteen) members. Chief Executive Officer & managing director is responsible to lead the Sonali Bank.
The hierarchy of the managerial function is as follows:

Fig 8: Organizational Chart of Sonali Bank
Source: Sonali Bank (2009)

4.3.3.1 Audit Committee

Audit Division controls operational procedure of the Bank and undertakes periodical and special audit of the branches and departments at Head Office for review of the operation and compliance of the statutory requirement and The Audit Committee of the Board subsequently reviews the report of the Audit and Inspection Division as well as other related division, as and when required (Sonali Bank, 2009, p. 24).

4.3.3.2 Risk Factor, Process and Risk Management

Credit risk: Credit Risk Management (CRM) maintains the credit risk of the Sonali Bank. Credit risk managed by imposing the limit of credit to the customer against the collateral. Employee’s power to provide credit to the clients is another way to reduce the credit risk practiced by the Sonali Bank.

Foreign Exchange Risk: Treasury division independently dealings with the foreign exchange risk and one back office maintain the book account of the foreign exchange risk.
Asset Liability/Balance Sheet Risk: Asset Liability Committee (ALCO) reviews liquidity requirement of the Bank, the maturity of assets and liabilities, deposits and lending, pricing strategy and the Liquidity contingency plan (Sonali Bank, 2009, p. 24).

The Chief compliance officer in the head office and branch office independently reviews the suspicious transactions. Training is the most effective method used by the Sonali Bank to protect the money laundering risk.

4.3.4 Technology

Most of the employees of the Sonali Bank understand the technology is the computer. Full automation, ATM’s using and internet banking is still not familiar with old employees in the rural branches. Most of the district level branches have very few computers to use. Unskilled employees do not know about the debit or credit card and every computerized process are very new to them. However, since 2008, Sonali Bank management took decision to compete with the private bank and in 2007 this bank established as a limited banks, the employees and owners are dreaming about to use advance technology. Few branches have also started to use partial computerize solutions. At least in this level of the bank, urban areas employees have the knowledge about internet banking definition and they believe that due to technology and management lack, this bank is losing its potentiality.

4.3.4.1 Internet Banking

Sonali Bank is trying to implement the online branch banking system. A few number of urban branches are partially internet based banking with only 12 ATMs booth in the urban areas influencing them to go further technological development.

Bank’s own in-house software "Remittance Management System" (RMS+), having, among others, the feature of paying foreign remittance instantly over the counter is being implemented at all branches. This web based software provides digital services to the expatriates through its unique advantage of sending confirmation message to the mobile phone of the remitter/beneficiary (Sonali Bank, 2009).

4.3.5 Role of Islamic Banking System in Sonali Bank

Sonali Bank inaugurated the Islamic Banking System since June 29, 2010. The board is consisting of seven different Shriaah knowledgeable experts. Numbers of branches are five and duly projected to run the conventional and Islamic banking system. But most of the works related to Islamic Banking System will fully operated from these five branches in different location in Bangladesh.

4.3.6 Report of “interviews” by Sonali Bank’s Respondents’

The summary reports of Sonali Banks interviewees are tabled below. This respondent’s also provide similar information with the Prime Banks respondents but emphasis on polices as a big issue and they are not influenced about to follow the private banks but a need for technology and governance is important issue to them at the same time they have more fear about political involvement in the business. A summarize interviewees of the Sonali Bank’s Respondents’ are presented in the appendix 8.
Respondent 1

The respondent has been working around 20 years in Sonali Bank. After independence of Bangladesh this bank established from former national bank of Pakistan’s asset. Obviously the recruitment and selection were not organized at the very beginning of the bank. Although the act and language had been changed due to necessity, it was not enough to build a good governance and infrastructure.

Huge number of IT and management students are unemployed in Bangladesh and if government could implement the IT system this unemployment will eliminate and State-owned Bank could sustain. Effective forecasting was not taken properly because employees had high job security in the State-owned Bank, lack of experience in entrepreneurship.

In early 1990, client tried to find the bank to get service and employee and there was no need to implement marketing process. That old culture of pull marketing system still belongs to the Sonali Bank’s characteristics. Although the management of Sonali Bank’s believes that they have a lot of customers, but respondent’s point of view, marketing is not only to sell more products but it is because of finding out the best client from several clients and makes a grade list. Some customers reduce organizations value, and Sonali Bank management is not aware of that. Either this problem is because of the ignoring approach of the bank management or some stressed regulation from government or other political pressure is responsible for this.

Respondent 1 believes that private organizations and banks newly entered in the market and they got the client because they have marketed their product by pushing the clients. Their service was door to door and much customized. They have the sales people who knocked the customer and gave feedback and make follow up regularly. Therefore they have taken few valuable clients. As Sonali Bank has many clients, they do not need to go for the market search. This management attitude reduces the market share of the Sonali Bank.

Tax is one issue that is not still possible to collect properly. Transfer and promotion process depends on performance and good relation with the management and political members. It’s an unofficial rule that Sonali Bank handles maximum government organizational transactions. Old semi government and private organizations are habituated to do business with Sonali Bank.

The last generation recruited in the Sonali Bank was not fully knowledgeable about the Information Technology (IT). Few of them have a very basic knowledge of the computer. Training for huge number of recruited employees is also a matter of investment, time and effort. But as private banks follow their own young decorum, it is possible to establish a new system for them. Small number of branches with small number of employees’ recruitment is an easy and cost effective process for private banks. But number of employees joined in the private sector from public banks is also a big reason for them to get good return. State-owned Bank’s train people help to learn their job and after some experience, employees change their job to the private bank. That was a big drain from the State-owned Banks once, but now people noticed about the new salary structure and technological awareness of the State-owned Banks which help to increase the value of the government job. Corruption in the banking sectors are not so but the overall country corruption affect this banking sector development. Therefore a corruption free country could let a good economy. In terms of Sonali Bank is not politically more involved now days but still not in a position to see a clear organizational culture. It is not that Sonali Bank need
to get much learning from Prime Bank specifically because if Sonali Bank need to implement software, this bank already known which bank is using which banking software and there are many IT firms developed in Bangladesh who are working efficiently. Implementing technology and recruitment of technical employees will automatically get priority when this bank will get a corruption free deregulated governing body.

**Respondent 2**

State-owned Banks have branch banking system. There are 1180 branches and some other branches already shut down. Sonali Bank was nationalized as commercial banks. Sonali Bank is still responsible for the work of Bangladesh bank in many areas and many circumstances.

Telecommunication and electricity problem is the big threat in almost everywhere in the country. Lack of electricity is one of the big problems to implement the technology in the State-owned Banks. As the government is not successful to produce electricity, an invisible influence to reduce the electricity use is important to the government. Ministry allocated budget for the technology is important relation with the government industry. When the budget and design of the infrastructure is not enough for the country, new technology adapted for the government reduced the willingness to pass the budget. He reports that, many people thought that adaptation of computer system will eliminate the employees, but that was not right. This system is now very much attractive to the people, it creates new job and makes people dynamic. It is good for the economic growth and efficiency.

Nationalized commercial banks became limited company but the basic pattern of the limited company still not yet established. Still State-owned Banks are operated in same manner as before. State-owned Banks are bound on demand of the people but private banks have the options to check the viability of the place opening a branch. Sonali Bank provides few social responsible services like pension, small scholarship for primary students etc. But the amount of money they are getting from the government does not suit with the cost of fund. For the ARMY pension, it is always need to reserve outstanding money about 400 core of taka which is not reimbursement timely from the government. Bank used to pay the pension fund from public deposit. When Sonali Bank is paying the bond holders money to the wage earners, Bangladesh bank does not provide money on time or their transfer communication is very lengthy like 1 month to 3 months which also increases the cost. But private banks are taking money for every single step from every single unit of job. Therefore private banks earnings are more comparable to State-owned Banks return.

Government is trying to make computerization very rapidly but manpower for the computerization is not yet developed. Some employees can use the software system but if any trouble arises, they cannot handle even very small problem. Recruitment system is open for all academic students for most of the position with a small number of technical positions. Recruitment system is very tough, time consuming and there is no need for any special background for the entry level/officer level position. Thus no one can guarantee the best selection process from a big population. One history background student can get the job instead of finance student in a finance analyst position. Private Bank recruits employees with very short and selective way only based on the job responsibility. Because of high salary, many experienced and skilled employees joined in many private organizations which are quite frustrated for the
State-owned Banks. Employee got the power according to the designation which is strictly followed by the management.

Branch managers are responsible to give point to the subordinates to promote the employees that are a cause of the moral hazard. Sometimes bosses are involved in nepotism. The transfer and promotion is very worst system because of political favor is mandatory to get transfer in good location. Some recruited political employees do not work and thus created disturbance for other employees. But private banks have the owner who fights for profit and provide the transfer and benefit on the basis of the performance.

Respondent 3:

State-owned Banks are better than private banks. This interviewee was dissatisfied 3 years before when the branch was not computerized. He had to stay at office until and unless the balance was ok. Now the computer system is good and employees do not need to check the balance everyday with paper and pen. Working hours for the customer increase but software based system decreases the office hours. It is not necessary to sit in the office until the balance will be ok. Although it is not possible for every employee to work in computer system, most of the complex works done by the computer.

It was a problem for the employee to work with the computer at the beginning but training helped them to work with computer system. Although employees are still not in the level of the private banks but Sonali Bank employees are not far from them. Bangla language is very popular in the office space but some written works done by employees are in English. Both bangle and English language is used in the documents. He told that corporate culture compared to private bank is quite back but private bank’s employees are smart because they have degree from abroad and most of the English medium universities student joined in the private firms. Bengali medium good students also want to join in the private banks but now their motives are changing. Infrastructure is also developed in the private banks because they have small number of branches and they do not need to think about the social responsibility. Employees of the State-owned Banks do not have personal email address. Most of the employees do not know how to create email account and how to operate it. The last generation of the employees recruited in the State-owned Banks is about 28 years old averagely who had got the touch of technology but the previous generation was not experienced about the technology what is a big problem for State-owned Banks. For the employees, once there was a trend to leave the State-owned Banks job, but this amount is reducing now because government bank is thinking to increase the salary scale and infrastructure development. However, I’m in charge of this branch, I have a limitation when providing loans and in other regulation, I have to ensure to the head office to my immediate boss to take decision. Of course, most of the time I have to wait for the head office people to face some complex issue, however it is time consuming, it is the system of our bank.

Respondent 4

He explains that the State-owned Bank is doing mass banking in the social work. Like small amount of money dealing with people. People can open the account with any amount of money. All the account holders are very lower income level. Higher income level people feel more comfortable to deal with the private banks because of prompt service. Sonali Bank has many
customers but most of them have small amount of money in one account compared to private bank.

It is not always affordable to provide the ATMs services. Many of the clients are not capable to effort the technical product. Sonali Bank management does not think that ATMs service will provide much benefit for them. But they are thinking to implement the ATMs in some special areas. He told that government employees are better from all sides than of the private employees. Again he explains about some lacks in the IT sector employee’s development. Private Banks employees are smart because they have cultural background from their family. Private Banks recruit people by relation, so one status level people can access that network but people coming from outside the city are doing government job and their family’s background from rural places quite far from the high class people.

**Respondent 5**

While I was calling to this interviewee, she was nervous and advised me to call her cell number because 17 people work with one telephone. She told that they do not provide any customer service by phone. Sometimes very big clients get privileges to talk in the office phone with her boss and nobody knows that information

Therefore I was confirmed that the idea about the infrastructure I got from this respondent is similar with earlier interviewees (example of paper based conventional work).

In order to understand the management function, she told that we normal employees work only with the instruction of our immediate boss and therefore we do not think above our superior. Our boss is our management.

When I was asking about the Information Technology (IT), she told that what she will do with the computer for her work. More or less I have got no information from her but it is clear that the employees of Sonali Bank have some specific work under their boss. There is one instructor is boss and if boss wrong, other employees will also continue with wrong process. Information management system is limited with some employees and not delivered appropriately. However, it was not possible to get more information from her at the beginning of the interview and it was due to her fear about the internal and external politics involved with her job security. Later, one unexpected phone call from her to me on 17th of October 2010 was an evidence of the state-owned banks failure and the high political corruption. It is a tradition of the state-owned banks that these banks are highly involved with politics. This respondent provided information based on one renounced national daily newspaper in Bangladesh name Daily Prothom Alo. Respondent’s depth insight found from the summery of the publication regarding “Reason for Corruption in Bank” is as follows:

The main reason for the state-owned banks is corrupted by an evil relation among politicians, business persons and bankers or bank management. Social and political powerful people took loan from these banks and did not return was an example of the loan loss provision in the state-owned bank. Government’s privileges and direct instructions about interest free loan as well as loan sanctioned to a specific person without any proper documents can be found in the banking in the state-owned banks. The union leaders helped and acted as an agent of the politicians’ to
influence the banking corruption. Government is mostly responsible and helped to make this kind of corruption and thus state-owned banks are not performing well. Few example are:

Example 1: During the period of President Hossain Mohammad Arshad’s and his direct telephone call instruction to the bank’s General Manager to sanction a big loan is an example of the corruption in banks. However, the news of the loan sanctioned and corruption was disclosed to the court and public; later an weak legal system and protection was unable to provide any actions against the General Manager was other example of the viciousness.

Example 2: Mr. Mozaffar Ahmed, Ex-chairman of the Shilpa Bank Bangladesh. He was claiming his personal experience in the seminar working honestly is a high personal risk. He did not get any privileges within the rules during the government period of President Ziaur Rahman. Finally few dishonest Chamber Board Members claimed against him to change his position from chairman position because he was a problem in front of the business and politicians dealings. Therefore, a problem is to be honest in dishonest group is a high risk.

Example 3: Khandakar Ibrahim Khaled claimed against one specific loan and political relation surroundings that loan. About 51 times phone called from several politicians were the story to make this loan sanction. Ministers, business persons and bankers pressure to the bank management was providing the information regarding the degree of corruption in the country and state-owned banks. Mismanagement and unskilled decision made by the government is also responsible for the state-owned bank’s weak position in the market. Government budget and business plan sometimes make the ratio of loan sanctioned direction to different business sectors. Government sometimes give direction to the loss producing business where there is a high risk to get back the loan amount. Besides the direct recruitment through the government is one big example about the political and corrupted recruitment system.

Not only the state-owned bank but few private banks also related with few corruption within a system. Negotiation among all private banks and their give and take relation in terms of big deposit and loans are also a moral problem in the banking industry in Bangladesh.

Therefore, the high degree of corruption in the state-owned banks is responsible for poor performance of the state-owned banks. Next chapter will analysis the implications among theory, data from secondary sources and respondent’s point of view.

However, data collected and gather based on two different banks (Prime Bank & Sonali Bank), a new banking system operating in Bangladesh has much prospect and most of the private banks are involved that system is called Islamic Banking System. There are five fully Islamic Banks in Bangladesh besides, most of the private bank and state owned banks are implementing this system due to enormous profit forecast.
Chapter 5: Analysis

In this chapter main findings of the study have been identified and linked with the theoretical concepts and results of the previous studies. The resource based view will be connected with empirics in terms of management and technology aspects. Key competencies or theme of technology and management will provide the functional part of the analysis. The analysis and discussion will largely be the foundation of the conclusions in the next chapter.

5.1 Main Issues and structure of analysis

Important issues are discussed and analyzed according to the secondary data, primary data provided by the respondent with a theoretical connecting. Both the theory and the empirical evidences from chapter 3 and chapter 4 are used to compare the Prime Bank and Sonali Bank’s managerial action and technology function. What Sonali Bank can learn from the Prime Bank is based a discussion of the technology and the managerial function respectively. Thus the structure of analysis will explain the performance driver in terms of operational performance effects in the financial return at a glance.

Empirical study from the chapter four in the table provides a clear picture of Prime Bank and Sonali Bank’s financial strength and operational position in terms of competencies and performance drivers. Chapter 3 provides the evidence based theory of the performance driver relationship with financial (Tangible) and operational return (Intangible) (Bartel, 2000; Brynjolfsson & Hitt, 2000). The theory of the both empirical study explains about the use of technology, their cost effectiveness and managerial integration has relation with investment return and secondary sources provides that the Prime Banks investment return is higher than Sonali Bank for 2007-2009. The use of IT is wide in Prime Bank and management decision making process also flexible. Thus, management (Operator) and IT (operations) are the performance driver to enhance the financial return of the company. How these performance drivers are enhancing the financial return is not always direct but their integrated effects helps to improve the organizational process what is more intangible and untouchable but a big challenge.

Information Technology (IT) reduces the operating cost of business, consumes less time and makes the work easy, accurate the job and provides more customer services, therefore, need for the technical employees, their demand and supply imbalance issues are recommended differently from respondents’. Recruitment system and employee compensation is an important concern of the analysis. Traditional and modern customer service and service selling concept made by the Prime Bank according to the customers point of view beside Sonali Bank is still using conventional business is another argument from the respondents. Infrastructure development is enhances by the technology but the environment of the banks depends on total corporate culture where centralized and decentralized management, and their working scope depends on the political pressure and managerial limitations will also talk about the freedom of working scope under social responsibility, moral hazard and political nepotism issues. The main structure of the analysis is to put the theory and empirics in terms of the competencies and blend them in to the learning section to compare and find the outcome of the analysis. In the figure below provides the structure of analysis.
5.2 Technology in the business

Technology in the business will give the general idea about technology in the banking sector, why it is used and how to produce it. How functioning the IT technology in Prime Bank differs from Sonali Bank is an objective concern of this short summary will discover from the empirics and theory. Suggestions from author’s point will also explain as a meaning of the comparison outcome from these two banks. This section first considered the theoretical understanding of the technology in the business, respondent’s point of view and author’s implications depending on theory related to respondents view.

Technology in the business is becoming old concept but approaching everyday in a new fashion with different competitive advantages. When studying any organization’s sustainable issues, almost every company concept to use the technology to become sustainable. Thus when competitive advantage is defining, the recourse based view indicates to use information, knowledge and technical assets operated by human resource (Ehrnrooth, 1997, pp. 1-17) thus implies the resource based view where technology terms used as physical resource or asset to the banks. Information Technology (IT) helps to hand the finished products and services to the customer’s hand in a quick, cost expensive and sometimes in a well parcel. An accepted theoretical concept is that, service provider stands to reduce the overhead cost and personal cost to gain close attention of the customers (Walker & Johnson, 2006) and customers are provided with greater convenience, potential time saving and faster response (Walker & Johnson, 2006,
In the theoretical study on literature review, it has been asserted that technology and economy has a direct relationship (Anderson, 2001; Weill, 1992; Brynjolfsson1993; Hitt, 1996). Unemployment reduces the economic value and if banks and other organizations start to use technology based system, provide technical products and services, the economy will demand for technical hands and thus unemployment problem will alleviate. As organizations and people exchange the knowledge and services, consequently one organization’s technological effect will change the market environment. The new technological system will demand training institutions and investment and learning’s will create the value to the economy. In theory it is claimed that companies with a high level of technological competence have greater innovation success than companies with only a low level of technical competence (Ritter, & Gemunden, 2004). Prior literature says that technology is one solution that creates that atmosphere by delivering services that include ease of use, conversation of times, conveyance, privacy, accuracy, multifunctional capabilities and use of advanced IT. Some competencies are described below:

5.2.1 Use of Technology

Annual report of Sonali Bank claims that it has 12 ATM booths operating in the urban area is doing well. Besides Prime Bank has full automation with large number of ATM’s booth everywhere in the divisional area. According to Prime Bank’s annual report 2009, this bank meets the Basel II requirements which are an international policy and most developed countries bank are using and implementing this service. Secondary and primary data from Prime Bank shows that the bank is fully automated in IT system where as state-owned banks are still using the paper based system. Respondent 4 from Prime Bank also explain that because of IT solutions and information stored system, credit risk is reduced. He can handle more customers on quick and accurate basis. Prime Bank is seen to be innovative.

It is clear that Prime Bank using a full online automation system and internet based customer service system. Sonali Bank also using limited Information Technology (IT) with few ATM’s booth in the divisional areas. The use of technology is very important for the banking sector and that is why international policy (Basel II) becomes prominent in the developing country. Paper based banking system is an evidence of poor infrastructure in state-owned bank.

Above comparisons between two banks provides the information of the use of Information Technology (IT) in-addition organization’s management and employees worked constantly for long-term to construct capability in pertaining IT to industry dilemma. Thus potentially upgraded IT instance continually improved by the management which enhances the competency of the organization. The main competency of IT is to continuous development of IT and its changed feature. Therefore, IT application is strategically non imitable and cost effective.

5.2.2 Cost effectiveness

The Annual report of Prime Bank shows how the cost has been reduced by offering total solution of the banking problems based on Information Technology (IT). Respondent 2 and respondent 1 from Sonali Bank also emphasizes Information Technology (IT) for economic growth and efficiency because Information Technology (IT) practices that lower the cost, faster the response and easy exercise of the services. Respondent 3 from Sonali Bank suggest that customers are getting more service hours from the bank because their branch has the IT system and software services. Employees are also satisfied because they do not need to sit in the office for calculation.
of every day ledger balance by pen and paper. But respondent 4 from Sonali Bank experiences the negligence of their bank in adopting new technology and take the benefit of ATM application in providing customer friendly services.

Information Technology (IT) is important to reduce the long-term cost and save time when dealing with services. It also helps to drive the country’s economy because banking sectors development has a relation with economic development (Fig: 2- Interrelation). Few traditional business companies ‘philosophy about IT is a pressure of implementation and investment. It also problem about managing and allocation of the responsibility when change management system required by the organization. Traditional bank management psychologically feel burden to organize IT as a strategy. However, IT reduces the company’s long-term cost, but management, employees and government’s eye is not consistent on the Sonali bank’s business sustainability. Besides, the Prime Beak implemented full IT automation continuously producing efficiency.

5.2.3 Technological Capability

Respondent 2 of Sonali Bank says that government is apparently interested in the computerization of banking system, but it is difficult to achieve it as there is a shortage of technical manpower in the country. While respondent 1 from the same bank argues that a huge number of IT and management students are unemployed in Bangladesh and if government could implement the IT system, the unemployment problem will eliminate and state-owned bank will be benefitted. The technology used in the Prime bank are upgraded, there are no shortage of skilled manpower and technical hands. Risk related issues are handled by online programming where there technology and techniques operated by technical hands were reliable and successful. This Bank has the full volume technology operated from different angles, it means the Prime Bank is technically sound in its system and human resources. Banks can measure its forecasting results depending on total strength and technical capabilities to drive the company’s total capacity to plan the future. Skilled and knowledgeable experts from Prime Bank have the idea and static behavior when interviewing. Besides, Sonali Bank expert’s confused argument about country’s manpower shortage is an example about their human resources has misunderstanding to determine the state-owned banks capability. Technology practices are higher in the Prime Bank that produces more technical hands. So, the dynamic capability of this young bank is an example of the capability development strategy to Sonali Bank.

Interpretation from the theory and empirics, the analysis suggest that the Information Technology (IT) helps to improve the product and service, customize the products and services, filling the unemployment problem and enhancing the banking solutions for higher return as well as helps to improve countries economic position. It also helps to reduce the risk for the management and company and enhances the financial return.

5.3 Bank Management

In this paragraph, Sonali Bank and Prime Bank’s governance will be explained comparatively. Theoretical influence of resource based view of strategic management will analysis first. Importance of selecting employees, the hierarchical affects and flexibility of the management will explain in terms of banks competences. How to recruit and select people for the employment could be an important fundamental for the human resource management, their salary and compensation of employees, training and development issues will provide from the theory and
empirics. Bank’s management system got importance in this section to summaries Prime Bank and Sonali Bank’s people management system, their recruitment, selection criteria and reward system will point out in order to see the structural difference between these two banks.

Management of the banks not only play an important role in terms of internal policy and process but the key player of the management have to think about both internal need and external market demand to take accurate decision to enhance the company’s position. Thus, the job scope of the employees and board members is an important factor to analysis. Competitive success is possible when the right people will work for right places (Ritter, & Gemunden, 2004, p. 58). Other studies suggest that, training should be a powerful facilitation to the employee to human resource management (Story & Westhead, p. 1993). In developing countries, banks are lacking of strong legal protection; special interest groups are involved in the financial institution that causes embezzlement therefore, hierarchy and flexibility is also play important role to develop the banks position. Some practice of managing people is necessary to organize business activities and produce skill and competencies among employees are: employment security, fair selection of recruiting talent, high salary and compensation, training and development etc (Pfeffer, 1995).

5.3.1 Flexibility

In connection to the above theory a similar response provided by the respondent 2 from Prime Bank that, their management consists of good corporate culture consisting fairness, transparency, accountability and responsibility. Board members are highly experienced and committed. According to Prime Bank’s annual report 2009, this bank chosen director from both bank owner and depositors and made a flexible decision making policy where negotiation is possible. This board not only practices the bank’s internal policy, but the management is always careful about the central bank’s regulations. An Audit Cell of the Board and the Internal Audit team of the Bank undertake various special audits included in the secondary source of this bank. Besides, Sonali Bank’s board members have a hierarchical rigid structural board which limited the line manager’s power to take the decision. Respondent 5 from Sonali Bank believe that their, management is their boss and other respondent from Sonali Bank explain their limitation to provide loan based on the hierarchy provides information about their rigidity.

Rigid and hierarchical power application from the management reduces the opportunity of the co-operation and coordination. Top management and bosses are not relatively decide to make subordinate and bosses meeting and thus information and knowledge gap increases. First the manager can be morally biased due to his rigid power in hand and secondly, individual decision made by the manager influence to avoid the personal risk in complex moment. Therefore, flexibility required to reduce both evil power application and for construct efficient decision. The flexibility among the team members and groups helps to construct the relationship in the organization culture. Prim Bank’s success and interaction among employees and competition among them generates the organizational capability and status. Besides Sonali Bank’s conventional rigid managerial culture creating relational gap among employees and subordinate to boss.

5.3.2 Employee selection and recruitment

Most of the respondents from Prime Bank strongly emphasize on their recruitment policy is better than other banks. Their compensation is highly standardized. Beside respondent 4 from
Sonali Bank is claiming that their employees are the best within Bangladesh however in another issue he agreed that their employees are technically not enough sound. This kind of conflicting suggestion from the respondent 4 of Sonali Bank generates weak argument. Beside the anonymous respondent 2 from Sonali Bank provided information regarding their promotion and transfer system depends on nepotism where political priority is very high. Secondary data collected for two different banking jobs requirements, position and salary given in the appendix-6 supports that, Prime Bank’s salary structure is 2 times better than state-owned banks. Sonali Bank job advertisement offers the senior officer position by salary BDT. 13,500.00/month (Apprx. US$ 200) consolidate where the other private banks salary is for an officer level is BDT. 24,000.00/month (Approx. US$ 190). Although these circulars job requirements are quite similar from both private and state-owned banks, skilled people are logically joining in the private banks.

Employee selection and recruitment is the first priority of the human resource management because human resources delivered knowledge and capability for the company. Selection better people will produce better knowledge. Experience and skilled people in the top management will take better decision and helps to structure the organization. Therefore, the first stage of employee motivation from the out-side of the organization because when advertising the vacancy, people will try to find the scope within the organization. They will compete more to acquire the position in the company. High salary, compensation and other facilities including the organization culture will help to promote the special employees to join in. One way salary and compensation is matter other way recruitment system affects the banks knowledge and pioneering capability. Both salary and recruitment system in the Sonali Bank is very much general. It is difficult to find out the special quality of people from a large number of interviewee without any screening system. Application process through all graduate members in country allows more administrative cost and the interview system depends on very much general other than any specific criteria of job positioning. Thus training cost after recruit the people also increases. Besides, from the general interviewee system question raises about the banks demand is quantity other than quality. May be some special financial and bank management students do not obtain position in the state-owned bank instead simple graduate can achieve it easily. This kind of recruitment system miss manage the balance of quality resources and therefore, produce burden for the training and time consuming behavior become culture of the company. Sonali Bank needs to modify the selection and recruitment system in some cases by a rating of the CV screening. Instead of taking all trainee and recruit in the random position, the management of this bank can rating the order and unit based recruiting system. As for example, this bank can divided the employee needs in the banks according to different departments and advertise for the different type of interviewee and examination process instead of random selection and recruit in the random positioning.

5.3.3 Hierarchy

Secondary sources information from the annual repost of Sonali Bank provided a very heretical, conventional rigid hierarchy whereas Prime Bank’s management believes on the decentralize decision making process. Managerial governance of the Sonali Bank leads by the CEO & Managing Director. Subordinates need to follow the immediate boss to get any decision made a rigid governing body therefore regulation of the management is very hard by its nature said by the respondent 3 of Sonali Bank. Most of the respondents’ from Prime Bank provide their
flexible and decentralized decision helped them to organize effective decision and it helps to reduce banks risk and increase efficiency of the employees’ skills.

Form the comparison of the banks respondents I desire to get conclusion about the importance of good management is important but few problems residing in the management so that the company or banks are in different position. Competitive advantage between those banks is based on the change management different in strategic view. Prime Bank’s flexible management decision making process common argument by the total respondents implies that this is a harmonized management process. The management’s view changes when the bank environment is changing. Commitment from the employees and board members are clear and motivation to improve the bank performance is very constant. Besides the Sonali Bank’s traditional management system and rigid decision making process is constrain to allow the organizational structural change when needed. Different opinion among respondents from Sonali Bank produces their knowledge and information gap in the in-house organization culture. Every individual concentrated on specific task but the vision of the company is not objected by the individual employees whereas the Prime Banks respondents are motivate regarding the mission of this bank. The reason for the major individual hazard problem in Sonali Bank are secured in their job but not satisfied because of low compensation, poor salary and clumsy reward system compare to private banks.

The main findings from the bank management section is that the Sonali Bank’s management is traditional and due to conventional managerial process, the organizational culture is created among miss use of the opportunity, difficulties among the organizational managerial rules and regulation in a word the structure of the organizational process does not support to the organizational change. Due to the current banking system, the traditional governance concept is very old fashioned. According to most of the respondent’s view and author’s experience, this bank is fighting against the market environment whereas private banks are changing their organizational structure according to market demand and became successful. In fact, the total human resource management process is hampered by the organizational management privileges system thus not enhancing the people management system.

5.4 Islamic Banking System

Islamic banking system is one more steps of newness in the banking business where the slogan is banks coming with a difference (Prime Bank, 2009). Focusing the customer and set up the business is very important because customers will make the transaction according to their belief and cultural system. Islamic Banking System is a new and difference operational process in the banking industry where interest profit is prohibited but the ratio of the profit will be shared according to the customer’s investment in the Bank. Prime Bank is one most successful banks in Islamic Banking System due to its flexible managerial process, recruitment system and operational process. A huge growth of 103% on 2009 by Prime Bank was the evidence successful Islamic banking. Besides, the Sonali Bank inaugurated the Islamic Banking System on June 2010. However, Sonali Bank is doing traditional business in other sectors; this is not a scenario in the Islamic Banking branches due to its service selling concept and characteristic. Respondent 5 from Prime Bank provides the similar information with respondent 2 of the Prime Bank. However, the opportunity of the Islamic Banking business is growing very rapidly, respondents’ are neither afraid nor aggressive to award the complement of the Sonali Bank’s
performance in the Islamic Banking sector. But both the respondents’ points and the general trend of Islamic Banking operation found from the secondary sources are not competitive among banks but depend on location and customer service. Management and technology functions are constant for all the banks and there are little or no differences found in the managerial functions and technology adaptation.

5.4 Politics and Bank performance

Therefore the Government of Indonesia helped the Bank Rakayat to be free from politician’s involvement and change the regulation and board to sustain their leadership position in the banking industry. Market leader has more customers; they use more network and relation with other enterprises and to become the leader of the market it is necessary to get the regulatory access. One study suggest that, to operate the business sound and safe is implementation of law and regulations that should be followed by the business owners and other members (Barth, Nolle & Rice 1997, 1931-1980). Other theory recognized that, state ownership dose not working as plan (Barth, Nolle & Rice, 1997, pp. 1931-1980). Lack of information and non up graded web address of results stated that, state-owned banks drive un-planed business. Besides, the political information is not that element provided by the organizations website because of prudential evidence but employee dissatisfaction and problem among the citizen of the country could face this problem for long run. Therefore, conflicting ideas generating by the Somali Bank employees; unstable politics practiced for employee transfer and promotion (respondent 2. Sonali Bank) results in an abnormal corporate culture. However most of the respondent of the banks wanted to disclose their name, accepted this agreement by the author create some value to answer the research problem in terms of performance management. However, public organizations are highly secured and job security place their self-reported work than of team working (Frank &Lewis, 2004) but this agreement is not applied when employees want to play fair role. Because, the state-owned banks employees’ are afraid about their job security in working place and potential problem when discussing about the political pressure and corruption as a problem. They are already aware that, giving complement about any organization could beginning their personal problem politically and they are nervous to protect their freedom of speech what implies that a secured job is environmentally in-secured. Therefore, employees’ self-centered thinking reduces the value of the owners objective. Study examines in chapter 3 that, non-Protestant followers or the weak business management involved in the politics directly or indirectly create inefficient governance, ineffective regulations, and with public institutions of poor quality, were considered to be more corrupt (Buen & Pere, 2007, pp.2-20).

Another empirical study on decentralization and corruption by the European Consortium for Political Research explains that, countries non-Protestant followers or the weak business management involved in the politics directly or indirectly create inefficient governance, ineffective regulations, and with public institutions of poor quality, were considered to be more corrupt (Buen & Pere, 2007, pp.2-20). Respondent 1 from Sonali Bank wants to limit the country corruption to reduce the state-own banking industry are affected with the country’s economy and state-owned organizations are the politicians target of corrupt opportunity (Respondent 5; Daily Prothom Alo,2010). Respondent 5 supports the respondent 1 and she had explained a complete journal of top level banking administration and government involvement in the historical politics which was creating the cost of banking investment and made corrupted organizational culture in the state-owned banks. Loan producing and process by corrupt negotiation presented by Daily
Prothom Alo, 2010 in a seminar with banking experts provides a clear picture and explains how public expenditure become private property. One early research (see-chapter-3) results about this kind of organized crime and corrupt politician and bureaucrats who chose to spend more components of public expenditure towards them and obtain more revenue for themselves (Paolo Mauro 1998, pp. 83-107).

All the respondents’ from both banks’ believe their company objective is making their banks sustainable. Thus motivations came from the respondents to make the banking industry corrupt free, demand a clean organizational culture and creating good infrastructure (respondent 2, Prime Bank). Suggestion came from this respondents were valid because one evidence based study in chapter 3 results that, in order to motivate the public experts to be efficient infrastructure is important. Better salary and organizational culture and Information Technology can reduce the individual level crime and help to make relationship within the department and employees (Roux, C. L. & Dr. K Stanz, 2006, pp. 1-77). Therefore, interactions of IT and Management is necessary for the relationship development and capacity and capability enhance (Kim & Bretschneider, 2004, pp. 1-10) top managers, administrative leaders and politicians’ to reduce the effects of corruption and formulate the IT managerial capability can be compensated by large financial and administrative supports for long run (Kim & Bretschneider, 2004, pp. 1-10). Therefore a final word implied from theory and empirical study that, infrastructure and managerial implementation is inevitable to make a sustainable organization and corruption is one the most barriers to run the state-public expenditure and efficient work. Besides, the IT and managerial integration could eliminate some of the corruption and build long term relationship which helps to enhance the company to be cost effective and higher financial return.

Respondent 3 from Prime Bank claimed that they need to concentrate about some national regulation so that private banks need to go to the state-owned banks with special type of transaction. As for example the weapon importing L.C. issued made by the private banks need special permission from central bank whether the process of opening L.C. for the buyer is quite flexible to state-owned banks. Thus a small number of big clients are willing to contact with state-owned banks for the direct regulatory access. This is one of the big issues that how organization can capture the market through the bindings of the policy and security.

Respondent 4 from Prime Bank explains that many unskilled employees recruited in the state-owned organization are not skilled and getting job due to political nepotism and thus service outcome of from the employee became ruthless. One example of BCS examination questioned exposed before the examination indicated the corrupted stated administration produce power to the hand of dishonest employee. By disclosing the question, the corrupt state administration helping the unskilled people to become in the selected position and from the root of the employees, he became morally unethical. Therefore, politics and pressures of unethical circumstances involved in the corporate management level of the state-owned banks. This kind of corrupt culture dose not provide benefit for the organization other than creating problem within the organization.

Respondent 5 from Sonali Bank and her instruction to see the secondary source (Daynik Prothom Alo, 2010) publications were authentic evidence of state-owned bank that regulated by corruption. Government, politicians and business syndicates are directly related with the corruption in the state-owned banks. Government’s weak direction to provide loan to the loss producing as well as nepotism to sanction the loan produces the weak governance system in the
state-owned banks in Bangladesh. Unskilled people recruited in the powerful position cannot enhance the state-owned bank’s performance. Therefore, political virus influenced to reduce the performance from every sector of the banking busses.

The above complements interpretation relies on organizational performance in the Sonali Bank hampered because of political pressure. However it is not possible to measure the influence of political involvement, but Prime Bank is in better position in the market place by avoiding the political instability in their in-house organizational chart. How to improve the governance system of Sonali Bank could lead by the Prime Bank respondents to decentralized managerial process and make independent flexible decision making body, create high job satisfaction, follow strict anti-political regulation, eliminate nepotism, create pressure of job according to performance evaluation which could eliminate some pressure of politics and moral hazard and make a stable governance, good corporate culture and established human resource management system.

More or less most of the state-owned banks employees expressed their fear and feeling of politics internally and externally influenced Sonali Bank performance. The management and board are somehow corrupted or bound to corrupt due to invisible political pressure and nepotism from different angle. Not only in the banking sector but other government sector’s politics influence to the banking industry to be corrupted because bank industry has a direct financial relation with the country’s economy.

5.5 Organizational Culture

Organizational performance can be enhanced by the organizational culture. Such managerial perspectives assume cultural reproduction at the organization level informed largely by the environment of the business (Pederson and Dobbin, 1997, pp. 431-43 cited by Kondra & Hurst, 2009). Business environment consist of the power, regulation, and “formal and informal” relation and beliefs among the individual and groups. Infrastructure development is individual and work groups to enhance the human resources to adapt the strong organizational culture. Theory presents that, rules, policies and procedures represent forms of embedded power. Culture thus determines how power is exercised and experienced. Cultural changes in one level impact and produce changes in all levels, upward, downward and sideward (Erez and Gati, 2004). Each culture forms and integrates by internal co-operation and adapts by the external pressure (Kondra & Hurst, 2009).

Beside theoretical evidences, most of the respondents provided their speech expressed to develop the corporate culture. Most of the respondent express that the problem was the scope of the work and decision making problem as well as infrastructure issues. Secondary data or mission of the Sonali Bank is about to provide the social responsible work which is a contradictory issues with the nature of the commercial banks. Sonali Bank is a national commercial bank but also responsible for social work which has a relation with the organizational culture.

Respondent1 responses that the internal policy of the Prime Bank is a balance regulatory among the customer, employees, management and system control over the activities. Therefore, Prime Bank has a good organizational culture. Scientist is also produced a theory that organizational culture is the internal adaptation pressured from external environment. Internal environment or corporate culture of the Prime Bank has a balance belief system and individual sharing are more friendly because of the e decentralize managerial system. According to the respondent 1 from
Sonali Bank, the external pressure means political pressure, social responsible issues etc which influences the internal policy, rules and ethics of the internal resources. Respondent 3 from Prime Bank expresses that both in-house and outside organizational work guidelines set by the human resource department are favorable for the employees which is an example of the good corporate culture. Respondent 1 from the Sonali Bank provides that the last generation recruited in the Sonali Bank was not fully knowledgeable about the Information Technology (IT). This kind of explanation and theoretical support about the dynamic technology made a conclusion that the Sonali Bank’s employees are not technically dynamic and therefore their corporate culture is not technically strong. Respondent 2 from Sonali Bank supports this argument that, nationalized commercial banks became Limited Company but the basic pattern of the Limited Company still not yet established. Still state-owned banks are operated in same manner as before beside Respondent 3 comments overall IT infrastructure system in his branch make their system prompt, increases their trust to work and employees now feel comfortable. In total the overall corporate culture of the branch raised in a position than other branches in the Sonali Bank.

Overall response by the interviewee, Sonali Bank need to improve their technology and management besides it is not a small problem that corruption and politics involvement in the banking industry. Prime Bank’s interviewee 1: it would be quite easy for the state-owned bank to develop when this bank and banks external relation will be politically free. Prime Bank respondent 4 also suggests implementing the technology is important so important to think about the politics and unorganized organizational culture. Respondent 1 from Sonali Bank also told, it is not that Sonali Bank need to get much learning from Prime Bank but politics is a problem when think about other issues. Implementing technology and recruitment of technical employees will automatically get priority when this bank will get good look from government to make a free deregulated governing body. Respondent 2 from Sonali Bank hope to get fair transfer and promotion system.

Bank Rakyat Indonesia was facing crucial time because of its bad management, technology, poor infrastructure and political pressure. Those factors were barriers to sustain the bank. Now Sonali Bank is also suffering the same problem because of the management, regulation and technological problems and political pressure is also playing an important role. Both Sonali Bank and BRI are state-owned, working with similar services and both of the countries are developing. Bank Rakyat Indonesia was restructured and reformed the policy, management and technology and received success. Prime Bank of Bangladesh as a successful bank also has similar conditions of technology, management and regulation like Bank Rakyat Indonesia is operating now. Bank Rakyat Indonesia was restructured in two phases: one is conventional business process in early time and modern technology and management adapting process later makes a bridge between the Sonali Bank and Prime Bank in Bangladesh to compare this two banks’ position.

5.7 Learning

This section learning indicates that Sonali Bank should implement the strategy both from the existing case of Bank Rakayat Indonesia and what their private competitor Prime Bank is producing. This is because competitive advantage in terms of technology and management policy received by these banks was a foundation of success. Theoretical contributions from prior literature have shown that the technology and management are major successful factors. Although author’s intuition regarding political influence to the banking industry in developing
country was presented as a minor issue, but the analysis results politics is a major alarm to look at and it received same importance besides technology and management.

Sonali Bank’s respondents expressed a need to change their banking system and some changes are already in the implementation phase. But these changes and implementation did not reflect a quicker adaptation. Learning from the private organization might be the adaptation of total information solutions and realization of flexible governance. Some key factors and components are discussed below to focus on the learning outcomes from this study.

Table VII: Key competencies

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<thead>
<tr>
<th>Key Factors</th>
<th>State-owned Banks</th>
<th>Private Banks</th>
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<tbody>
<tr>
<td>Technology</td>
<td></td>
<td></td>
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<tr>
<td>Use of Technology</td>
<td>Limited Information Technology (IT)</td>
<td>Full automation of Information Technology (IT) and internet Banking</td>
</tr>
<tr>
<td>Cost effectiveness</td>
<td>Poor financial return</td>
<td>High financial return</td>
</tr>
<tr>
<td>Technical Capabilities</td>
<td>lower strategic capability in technology and technical hands, few ATM’s services</td>
<td>Large scale ATM’s services, Basel II service, Highly skilled technical hands</td>
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<tr>
<td>Management</td>
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<tr>
<td>Hierarchy</td>
<td>Centralized</td>
<td>Decentralized</td>
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<tr>
<td>Flexibility</td>
<td>Power application / Decision making process is hierarchical</td>
<td>Flexible decision making process</td>
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<tr>
<td>Employee selection</td>
<td>General</td>
<td>Effective</td>
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<td>Other</td>
<td></td>
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<tr>
<td>Islamic Banking</td>
<td>Not focused</td>
<td>Highly focused and a heavy growth</td>
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<tr>
<td>Political involvement</td>
<td>High involvement</td>
<td>Free from political involvement</td>
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<tr>
<td>Corruption</td>
<td>Highly corrupted</td>
<td>No evidence of corruption</td>
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<tr>
<td>Organizational Culture</td>
<td>Traditional</td>
<td>Changeable</td>
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</table>
5.7.1 Information Technology (IT):

Information Technology (IT) in this section discussed about the some key competencies are: use of technology, technical capability and cost effectiveness of Information Technology (IT).

5.7.1.1 Use of technology:

Information Technology (IT) is not only about the hardware but rather about the inter-relation between information and knowledge. Information and knowledge of the resources added together with technology create competencies for the organization. Using Information Technology (IT) is not new but every day this technology proves new services and activities. Most of the developed and developing countries banks used to use the Information Technology (IT) and those who are not very frequent user are trying to develop their technical capabilities. However the use of Information Technology (IT) in the banking sectors depends on the countries IT production and capacity, the case of Bank Rakayat Indonesia supports that Information Technology (IT) provides long term competitive advantages to the company. Private banks are other examples that also became successful due to proper information based customer services, technically customized product, high secured and smooth transaction as well as more ATM’s machines. The comparative study between Prime Bank and Sonali Bank, a conformity study from existing case ADB 2009, and theoretical evidence discussed the weakness of the state-owned bank’s limited use of technology as a threat for their sustainability that resulted in poor economic growth in a country. This study shows that Sonali Bank is a state-owned bank still uses conventional paper based banking solutions and therefore the infrastructure of bank is not improving and thus losing its competitive sustainability. The limited use of IT does not help the organization to be cost effective and decreases the capability of the company in the competitive perspective.

5.7.1.2 Cost effectiveness

In terms of cost effectiveness and efficiency of services, IT is one competence for the organization. Producing more products and services with better quality increases the sale of product and reduces the variable cost. IT is one central factor and its involvement is related to every unit within the business operation. Employees work with IT change the production process and therefore the use of IT distributed among the business units spreads the cost of the product and services. As IT increases accuracy, reduces time of services and makes the work easy, it helps to reduce the cost of the finished goods and improve financial return. Return on equity of the Sonali Bank was 0.010% where the asset return became 0.0047% which was very poor.
Comparatively, Prime Bank’s return on equity was 10% and asset return at 2.73% (1.30 million Bangladeshi Taka), was very high. Respondents from both banks agree that the financial return in terms of management and technology is higher in Prime Bank compared to Sonali Bank due to modern technology and dynamic management capabilities of Prime Bank. Sonali Bank’s secondary data are limited in terms of Information Technology (IT). But both secondary data and respondents’ views point to technology as an important factor for acquiring competitive advantage. Prime Bank acquired advanced technology and received competitive return by using online solutions and an internet banking system. Secondary and primary data have shown that the state-owned banks in Bangladesh have lower technological development than the privately owned banks in Bangladesh. Institutions with Internet banking outperformed non-Internet banks in terms of profitability. Therefore, Prime Bank is a cost effective and performing better bank than Sonali Bank in Bangladesh.

IT enhances the effectiveness of services, reduces the cost of the product as well time and increases accuracy in work. This can be seen in the above described comparison between Prime Bank and Sonali Bank. Prime Bank performs better in terms of IT. Therefore, Sonali Bank should acquire IT infrastructure to reduce the long term cost on products and services.

5.7.1.3 Technical capability

Organizations ability to use previous experience, assets and develop the process and activates for the solution in technology and management is important to measure the capability of the organization. Better companies do not want to misuse their current capabilities and try to create future capability. Competence based analysis in this study provides the weakness of the state-owned banks that need to produce and utilize the maximum opportunity. One way lack of technology in the state-owned banks in developing country does not utilizing its resources and losing opportunity to use technical capabilities, other way those banks limited Information Technology (IT) that does not allowing capable technical work. Traditional business operation process is not capable of moving the organizational culture. Constant operation since long time reducing the capability of the organization due to slower and small changed in technology. However government organization does not have much problem of investing money in management and technology, due to influenced by other performance factors created a space that avoiding investment in technology and reducing technical capability of the state-owned banks. Therefore, not only weaker capability but willingness to increase the capability by the state-owned bank is absent in this study.

A comparative study between Prime Bank and Sonali Bank constructed evidence that private banks have more capability in banking operation. Constrains of doing work independently and manager’s awareness fissure of country’s techno-based information system reduced the capability and opportunity of the state-owned banks. Example can be seen in Sonali Bank’s interviewee’s fear of shortage in technical hands in Bangladesh created a knowledge gap or miss-guided the direction of increasing technical capability of state-owned banks. There are a lot of information techno based students are unemployed in Bangladesh produced a miss understanding and lack of balance of people and product. Sonali Bank’s interviewee’s fear of shortage in technical hands in Bangladesh created a knowledge gap or miss-guided the direction of increasing technical capability of state-owned banks. These misguide and direction regarding techno based students are unemployed in Bangladesh also produced a lack of balance of people and production. Both Sonali Bank and Prime Bank respondents were interested and influenced to
use and adapt new technology. Every respondent believe that IT is important to change the organizational performance. The Basel II acquired by the Prime Bank reduced the risk of management and secured the risk portfolio and enhanced the performance of the bank. Acquiring the Basel II, Prime Bank needed information solutions and technology that produced more technical resources. Sonali Bank’s poor technology is not generating technical hands thus reducing performance and became failure to forecast a bright banking future. In order to move the organizational performance, and fight against the uncertainty, Sonali Bank should consider increasing their capability in terms of technology and information distribution. Technical capability does not belong to information and technology but they have a relation with human resources and their management. Next section will allow seeing the competency of the management and key learning’s for Sonali Bank.

5.7.2 Management

Private and state-owned bank have different management system in Bangladesh. All the private banks have a decentralized and informal decision making body where flexibility got priority to produce more information and knowledge. Besides, state-owned bank’s management and board are centralized, decision and power application is more hierarchical and regulations of the board are more rigid.

In this section, data provided by the interviewees were presented in a sense of understanding. Both direct and indirect speeches delivered by the interviewees were presented logically.

5.7.2.1 Flexibility

Bank Rakyat Indonesia reforms have gone through new policy, new management and restructured the organizations governance and technology. Prime Bank’s management is very much flexible and not worried to change the management structure and policy due to market demand. A flexible decision making process helps to improve the relation among bosses and subordinates. Therefore, the working environment is not depending on individual decision but Prime Bank’s employee can get a complex task’s solution by a group work process. Besides Sonali Bank’s rigid hierarchy making the gap and limitations between boss and subordinates, thus information sharing and helpful attitude is not becoming competitive. Complex issues like portfolio of managing risk reducing policy reducing banks value and opportunity. Bank Rakayat Indonesia got success after changed their governing body and new regulations. An autonomous body was established to make the organization change. Therefore to be effective in decision making Sonali Bank should have to consider a change in organization culture in a flexible manner. This bank should have to consider informal decision making process.

The organizational structure in figure 8 shows that a horizontal hierarchy of the Sonali Bank is followed by step working process. Due to emergence there is no flexibility to send the information to the higher authority and top management also loses the scope to negotiate with lower level employees. Therefore, competition among employees knowledge participation does not provides any competitive solution. The horizontal organizational structure restricts the employees’ scope of work and power of knowledge. However individual’s knowledge is the primary resource and co-operation enhances that knowledge. Coordination helps to make the decision easy and team working consists within the organization. The arguments above explains the problem of Sonali banks management is bound to obey the rigid structure with traditional
business and diminishing the competency of the co-operation, coordination, team working and motivation. Therefore, Sonali Bank can learn from other private banks to make an informal decision making process through decentralization and change the organizational structure.

5.7.2.2 Hierarchy

Flexibility of the management is important that produces the space of opportunity; it helps the work in progress and diminish complex task. Line managers and senior managers can work by forming informal board where group decision making process works better than individual’s decision. Power limitations on the managers limit the chances of doing potential business. When a rigid regulatory body provides the direction of the business process, the scope of work delimit the independence of the management. Lack of independence, limited power applied by the employees became less motivated. Individuals do not want to take initiative for smart and innovative changes in the organizational behavior due to rigidity of the policy. So, co-operation of every individual in the board do not work efficiently. Subordinates wait for their boss to get instruction and they have started ignoring their own inspiration and imagination. Therefore, reforming organizational behavior becomes difficult and stopped smooth business operation.

Prime Bank’s hierarchy is decentralized with a flexible governing body. Therefore, they can move organizational performance towards market demand. A rigid centralized hierarchy of Sonali Bank create complex situation and loose the opportunity of enhancing performance. Decision coming from the boss can waste time and build information gap among employees. Information gap among mid level and lower level employees made their organizational culture clumsy. Thereof, in order to motivate the employees, rigid policy and formal hierarchy should be changed in the state-owned banks; because co-operation in decision making process is effective when the hierarchy will change to decentralized body.

5.7.2.3 Employee selection

Right people for the right place of work are very important. Human resources are most important factor to make better performance because resources are responsible to complete and innovates contemporary works. Experienced and skilled workers can produce more value to the company. Therefore company maintains a standard of their human resource management to select, recruit and train the people. Sonali Bank follows a traditional employee selection process. Moreover, this bank does not follow and change any specific rules to maintain standard selection process. There is no specialty to motivate the skill people in their recruitment advertisement. All most all background people can apply for the banking job in state-owned bank in Bangladesh. It is a common sense that a business graduate can do well in the business filed than an Islamic History academic background student. Of course, sometimes exceptional can be happened but exceptions are not considering for a large number of employee selection criteria. Further Prime Bank and other private banks employee selection and CV screening process is based on proper back ground requirement. Right academic background people can get employment to the right place. As Sonali Bank selects employees from general background people, for example, one geography student can be selected to the post of senior officer in fiancé department. This kind of recruitment and selection process increases scope of partiality. A good selection means not making space for morally sick people by taking all educational back ground people in general for all trainee post. This kind of selection process also increases the training cost for the employee.
Thus Sonali Bank should have to change the selection and recruitment process where space for the moral hazard automatically decrease due to the newly set of job requirements.

5.7.3 Islamic Banking

State-owned banks are very late to find the prospect of Islamic Banking System, Sonali Bank can learn from the prime bank’s Islamic Banking operation through a flexible managerial process, limited transfer of the Shariah knowledgeable experts, better training and recruitment process in the area of Islamic Banking. Sonali Bank can also take initiative to implement the Islamic Banking software which can reduce time and cost as well produce more customers.

Islamic Banking is new and different banking system where there is a lot of opportunity to expand the business opportunity. There are five fully Islamic Banks in Bangladesh besides; other private banks are also doing well in the Islamic Banking System. This banking system based on the area where more Islamic people live and make their business transaction. It is a profitable opportunity next to the conventional banking system in Bangladesh. This banking operation is different and different technology and manpower is important to run this system’s business. Therefore, the good managerial process, flexible decision making process, new information technology software and skill top management is necessary to compete in the Islamic Banking System to enhance the portfolio of the conventional business growth and banks performance.

Both Sonali Bank and Prime Bank have 5 branches operated by Islamic Banking System, but 103% growth in this business system by Prime Bank provides a new path to see the other market players. As, Sonali Bank also operating Islamic Banking System, the state-owned banking system need to change strategy on the same issues facing in other banking operation. To enhance the performance of the Islamic Banking System, this bank needs to change the functional strategy other than conventional managerial process. In this regards, Sonali Bank can study the annual report of the Prime Bank and collect inside information regarding their success.

5.7.3 Politics:

Politics can be both internal and externally. Organization become politically involve because of poor human skills, unethical recruitment and where there is no performance evaluation. Relation between internal and external policy increases when personal benefits become the objectives in in-company process. Government organization’s loss does not need to tolerate by the individual persons are secured to loss their personal investment. However government organizations objective is to provide the stakeholders benefit, due to more security in the job and better relation with powerful boss for the future hope create political space and diminish the performance outcome of the employees. Example can be for an individual employee recruited by his boss will get favor than other employees. They crate give and take relation between them and therefore not contrite of the groups benefit.

The high loan loss provision is one example of the Sonali Bank reflected on the empirical parts. Not only loan but recruitment and promotion of the government organizations are also not fully politics free. Government’s direct relation with politicians and bank management creates agency of corruption in every units of the business. This kind of problem cannot be solved without regulation change and power application by the bank management. Corrupted top managerial recruitment system cratered the space for future corruption by the government and
politicians that must need to change due to bank’s sustainability. One main success factor for the Bank Rakayat Indonesia was to make this bank free from political involvement. Prime Bank a young dynamic bank in Bangladesh is also politics free because of its advantage IT-infrastructure, managerial process and board members selection from both owners and depositors group. Recruitment of Prime Bank is very much selective. To be politically free both government and banks governing body and regulation change is necessary. However, respondents point is to make the bank politically free first, but it is not only the internal problem but whole countries economy is affected by this system. Sonali Bank’s management should have to invite government and proper authority to avoid external political pressure.

5.7.4 Organizational Culture

Each culture forms and integrates by internal co-operation and adapts by the external pressure. Market environment changes are a reality and that offers all the organization to cope with that market behavior. Thus performance of the organization depends on its organizational culture in many ways. A rigid decision making, conventional banking system and avoiding habit of the change management and fears about the technology does not allow providing a good organizational culture. Organizational culture need to process the outperform changes parallel with the market environment changes. Co-operation and information is necessary to outperform the organizational performance. Avoiding the external pressure and follow to the other banks culture to Sonali Bank is important to get sustainability. Sonali Bank can learn from the reform changes of Bank Rakayat Indonesia and Prime Bank, how they are organizing, managing people and technology to perform better and making a sound organizational culture.

5.7.5 Performance:

Making better performance is taking good investment to all levels of integrated factors. Financial performance of Sonali Bank is not improved compare to private banks. The managerial performance still does not have any big changes. Technology in the divisional level changed very slowly which is unacceptable condition in terms of competition. Infrastructure is not developed and organizational culture is not moving from its position. Prime Banks high satisfactory customer service through internet banking and telephone enhances the organization performance to get more and valued customers. Sonali Bank should have to follow this kind of customer services. However, Prime Bank got big success; Sonali Bank is closing the eyes to and acting not observing that. It’s like a general comments from the author is, Sonali Bank management is closing their eyes and stop hearing why private bank success and does it a threat for the future? Overall performance learning to Sonali Bank is to develop its IT infrastructure, implement flexible managerial process which will change automatically other performance factors.

A lesson to author after considering the literature review and respondents view, political problem in the state-owned bank is not smaller than management and technological problem but it is a true reality that, Sonali Bank is poor performing in all level where, this bank involve in political issues, low technology and conventional managerial system with a poor infrastructure and organizational culture thus produces poor financial performance.

Finally, the learning’s out come this study for the Sonali Bank is to follow the theory of resource based view of the strategic management which supports the Prime Banks success indicator in
terms of technology and management. However, politics and organizational culture is important, if technology and management system has been changed few pressure of politics will also possible to eliminate.

However the theory provides information for technology, management are most important factors and politics was one major factor but the position of the politics in the theory was not widely discussed. Besides the analysis interpretation change the scenario by adding the politics as major issue to implement the technology and management. To make an effective management, board must be free from outside political pressure and then internal organizational culture will be change. A new model developed from analysis is provided below:

Fig 10: Politics is as important as management and technology
Chapter 6. Conclusion and Recommendations

By focusing on private and state-owned banks in Bangladesh, this thesis has dealt with three issues: technological development and Information Technology (IT) based services in the banks, management in the banks and areas of learning from the private banks to state-owned banks.

The objective of this study is to analyze the technology and management function of the banks in Bangladesh in comparative perspective with private and state-owned banks. In order to go for the recommendation, a qualitative study was conducted under the comparison between the private (Prime Bank) and State-owned Bank (Sonali Bank) in Bangladesh. Data presented and analyzed due to answer the following research questions:

Why does the private bank (Prime Bank) produce a much higher financial return that the state-owned bank Sonali Bank in Bangladesh in the areas of management and technology, and

What can Sonali Bank learn from Prime Bank to become an effective and profitable state-owned bank in Bangladesh?

The research question will answer from three different angles are: General arguments from prior literature will provide the developing countries state owned banks technology and management function and reason for private banks success, a conformity study made on Bank Rakayat Indonesia as well as direct learning’s from the prime Bank Limited will connect the theoretical contribution to understand the research problems and solutions.

6.1 Contribution to the prior research

Prior research has discussed the importance and use of the performance factors in the banking industry in developing countries. Theoretical evidences in chapter 3 provide information based on strategy, competencies used and their inter-relation to enhance the performance of the business. Most of the state-owned organizations in developing countries are poor performing (Mian, 2003). Thus literature review encourages contributing of theories and points out how to increase the capability and sustainability in poor performing organizations where IT and good management are two major factors of performance.

In order to answer research problem a summary of a literature review implies similar importance to understanding the performance relationship among a few major factors. Integration of those factors created competencies in the organization and became a strategic tool. Technology and management are the strategic tools to enhance the bank’s performance and sustainability. A socio technical perspective resource based view was priorities to summarize the main implications of the contribution of the prior research.

6.1.1 Creating socio-technical perspective-management and technology integration:

However technology and management areas important to enhance organizational performance but a combination and balance between technology and management produce a valuable outcome for the organization. Inter-relation of management and technology as well as a resource based view of management include information, technology, human and their inter-relation. Inter-relation thus produces the accuracy and balance among performance factors. Technology generates technical hands, reduces cost and produces the accuracy of work. Technology
enhances knowledge and creativity and thus produces competency. Technical hands which are the human resources need to receive proper direction and communication within a policy under a regulatory body or governance practiced by some key player of the organization. IT managers are can make the relationship tie with the top managers and Politian’s to overcome the evil power through the technical support. Management system is one important issue that needed to fit for a maximum return of the organization. The hierarchy of the management, flexibility, employee selection and recruitment process enhances the organizational human resource management process. A high salary motivates the employees to work more, and therefore provides a better selection of employees, which reduces the training cost and increases efficiency. Thus both management and technology produces better services through integration. Prior literature discusses the importance of technology and management inter-relation provided the theoretically but the evidence based theory was not discussed by the early researcher in terms of financial return on the banking sector. The level of balance necessary between technology and management was missing. Politics is another factor, which is both internally and externally related to the business performance and these side effects can reduce the organizational performance. Therefore, inter relation between technology and management, in-addition political involvement created a new relationship when analyzing the research contribution. Technology including governance brings more speed, transparency and responsiveness in government function. India is one example of taking more accountable functionality in the government organizations through the Information Technology (IT) (Sarah, 2003), It brings new resources and opens up communication channels for the administration which offers to bridge the gap between government and people. Interaction increases and companies become sustainable. Not only the integration but the innovation and newness in the business can enhance to make the maximum portfolio return. Islamic Banking System in Bangladesh is the example of this kind of success. Although the state-owned banks age is much higher than private banks, state-owned banks are not innovative and very late due to their traditional attitude. Therefore, decision making processes in the state-owned bank are not innovative and loss producing compare to private banks.

The conclusion is that technology and managerial inter-relation increase communication. This creates strategic competencies and offers the state-owned banks to replace the traditional paper based banking transaction with integration of a flexible managerial process of socio-technical perspective in the resource based view.

6.1.2 Referring implications of political affects

Political involvements in developed countries business sectors are higher, thus business units are unorganized and unpopular in the local and international markets. Unspoken government and political limitations are one main constraint to get business sustainability from the politically involved organization. Prior literature produces information about the political involvement, which has side effects and literature review shows that government organizations are subsidized due to poor infrastructure, poor management and a high political involvement. These resulting factors also affect the frustration among employees and increases inefficiency.

Prior research builds upon the theory of technology and management impotency and their inter-relation that affects the business industry. Studies from one angle do not provide the direct
guidelines to achieve sustainability from these two factors. Politics is another factor, which is both internally and externally related to the business performance and these side effects can reduce the organizational performance. If the government looks to initiate implementation of new technology and better governance, politics became one major constraint because management consists of both politically involved people as well as those who works with technology, then they have to work with both the written regulation and the invisible rules that exist in the organizational culture, and therefore a relationship is created between politics and management. Management practices policy and produces rules and tricky regulation in favor of organizational business. Sometimes dissatisfaction, emotion, favoritism, an individual benefit and a group benefits and these behavior becomes politicized. So, politics is one other factor that is strongly involved in the developing country and negatively affects the country’s economic growth.

The theoretical conclusion and contribution of prior research is: technology, management in relation to creating a socio-technical resource-based view is important to steer the organizational performance in addition to the political involvement, which reduces the organizational performance. So, politics is working against the technology and management objective. These three factors have direct and indirect relation in this research contribution because managing the technology and management as well as controlling the political involvement is also major issue to improve performance and create a clean organizational culture. Therefore, prior literature provides the information to improve the technology and managerial function is important besides politics is a big issue when considering the improvement of banking success in developing country. The evidence from Bank Rakayat, Indonesia and respondents’ from banks in Bangladesh will create a depth conclusion to take the author’s decision based on connected theory.

The existing case of Bank Rakayat, Indonesia provides the information about the reform and restructured the bank that planned on controlling political involvement. And as a result, a new board and reform regulation were implemented to make a political free efficient management. IT technology was the objective to obtain competitive advantages. Functioning technology and management in developing country together with political involvement crated an agenda to see the practical contribution in Bangladeshi bank (Sonali Bank and Prime Bank) this shows the comparative perspective through conformity of the study.

The first research problem is why does private bank produce a higher financial return? This is due to pre understanding of technology and management performance-based factors that analyze the theory that private banks are less involved with politics and they have more technological space and clean organized management. However a general understanding from the prior research become clear that banks need to develop their IT and Management system, it is necessary to see the empirical contribution when the research problem are formulated based on two different private and state-owned banks (Prime Bank and Sonali Bank) in Bangladesh.

6.2 Implications of empirical contribution

Comparing between the private bank and state-owned bank are not here line by line but a pure descriptive factor based difference provides the research result.
This study has shown that Prime Bank (private bank) concentrated on providing technology based services. And this conscious priority has given the Prime Bank efficiency and a competitive edge over its government counterpart. Even though Sonali Bank operates with a huge number of branches all over the country, it has only managed to have a few number of ATM booths in the country. Further to technological advantage, Prime Bank has shown good management environment that has also been helpful to make it a successful bank. The decision making process has been simple and the bank managers are empowered to grant loans to their customers. On the other hand, management in Sonali Bank is complicated and therefore decision making has not been an easy task. Bank managers in Sonali Bank have limited authority and therefore are found to fail to respond quickly to the customer needs. Both technological edge and efficient management of Prime Bank have been their main advantage while these two issues have been the sources of burden for Sonali Bank.

As banks function within a sensitive area, government exercises different control mechanisms. But as the government is also the owner of Sonali Bank, it influences the bank through recruitment of senior executives and providing instructions on management and financial matters. Technological improvement has not been a preferred area as Sonali Bank management is more attracted to run the business in a more traditional way. It is my conviction that if Sonali Bank has to be competitive, it must be willing to change its attitude to modern; Information Technology (IT) based banking. Bank Rakyat Indonesia offers us a good example. This bank is also a state-owned bank but has after several reformatations become an efficient and profit earning bank. Government and political corrupted organizational culture is important reason that reducing the performance of the state-owned banks in Bangladesh. An evil relation among government, politicians and business syndicates are always try to grasp bank’s property and they have greedy look to the state-owned banks money. Weak selection and power application from the banks management introduced a traditional corrupted bank culture in the state-owned bank as performed by Sonali Bank. In order to avoid the political problem the case study of Bank Rakyat Indonesia was troubling for long term sustainability. After having huge changes in their management, regulation and technology, the bank is now become successful. The case of the state-owned banks in Bangladesh has overall similarities with the reform before situation of the Bank Rakyat Indonesia. In this study, according to small number of secondary and primary data, it is rational for the state-owned banks to restructure their technology and management functions. For further recommendation of how to reform the function of the technology and management, State-owned Banks can either follow the private banks in Bangladesh or try to merge with any private bank like Prime Bank. If Sonali Bank collaborates with Prime Bank, both the banks will get access to use their full strength. Sonali Bank will be able to understand the technology adaptation and decentralized management regulations. The political activities will decrease because of some deregulation and managerial function changes when internal employee’s competition will increase. As state-owned banks have some special access of some special regulations and Sonali Bank is the largest bank in Bangladesh, this bank has some special privileges in terms of investments and regulations. Therefore this collaboration is also good for Prime Bank.

It can therefore be suggested that by being a state-owned bank, Sonali Bank can do a lot to become competitive. A late inauguration of the Islamic banking system stared by the Sonali Bank was also an example of how far the private banks are in terms of differentiation of products and knowledge. However, Sonali Bank implemented the Islamic Banking System; this Bank
must need to be consistent with the flexible managerial process in the Islamic Banking System through the special Shariah related experts recruitment. More technology use in the Islamic Banking area will focuses the success of the bank. What is needed that it has to learn good things from the private banks and concentrate on gaining professionalism both in the field of technology and management?

6.3 Recommendations

The main question of this study is what can the state-owned banks (Sonali Bank) learn from the private banks (Prime Bank) so that the former can be more effective and profitable like the private banks?

Technology in private banks is very much up to date. Contemporary full online automation in private banks formulated the banking business one stop mall. Basel 2 implemented by private banks are stabilizing the risk management issues in the banking sector instead state-owned banks dose not fill the minimum requirements to implement the high-tech IT infrastructure. So, a recommendation for technology adaptation could be insisting the government/owner to develop the minimum IT infrastructure point surrounding the district level business.

Though I was convinced before starting this study that the results will identify some issues beside the technology and management problem, I’m impressed that I have got some key fundamentals that, why state-owned banks are poorly performing. The rigid board structure one way limiting the decision making process of the employee other way political activities incorporation misusing the power regulation. Moral hazard is the big management problem created by political involvement. However state-owned bank management feels to implement the technology, respondents’ expression was confused how to relate this issue with the centralized management structure. Therefore cognition is that, state-owned banks cannot do what they want freely to do. External pressure to the internal organization always provides barrier to take footstep decision. State-owned bank’s respondents’ in chapter 4 influences to keep secret their speech during the interview. Beside in the private owned banks, employees do not need to think about to hide themselves for their speech and they are free to take decision for the bank’s profit. Corporate culture of the organization has different kinds of practice in environmental aspect. Freedom-less management and their limited power delimiting the scope of the work. So, the free and decentralized organizational climate is important to the state-owned bank what they can learn from the private bank. Politics politicize and social responsible work, all these elements are delimiting the scope of the state-owned banks. Beside private banks corporate culture is large and unlimited scope to work with freedom. Therefore, my recommendation is to established a decentralized management and to enhance the decentralized decision making process, the infrastructure system is necessary. For the infrastructure development, technology is inevitable. Therefore, my recommendation from the analysis of this thesis for the Sonali Bank is to acquire technology, reform and deregulation of the management is necessary. Deregulation of the management and policy will help to overcome the political involvement in the state-owned banks.

Both theoretical and practical recommendation is important to find a solution to develop the business problem; a methodological recommendation is also play vital role to validate the theoretical recommendation. A true result can be invalid and a false result become valid due to reliability of the data. Playing with a small number of respondents does not provide the full
volume justification of a wide pectoral study. Therefore, I recommend a further research to the outcome of this thesis. A major recommendation of the study is to see how countries politics involve in the banking industry that affects to implement the technology and management factors. Inter-relation and balance among the technology, management and politics vulnerability can be such idea to develop the contribution of the future recommendation.

Few sub recommendations of the technology and management study could get more elaboration due to the understanding of technology and management performances in the banks are:

- Implementing an autonomous body to work independently so that the bank will influence to the management to avoid the political instability.

- Implementing flexible managerial decision making process can drive the organizational performance. Subordinates could get speech to raise the voice for the Company wellbeing.

- Selecting skilled people without having the nepotism will reduce the moral hazard problem from the starting level of the employees orientation so that the root would be strong

- Good management indicates that the skilled employees should get the priority in terms of performance management regulations so that good reward system will make accurate employees satisfaction level.

- Training the employees will improve technical hand of employees so that the technology implementation will work faster and smoothly.

- Making the IT enabled infrastructure will eliminate the risk of the bank, make the accuracy of work, employees will be satisfied by taking competitive advantages to understand the vision of the company.

- Create the sound organization culture to motivate employees

6.4 Credibility criteria

If a qualitative study is discussed with reliability as a criterion (Golafshani, 2003), therefore (Creswell & Miller 2000 cited by Golafshani, 2003) suggest that the validity is affected by the researcher’s perception of validity in the study and his/her choice of paradigm assumption. As a result, I have choosing to use the concept of credibility criteria to judge the quality of this qualitative study. Major focus to explain the truth criteria are validity; inter subjectivity or reactions and practical usefulness of the study. The qualitative study justified three criteria’s of credibility is trust and increasing the trustworthiness or validity of the research (Johansson 1997, p. 283; Stenbacka2001, p. 283 cited by Golafshani, 2003).

6.4.1 Validity

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Golafshani, 2003)? When looking at the evidence and if it really reflects the reality, then you are studying the validity problem (Gummesson, 1988, p. 146). Validity can be defined as a measure of how well the study fulfills its purpose and to what level
your measuring instruments come to what has been intended (Eriksson & Wiedersheim-Paul, 1999, p. 38). The problem is connected to the transition from the theoretical to the empirical level and it indicates how well the reality can be reproduced using the model that has been developed.

I have conducted interviews within employees from two different banks. My plan was to interview more than ten employees and at least five employees to correspondents from each bank. However it was not possible to conduct ten interviews, but I’m satisfied conducting these nine respondents because multiple interview taken from most of the respondents feel the same problem and raised some common issues. All the respondents gave a holistic view of political involvement of the reality within the corporation as well as influence from outside. Most of the respondents’ expression was touching the prior research’s fulfillment (see Fig 3) and they have given us a architect view of the phenomena (Fig: 9).

Most of the respondents from state-owned banks requested not to quote them because the real scenario forecasted by them was not favourable to the regulator. Some political activities and examples provided by them made them afraid. Beside all other respondents from private banks were very aggressive to hold their position in the written documents because they think that they are responding for their banks not for the author’s only. This can affect the study in a positive way because they were not prepared for the structured answer but expressed their experience freely. Therefore all answers provided by the respondents were real and common which means a high validity.

6.4.2 Inter-subjectivity

Interpretations made by the author refer the inter-subjectivity. Readers’ acceptance of the interpretation presented by the author will justify the inert-subjectivity. Readers can be individual, institutional, researchers and other reality reader.

A copy of the report will sent to the each bank respondents to achieve a good inert-subjectivity. This feedback report will evaluate the author’s interpretation and translation. E-mail correspondence with the respondents and author is a better accepted interpretation presented in the study appendix. The voice recording and the email answers from the respondents is the base of interpretation of this thesis. Several steps communication with the interviewer and respondents help to interpret the depth inert-subjectivity.

A good inter-subjectivity is continuous revision and feedback advised by my experienced supervisor. She has continuously given feedback and tried to help the author to make the perfect interpretation in all chapters of this thesis. Continuous discussion with friends and other professionals also helped me to find the inter subjectivity in this study.

6.4.3 Practical usefulness

The realistic value of an assumption is used to discuss the result of a study. It is important for the author to present the report for the practical usefulness of the reader. Because perspective of reader’s either earning knowledge or understanding of the reality of the state-owned bank’s position and reason for became loss producing bank in developing country. The practical
usefulness and its aim of this study are to make the readers educated and power them to use this
study in the field of bank management.

The practical usefulness is rather limited. It can be used by the financial institutions, specifically
banks and Information Technology (IT) based managerial governance. It can be also used by
other developing country that has a similar condition in their banking sector. Therefore some
suggestion will be included at the end of this chapter.

6.5 Limitations

There are three different theory on organizational ownership involves in the banking sector in
Bangladesh are public ownership, private ownership and foreign private ownership. However
this ownership affects the business policy in terms of stakeholder’s wealth maximization and
shareholder wealth creation, but the author in this study did not consider the ownership as major
issue is one limitation of this study. Reason behind not considering this theory is: author thought
that, the scope of using technology and management in the state-owned banking sectors are poor
and state-owned bank have to produce the capabilities in these two areas at the beginning where
the ownership system does not have much influence or the ownership could be wide area to
conduct this study. This study compares between private and state-owned banks other than
considering the foreign banks and case selection of two banks is a major limitation to find more
secondary and primary data. The number of interviewees has been limited and secondary data
could have had better quality in particularly in the case of the state-owned bank. The
geographical distance between the interviewees and author’s is the reason for the limitation of
taking small number of interviewees by telephone could be an example of limited evidence based
information collection. However, politics got priority to study in this research, political fear
among interviewees was also one circumstances to get more interviewee for this academic
research.

6.6 Suggestions

According to the resource base view of the strategic management, evidence from Bank Rakayat
Indonesia and outcomes from the analysis, authors found a clear picture of the study that, state-
owned bank must need to improve their technology function and rearrange the governance.
However other factors are also inter-related with the technology and management factors like
politics, organizational culture and firm’s objective in terms of ownership system, technology
and management independently cannot solve the problem for long run. Besides, this study
concerning a limitation regarding the data collection from far distance does not independently
consider the final decision to influence the state-owned bank to start implementation of the
management and technology at the very beginning before eliminate the political pressure and
regulation change. Thus which factors will take first in consideration to develop the
organizational performance is one problem. Besides, when technology implementation will start,
may be the regulation of the bank need to change. Therefore, a fact is, the state-owned bank need
to enhance the technology and management factor but other factors development is also
important. How and which way the state-owned bank will start to gain competitive advantage
can be find out through a further research.

Researcher can do their research from many different angles to find the clear and accurate result
from their research. A comparative research in this study focuses on the two banks function in
terms of technology and management. May be it would be wise to see the other factors function in the banking sector in Bangladesh. More banks comparison will provide more information and more information will make more value for a further research. Finally there are unlimited options of research can be done by the researcher but accuracy of the research results will depend on how s/he conduct the research starting from the introduction ending to concluding references.
References


Berger and Humphrey (1997) provide a detailed review of the literature on banking efficiency, which is also updated by Berger and Mester (2003).


Brown, S. W., (1997) “Service recovery through IT”, Marketing Management, Vol. 6, Fall, pp. 25-7


Pfeffer, J., (1995) Producing sustainable competitive advantage through the effective management of people, Academy of Management Executive, Vol. 9 No. 1


Dr. Sullivan, J. and Burnett, M., (2008) To Build, Buy, or Trade Talent: That Is the Question Behind Talent Management, All rights reserved.


The Banking Company Act, (1991) defines family members as father, mother, husband, wife, son, daughter, brother and sister.

The European Central Bank, (1999) The Effects of Technology on the EU Banking Systems, All rights reserve, Germany


**Secondary Sources:**


Appendix 1: Cover Letter

Dear Sir,

My name is Enamul Haque Khan, born in Tangail, Bangladesh and just now I am doing an academic research/theses in Umea University, Sweden. I have 4 years of job experience from different private companies in Bangladesh. During that period, I had to communicate with both private and public banks. I was feeling that private bank’s services are expensive and organized. I have studied some reports about the banking sector that, private banks are performing well in the long run. Private Banks provides more IT enabled services to the clients. As private banks do not need to think about the social responsibility, they invest more in the technology. But reality is what, nobody want to accept. Painful but true: technological function and employees remuneration is also better in private banks than state own Banks in Bangladesh. ATM card service, credit card service; internet banking and online shopping etc are more popular in the private sector. Therefore, I’m curious to know how technology functions in the Bangladeshi banking industry, specifically in the State-owned Banks. When technology inn in the banking industry, what changes need to the management and ownership function. What are the thought of the government employees and top level management?

As State-owned Banks are not proving all the IT enabled services to the customers, many scientist are forecasting the State-owned Banks have the potential lose in the near future. This kind of assumption helps me to choose the research problem in the banking industry in Bangladesh.

Therefore, I request you to contribute your valuable time and effort to complete this research.

All the information provided by you and your employee will be use only for academic purpose. Please enclose your short CV so that I could explain your back ground for evidence. One copy of the report will send to you for your favor.

Thank you very much

Sincerely,

Enamul Haque Khan
Umea, Sweden
Ph: +46 73 8977143
Email: enha0001@student.umu.se
Appendix 2: Semi Structured Question for state-owned Bank

How governance and technological services function in the banks?

1. How is the ownership in government and private banks? Please describe the ownership structure of your bank?

2. If the ownership control system of private banks and government’s banks dose not differ very much with the State-owned Banks- what reason for the success in terms of management?

3. Dose the internal policy of the Prime Bank differs from other banks? Could you please describe it!

4. Are you afraid from possible threat from the government or politicians in connection to competition? If yes, pls explain:

5. Do you think the investment in technology is a problem for State-owned Banks and private banks? Is technology an opportunity or threat? explain

6. Could you pls explain some technological/IT related services in your bank? Which services are most popular to the clients? explain

7. What % of your employees is using computer and computer software system? explain

8. Do you think, employees are happy to use the computerized banking transaction? explain

9. Do you think, customers are growing because of IT enabled services? Describe pls?

10. Do you use computer when publishing the annual report? explain

11. Please provide five risks for the technology? explain

12. Please describe the difficulties you experience in the management! explain
Appendix 3: Semi Structured Question for Private Bank

1. How government banks and Private Banks ownership functions? In there any difference in the ownership structure?

2. How is the ownership in government and private banks? Please describe the ownership structure of your bank.

3. Do you think private banks are better performing because of the good governance system? Why you think that private banks ownership is better than State-owned Banks.

4. If the ownership control system of private banks and government’s banks dose not differ very much with the State-owned Banks- what reason for the success in terms of management?

5. Dose the internal policy of the Prime Bank differs from other banks? Could you pl describe it!

6. Are you afraid from possible threat from the government or government employees in connection to competition? If yes, pls explain:

7. Why private banks are technologically developed but state own banks are not? Do you think the investment in technology is a problem for State-owned Banks and private banks? Is technology an opportunity or threat?

8. Could you pls explain some technological/IT related services in your bank? Which service are most popular to the clients?

9. How many employees are using computer and computer software system?

10. Do you think, employees are happy to use the computerized banking transaction?

11. Do you think, customers are growing because of IT enabled services? How?

12. Do you use computer when publishing the annual report?

13. Pls provide five risks for the technology?

14. Please describe the difficulties you experience in the management!

15. What can the State-owned Bank learn from the private bank so that the former can be effective and profitable like the private banks?

16. Why Prime Bank is a good bank? Pls provide 5 reasons? If you want, you can add more or explain in your point of view

17. What lesson State-owned Bank can learn from private bank?

18. What is the difference about the Prime Bank from its competitors?

19. What dose profit means to you?

20. Do you think Prime Bank has a long/term perspective? How?
21. Do you think State-owned Banks will get sustainability for long-term? Why
22. Do you have any example about the corruption in the banking sector? Pls explain
Appendix 4: First Contact with Bank

Sunday, May 16, 2010 7:48 AM

From:
"Sumit Roy, SO, COB, HO, Prime Bank."<sr012802@primebank.com.bd>

View contact details

To:
"Zer0"<zero0000000@ymail.com>

Dipu

i have discussed with two of my supervisors about the research report and they have agreed to provide their interview with you. one of my supervisors named Md. Touhidul Alam Khan, Executive vice President interested to provide his time at 10.00 to 11.00 pm (Bangladesh) another is interested named Md. Fayezur Rahman Talukder, Senior Assistant Vice President interested to provide at 6.00 pm to 7.00 pm (BD). Please confirm me. If you can please make me a phone-call

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WARNING:

Prime Bank accepts no responsibility for loss or damage arising from the use of the information transmitted by this email including damage from virus.

www.primebank.com.bd
Appendix 5: Cluster management

Friday, May 21, 2010 2:37 PM

From:

This sender is DomainKeys verified

"MD. TouhidulAlam Khan" <touhid1969@gmail.com>

To:

"Zer0" <zero0000000@ymail.com>

Cluster Management

Prime Bank segregated total branch on area basis under mentorship program. And 4 mentors r
being responsible for all sorts of well being for d branches. However, this mentorship program
has been introduced only Prime Bank in banking community. This program has been started at
the initiative of pruned guidelines of d board of directors 3 years ago. Four DMDs are mentors of
4 clusters and they have to sit together quarterly and have to submit report to the board based on
their performance based on target set earlier.

If u see our annual report of 2009 then u can see the details about mentorship program which u
can use as documentary support.

Rgds

Md. TouhidulAlam Khan
Executive Vice President
Prime Bank
Corporate Banking Division
Cell: +88-01711435284
Fax: +880-2-9565439
Alternative E-mail: touhid1969@gmail.com
## Appendix 6: List of Respondents’ & their competencies

<table>
<thead>
<tr>
<th>Identity of Respondent</th>
<th>Duration of interview</th>
<th>Date of Interview</th>
<th>Official Job responsibility &amp; Job experience</th>
<th>Competence of the interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime Bank Dhaka-1000, Bangladesh</td>
<td>20 minutes</td>
<td>May 20, 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5 minutes</td>
<td>May 20, 2010</td>
<td></td>
<td>Financial Times Professional Wealth Magazine, London published interviews and opinion on regulation on Islamic banking</td>
</tr>
<tr>
<td></td>
<td>13 minutes</td>
<td>October 07, 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anonymous Prime Bank, Dhaka Tel: +880-2-9565439</td>
<td>1 hour</td>
<td>20 May, 2010</td>
<td>Corporate banking</td>
<td>Involved in Prime Bank management and board decision making unit for corporate banking</td>
</tr>
<tr>
<td>Anonymous Prime Bank, Dhaka Tel: +880-2-9565439</td>
<td>20 minutes</td>
<td>May 17, 2010</td>
<td>Five years of job experience Corporate finance</td>
<td>Academic background in Bank Management program from BIBM Bangladesh, Some training and domestic response in the local research in Bangladesh Banking sector</td>
</tr>
<tr>
<td></td>
<td>10 minutes</td>
<td>May 21, 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>07 October, 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anonymous Prime Bank, Dhaka Tel: +880-2-9565439</td>
<td>30 minutes</td>
<td>20 Sep &amp; 21 Sep, 2010</td>
<td>Branch Credit officer</td>
<td>Experts of the credit and credit risk management</td>
</tr>
<tr>
<td>Identity of Respondent</td>
<td>Duration of Interview</td>
<td>Date of Interview</td>
<td>Official Job responsibility &amp; Job experience</td>
<td>Competence of the interviewee</td>
</tr>
<tr>
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<td>-------------------</td>
<td>----------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Anonymous Prime Bank, Dhaka Tel: +880-2-9565439</td>
<td>40 minutes</td>
<td>October 20, 2010</td>
<td>Senior Officer</td>
<td>Experts in Shariah (Islamic Law)</td>
</tr>
<tr>
<td>Anonymous Sonali Bank, Dhaka Bangladesh</td>
<td>1.15 hours</td>
<td>May 17, 2010 May 18, 2010 October 10, 2010</td>
<td>Exp: 19 years</td>
<td>Experienced, in different field of banking regulation and policy, depth idea about treasury functions and external relation</td>
</tr>
<tr>
<td>Anonymous Sonali Bank, Dhaka Bangladesh</td>
<td>1 hour</td>
<td>May 18, 2010</td>
<td>Experience 18 years</td>
<td>Experienced in IT banking</td>
</tr>
<tr>
<td>Anonymous Sonali Bank, Dhaka Bangladesh</td>
<td>30 minutes</td>
<td>May 21, 2010</td>
<td>Head of the branch</td>
<td>Experienced in branch banking system, trained to total branch management, internal relation and technology function recently implemented IT in the branch.</td>
</tr>
<tr>
<td>Anonymous Sonali Bank, Dhaka Bangladesh</td>
<td>30 minutes</td>
<td>May 19, 2010</td>
<td>Treasury functions</td>
<td>Experts in Treasury function, some advance knowledge about the Banks in Bangladesh related with IT and governance</td>
</tr>
<tr>
<td>Identity of Respondent</td>
<td>Duration of interview</td>
<td>Date of Interview</td>
<td>Official Job responsibility &amp; Job experience</td>
<td>Competence of the interviewee</td>
</tr>
<tr>
<td>------------------------</td>
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<td>-----------------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Anonymous Sonali Bank, Dhaka Bangladesh</td>
<td>20 minutes</td>
<td>September 21, 2010</td>
<td>Probationer (Trainee Senior Officer)</td>
<td>Experts in Demand Draft completed the General Banking Training from Sonali Bank</td>
</tr>
<tr>
<td></td>
<td>30 minutes</td>
<td>October 17, 2010</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 7: Summary of Interviewees by Prime Bank Respondents’

<table>
<thead>
<tr>
<th>No. of Respondent</th>
<th>Theme of Speech</th>
<th>Summery/Opinions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 1</td>
<td>✓ Use of technology, ✓ cost effectiveness ✓ Decentralized Management ✓ Political Instability ✓ Regulation</td>
<td>Prime Banks Information Technology (IT) reduces cost of product and services, makes the work easy and accurate, and company received better financial return resulting good market image. IT helps to reduce the nepotism and pressure from politics and therefore controlling the regulations is quite easy. Decentralized governing body helps to take decision quickly because of their informal structure of the board. State-owned banks are different from Private bank that uses limited IT and their traditional governing body produces poor managerial production and they are captured by big political pressure. To enhance the financial growth, state-owned banks need to change the management system as well as invest in Information Technology (IT). But before implement this technology, Sonali Bank management should have to think about the politics and how this management can be free from bias.</td>
</tr>
<tr>
<td>Respondent 2</td>
<td>✓ Use of IT ✓ Customer services ✓ Risk Management ✓ Flexibility of communication ✓ Structured</td>
<td>Full-dressed Internet banking and techno based automation helps to improve the customer services within short time. Basel II requirements helped to acquire special software integrated system to reduce the portfolio risk and a total infrastructure of IT helps to improve information and communication among employees and other business networks. Cluster management is a new managerial process to get more dynamic solutions for the banking industry. Standard selection and recruitment made a good HRM which enhance organizational culture. Learning for state-owned bank is to follow the selection and recruitment process of private banks besides implementing the technology and change management. A flexible management can produce more output due to the scope of work and co-operation.</td>
</tr>
<tr>
<td>No. of Respondent</td>
<td>Theme of speech</td>
<td>Summery/opinions</td>
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<tr>
<td><strong>Respondent 3</strong></td>
<td>✓ IT, Infrastructure ✓ Recruitment, Hierarchy and flexibility of the Management ✓ Employees, Job Satisfaction</td>
<td>This respondent working with an IT automated branch. He is happy to get technology based working system. IT makes his work easy, accurate, reducing time, cost and complexity. Overall, Prime Bank has good infrastructure, salary and compensation and he is satisfied to become a member of this bank. Flexible regulation is an example of good managerial body. Prime Bank management is always ready to move their activities towards market demand and create innovative services because of their flexible management with informal decision making process.</td>
</tr>
<tr>
<td><strong>Respondent 4</strong></td>
<td>✓ Use of IT and infrastructure ✓ Credit risk ✓ Capability ✓ Decentralized Management</td>
<td>This respondent provides information about the Credit risk and work smoothness compare to previous and current capability (IT &amp; Management) differences. Before the credit risk was higher because of traditional business did not have much opportunity to find information about the borrower. Now it’s quite easy and risk free due to IT enabled services. Managerial process changed due to technology adaptation and increasing the capability of the banks makes the decentralized body more flexible and increases negotiation with efficient solutions. However, in country politics and other ethical problem still souring in government and some other banks, government good eye could eliminate this problem and reform Sustainable state-owned Banks.</td>
</tr>
<tr>
<td><strong>Respondent 5</strong></td>
<td>✓ Islamic Banking</td>
<td>Islamic Banking System is different kind of banking procedure where interest is prohibited. Profit or loss shared by the customer is the concept of Islamic Banking System. Most of the Bank is doing well and state-owned Bank has the good potentiality but still there is no competition in this banking sector due to customers demand. State-owned bank has also separate business</td>
</tr>
<tr>
<td>No. of Respondent</td>
<td>Theme of speech</td>
<td>Summery/opinions</td>
</tr>
<tr>
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</tr>
<tr>
<td></td>
<td></td>
<td>model under the guideline of the Bangladesh Bank and therefore, this is not a conventional banking system operating by Sonali Bank.</td>
</tr>
</tbody>
</table>
# Appendix 8: Summery of Interviewees by Sonali bank’s Respondent

<table>
<thead>
<tr>
<th>No. of Respondent</th>
<th>Theme of speech</th>
<th>Summery/opinions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Respondent 1</strong></td>
<td>✓ Selection &amp; Recruitment</td>
<td>Obviously the recruitment and selection were not organized at the very beginning of the bank and still not in progress. However some act had been changed but those were not enough to build a good governance and infrastructure. Marketing process is still not push system and not focused thus this bank loosing the market share. The management system and political involvement is responsible for this kind of poor marketing system and back organizational culture. Recruitment, selection, transfer and promotions are in the hand of political people that make no sense to motivate the employees. Many experience employees do joined in private bank because of more salary and compensation. Due to the traditional recruitment system, the last generation recruited is still do not have basics of IT. It can be a problem to train this huge number of employees if IT infrastructure is implemented. Finally, this bank does not need to follow any other banks, if it is possible to construct politics and corruption free.</td>
</tr>
<tr>
<td><strong>Respondent 2</strong></td>
<td>✓ Use of IT, ✓ Traditional management system, ✓ Recruitment and compensation</td>
<td>IT is good for the banks and overall countries economy but government had to think about other factors when implementing the IT system. Example is the lack of electricity in Bangladesh. This problem arising in the office hour transaction and it already a big problem to run 24 hours IT system. Few political problems are related with Sonali Bank’s performance: A number of government organization’s employee’s compensation provided by this bank in advance and by force, but payment became due most of the time and it’s a loss on cost. Employees are not motivated because of poor salary and compensation and there is also problem in the promotion and transfer system. Due to the management system, this Limited company does not act as it needs to act.</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>✓ IT competencies: Cost, capability &amp; use of IT</td>
<td>This respondent working in an IT automated branch. He is happy to get technology based working system. IT makes his work easy, accurate, reducing time, cost and complexity. However be believes that private banks</td>
</tr>
<tr>
<td>No. of Respondent</td>
<td>Theme of speech</td>
<td>Summery/opinions</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------</td>
<td>------------------</td>
</tr>
<tr>
<td></td>
<td>✓ Recruitment of Employees</td>
<td>employees are more smart, skilled and technically sound but his employees are also happy to use IT solutions and they are learning the system. He sometimes face problem in quick decision making due to a rigid and hierarchical management board.</td>
</tr>
<tr>
<td></td>
<td>✓ Hierarchy and flexibility of Management</td>
<td></td>
</tr>
<tr>
<td>Respondent 4</td>
<td>✓ Use of IT and infrastructure ✓ Involvement of customers</td>
<td>This respondent provides information about the poor IT infrastructure belongs to this bank and customers involvement with banks. Most of the mid and lower amount of transaction made by this bank. ATM’s are not popular among the Sonali Banks customers and therefore, very special location selected to fix the ATM’s.</td>
</tr>
<tr>
<td>Respondent 5</td>
<td>✓ Infrastructure ✓ Hierarchy ✓ Traditional Banking system ✓ Corruption</td>
<td>One telephone for 17 employees does not provided any customer service over phone means a poor infrastructure for both service provider and customer. This person does not think to negotiate with her boss due to hierarchical system and risk of negotiation with boss and subordinates might bind her within limitations of work and earning skills. Political corruption in the state-owned banks is high and an example made by her provides a good empirical evidence for this study.</td>
</tr>
</tbody>
</table>
Appendix 9: Defining the financial return and its related particulars

Differed Tax: “Under International Accounting Standard Board (IASB) or US rules, the tax related to temporary differences between the financial reporting value of an asset or liability and its tax basis” (Alexander & Chistopher, 2010, p. 456). The International Accounting Standard System provides the rules No. 109 to use as much as information need to disclose against the differed tax provision (Bauman, P., Bauman, C. & Hasley, R. F. 2000).

Earning per share: Total company earnings divided by the number of ordinary shares or common shares outstanding in the years (Alexander & Chistopher, 2010, p. 457)

Profit: Revenue over all the expenses in a given year for a company will show the net profit before tax and net profit after tax. Profit after tax excludes the tax amount from the profit before tax (Alexander & Chistopher, 2010).

Return on Investment: performance measure to understand the investment return within a period is called return on investment. Calculate the return on investment is according to the total amount gain by the company minus the cost of the investment divided by the cost of the investment (Alexander & Chistropher, 2010, pp.1-457)

Return on Asset: Return on asset is calculated by the total income divided by the total asset of the company (Alexander & Chistropher, 2010, pp. 1-457)

Profit Growth: Increases the financial return over time. Calculation of growth is: year 2010 growth will be calculated by the amount gain in the year 2010 minus previous year’s return divided by previous years return (Alexander & Chistrophe, 2010, pp.1-457)
Employment Opportunity: "Trainee Assistant"

Prime Bank is looking for fresh post graduates to join its 'Operation Cadre Service Team' as 'Trainee Assistant' primarily in cash portfolio and other services jobs for immediate employment. Candidates who meet the job requirements with the passion to climb up the job grade ladder in the service cadre may apply in confidence.

i. Career progression in the service cadre (Normal):

Starting with Trainee Assistant (TA), candidates will have the opportunity to move up through to Executive Officer level within a reasonable span of time (as shown in the Table below) provided they prove to be consistently good performers on the job.

(Career progression table at a glance)

<table>
<thead>
<tr>
<th>Job Grades →</th>
<th>Trainee Assistant</th>
<th>Assistant Officer</th>
<th>Junior Officer</th>
<th>Officer</th>
<th>Senior Officer</th>
<th>Merit Test →</th>
<th>Principal Officer</th>
<th>Executive Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years to next move</td>
<td>Entry 1 →</td>
<td>2 →</td>
<td>2-3 →</td>
<td>2-3 →</td>
<td>2-3 →</td>
<td>Qualify →</td>
<td>2-3 →</td>
<td>2-3</td>
</tr>
</tbody>
</table>

ii. Probation and Placement:

Trainee Assistants will be on probation for a period of 01 (one) year and on satisfactory completion of probationary period their service will be confirmed as Assistant Officer. Subsequent career progression will depend on the performance and potential of the candidates.

Selection Process:
a. Screening and short listing of candidates meeting job requirements;

b. Competitive written test;

c. Face to face primary interview and

d. Final Selection and offer through a panel.

iv. Job Requirements for TA:

a. MASTER degree preferably in any social science with minimum second classes at all levels or CGPA not less than 2.5 from any recognized local or foreign Universities. But no third division or equivalent CGPA at any level will be accepted. Computer operation knowledge is necessary. Candidates below 30 yrs. of age will be eligible to apply.

b. Knowledge Profile: @ Ability to write both Bengali and English @ general arithmetic @ General Knowledge and sharp common sense.

c. Behavioral Competence Profile: @ Verbal communication @ Spoken English (moderate) @ Positive attitude @ Initiative & drive @ Team Working @ Integrity & honesty @ Etiquette & manner @ Willing to stay longer in services jobs.

V. General Advice:

a. Candidates having self confidence who satisfy the job requirements only are invited to apply along with a 'Pay Order' or 'Demand Draft' for Tk.200/- (Taka Two Hundred) only in favor of "Prime Bank" (Non-Refundable).

b. Complete CV, 3 (Three) copies recent passport size photograph coupled with a forwarding letter explaining their interest in the job should reach the Head of Human Resource Division, Prime Bank, Head Office, 119-120, Motijheel C/A, Dhaka-1000 on or before 28 August, 2008.

VI. The candidates are advised to furnish the following information in sequential order as shown below:

a. Name b. Father's name c. Mother's Name d. Date of Birth e. Age(as on 01.10.08) f. Present Address g. Permanent Address h. Home District i. Contact Number j. Academic Qualification (Name of the Exam, Board/ University, Subject, Division/Class/CGPA, Year of passing) k. Computer Knowledge l. Other Skill (If any). m. Name of two referees.

Prime Bank
a bank with a difference
সোনালী ব্যাংক লিমিটেড
ধানেন্দ্র কামান্দার, ঢাকা।
উদ্দান ব্যাংক-এ অ্যাপলার নিবন্ধন লিপিবদ্ধ
ক্যারিয়ারের গঠনের সুযোগ সূচী

নিম্নলিখিত দফার নিবন্ধন লিপিবদ্ধ করতে পারবেন।

1. নিবন্ধনের প্রত্যাহার ব্যাংক-এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

2. নিবন্ধনের প্রত্যাহার ব্যাংক-এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

3. নিবন্ধনের প্রত্যাহার ব্যাংক-এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

নিম্নলিখিত জিপিএস এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

নাম, পিএইচডি, জিৎপ্রথম এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

নাম, ফাতেমা এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

নাম, এলিয়া এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

নাম, আলেক্সা এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

নাম, এলিয়া এর মূল সমূহ সামরিক বাংলা ব্যাংকের সাথে কর্মকর্তা কর্মকর্তাদের জন্য।

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