International Journal of Economics, Commerce and Management
United Kingdom Vol. V, Issue 4, April 2017
http://ijecm.co.uk/ ISSN 2348 0386

SUSTAINABILITY OF A THIRD GENERATION COMMERCIAL BANK IN BANGLADESH: ANALYSIS OF ITS BUSINESS MODEL

Sarwar Uddin Ahmed
Professor and Dean, School of Business, Independent University, Bangladesh

Naheem Mahtab
Lecturer, School of Business, Independent University, Bangladesh

Samiul Parvez Ahmed
Assistant Professor, School of Business, Independent University, Bangladesh

G. M. Wali Ullah
Lecturer, School of Business, Independent University, Bangladesh
wali@iub.edu.bd

Sumita Das
Senior Lecturer, School of Business, Independent University, Bangladesh

Abstract

It has been widely argued that identification; assessment and efficient management of different risks (e.g. credit risk, liquidity risk, business risk) can help a bank to get competitive edge over others in the market. In order to efficiently handle the risk issue, a bank must structure its activities in all functional areas in such a way that inter-functional or inter-departmental roles are distinct and objective oriented. In light of this discussion, it can be observed that different banks follow diversified business models to manage their overall banking process. However, no "optimum model" is yet to be pinpointed in the context of any financial institute. With that particular gap in focus, this study aims to investigate and examine all the business process implemented by a third generation commercial bank in Bangladesh and suggest ways to develop a proper business model. A structured questionnaire survey was conducted among employees from the different departments. Due to anonymity issue, the name of the bank is not

disclosed throughout this study. Through statistical analysis, approach of the clients according to the service needs, processing & recovery unit of loan in HQ and branches, assessment system and techniques for the loan approval of the clients and lower amount of classified loans were found to be some of the significant predictors of the banks' profitability and sustainability.

Keywords: Banking, Bank business models, Sustainability, Credit risk management, Profitability

INTRODUCTION

The success of a bank, to a greater extent, is a determined by how a bank manages its various types of risks. Specifically, it is widely argued that identification; assessment and efficient management of different risks (e.g. credit risk, liquidity risk, business risk) can help a bank to get competitive edge over others in the market. In order to efficiently handle the risk issue, a bank must structure its activities in all functional areas in such a way that inter-functional or inter-departmental roles are distinct and objective oriented. In light of this discussion, it can be observed that different banks follow diversified business models to manage their overall banking process. For example, some banks emphasis in decentralized structure or branch banking. However, "optimum model" is argumentative as ideal business model for a bank depends on critical interplay of various existing business models with respect to the context of the financial institute in question.

It is imperative to state that "credit management" is probably the most crucial functional area of a bank as credit is the major revenue generating asset of bank and, moreover, nearly two thirds of the assets of a bank are credits. Hence, it is of utmost interest to examine various inherent issues of credit process, starting from credit assessment to recovery. Generally, banks try to manage the credit risk and evaluation of the process by following a combination of policies from Government and Bank itself. Irrespective of credit risk management endeavors of the financial institutions of Bangladesh, loan default rate is alarming and the banks are facing problem in managing credits. So, now-a-days, it is a very crucial urge for innovative and effective approval, monitoring and recovery process of Credit Risk Management (CRM) in the Banking sector.

Thus, this study aims to investigate and examine the business process--credit approval, monitoring and recovery procedures--implemented by a third generation commercial bank in Bangladesh and thereby, suggest ways to develop a proper business model.

LITERATURE REVIEW

Approach for Service by a Client

Customer relationship management (CRM) and therefore a client-centric approach are trends emerging in the last couple of years. Companies have since moved from the previous stage: product centric or brand-centric approach (Reinartz, Krafft, & Hoyer, 2004). The client is considered as the most important stakeholder; therefore the main financial institution effort should be focused on them. Mousavy et al. defines CRM as a "wealthy popular strategy having hypotheses on the belief that collecting data and expanding the relationship with customers can be the best way to serve customer's loyalty and subsequent profits" (Mousavy, Rad, Bujarpor, & Mashali, 2012).

According to Reinartz et al. (2004), major CRM activities are customer interaction management (customer identification, acquisition, and retention), customer relationship upgrading (cross-selling and up-selling) and customer relationship win-back. Based on this approach, Wang and Feng (2012) define three components of CRM capabilities. In their study, these authors show that CRM capabilities are a critical success factor for business performance, and that CRM capabilities are positively influenced by CRM technology, cultural and organizational factors (such as customer orientation and customer-centric organizational system)(Wang & Feng, 2012). Similarly, many other studies confirmed positive relationship between CRM and company performance, competitive advantage and innovation (Battor & Battor, 2010; Johnson, Clark, & Barczak, 2012; Mousavy et al., 2012).

CRM and a client-centric approach are important in all types of relationships – Business to business (B2B), Business to consumer (B2C) and Business to government (B2G). Concerning most common types of relationships for small and medium companies – B2B and B2C, there are many differences. Saini, Grewal & Johnson (2010) describe main differences in their article: First, B2C buyers are more likely to switch, therefore the loyalty of B2C is lower than B2B. Second, the B2C purchasing process is less complex and relationally oriented than the B2B purchasing process and presales or after-sales support has more impact in B2B relationships. Third, B2B market has fewer customers, which means every relationship has a bigger relative value (possibly absolute) and B2B customers are more expensive to replace than B2C customers (Saini, Grewal, & Johnson, 2010).

The current period is characterized by the transition from commodity and products towards services and experiences (Pine & Gilmore, 1998). In addition, there is a shift in thinking about the role of services – from value added services which is some type of benefit for the customer to a service dominant logic where all sectors actually provide services because of a comprehensive look at customer needs and their satisfaction (Vargo & Lusch, 2008). At the

same time, innovations and innovation management are at the center of interest because of a competitiveness of companies and the whole economies (Hales & Tidd, 2009). Therefore, a focus on service innovation is very present.

Customer service is just one part of the customer-centric approach. Philip Kotler states that “Acquiring a new customer costs five times more than retaining a current one”(Kotler, Keller, Ancarani, & Costabile, 2014). This brings another reason why pay attention to innovation in services. In terms of connection issues, customer relationship management and innovation management it is also interesting to note that a firm’s focus on customer acquisition enhances its radical innovation performance, but hinders its incremental innovation; however a firm’s strategic orientation toward customer retention has the opposite effects (Kozlenkova, Samaha, & Palmatier, 2014).

Credits – Assessment System and Techniques

The overall idea of credit evaluation is to compare the features or the characteristics of a client with other previous clients, whose loans they have already paid back. So, the credit scoring is often used to analyze a sample of past clients to differentiate present and future credit clients. Credit scoring can be formally defined as a mathematical model for the quantitative measurement of the credit. Credit scoring was first introduced for the first time by Fisher in 1936 and the only methods used were statistical discrimination and classification methods. Afterwards, various data-driven approaches were introduced. Traditional credit scoring has been less effective in credit assessment for new and innovative loan products. For example, the once-vaunted, “Fair, Isaac and Company (FICO) credit scoring system” is now being blamed for failing to signal risky borrowers in the mortgage market. Also, one of the reasons of financial crisis from 2007-2008 was bad credit risk assessment (Jiménez, Ongena, Peydró, & Saurina, 2014). That is why credit risk assessment task is still one of the main topics in the banking industry.

Monitoring & Recovery Procedure

Monitoring is considered as a one of the important parts in a credit procedure of a bank. Because monitoring can lead a bank to make timely repayments of the loans by the clients which in turns results in making more profit by the bank & maintenance a balance between the deposits & loans. To monitor the credit procedure, a bank usually has an own Credit Monitoring Cell/Head of Credit Monitoring Cell (HOCMC) & its function is to ensure that environmental risk monitoring should also be undertaken as a part of monitoring credit risks.

Non-Performing Loans

Classified loan refers to any bank loan that is in danger of default. Classified loans have unpaid interest and principal outstanding, and it is unclear whether the bank will be able to recoup the loan proceeds from the borrower. Banks usually categorize such loans as adversely classified assets on their books. They are known as non-performing because the loan ceases to "perform" or generate income for the bank. It has been stated that the nonperforming loan is not a "uniclass" but rather a "multiclass" concept, which means that NPLs can be classified into different varieties usually based on the "length of overdue" of the said loans (Adhikary, 2006). NPLs are viewed as a typical byproduct of financial crisis: they are not a main product of the lending function but rather an accidental occurrence of the lending process, one that has enormous potential to deepen the severity and duration of financial crisis and to complicate macroeconomic management (Woo, Sachs, & Schwab, 2000). This is because NPLs can bring down investors' confidence in the banking system, piling up unproductive economic resources even though depreciations are taken care of, and impeding the resource allocation process. In a bank-centered financial system, NPLs can further thwart economic recovery by shrinking operating margin and eroding the capital base of the banks to advance new loans. This is sometimes referred to as "credit crunch" (Bernanke, Lown, & Friedman, 1991).

In addition, NPLs, if created by the borrowers willingly and left unresolved, might act as a contagious financial malaise by driving good borrowers out of the financial market. It was argued that a bank with high level of NPLs is forced to incur carrying costs on non-income yielding assets that not only strike at portability but also at the capital adequacy of a bank, and in consequence, the bank faces difficulties in augmenting capital resources (Ahmed, Ahmed, Islam, & Ullah, 2015).

Another study also stated that the probability of banking crises increases if financial risk is not eliminated quickly (Ahmed, Rahman, Ahmed, & Ullah, 2014). Such crises not only lower living standards but can also eliminate many of the achievements of economic reform overnight. Having such a system, Bangladesh needs to study the condition of NPLs on a routine basis in order to augment investible capital in the productive sectors as well as to ensure sustainable economic growth.

The issue of nonperforming loans in Bangladesh is not a new phenomenon. In fact, the seeds were cultivated during the early stage of the liberation period (1972-1981), by the government's "expansion of credit" policies on the one hand and a feeble and infirm banking infrastructure combined with an unskilled work force on the other (Adhikary, 2006). In the 1990s, however, a broad based financial measure was undertaken in the name of FSRP, enlisting the

help of World Bank to restore financial discipline to the country. Since then, the banking sector has adopted “prudential norms” for loan classification and provisioning. Other laws, regulations and instruments such as loan ledger account, lending risk analysis manual, performance planning system, interest rate deregulation, the Money Loan Court Act 1990 have also been enacted to promote sound, robust and resilient banking practice. Surprisingly, even after so many measures, the banking system of Bangladesh is yet to free itself from the grip of the NPL debacle.

Bank’s Profitability & Sustainability

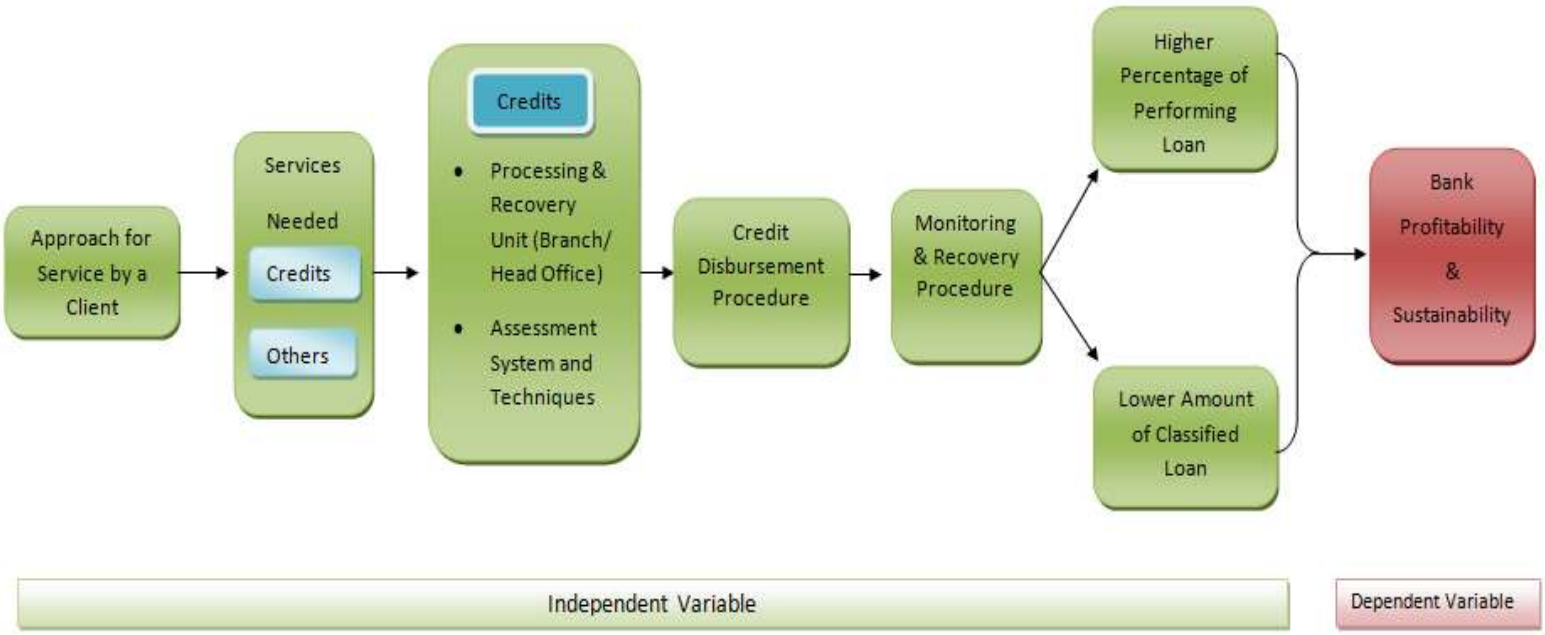
Profitability of a bank which is a prerequisite for sustainability depends on positive interest rates to cover various levels of risks for different models, high loan recoveries, competitive lending costs and adequate profit margins (Dell'Ariccia, Laeven, & Suarez, 2016; Ding, Fung, & Jia, 2017).

Compared with other signs, trends in the profitability can be more complex to understand, for example strangely high profitability can reproduce extreme risk taking(Ahmed et al., 2015). In 1991-92, average loan recoveries in Bangladesh declined from an already unsustainable 49% in 1980-81 to a dismal 16%. Poor repayment of loans was primarily due to poor credit management in a context of political interference and not to the inability of clients to repay.

The demonstration effect of loan defaults is considerable among borrowers. Such situations damage banks and ultimately affect the very same target groups, which the government is trying to help. There is a trade-off between credit accessibility and viability. Adequate margins are necessary to cover risk, transaction and social intermediation (e.g. NGOs) costs. High supervision costs on numerous small loans deter banks from pursuing rural lending.

Hence all costs must be precisely quantified and charged to borrowers. Any grant assistance should be temporary to avoid leakages and inefficiencies. In contrast, the better recovery performance of credit programs targeted to the clients who have little money does enhance the comparative viability of these schemes. Nevertheless, it should be fully recognized that stabilizing targeted credit programs may take time and that some of the initial costs have to be met (Bank, 2012).

Figure 1. Conceptual Framework



Research Question and Hypotheses

The central issue of the research is as follows:

Do Effective Approval, Monitoring and Recovery Process have impact on the profitability of commercial banks in Bangladesh?

Depending on the analysis of the Business Model of commercial banks, the central objective can further be broken down to sub-hypothesis which in an integrated way would answer the central question in hand. Hence, the sub-hypotheses are depicted above (see Fig. 1):

H_{A1} = Effective approval processing of credits has effects on the client's expectation on the service requirements of a bank.

H_{A2} = The processing of a credit have effects on the client's expectation on the service requirements of a bank.

H_{A3} = The credit disbursement procedure have effects on the client's service requirement of the bank.

H_{A4} = The processing and assessment technique affects the credit disbursement procedure.

H_{A5} = The monitoring and recovery procedure have effects on the service's service expectation of the clients from the bank.

H_{A6} = Credit disbursement procedure have effects on the monitoring and service recovering procedure of the bank.

H_{A7} = A higher percentage of performing loan have effects on monitoring & recovery procedure which may affect the service expectation of the bank.

H_{A8} = A lower amount of classified loan effect which in turn the service expectation.

H_{A9} = Monitoring and recovery have impacts on higher percentage of performing loan.

H_{A10} = Monitoring and recovery have impacts on lower amount of classified loan.

H_{A11} = Higher percentage loan have effects on bank's profitability.

H_{A12} = Lower amount of classified loan have effects on bank's profitability.

H_{A13} = Client's service requirements needs have effects on bank's profitability & sustainability.

RESEARCH METHODOLOGY

The Method of Data Collection

This research employs both primary and secondary data sources in the forms of interaction and conversation with employees as well as individual response towards research questionnaires. Also several secondary sources i.e. websites and annual reports of the banks were used to compliment the findings and enrich the literature from the perspective of Bangladesh.

Sampling

Random sampling technique was applied to collect data from 30 employees from concerned departments of the principal branch the concerned bank in Bangladesh. Besides, information was collected from 30 randomly chosen clients from the principal branch's credit department of the bank as well. It is to be mentioned that, due to anonymity issue, the name of the bank is not disclosed throughout this study.

Data Collection Instruments

For this research, two questionnaires have been designed and the questionnaires were done on five point likert scale. For each variable, there were at least three statements. The questionnaire in total has 95 (ninety five) questions, where 50 (fifty) questions are for employees and 41 (forty one) questions for the clients. The questionnaires have been divided into two parts – Part A and Part B. The Part A includes all the demographic questions i.e. Designation, Age and Gender. The following part, which is Part B, includes questions based on the variables that have been used in the research –Service Needed: Credit, Processing & Recovery Unit (Branch/Head Office), Assessment System and Techniques, Credit Disbursement Procedure, Monitoring & Recovery Procedure, Higher Percentage of Performing Loan, Lower Amount of Classified Loan and Bank Profitability & Sustainability. The measurement of the questionnaire items in this study is by means of "five-point of likert scale from 1 to 5" rating from "Strongly Agree" to

"Strongly Disagree". In the Part Bthere were 91 (50 for employees & 41 for clients) question items. It was confirmed to the respondents that all the data collected from them will be kept confidential and exclusively used for academic purposes.

Data Analysis Approach

The data gathered from the survey were entered into a database and then analyzed using the Statistical Package for the Social Sciences (SPSS). Reliability tests were also conducted to ensure reliability of the statements for each variable using the Cronbach's Alpha value. Whereas, demographic profiles were analyzed using frequency distribution methods. Each hypothesis has been tested using Pearson's correlation approach. The regression analysis indicates R^2 values.

EMPIRICAL FINDINGS

Descriptive Analysis of the Employees' Data

The sample size of this part of research consists of 24 male and 6 female respondents. Among them 80.0% of male and 20.0% of female employees participated in this survey.. Among the responding, 4 employees' age was between 15-25 years, 16 employees' age was between 26-35 years and 10 employees' age was between 36-45 years which is shown in the table.

Descriptive Analysis of the Clients' Data

The sample size of this part of research consists of 10 male and 20 others (companies or business firms) respondents. Among them 33.3% of male and 66.7% of other types of clients participated in this survey.. Among the responding, 20 clients' age was between 15-25 years, 6 clients' age was between 26-35 years and 4 clients' age was between 36-45 years which is shown in the table. Among the responding, 18 clients' relationship with BANKS IN BANGLADESH was less than 3 years, 5 clients' relationship with BANKS IN BANGLADESH was from 3 to less than 6 years, 1 client's relationship with BANKS IN BANGLADESH was from 6 to less than 9 years and 6 clients' relationship with BANKS IN BANGLADESH was from 9 and above years.

Reliability Analysis

The Most highly recommended measure of internal consistency is provided by co-efficient alpha or Cronbach's Alpha as it is provided a good reliability estimates in most situations. Cronbach's Alpha value should be 0.5-0.6 which is sufficient; 0.7 or above is desirable (N.Jahangir, P-131).

Survey on Employees

The questions about "Approach for service by client" Cronbach's Alpha is.586, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Services Needed - Credit" Cronbach's Alpha is .567, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Processing & Recovery Unit (Branch/Head Office)" Cronbach's Alpha is .567, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Assessment System and Techniques" Cronbach's Alpha is .559, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Credit Disbursement Procedure" Cronbach's Alpha is .569, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Monitoring & Recovery Procedure" Cronbach's Alpha is .503, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Higher percentage of performing loan" Cronbach's Alpha is .808, so, these questions are desirable. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Lower amount of classified loan" Cronbach's Alpha is .734, so, these questions are desirable. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Bank Profitability & Sustainability" Cronbach's Alpha is .657, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable.

Survey on Clients

The questions about "Approach for service by a client" Cronbach's Alpha is .754, so, these questions are desirable. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Services Needed - Credits" Cronbach's Alpha is .913, so, these questions are desirable. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Processing & Recovery Unit (Branch/Head Office)" Cronbach's Alpha is .878, so, these questions are desirable. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Assessment System & Techniques" Cronbach's Alpha is .584, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Credit disbursement Procedure" Cronbach's Alpha is .798, so, these questions are desirable. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Monitoring & Recovery Procedure" Cronbach's Alpha is .671, so, these questions are

sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Higher percentage of performing loan" Cronbach's Alpha is .577, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Lower amount of classified loan" Cronbach's Alpha is .577, so, these questions are sufficient. As a result, it can be said that these questions are reliable to measure the variable. The questions about "Bank Profitability & Sustainability" Cronbach's Alpha is .882, so, these questions are desirable.

Hypothesis Testing

Survey on Employees

Table 1. "Approach for Service by a Client" & "Bank Profitability & Sustainability"

		Approach for service by a client	Bank Profitability & Sustainability
Approach for service by a client	Pearson Correlation	1	.693**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.693**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson's correlation = .693**which means the strength of the relationship is strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis H_{a1} which means that there is a significant and positive relationship between approach for service by client and bank profitability & sustainability.

Table 2. "Services Needed – Credits" & "Bank Profitability & Sustainability"

		Service Needed - Credits	Bank Profitability & Sustainability
Service Needed - Credits	Pearson Correlation	1	.517**
	Sig. (2-tailed)		.003
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.517**	1
	Sig. (2-tailed)	.003	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson's correlation = .517** which means the strength of the relationship is moderate. So according to the Pearson's correlation theory I can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between services needed – credits and bank profitability &sustainability.

Table 3. "Processing & Recovery Unit (Branch/Head Office) & Bank Profitability & Sustainability"

Correlations			
		Processing & Recovery Unit (Branch/Head Office)	Bank Profitability & Sustainability
Processing & Recovery Unit (Branch/Head Office)	Pearson Correlation	1	.834**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.834**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .834** which means the strength of the relationship is very strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between processing & recovery unit (branch/head office) and bank profitability & sustainability.

Table 4. "Assessment System and Techniques" & "Bank Profitability & Sustainability"

Correlations			
		Assessment System and Techniques	Bank Profitability & Sustainability
Assessment System and Techniques	Pearson Correlation	1	.782**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.782**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .782** which means the strength of the relationship is strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which

means that there is a significant and positive relationship between assessment system & techniques and bank profitability & sustainability.

Table 5. "Credit Disbursement Procedure" & "Bank Profitability & Sustainability"

Correlations

		Credit Disbursement Procedure	Bank Profitability & Sustainability
Credit Disbursement Procedure	Pearson Correlation	1	.794**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.794**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson's correlation = .794**which means the strength of the relationship is strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between credit disbursement procedure and bank profitability & sustainability.

Table 6. "Monitoring & Recovery Procedure" & "Bank Profitability & Sustainability"

Correlations

		Monitoring & Recovery Procedure	Bank Profitability & Sustainability
Monitoring & Recovery Procedure	Pearson Correlation	1	.505**
	Sig. (2-tailed)		.004
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.505**	1
	Sig. (2-tailed)	.004	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson's correlation = .505**which means the strength of the relationship is moderate. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between monitoring & recovery procedure and bank profitability & sustainability.

Table 7. “Higher Percentage of Performing Loan” & “Bank Profitability & Sustainability”

Correlations			
		Higher percentage of performing loan	Bank Profitability & Sustainability
Higher percentage of performing loan	Pearson Correlation	1	.827**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.827**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson’s correlation = .827**which means the strength of the relationship is very strong. So according to the Pearson’s correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between higher percentage of performing loan and bank profitability & sustainability.

Table 8. “Lower amount of Classified Loan” & “Bank Profitability & Sustainability”

Correlations			
		Lower amount of classified loan	Bank Profitability & Sustainability
Lower amount of classified loan	Pearson Correlation	1	.755**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.755**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson’s correlation = .755**which means the strength of the relationship is strong. So according to the Pearson’s correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between lower amount of classified loan and bank profitability & sustainability.

Survey on Clients

Table 9. "Approach for Service by a Client" & "Bank Profitability & Sustainability"

Correlations			
		Approach for service by a client	Bank Profitability & Sustainability
Approach for service by a client	Pearson Correlation	1	.887**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.887**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .887** which means the strength of the relationship is very strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between approach for service by a client and bank profitability & sustainability.

Table 10. "Services Needed – Credits" & "Bank Profitability & Sustainability"

Correlations			
		Services Needed - Credits	Bank Profitability & Sustainability
Services Needed - Credits	Pearson Correlation	1	.956**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.956**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .956** which means the strength of the relationship is very strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between services needed – credits and bank profitability & sustainability.

Table 11. "Processing & Recovery Unit (Branch/Head Office)" & "Bank Profitability & Sustainability"

Correlations			
		Processing & Recovery Unit (Branch/Head Office)	Bank Profitability & Sustainability
Processing & Recovery Unit (Branch/Head Office)	Pearson Correlation	1	.889**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.889**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .889**which means the strength of the relationship is very strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between processing & recovery unit (branch/head office) and bank profitability & sustainability.

Table 12. "Assessment System and Techniques" & "Bank Profitability & Sustainability"

Correlations			
		Assessment System and Techniques	Bank Profitability & Sustainability
Assessment System and Techniques	Pearson Correlation	1	.824**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.824**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .824**which means the strength of the relationship is very strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between assessment system & techniques and bank profitability & sustainability.

Table 13. "Credit Disbursement Procedure" & "Bank Profitability & Sustainability"

Correlations			
		Credit Disbursement Procedure	Bank Profitability & Sustainability
Credit Disbursement Procedure	Pearson Correlation	1	.902**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.902**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .902**which means the strength of the relationship is very strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between credit disbursement procedure and bank profitability & sustainability.

Table 14. "Monitoring & Recovery Procedure" & "Bank Profitability & Sustainability"

Correlations			
		Monitoring & Recovery Procedure	Bank Profitability & Sustainability
Monitoring & Recovery Procedure	Pearson Correlation	1	.884**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.884**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.01 level (2-tailed).			

Here Pearson's correlation = .884**which means the strength of the relationship is very strong. So according to the Pearson's correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between monitoring & recovery procedure and bank profitability & sustainability.

Table 15. “Higher Percentage of Performing Loan” & “Bank Profitability & Sustainability”

Correlations			
		Higher Percentage of Performing Loan	Bank Profitability & Sustainability
Higher Percentage of Performing Loan	Pearson Correlation	1	.626**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.626**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson’s correlation = .626**which means the strength of the relationship is strong. So according to the Pearson’s correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between higher percentage of performing loan and bank profitability & sustainability.

Table 16. “Lower Amount of Classified Loan” & “Bank Profitability & Sustainability”

Correlations			
		Lower Amount of Classified Loan	Bank Profitability & Sustainability
Lower Amount of Classified Loan	Pearson Correlation	1	.626**
	Sig. (2-tailed)		.000
	N	30	30
Bank Profitability & Sustainability	Pearson Correlation	.626**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Here Pearson’s correlation = .626**which means the strength of the relationship is strong. So according to the Pearson’s correlation theory we can accept the alternative hypothesis Ha which means that there is a significant and positive relationship between lower amount of classified loan and bank profitability & sustainability.

Regression Analysis

Survey on Employees

Table 17. Model Summary_ Survey of Employees

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955[a]	.911	.877	.15614

a. Predictors: (Constant), Lower amount of classified loan, Service Needed - Credits, Monitoring & Recovery Procedure , Assessment System and Techniques , Higher percentage of performing loan, Credit Disbursement Procedure , Approach for service by a client, Processing & Recovery Unit (Branch/Head Office)

From the table it is found that the R Square value is .911, which means the dependent variable is explained by all the independent variables at 91.1%

Survey on Clients

Table 17. Model Summary_ Survey of Clients

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975[a]	.951	.935	.09325

a. Predictors: (Constant), Lower Amount of Classified Loan, Monitoring & Recovery Procedure, Higher percentage of performing loan, Assessment System and Techniques, Processing & Recovery Unit (Branch/Head Office), Approach for service by a client, Services Needed - Credits, Credit Disbursement Procedure

From the table it is found that the R Square value is .951, which means the dependent variable is explained by all the independent variables at 95.1%.

CONCLUSION

This research includes an evaluation of selected organizational factors initially conceptualized by researchers on credit process. By doing so, this study makes an important contribution to understanding the determinants of effective and efficiency credit service in the banking environment. Understanding the determinants of credit processes is necessary as to implement and carry out the service encounter effectively and efficiently. The outcomes of the research may have practical implications for the Bangladeshi private banks to enhance their credit

service facility in order to retain and attract more clients. This is because a weakness or even a failure for the second time will lead to loss of clients that can never be retained again. This research may encourage further study and provide guidelines for this type of research. From the outcomes, approach of the clients according to the service needs, processing & recovery unit of loan in HQ and branches, assessment system and techniques for the loan approval of the clients, disbursement procedure, monitoring and recovery procedures, high amount of performing loans and lower amount of classified loans are significant predictors of banks' profitability and sustainability. This suggests that the bank management should diversify their credit products and maintain a strict loan and advance procedure by making a good relationship with the clients in a facilitating handsome interest rate to achieve banks' profitability and sustainability.

While this study in details covered the business model of one third generation commercial bank, it is simply a case study instead of a generalized one. Thus, the findings of this study will be hard to be generalized among other commercial banks. Future studies should look to improve on this methodology by including more banks and a greater sample to provide findings applicable to a wider range of cases.

REFERENCES

Adhikary, B. K. (2006). Nonperforming loans in the banking sector of Bangladesh: realities and challenges. Bangladesh Institute of Bank Management, 75-95.

Ahmed, S. U., Ahmed, S. P., Islam, M. N., & Ullah, G. (2015). Impact of Basel II implementation on the financial performance of private commercial banks of Bangladesh.

Ahmed, S. U., Rahman, M. A., Ahmed, S. P., & Ullah, G. W. (2014). Pricing Linkage between Islamic Banking and Conventional Banking: The Case of Bangladesh. International Journal of Finance & Banking Studies, 3(4), 84.

Bank, B. (2012). Financial Stability Report 2012: Issue.

Battor, M., & Battor, M. (2010). The impact of customer relationship management capability on innovation and performance advantages: testing a mediated model. Journal of Marketing Management, 26(9-10), 842-857.

Bernanke, B. S., Lown, C. S., & Friedman, B. M. (1991). The credit crunch. Brookings papers on economic activity, 1991(2), 205-247.

Dell'Ariccia, G., Laeven, L., & Suarez, G. A. (2016). Bank Leverage and Monetary Policy's Risk-Taking Channel: Evidence from the United States. the Journal of Finance.

Ding, N., Fung, H. G., & Jia, J. (2017). Comparison of Bank Profitability in China and the USA. China & World Economy, 25(1), 90-108.

Hales, M., & Tidd, J. (2009). The practice of routines and representations in design and development. Industrial and Corporate Change, dtp019.

Jiménez, G., Ongena, S., Peydró, J. L., & Saurina, J. (2014). Hazardous Times for Monetary Policy: What Do Twenty-Three Million Bank Loans Say About the Effects of Monetary Policy on Credit Risk-Taking? Econometrica, 82(2), 463-505.

Johnson, D. S., Clark, B. H., & Barczak, G. (2012). Customer relationship management processes: How faithful are business-to-business firms to customer profitability? Industrial Marketing Management, 41(7), 1094-1105.

Kotler, P., Keller, K. L., Ancarani, F., & Costabile, M. (2014). Marketing management 14/e: Pearson.

Kozlenkova, I. V., Samaha, S. A., & Palmatier, R. W. (2014). Resource-based theory in marketing. Journal of the Academy of marketing Science, 42(1), 1-21.

Mousavy, S., Rad, B., Bujarpor, M., & Mashali, B. (2012). Customer Relationship Management (CRM) and study of its effect on competitive advantage. Life Science Journal, 9(4), 4167-4173.

Pine, B. J., & Gilmore, J. H. (1998). The experience economy. Harvard Business Review, 76(6).

Reinartz, W., Krafft, M., & Hoyer, W. D. (2004). The customer relationship management process: Its measurement and impact on performance. Journal of marketing research, 41(3), 293-305.

Saini, A., Grewal, R., & Johnson, J. L. (2010). Putting market-facing technology to work: Organizational drivers of CRM performance. Marketing Letters, 21(4), 365-383.

Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: continuing the evolution. Journal of the Academy of marketing Science, 36(1), 1-10.

Wang, Y., & Feng, H. (2012). Customer relationship management capabilities: Measurement, antecedents and consequences. Management Decision, 50(1), 115-129.

Woo, W. T., Sachs, J., & Schwab, K. (2000). The Asian financial crisis: Lessons for a resilient Asia: MIT Press.