PERMISSION OF NEW BANKS AND ITS IMPACTS ON BANKING INDUSTRY IN BANGLADESH

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ABSTRACT

This study will examine the impacts of new banks in banking industry. Banking is one of the Major Service sectors in Bangladesh economy, which divided into four categories of scheduled Banks. These are Nationalized Commercial Banks (NCBs), Government Owned Development Financial Institutions (DFIs), Private Commercial Banks (PCBs), and Foreign Commercial Banks (FCBs). Understanding the performance of banks requires knowledge about the profitability and the relationships between variables like market size, bank’s risk and bank’s market size with profitability. Indeed, the performance evaluation of commercial banks is especially important today because of the fierce competition. In contemporary market, banking industry is rising in Bangladesh. Permission of new banks may not be prolific if the investment opportunity, risk management and overall economic performance of financial institutions are not pleasing. Political instability, loan taking mentality and awareness of financial market is required to include new customers in banking services. The analysis finds that the current market condition, rate of poverty, availability of microcredit institutions in rural areas are unfavorable to spread new banks. Central bank intensive care to existing banks and strict monitoring to new banks are required to visualize the advantages of approved new banks.

KEYWORDS: GDP, Banking, CAMELS, and Rating System.