International Journal of Commerce and Finance Vol. 10., Issue 2, 2024, 88-110

Macroeconomic Concerns and Bank Specific Deposit Processing Challenges - A Study on Bangladesh

Farhana Nasrin[*]

Submitted: *09.09.2024* ***Accepted:*** 25.10.2024 ***Published:*** *08.11.2024*

Abstract

The banking industry is undergoing a dramatic transition that is being propelled by rising FinTech competition, changing business models, mounting pressure from laws and compliance requirements, and innovative technology. This research attempts to present pertinent macroeconomic and banking-related issues that commercial banks are now dealing with as the road of managing deposits becomes more and more challenging. The study gathered the opinions of 200 sample professionals from 29 private commercial banks of Bangladesh that are listed on the Dhaka Stock Exchange and Chittagong Stock Exchange. The result showed that unhealthy competition, regulatory restrictions, and inadequate financial coverage of depositors are the three main issues affecting bank deposit management in Bangladesh. The study recommends that steps should be taken to ensure fair competitive environment and consistent interest rate among the private commercial banks, that the central bank should be more cooperative and flexible in setting different rates and boundaries which can hinder deposit collection; and moreover sufficient amount of coverage and suitable method of premium calculation at deposit insurance should be emphasized to have more public confidence.

Keywords: Commercial banks, Unhealthy competition, Regulatory Constraint, Inadequate Financial Coverage.

JEL Classification: C38, D02, E5, G21

[*] *Assistant Professor, Department of Business Administration, BGC Trust University Bangladesh, Chattogram 4381, Bangladesh, Email: farhana@bgctub.ac.bd*

1. Introduction

The operations of the commercial banks continue to be a top priority despite the rise in prominence of other financial institutions, and deposit management is one of these commercial banks' primary functions.

An ideal mix of deposits is required to thrive in the current competitive environment. The bank urgently needs to mobilize low cost deposits since the interest paid on deposits is a significant burden on the institution. The main source of funding for lending is deposit mobilization. The quantity of the bank's deposits determines much of its ability to provide loans (Rajeshwari, 2014).

In Bangladesh, bank deposit growth has recently slowed as a result of the population's struggles with a variety of challenges, including as growing prices, the economic crisis, a low interest rate, and irregularities. Due to the ongoing rise in commodity prices, persons in fixed- and low-income groups are having difficulty fulfilling their household needs. In order to cover their daily costs, individuals are thus taking money out of their savings rather than putting it in banks. In addition, several lending anomalies in a number of banks showed the deplorable condition of the nation's banking system, which ultimately led to many depositors withdrawing money from banks. In addition, because the Bangladesh Bank put a cap on lending rates at 9%, banks were compelled to give lower interest rates to depositors (“Banks’ deposit growth”, 2023).

For profitable operation, the extent of deposit is very noteworthy, thus one of the key tasks for commercial banks is to identify and solve issues with managing these deposits. Despite the fact that bank deposit mobilization has been extensively studied and that only macro- or microeconomic issues can hinder deposit processing and performance; studies that combine pertinent microeconomic and macroeconomic issues that affect the performance of deposits at commercial banks have not received enough attention, especially regarding the private commercial banks of Bangladesh. Given this, the study's use of the advanced method called as Varimax Rotated factor Analysis enabled it to identify a number of significant flaws in deposit processing from 200 samples taken from 29 listed private commercial banks. This discovery could fill a research gap in this area and specifically help the regulators put in place sensible measures to support the banks in overcoming their deposit management challenges.

2. Literature Review

Efficient deposit management is approaching savers through marketing and financial inclusion and come up with new techniques which were not been used by traditional banking, which is perceived and communicated through channels and the social system facilitates its adoption. In mobilization of deposits new innovation has to be applied and make convincing the savers to make deposits. In order to increase deposits mobilized in commercial banks, the management should design other innovative marketing strategies which can increase the level of low cost deposits (Richard, 2015). This behavior consists essentially of dealing with the uncertainty that is inherently involved in deciding about a new alternative to those previously in existence. It is the perceived newness of the innovation, and the uncertainty associated with this newness, that is a distinctive aspect of innovation decision making (Rogers, 2003).

Recent incidents of unethical and immoral banking activities have been documented by several groups, which has caused numerous banks to merge and acquired. (Odetayo and Sajuyigbe, 2012). Liquidity requirements can boost bank deposits and financial growth when there is less trust in the banking system by encouraging depositor repayment. Three conclusions were drawn from the analysis of Ethiopian banks: An increase in deposits, loans, and branches is highlighted by deposit growth among rich people, larger bank deposits in branches built following the policy in high-income locations, and bank balance sheets exposure. (Limodio & Strobbe, 2023).

Competitive conditions can change the overall banking and regulations in the country. Degree and nature of competition in the banking industry explain revenues with other factors. (Aktan and Masood, 2010)

The concept of the commercial bank which undergirds the argument for the sensitivity of commercial bankers to yield differentials is basically similar to that of an individual investor concerned with the yield, risk, and liquidity of alternative financial instruments by an appropriate development of risk considerations. (Hodgman, 1961). A large number of countries in developing and developed economies have adopted or are considering the adoption of Deposit Insurance System (DIS) aiming at providing automatic financial protection of people's savings in case of banks' failure; and thereby contributing to the promotion of safety and soundness of banks and maintaining systematic stability. The great problem associated with DIS is moral hazard if DIS provides a blanket or full explicit guarantee to the depositors (Jahur and Riyadh, 2006).

Deposit variability is something that both individual banks and the financial sector as a whole deal with. Deposits fluctuate significantly cyclically and seasonally. These deposit movements, which are not independent of one another but are somewhat predictable, have an impact on a large number of bank clients. These forecasts give individual banks a foundation for acquiring the risk- and maturity-appropriate earning assets they need to cover anticipated deposit withdrawals. However, despite the predictability of some deposit flows for specific banks, there is still a sizable amount of deposit withdrawal risk that necessitates careful portfolio management on the part of banks. (Dewald and Dreese,1970)

According to Buch, Eickmeier, and Prieto's (2014) investigation of how macroeconomic shocks are passed on to specific banks, there is a significant variability in how these shocks are passed on, which is caused by factors including bank size, capitalization, liquidity risk, and exposure to consumer and real estate loans.

Bikker & Haaf (2002) analyses market dynamics and competitive circumstances in the banking sector to reach the conclusion that small banks primarily operate at the local level, giant banks compete more fiercely on the global stage than other banks, and medium-sized banks occupy a middle ground. Furthermore, it is believed that small banks are primarily where retail banking is focused, whereas large banks are where corporate banking is more prevalent.

Anastasiou et al. (2023) explore whether newly revised measures of consumer sentiment expectations have a noticeable effect on household deposit flows across the member states of the Eurozone. Following a principal component analysis of a sample of individual responses from the consumer sentiment survey conducted by Eurostat throughout the member nations of the Eurozone, the new measures of sentiment-based expectations of consumers were created.

Mersch (2015, November 12) presents both cyclical and structural reasons are to blame for the continued low profitability of euro area banks. The banking industry in the eurozone is encountering difficulties from all directions, including new market participants, new technology, and new game rules. Both increasing economic potential and making a determined effort to finish cleaning up bank balance sheets are necessary to solve these issues. As a result, the problems with payments, markets, and regulation are extremely important.

By addressing the macroeconomic and bank-specific challenges put together, this study aims to fill the knowledge gap and assist commercial banks in resolving deposit-related issues.

3. Methodology

3.1 Sample and Data

There are 62 Scheduled Commercial Banks operating in Bangladesh among which 29 Commercial Banks are listed on both Dhaka Stock Exchange and Chittagong Stock Exchange. The study is based on the opinion of 200 sample branch managers from 29 listed private commercial banks in Bangladesh. The primary data is collected on 5 point Likert Scale in order to identify the problems that influence the Deposit of selected sample commercial banks in Bangladesh.

3.2 The Reliability and Validity of data

Prior to the main data collection across the entire sample, the survey instruments (questionnaire and instruction manual, data processing manual, and programs) were tested and refined in a pilot survey, which is a survey conducted with a small number of executives from the survey's target sample.

By using Cronbach's alpha, the reliability of the data has been examined. The current research has an alpha value of .94. This shows that data on a five point Likert scale have great consistency. The Kaiser-Meyer-Olkin is used to assess the sampling adequacy, and the current study's KMO value is .64, indicating that factor analysis is effective with the data.

Utilizing Varimax Rotated Factor Analytical techniques, the variables have been grouped according to their underlying relationships, and then ranked according to their magnitudes.

3.3 Variable Identification

To find pertinent problems with bank deposits, existing literature and the sample's viewpoint are taken into account. The study found 20 issues with commercial banks' deposit handling, which are shown in table 1.

Table 1: Identification of problems facing commercial banks in managing deposits

Problems considered at present study	Seasonal deposit withdrawal	Random deposit variability or instability	Small size banks face more transaction costs	Commercial banks are sensitive to yield changes	Changes in the fees and charges on deposit and	Market sensitive competitive rate of interest or	New rules and regulation by Govt.	Inflation or recession in the economy	Inadequate opportunity of alternative investment	Poor management and other internal problems	Poor ATM and online banking facility	Lack of customized services	Inadequate amount of coverage at deposit	Moral hazard at deposit insurance	Inappropriate method of premium at deposit	Lack of motivational and promotional marketing	Lack of innovative banking technology	Unethical banking practice of newly formed banks	Unfair competition among banks	Inconsistent behavior of interest rate on saving instruments of different markets
Hodgman(1961)				√			√													√
Dewald and Dreese(1970)	√	√	√																	
Flood, M. D. (1992)										√				√						
Bikker & Haaf (2002)						√						√				√			√	
Jahur and Riyadh (2006)													√		√					
Aktan and Masood (2010)																			√	
Odetayo and Sajuyigbe(2012)																		√		
Buch et el. (2014)		√	√							√										
Richard (2015)					√	√										√	√			
Mersch (2015)	√					√	√			√	√					√	√			
The Himalayan Times, January 27. (2017)								√	√											
Anastasiou et al. (2023)	√											√				√				
Limodio & Strobbe (2023)	√	√	√										√							

Note: Data have been compiled by the researcher

4. Results And Discussion

4.1 Identification of Problems Associated with Deposit Management on Mean Scores basis:

The study has identified the variables employed for the study to be the most significant, significant and insignificant, as indicated in Table 2, based on the mean opinion score acquired from the Likert scale's five points.

Table 2: Problems associated with deposit management on Mean Scores of sample commercial banks

Variables	Problems	Mean score
Most Important		
X19	Unfair competition among banks	4.3800
X20	Inconsistent behavior of interest rate on saving instruments of different markets	4.3000
X8	Inflation or recession in the economy	4.3000
X7	New rules and regulation by Govt.	4.2600
X16	Lack of motivational and promotional marketing strategy	4.2000
X12	Lack of customized services	4.2000
X10	Poor management and other internal problems	4.1800
X18	Unethical banking practice of newly formed banks	4.1400
X4	Commercial banks are sensitive to yield changes on government securities	4.0800
X6	Market sensitive competitive rate of interest or frequent changes in the interest	4.0800
X9	Inadequate opportunity of alternative investment	4.0800
X11	Poor ATM and online banking facility	4.0800
X17	Lack of innovative banking technology	4.0600
X2	Random deposit variability or instability	4.0000

Important		
X15	Inappropriate method of premium at deposit insurance	3.9800
X13	Inadequate amount of coverage at deposit insurance	3.9600
X1	Seasonal deposit withdrawal	3.9200
X14	Moral hazard at deposit insurance	3.9200
X3	Small size banks face more transaction costs	3.9000
X5	Changes in the fees and charges on deposit and other utility charges	3.8600

Source: Survey Instruments

Note: Data have been compiled by the researcher

According to table 2, the study identified unfair competition between banks as the most significant concern pertaining to the deposit management of the sample commercial banks. Thirteen more factors have been shown to be important by it. These include Inconsistent behavior of interest rate on saving instruments of different markets, Inflation or recession in the economy, new rules and regulation by Govt., Lack of motivational and promotional marketing strategy, Lack of customized services, Poor management and other internal problems, Unethical banking practice of newly formed banks, Commercial banks are sensitive to yield changes on government securities, Market sensitive competitive rate of interest or frequent changes in the interest, Inadequate opportunity of alternative investment, Poor ATM and online banking facility, Random deposit variability or instability and Lack of innovative banking technology.

4.2 Analysis of correlation Matrix of Problems Associated with Deposit Management of Sample Commercial Banks

The study has measured zero-order correlation coefficients (shown in Table 3) by employing SPSS (Version- 23).

Table 3: Correlation Matrix of Problems Associated with Deposit Management of Sample Commercial Banks

Correlation Matrix																					
		X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17	X18	X19	X20
Correlation	X1	1.000																			
	X2	.504*	1.000																		
	X3	.576*	.278*	1.000																	
	X4	.185**	.171**	.196**	1.000																
	X5	.244*	0.000	.563*	.451*	1.000															
	X6	.331*	.194**	.388*	.567*	.592*	1.000														
	X7	.125	.197**	.207**	.130***	.138***	.304*	1.000													
	X8	.524*	.553*	.406*	.083	.122	.340*	.405*	1.000												
	X9	-.191**	.088	.058	.061	.079	.086	.136***	-.116	1.000											
	X10	.078	.294*	.042	.229**	.354*	.301*	.360*	.313*	.427*	1.000										

	X 11	.162***	.201**	.284*	.388*	.537*	.314*	-.066	.039	.453*	.392*	1.000									
	X 12	.091	.109	.052	.247*	.403*	.140***	.207**	.197**	.413*	.718*	.538*	1.000								
	X 13	.484*	.350*	.727*	.228**	.514*	.374*	.029	.364*	.190**	.221**	.310*	.248*	1.000							
	X 14	.513*	.483*	.790*	.192**	.532*	.390*	.130***	.496*	.225**	.271*	.402*	.253*	.842*	1.000						
	X 15	.491*	.490*	.696*	.091	.418*	.147***	.081	.458*	.261*	.393*	.359*	.385*	.754*	.865*	1.000					
	X 16	.216**	.280*	.267*	.428*	.711*	.522*	.215**	.241*	.219*	.480*	.627*	.577*	.384*	.457*	.361*	1.000				
	X 17	.143***	.206**	.020	.390*	.430*	.221**	.350*	.257*	-.017	.603*	.183**	.576*	.065	.082	.274*	.555*	1.000			
	X 18	.619*	.476*	.249*	.101	.038	.057	.117	.488*	-.020	.229**	.179**	.160***	.265*	.380*	.471*	.118	.145***	1.000		
	X 19	.250*	0.000	.108	.059	.045	-.036	.100	.308*	.218**	.460*	.315*	.405*	.188**	.260*	.372*	.069	.084	.502*	1.000	
	X 20	.305*	.252*	.210**	-.026	.225*	.279*	.209**	.418*	.252*	.614*	.353*	.330*	.297*	.378*	.389*	.303*	.114	.406*	.746*	1.000

Note: Data have been compiled by the researcher

Level of Significance:

* 1% level of significance

** 5% level of significance

***10% level of significance

Some variables have emerged as the most important ones after looking at the zero-order correlation matrix of 20 variables which ultimately form different orthogonal factors. In this case, Variable X1(Seasonal deposit withdrawal) has been found highly correlated with variables X2(Random deposit variability or instability), X3(Small size banks face more transaction costs), X5(Changes in the fees and charges on deposit and other utility charges), X6(Market sensitive competitive rate of interest or frequent changes in the interest), X8(Inflation or recession in the economy), X13(Inadequate amount of coverage at deposit insurance), X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance), X18(Unethical banking practice of newly formed banks), X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance. This implies that these variables are expected to form a strong group. The study has found that variable X2(Random deposit variability or instability) is highly correlated with variables X3(Small size banks face more transaction costs), X8(Inflation or recession in the economy), X10(Poor management and other internal problems), X13(Inadequate amount of coverage at deposit insurance), X20(Inconsistent behavior of interest rate on saving instruments of different markets), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy), X18(Unethical banking practice of newly formed banks) and X14(Moral hazard at deposit insurance) at 1% level of significance.

It has been noticed that variable X3(Small size banks face more transaction costs) is highly correlated with variables X5(Changes in the fees and charges on deposit and other utility charges), X6(Market sensitive competitive rate of interest or frequent changes in the interest), X8(Inflation or recession in the economy), X11(Poor ATM and online banking facility), X18(Unethical banking practice of newly formed banks), X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance) and X13(Inadequate amount of coverage at deposit insurance) at 1% level of significance. It has also been observed that Variable X4(Commercial banks are sensitive to yield changes on government securities) is highly correlated with variables X5(Changes in the fees and charges on deposit and other utility charges), X6(Market sensitive competitive rate of interest or frequent changes in the interest), X11(Poor ATM and online banking facility), X12(Lack of customized services attracts), X16(Lack of motivational and promotional marketing strategy) and X17(Lack of innovative banking technology) at 1% level of significance.

The study has found that variable X5(Changes in the fees and charges on deposit and other utility charges) is highly correlated with variables X6(Market sensitive competitive rate of interest or frequent changes in the interest), X10(Poor management and other internal problems), X20(Inconsistent behavior of interest rate on saving instruments of different markets), X11(Poor ATM and online banking facility), X12(Lack of customized services attracts), X13(Inadequate amount of coverage at deposit insurance), X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy) and X17(Lack of innovative banking technology) at 1% level of significance.

It has been identified that Variable X6(Market sensitive competitive rate of interest or frequent changes in the interest) is highly correlated with variables X7 (New rules and regulation by Govt.), X8(Inflation or recession in the economy), X10(Poor management and other internal problems), X11(Poor ATM and online banking facility), X13(Inadequate amount of coverage at deposit insurance), X14(Moral hazard at deposit insurance),X16(Lack of motivational and promotional marketing strategy) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

Furthermore, it was discovered Variable X7 (New rules and regulation by Govt.) is highly correlated with variables X8(Inflation or recession in the economy), X10(Poor management and other internal problems) and X17(Lack of innovative banking technology) at 1% level of significance.

The study has identified that Variable X8(Inflation or recession in the economy) is highly correlated with variables X10(Poor management and other internal problems), X13(Inadequate amount of coverage at deposit insurance), X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy), X17(Lack of innovative banking technology), X18(Unethical banking practice of newly formed banks), X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

The study has found that Variable X9(Inadequate opportunity of alternative investment) is highly correlated with variables X10(Poor management and other internal problems), X11(Poor ATM and online banking facility), X12(Lack of customized services), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

It is observed that Variable X10(Poor management and other internal problems) is highly correlated with variables X11(Poor ATM and online banking facility), X12(Lack of customized services attracts), X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy), X17(Lack of innovative banking technology), X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.
It is found that variable X11(Poor ATM and online banking facility) is highly correlated with variables X12(Lack of customized services attracts), X13(Inadequate amount of coverage at deposit insurance), X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy), X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

The study has identified that Variable X12(Lack of customized services) is highly correlated with variables X13(Inadequate amount of coverage at deposit insurance), X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy), X17(Lack of innovative banking technology), X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance. It has also been observed that Variable X13(Inadequate amount of coverage at deposit insurance) is highly correlated with variables X14(Moral hazard at deposit insurance), X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy), X18(Unethical

banking practice of newly formed banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

It is found that variable X14(Moral hazard at deposit insurance) is highly correlated with variables X15(Inappropriate method of premium at deposit insurance), X16(Lack of motivational and promotional marketing strategy), X18(Unethical banking practice of newly formed banks), X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

It is observed that Variable X15(Inappropriate method of premium at deposit insurance) is highly correlated with variables X16(Lack of motivational and promotional marketing strategy), X17(Lack of innovative banking technology), X18(Unethical banking practice of newly formed banks), X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance. It is also observed that Variable X16(Lack of motivational and promotional marketing strategy) is highly correlated with variables X17(Lack of innovative banking technology) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

The study has found that variable X18(Unethical banking practice of newly formed banks) is highly correlated with variables X19(Unfair competition among banks) and X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance. It is also observed that Variable X19(Unfair competition among banks) is highly correlated with X20(Inconsistent behavior of interest rate on saving instruments of different markets) at 1% level of significance.

The underlying relationship between the variables will influence how main components are formed.

4.3 Principal Component Analysis

Principal component analysis has also been applied to the correlation matrix of all 20 variables. The factor matrix that was created through principal component analysis has additionally undergone Varimax Rotation. Six factors were kept after looking at Eigen values. These factors have accounted for 19.927%, 14.991%, 13.694%, 11.610%, 11.588% and 7.566% of variation. This suggests that the six components together account for 79.376% of the variation, leaving the remaining variance to be explained by additional factors.

Table 4 Principal Component Analysis

Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.981	34.903	34.903	6.981	34.903	34.903	3.985	19.927	19.927
2	2.703	13.514	48.417	2.703	13.514	48.417	2.998	14.991	34.918
3	2.227	11.136	59.553	2.227	11.136	59.553	2.739	13.694	48.612
4	1.765	8.824	68.378	1.765	8.824	68.378	2.322	11.610	60.223
5	1.122	5.612	73.989	1.122	5.612	73.989	2.318	11.588	71.810
6	1.077	5.387	79.376	1.077	5.387	79.376	1.513	7.566	79.376
7	.949	4.746	84.122						
8	.661	3.305	87.426						
9	.533	2.667	90.093						
10	.397	1.983	92.076						
11	.359	1.795	93.871						
12	.308	1.538	95.409						
13	.258	1.289	96.699						
14	.197	.983	97.682						
15	.132	.661	98.343						

16	.109	.545	98.887						
17	.077	.385	99.273						
18	.072	.361	99.634						
19	.039	.197	99.831						
20	.034	.169	100.000						
Extraction Method: Principal Component Analysis.									

Source: Survey Instruments

Note: Data have been compiled by the researcher

Table 4 displays the rotated factor matrix. This demonstrates that there are six groups or components made up of the variables under examination.

4.3.1 Analysis of Factors

The rotated factor matrix yielded six orthogonal factors. A particular factor has been identified by the researcher in variables with factor loading of 0.50 or above.

Table 5: Factor 1: Inadequate Financial Coverage of Depositors

	Problems	***Factor loading***
X14	Moral hazard at deposit insurance	.901
X13	Inadequate amount of coverage at deposit insurance	.855
X3	Small size of banks	.834
X15	Inappropriate method of premium at deposit insurance	.813
	Variance accounted for	19.927%

Source: Survey Instruments

Note: Data have been compiled by the researcher

Table 5 shows that of all the variations in the variable set, Factor-1 accounts for 19.927 percent of them. This includes variables like Moral hazard at deposit insurance, inadequate amount of coverage at deposit insurance, small size of banks and inappropriate method of premium at deposit insurance. On these variables, which have formed a substantial cluster, this factor has very high

significant factor loadings. Inadequate Financial Coverage of Depositors may be recognized as the dimension that this factor serves as a conceptual foundation for.

Table 6: Factor 2: Inadequate Deposit Mobilization Alternative

	Problems	***Factor loading***
X12	Lack of customized service	.822
X10	Poor management and other internal problems	.741
X17	Lack of innovative banking technology	.714
X11	Poor ATM and online banking facility	.570
X9	Inadequate opportunity of alternative investment	.584
	Variance accounted for	14.991%

Source: Survey Instruments

Note: Data have been compiled by the researcher

In table 6, Factor-2 accounts for 14.991% of all variances in the variable set. These variables, which comprised the second key cluster, had substantial factors loading ranging from moderate to high. This factor is concerned with inadequate opportunity of alternative investment, poor management and other internal problems, lack of innovative banking technology, poor ATM & online banking facility and Lack of customized services a result, this element has served as a conceptual foundation for the dimension known as Inadequate Deposit Mobilization Alternative.

Table 7: Factor 3: Volatility in Factor Prices

	Problems	***Factor loading***
X6	Frequent changes in the interest	.781
X5	Changes in the fees and charges	.756
X4	Sensitive to yield changes in govt. securities	.746

X16	Lack of motivational and promotional marketing strategy	.600
	Variance accounted for	13.694%

Source: Survey Instruments

Note: Data have been compiled by the researcher

Table 7 reveals that Factor-3 accounts for 13.694 percent of all variations found in the variable set. This contains variables- Frequent changes in the interest, Changes in the fees and charges, Sensitive to yield changes in govt. securities and Lack of motivational & promotional marketing strategy. These variables have generated a third significant cluster with strong factor loadings on this factor that may be referred to as Volatility in Factor Prices.

Table 8: Factor 4: Unhealthy competition and Environment

	Problems	***Factor loading***
X19	Unfair competition among banks	.909
X20	Inconsistent interest rate on savings instruments	.839
	Variance accounted for	11.610%

Source: Survey Instruments

Note: Data have been compiled by the researcher

Factor-4 in Table 8 accounts for 11.610 percent of all variances found in the variable set. This includes variables-Unfair competition among banks and Inconsistent interest rate on savings instruments. These factors, which together created a fourth significant cluster that may be referred to as Unhealthy competition and Environment, had strong factor loadings on this component.

Table 9: Factor 5: Morale Hazard in Deposit Management Practices

	Problems	***Factor loading***
X18	Unethical banking practice of newly formed banks	.720

X1	Seasonal deposit withdrawals	.704
X2	Random deposit variability or instability	.597
X8	Inflation or recession in the economy	.585
	Variance accounted for	7.566%

Source: Survey Instruments

Note: Data have been compiled by the researcher

Factor-5 in Table 9 describes 7.566 percent of the variations found in the variable set. This factor is concerned with Unethical banking practice of newly formed banks, Seasonal deposit withdrawals, Random deposit variability or instability and Inflation or recession in the economy which formed fifth important cluster. Moral Hazard in deposit management practices is the term used to describe this factor, which has substantial factor loadings on these variables.

Table 10: Factor 6: Regulatory Constraint

	Problems	***Factor loading***
X7	New rules and regulations by Government	.866
	Variance accounted for	7.966%

Source: Survey Instruments

Note: Data have been compiled by the researcher

Upon examination of Table 10, Factor-6 can be seen to account for 7.966% of the total variances in the variable set. This includes varying new rules and regulations issued by the government. High factor loadings exist for this variable, which may be referred to as Regulatory Constraint, and has created the sixth significant cluster.

4.4 Ranking of Factors

The ranking based on factor-wise weighted average scores is finally displayed in Table 11:

Table 11: Ranking of Factors

Factor	***Name***	***Weighted score***	***Rank***
1	Inadequate Financial Coverage of Depositors	3.351515	III
2	Inadequate Deposit Mobilization Alternative	2.831388	V
3	Volatility in Factor Prices	2.91708	IV
4	Unhealthy competition and Environment	3.79456	I
5	Morale Hazard in Deposit Management Practices	2.660995	VI
6	Regulatory Constraint	3.68916	II

Source: Survey Instruments

Note: Data have been compiled by the researcher

The factor rankings show that factor-4 Unhealthy competition and Environment as the first and most important factor. This factor includes variables such as unfair competition among banks and Inconsistent interest rate on savings instruments. This implies that the sample banks face challenges in deposit management due to unhealthy environment caused by unfair competition and Inconsistent interest rate. The second important factor is Regulatory Constraint that includes the variable new rules and regulations by Government. This indicates that the sample banks face problems in deposit management due to government decisions. The third important factor is Inadequate Financial Coverage of Depositors. This factor includes variables such as Moral hazard at deposit insurance, inadequate amount of coverage at deposit insurance, inappropriate method of premium at deposit insurance and Small size of banks. This implies that the sample banks face problems in managing deposits due to their inadequate arrangements and inability for handling the insecurity and uncertainty of the depositors.

The fourth important factor is Volatility in Factor Prices which includes variables frequent changes in the interest, Changes in the fees and charges, Sensitive to yield changes in govt. securities and Lack of motivational & promotional marketing strategy. It implies the inefficiency of the commercial banks in setting up the prices for its products and services. The fifth important factor is Inadequate Deposit Mobilization Alternative that includes Poor ATM and online banking

facility, Poor management and other internal problems, Lack of innovative banking technology, Inadequate opportunity of alternative investment and Lack of customized service. This implies that sample commercial banks are facing problems in mobilizing deposit due to poor service and managerial incompetence. The sixth important factor is Morale Hazard in Deposit Management Practices which includes variables as Unethical banking practice of newly formed banks, Seasonal deposit withdrawals, Random deposit variability or instability and Inflation or recession in the economy. It indicates the problem of unwillingness or less enthusiasm of the sample commercial banks to manage deposits.

5. Conclusion and Recommendations

The changing competitive climate in the financial services sector is forcing banks, which are a significant provider of financial services to the economy, to reevaluate their business strategies. Regulations and compliance requirements tighten when data breaches increase in frequency and the gravity of privacy issues increases. Additionally, as more individuals seek customized care around-the-clock, customer needs are changing.

In order to investigate and identify the deposit handling problems both inside and outside of the bank, this study gathered the opinions of 200 sample bank professionals from 29 listed private commercial banks in Bangladesh.

Three significant elements have been determined by the study to demonstrate the issues with commercial banks' deposit management. They are Unhealthy competition and Environment, Regulatory Constraint and Inadequate Financial Coverage of Depositors.

- Unfair competition among banks and inconsistent interest rates on savings instruments make up the first ranking factor, "Unhealthy competition and Environment." This indicates that the sample banks have difficulties managing deposits as a result of an unfavorable business climate brought on by unfair competition and variable interest rates.
- New government laws and regulations are a factor included in the second most significant ranking factor, "Regulatory Constraint." This submits that owing to changes in governmental choices, the sample banks have difficulties managing deposits.
- Third on the list is "Inadequate Financial Coverage of Depositors," which is backed by factors like "Moral Hazard at Deposit Insurance," "Inadequate Amount of Coverage at

Deposit Insurance," "Inappropriate Method of Premium at Deposit Insurance," and "Small Size of Banks." This put forward that the sample banks have difficulties managing deposits because of their insufficient arrangements and incapacity to deal with the unpredictability and insecurity of the depositors.

The study recommends that in order to allow the whole industry to expand, private commercial banks should prevent unhealthy rivalry among themselves, overcome it, and maintain consistency when establishing rates for deposit products. The country's regulatory body eventually has to refrain from making frequent changes to the rules and regulations that might impede deposit collecting and processing. In order to improve deposit acquiring and manage it effectively, the research also recommended that banks extend their services and give complete coverage of deposit insurance.

The study identifies a few promising topics for additional research. First, it only takes into account listed banks. To understand the issues with managing bank deposits, unlisted banks may be added. Finally, further research may considerably compare the issues that contribute to making deposit processing a challenge in various Asian nations.

6. References

Aktan, B., & Masood, O. (2010). The state of competition of the Turkish banking industry: An application of the Panzar-Rosse model. *Journal of Business Economics and Management*, *11*(1), 131-145.

Anastasiou, D., Ftiti, Z., Louhichi, W., & Tsouknidis, D. (2023). Household deposits and consumer sentiment expectations: Evidence from Eurozone. *Journal of International Money and Finance, 131*, 102775.

Bikker, J. A., & Haaf, K. (2002). Competition, concentration and their relationship: An empirical analysis of the banking industry. *Journal of banking & finance*, *26*(11), 2191-2214.

Banks' deposit growth slows amid economic woes (2023, May 14), *New Age Business,* https://www.newagebd.net/article/193734/banks-deposit-growth-slows-amid-economic-woes

Buch, C. M., Eickmeier, S., & Prieto, E. (2014). Macroeconomic factors and micro level bank behavior. *Journal of Money, credit and Banking*, *46*(4), 715-751.

Dewald, W. G., & Dreese, G. R. (1970). Bank behavior with respect to deposit variability. *The Journal of Finance*, *25*(4), 869-879.

Flood, M. D. (1992). Two faces of financial innovation. *Federal Reserve Bank of St. Louis Review*, *74*(5), 3-17.

Hodgman, D. R. (1961). The deposit relationship and commercial bank investment behavior. *The Review of Economics and Statistics*, 257-268.

Jahur Saleh and Riyadh Al Nahian (2006). Deposit Insurance Scheme in Bangladesh: Searching For Prudent Framework. *The Chittagong University Journal of Law, XI,* 186 – 206.

Limodio, N., & Strobbe, F. (2023). Liquidity Requirements, Bank Deposits and Financial Development. *Economica*, *90*(357), 240-270.

Mersch Yves (2015, November 12). Three challenges for the banking sector. *Cumberland Lodge Financial Services Summit.* https://www.ecb.europa.eu/press/key/date/2015/html/sp151112_1.en.html

Ojokuku, R. M., Odetayo, T. A., & Sajuyigbe, A. S. (2012). Impact of leadership style on organizational performance: a case study of Nigerian banks. *American journal of business and management*, *1*(4), 202-207.

Rogers, E.M., (2003). Diffusion of Innovations, 5th Edition Simon and Schuster, New York, *Free press.*

Shettar, M., & Rajeshwari, D. (2014). Deposit mobilization and socio-economic impact: A case study of union bank of India. *IOSR Journal of Engineering*, *4*(5), 21-26.

Tuyishime, R., Memba, F., & Mbera, Z. (2015). The effects of deposits mobilization on financial performance in commercial banks in Rwanda. A case of equity bank Rwanda limited. *International Journal of small business and entrepreneurship research*, *3*(6), 44-71.