

Treasury Operations of Banks in Bangladesh: Issues and Challenges

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ABSTRACT

Treasury management of banks includes the mobilisation of funds and investing those funds in a way to maximise bank's profitability by maintaining required liquidity. But treasury operations now have become more significant and challenging than ever before in an environment of increasing financial risks. Thus, the changing circumstance demands a greater emphasis on efficient treasury management from the viewpoint of both banks and regulatory authorities. In order to carry out treasury functions effectively and efficiently, treasury desks are segregated into front-office, mid-office and back-office. With the aim to discuss the conceptual issues of treasury activities and operations in banks; the regulatory framework of treasury operations; functional areas and activities performed by the treasury department of the banks; to identify challenges faced by treasury of banks and to put forward some recommendations, this study has been endeavoured. A detailed questionnaire was designed to collect the information from the different banks for collecting primary data. A total of 28 banks replied to the questionnaire of which there were 3 SOCBs, 1 SB, 22 PCBs and 2 FCBs. Secondary data have been collected from different departments and various publications of Bangladesh Bank, Annual Reports of commercial banks and published literature. Besides, treasury manuals of different banks have been consulted for preparing the report. The response from the banks has been accumulated, compiled and analysed to attain the objectives. Besides the primary information, the paper also reflects the opinions of a number of experienced bankers. For the purpose of comparison, numerical data have been collected from 2010 to 2013. It is found that being profit motivated, some banks are involved in aggressive treasury transactions, for which they assume a higher amount of risk on their shoulder. Therefore, the treasury should focus on the essential services that are needed for the bank. That is, they should function as a service center. In that case, the banks will be hugely benefited in terms of overall risk management.

KEYWORDS: Treasury operations, Risk management, Banking sector, Bangladesh.

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