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| Title | Impact of macroeconomic and bank specific variables on spread of interest rate: a study of listed commercial banks in Bangladesh |
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| Abstract |
| The Banking system of a country provides the lifeblood to the efficient and effective functioning of an economy. Therefore it is crucial to understand the lending and borrowing rates and hence the spread of interest rates in the banking and financial sector. The Spread of Interest rate is the difference between loan rates and the deposit rates of a bank. High-interest rate reflected in the spread of a high-interest rate will immensely disrupt and cause adverse consequences in the whole economy. Both the spread of interest rate and the interest margin show that the intermediation cost is higher in Bangladesh. High-interest margins in a banking system are indicative of deep-rooted symptoms of inefficiency, absence of competition, non-diversification of income sources, and skewed development of money and capital market in favor of banks’ lending and inflexibility of rate adjustments symmetrically in response to market changes. Moreover, a frequent financial scam in Bangladesh has added more troubles in the money market of Bangladesh. For example, Hallmark scam of almost 4000 crore taka of Sonali Bank, a financial scam of Abdul Mannan, CEO of BIFC, amounted to around 950 crore taka, around 4500 crore taka scam of Janata bank and Agrani bank have made our money market and financial market susceptible to failure. These events have some direct or indirect impacts on interest rates. Hence, I have felt the importance of identifying the determinants of the spread of interest rates. Understanding the determinants of the spread of interest rates would enable us to eliminate such unnecessary costs in financial intermediation, which would be the result in operational and administrative efficiency, resulting in financial viability, stability, and economic growth. Therefore, we need to know the determinants of the spread of interest rates. Hence, I have been motivated to study the determinants of interest rate spread and their extent of impacts on interest rate spread. |
| Sustainable Development Goal(s) (SDG) |
| Example: Goal 9: Industry, Innovation and Infrastructure |