

An Evaluation of Financial Performance of Private Commercial Banks in Bangladesh

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By

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Declaration

The work presented in this thesis is original and has not been submitted by me to any University or Institution for the award of any degree or diploma. The thesis “**An Evaluation of Financial Performance of Private Commercial Banks in Bangladesh**” submitted by me for the award of the Degree of Doctor of Philosophy at the University of Dhaka is an original and benefited work done by me carried under the supervision of professor **Dr. M. Ataur Rahman**, Department of Management, University of Dhaka, and that neither of this thesis nor any part of it has been submitted for the award of any degree, diploma or any other purposes any where.

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Certificate

Certified that the work incorporated in this thesis entitled "*An Evaluation of Financial Performance of Private Commercial Banks in Bangladesh*" was undertaken by Azhar Siddique Chowdhury under my supervision and guidance.

The entire dissertation comprises the researcher's own work and personal achievement and that it is a benefited work done by him. This dissertation does not contain any conjoint research work either with me or with any one else.

I recommend for submission of the theses in University of Dhaka.

Dr. M. Ataur Rahman

Supervisor

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“In the name of Allah. The Beneficent and the Merciful”

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Azhar Siddque Chowdhury

List of Abbreviation

Abbreviation	Full Meaning
ABBL	AB Bank Limited
CBL	City Bank Limited
IFICBL	International Finance Investment & Commerce Bank Limited
NBL	Natioanal Bank Limited
UCBL	United Commercial Bank Limited
BB	Bangladesh Bank
DBBL	Dutch-Bangla Bank Limited
SIBL	Social Investment Bank Limited
HSBC	Hongkong And Shanghai Banking Corporation Limited
BSB	Bangladesh Shilpa Bank
BSRS	Bangladesh Shilpa Rin Sangtha
ICB	Investment Corporation Of Bangladesh
BKB	Bangladesh Krishi Bank
PCBS	Private Commercial Banks
NCBS	National Commercial Banks
FGD	Focused Group Discussion
ROA	Return On Asset
SCBS	State-owned Commercial Banks
FCBS	Foreign Commercial Banks

SBS	Specialized Banks
KFPL	Key Financial Performance Indicators
PER	Profit Expense Ratio
EPS	Earning Per Share
NIM	Net Interest Margin
CIM	Cost Income Margin
NPLS	Non Performing Loans
LIM	Loan Against Imported Merchandise
LTR	Loan Against Trust Receipts
SDR	Security Deposit Receipt
L/C	Letter of Credit
CD	Current Deposit
SD	Saving Deposit
STD	Short Notice Term Deposit
FDR	Fixed Term Deposit
MSS	Monthly Saving Scheme
CC	Cash Credit
CCS	Consumer Credit Scheme
SOD	Security Overdraft
DD	Demand Draft
TT	Telegraphic Transfer
PO	Pay Order
FTT	Foreign Telegraphic Transfer
FMT	Foreign Mail Transfer

FDD	Foreign Demand Draft
TC	Travelers Cheque
FCN	Foreign Currency Notes
MD	Managing Director
AMD	Assistant Managing Director
DMD	Deputy Managing Director
EVP	Executive Vice President
SUP	Senior Vice President
FVP	First Vice President
VP	Vice President
FAVP	First Assistant Vice President
AVP	Assistant Vice President
SEO	Senior Executive Officer
EO	Executive Officer
CSR	Corporate Social Responsibility
CRAB	Credit Rating Agency Of Bangladesh
SME	Small And Medium Enterprise
CAR	Capital Adequacy Ratio
EPS	Earnings Per Share
CRR	Cash Requirement Reserve
SLR	Statutory Liquidity Reserve
IRS	Interest Rate Spread
NII	Net Interest Income
CRR	Cash Reserve Ratio

TRWA	Total Risk Weighted Assets
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
CRAB	Credit Rating Agency Of Bangladesh
DBBF	Dutch-Bangla Bank Foundation
SMSS	Family Empowerment Micro-Enterprise Programme
JOBS	Jobs Opportunity And Business Support
MOU	Memorandum Of Understanding
CSR	Corporate Social Responsibility
OBC	Outward Bills For Collection
IBC	Inward Bills For Collection
NSD	National Security Deposit
NPA	Non Performing Advances
NGOS	Non Government Organizations
TFP	Total Factor Productivity
ICT	Information and Communication Technology
HRM	Human Resource Management

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Chapter 01

Introduction

(01) Abstract

As a financial intermediary, banks play a crucial role in the operation of most economies. In the absence of a well functioning securities market, the banking sector in Bangladesh takes the lead in mobilizing resources and allocating funds in profitable ends. About fifty three different banks are operating at present in the country. They are broadly categorized as nationalized commercial banks, specialized banks, private domestic commercial banks and foreign commercial banks. Substantial economic underpinnings consistent with market economy and liberalization have been witnessed in Bangladesh over the last few years, but the development of efficient banking system has not been attained. Although banking sector has recorded an increase in number of branches and some financial deepening, a careful investigation into its performance casts doubt about its efficiency and effectiveness.

A total of five first generation private commercial banks were financially analyzed to estimate the impact of asset management, operational efficiency and bank size on the financial performance of these banks. The study evaluates the financial performance of five first generation private commercial banks in this perspective.

(1.1) Background of the Study

This study has been prepared as a requirement to complete the Ph. D. thesis under the Department of Management, University of Dhaka. The topic of the study “An Evaluation of Financial Performance of Private Commercial Banks in Bangladesh”, a case study on the AB Bank Ltd. (ABBL), City Bank Ltd. (CBL), International Finance Investment & Commerce Bank Ltd. (IFICBL), National Bank Ltd. (NBL), United Commercial bank Ltd. (UCBL), is Assigned by the supervisor Dr. M. Ataur Rahman, professor. Department of Management, University of Dhaka.

Bangladesh is a least developed country with consistent economic growth over the years. Financial sector has evolved beyond banking. Financial sector of Bangladesh, as in most of the poor countries is dominated by banking enterprises. Banks and other financial institutions play a vital role in fostering the economic and social condition of a country. They help to develop a conducive climate for capital formation through three stages such as saving, finance and investments and the role of Banks is instrumental in all these stages. Banks in Bangladesh now constitute the core of the country's organized financing system. They mobilize the savings of people and channel the resources towards different sectors of the economy.

Independence of Bangladesh saw yet another major change in the banking sector. Simultaneously, Bangladesh Bank, the Central Bank of the country was established in 1972 by the presidential order No. 127 of 1972 (which took effect on December 16, 1971) Through the order, the eastern branch of the former state Bank of Pakistan at Dhaka was renamed as Bangladesh Bank as full-fledged office of the central Bank of Bangladesh. Bangladesh Bank had taken measures such as credit expansion, branch expansion, deposit mobilization, advances to priority sectors through the banks. Immediately after independence of Bangladesh, banks started their operations under full government ownership.

Bangladesh inherited a poor banking system in terms of liquidity, personnel, deposits, advances and banking network at the time of liberation. After the independence of Bangladesh, the government of the People's Republic of Bangladesh nationalized all the local as well as Pakistani banks. No private commercial bank (PCB) was

allowed to be operated except by the government except some of the foreign banks. As a result, overdue loan, irregularities in management and inefficiency of the staff increased rapidly as well as the standard of customer service decreased. Under the circumstances, the government felt the necessity of private banks and encouraged to set up private banks as well.

The Bankers, Committee of Bangladesh Bank determines the planned allocation of resources among sectors and regions with the objectives of achieving balanced regional and sector-wise development. Commercial banks provide advances in the form of short-term and long term loans.

But these Banks could not fulfill customer demand and their service was not up to the mark. Later, some of the banks were denationalized and the government allowed banks to be established in the private sector. Banking operations have been diversified. A number of specialized banks were established for their special purposes. Development finance institutions also exist to supplement the Banking and financial sector. In an effort to boost the economy, government has been following a pragmatic policy relating to the banking sector in Bangladesh. Despite many odds and problems now facing banking sector, it is expected that it will be able to meet up the challenges ahead, particularly of the next century.

Taking advantage of the liberalization policy of the government regarding participation of private sector in the banking business, a number of private sector banks were established in-and-after 1983, with the emergence of private banks in Bangladesh, a Competitive situation in the sector has been created.

There was no domestic private commercial bank in Bangladesh until 1983. In 1983, the Arab Bangladesh bank commenced Private Commercial Banking in the Country. Five more commercial Banks came up in 1983. Subsequently in the mid 90's some more banks in the private sector also commenced operations. Third generation of private sector banks was given permission to operate and initiated a moderate growth in banking financial institutions. Finally 2012 the government was given permission to operate six more banks in the private sector. There are fifty three commercial banks in Bangladesh. Most of them are private banks and few are foreign banks.

Bangladesh is a developing country of the third world. As such, the role of banks in the development of the country is inevitable. But for the development of economic infrastructure, boosting social awareness, development of human resources of the role of private sector banks are more imperative than the nationalized banks. Moreover, side by side with our private banks, foreign private banks are also coming up to make contribution to dissemination of education and arrangement of free treatment of the poor people.

Bangladesh economy has been experiencing a rapid growth since the 1990s. Industrial and agricultural development, international trade, inflow of expatriate Bangladeshi workers' remittance, local and foreign investments in construction, communication, power, food processing and service enterprises ushered in an era of economic activities. Urbanization and lifestyle changes concurrent with the economic development created a demand for banking products and services to support the new initiatives as well as to canalize consumer investments in a profitable manner.

Private bank was designed exclusively for a selected group of their client-individuals whose financial needs are complex and whose time is at a Premium. They receive a superior level of customer service that will cater to their every financial need. With private banking, they will develop a strong working relationship with their private banker. Private bank represents a diverse base of expertise in the socio-economic industrial of financial services such as commercial lending, retail Banking, mortgage, investment, Consulting, retirement plan administration and agricultural development as well as in the overall economic development of the country since its inception through saving mobilization and investment of fund. They understand customer's unique needs as an affluent individual and dedicated to providing client with a comprehensive portfolio of exclusive products in time, confidential and convenient access to a full range of personal and customer services designed to meet all of financial needs.

Private bank has its prosperous past, glorious present, prospective future under processing projects and activities. To keep pace with time and in harmony with national and international economic activities and for rendering all modern services, private bank, as a financial institution automated all its branches with computer network in accordance with the competitive commercial demand of time. More over, considering it's forth-coming future the infrastructure of the bank has been rearranging.

The emergence of private bank in the private sector is an important event in the banking arena of Bangladesh. When the nation was in the grip of severe recession govt. took the farsighted decision to allow the private sector to revive the economy of the country.

Several dynamic entrepreneurs came forward to establishing a bank with a motto to revitalize the economy of the country. They are determined to bring back the long forgotten taste of Banking services and flavors. They want to serve each one promptly and with a sense of dedication and dignity.

In our country they are providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver excellence in Banking. We draw their inspiration from the distant stars. Their team is committed to assuring a standard that makes every banking transaction a pleasurable experience. Their endeavor is to offer you razor sharp sparkle through accuracy, reliability, timely delivery, cutting edge technology, and tailored solution for business needs, global reach in trade and commerce and high yield on your investments. Their people, products and processes are aligned to meet the demand of our discerning customers. Their goal is to achieve a distinction like the luminaries in the sky. Their prime objective is to deliver a quality that demonstrates a true reflection of their vision of excellence in Banking. Private banks are playing a vital role in economic and social sector of the country.

(1.2) Preface

The banking sector is playing very important roles in the economy of a nation. The health of an economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities to facilitate the process of production distribution, exchange and consumptions of wealth. The banks are mobilizing the savings of the people for the investment purpose. If there would be no banks then a great portion of capital of

the country would remain idle. A bank as a matter of fact is just like a heart in the economic structure and the capital provided by. It is like blood in it. Loan facility is provided by banks as an incentive to the producer to increase the production. Bangladesh financial system is determined by banks where the banking systems account for around 96 percent of total assets of the financial sector.

The subject of financial performance and research into its measurement is well advanced within finances and management fields. It can be said that there are three principle factors to improve financial performance for financial institutions, they are the institution size, its asset management and the operational efficiency. There have been little published studies to explore the impact of these factors on the financial performance, especially the private commercial banks.

The purpose of this study is to examine the relationship among measures such as bank's size, operational efficiency, asset management, return on assets (ROA), and interest income and to discuss their impact on the bank's performance. Financial analysis is used to quantitatively examine the differences in performance among private commercial banks in Bangladesh.

Private Banks are playing a commendable role in the field of entrepreneurship development programme of Bangladesh. Many of the research studies have highlighted the profitability and financial management practices of the National Commercial Banks (NCBs) but no such study highlighted the performance evaluation of the PCBs in Bangladesh. So the present study is to investigate the nature of financial performance of the private banks in Bangladesh on the basis of their financial characteristics as a guide line for

future development, Financial indicators are constructed from the bank financial statements. Financial ratios like ROA, asset utilization and operational efficiency are calculated. Also, measures as assets size and interest income size are used to assess the financial performance of a private commercial bank.

(1.3) Statement of the Problem

Financial performance of private bank is a very important thing. In fact we can't even think of any private bank without any profit. At present the importance of the private banks is immense. Private banks offer various loans in various names to make profit & the rate of interest of these loans is also different from each other. The duration of these loans is from one year to five years. As these loans are offered without any mortgage, they are risky. This is how the banks are seen to take high rate of interest from the customers. On the other hand the loans with mortgage are often long-term and their rate of interest is also low, because these loans are less risky. Almost all private banks are found to be interested to invest in the first category sectors (loan without mortgage) to make more profit in spite of their being riskier. Private banks are observed to take profit of interest in different rates from the customers. Besides, private banks impose charges on customers in various names and spheres and ways. Their charges are also included in profit indeed. Every private bank's goal is to make the highest profit and they plan to reach their goal. But the private banks do not reveal their real profit for various reasons, for example, paying the bindings of Bangladesh Bank, higher rate of income tax, offering profit to the share-holders, increasing the salary of the employees, giving them bonus in higher rate, enhancing their facilities etc. These banks sanction money in different shares to hide

their actual profit. For example, they offer scholarship to the talented poor students, sponsorship to some sports programmes, free treatment to the orphan & distressed children, their participation in various social work, financial help in different government activities during adversity or natural disaster etc. Therefore the matter of fact is that the profit that is revealed in their Annual Report is not 100% correct. So it is not possible to ensure utmost correct profitability depending on the information & modules of profit collected from these private banks.

(1.4) Financial Performance

Financial performance could be defined as a measurement of the results of a firm's policies and operations in monetary terms. In assessing the overall financial condition of a company, the income statement and the balance sheet are important reports, as the income statement captures the company's operating performance and the balance sheet shows its net worth. Financial performance could be assessed using the following key measures which are important to assess the current financial position and performance. These are descriptive and analytical measures of financial position and performance. Descriptive measures include total assets, total liabilities, stockholders equity, total revenues, total expenses and net income. And analytical measures of financial position and performance could include profitability, efficiency, liquidity and solvency measures.

Key Financial Performance Indicators (KFPI) is an industry terminology for a type of performance measurement. KFPIs are commonly used by an organization to evaluate its success or the success of a particular activity in which it is engaged. Sometimes success is defined in terms of making progress toward strategic

goals, but often success is simply the repeated achievement of some level of operational goal (for example, zero defects, 10/10 customer satisfaction, etc.). Accordingly, choosing the right KFPIs is reliant upon having a good understanding of what is important to the organization. 'What is important' often depends on the department measuring the performance - the KFPIs, useful to finance, will be quite different than the KFPIs, assigned to sales, for example. A very common way for choosing KFPIs is to apply a management framework such as the balanced scorecard.

The concept of financial performance and research into its measurement is well advanced within finance and management fields. Recently a well-judged technique named CAMELS rating is widely used for evaluating performance of financial institutions, especially the banks. In Bangladesh, Bangladesh Bank as a central bank, which is a regulatory body as well, has been calculating this rating till now. The financial performance of the banking sector is under CAMELS frame work, which involves analysis and evaluation of the six crucial dimensions of banking operations. Thus CAMELS consists of a set of performance measures that give a comprehensive view of the banks based on some special rates.

- **Profit**

The word profit comes from Latin meaning “to make progress”. The concept of profit is related to absolute figures. In the banking system profit (before taxes) was measured as percentage of assets.

“Generally speaking, the profit of a business is the excess of the assets over liabilities and the capital between the two periods.”

Profit may arise from trade as well as other service.

As Dr. M.C. Gupta (1989) says, “The principal motivating force behind conducting business is profit.” The task of management is maximization of profits. The efficiency of the business is measured by the amount of profit earned. The greater the profit, the more efficient is the business considered, to be.

Ildiko' Orba'n - Tama's De'ka'n (2009) Hungary, said “ Profit generally is the making of gain in business activity for the benefit of the owners of the business.” He also said that profit in reality means principally the category of profit after tax, before dividend paying, the income available for the enterprise.

Lord Keynes remarked that “Profit is the engine that drives the business enterprise.”

Bank Profit is simply an accounting record of how a bank has performed over a given period of time, typically a twelve-month period.

There is a simple and well recognized formula to determine and report profit. At its most basic level, a business's profit is represented by the formula: Profit = Revenue – Cost

This formula applies for all business and banks are no exception.

Capital Adequacy

Focuses on the total position of bank capital and protects the depositors for the potential shocks of losses that a bank incurs.

Asset Quality

The composition of all commercial banks shows the concentration of loans and advances in total assets. The high concentration of loans and advances indicates vulnerability of assets to credit risk, especially since the portion of non-performing assets is significant.

Management Soundness

Sound management is the most important pre-requisite for the strength and growth of any financial institution. Since indicators of Management quality are primarily specific to individual institution.

- **Profitability**

Profitability can be interpreted as a ratio of earning to the funds used. It stands for profit deflated by the size of the unit and indicates the efficiency with which a bank deploys its total resources to maximize its profits. Profitability of the banking system was measured by the ratios of profit (before taxes) as percentage of capital. As decision tools profitability ratios can be used to assess the financial health of a business these ratios, created from the income statement, can be compared with industry benchmarks. The overall profitability measurement with indexes; compare the income brackets to some base measurement. The basic formula regarding to the profitability measurement: Profit (ability) = Income/ Base measurement

The application of these indexes is a world-wide practice. The indexes are also used in the western countries. Profitability, as defined by Merriam-Webster, is the ability to yield advantageous returns or results. It is the process in which a good service produces more benefits than consequences and in the business world, serves as the ultimate benchmark for success.

B.S. Bodla & Richa Verma (2007) found credit/deposit Ratio, Non-Interest Income, Spread, NPA as percentage of Net Advance, Provision and contingencies, Operating Expenses, Business per Employee, Profit per Employee and Net Profit as determinants of profitability of banks in India.

Md. Safiullah (2010) judged profitability on the basis of Return on asset (ROA), Return on equity (ROE), Profit expense ratio (PER), Profit growth and Earning per share (EPS).

Profitability is the primary goal of all business ventures, without profitability the business will not survive in the long run. Profitability is measured with an income statement (or profit and loss statement). This is essentially a listing of income and expenses during a period of time (usually a year) for the entire business. It is a variable thing like the temperature of the human body.

Measures of Bank Performance

Although net income gives us an idea of how well a bank is doing, it suffers from one major drawback: It does not adjust for the bank's size, thus making it hard to compare how well one bank is doing is relative to another. A basic measure of bank profitability that corrects the size of the bank is the return on assets (*ROA*), which divides the net income of the bank by the amount of its assets. *ROA* is a useful measure of how well a bank manager is doing on the job because it indicates how well a bank's assets are being used to generate profits.

$$\text{ROA} = \frac{\text{Net income}}{\text{Total assets}}$$

They are more concerned about how much the bank is earning on their equity investment, an amount that is measured by the return on equity (*ROE*), the net income per dollar of equity capital.

$$\mathbf{ROE} = \frac{\mathbf{Net\ income}}{\mathbf{Total\ Capital}}$$

Another commonly watched measure of bank performance is called the net interest Margin (*NIM*), the difference between interest income and interest expenses as a percentage of total assets.

$$\mathbf{NIM} = \frac{\mathbf{Interest\ Income - Interest\ Expense}}{\mathbf{Total\ Assets}}$$

If a bank manager has done a good job of asset and liability management such that the bank earns substantial income on its assets and has low costs on its liabilities, profits will be high. How well a bank manages its assets and liabilities is affected by the spread between the interest earned on the bank's assets and the interest costs on its liabilities. This spread is exactly what the net interest margin measures. If the bank is able to raise funds with liabilities that have low interest costs and is able to acquire assets with high interest income, the net interest margin will be high, and the bank is likely to be highly profitable. If the interest cost of its liabilities rises relative to the interest earned on its assets, the net interest margin will fall, and bank profitability will suffer.

Liquidity


Liquidity indicators measured as percentage of demand and time liabilities (excluding inter bank items) of the banks.

Sensitivity to Market Risk

To assess the degree to which a bank might be exposed to adverse financial market conditions, the Bangladesh Bank added a new Characteristic named as “Sensitivity to Market risk” to what was previously referred to as the CAMEL rating. In particular, Bangladesh Bank (*BB*) has been running an interest rate movement through the introducing of revised CAMELS rating system since 1 July 2006.

(1.5) Objectives of the Study

The main objective of the study is to enhance my understanding on the practical activities and to have a test of professional environment. I believe that it not only helped me not only to know about the profitability of the private banks procedure activities but also to step in to the professional exposure. Since classification and provisioning are related to financial performance of the private banks, it is also discussed and its correct status is presented here. In addition to these, the following study is also summarized two types of objectives, viz.-broad objective and specific objectives.

- 1. Broad objective:** The broad objective of the study is to evaluate the financial performance of private commercial banks in Bangladesh.
- 2. Specific objectives:** The specific objectives of the study are:
 -  To evaluate the capital management performance, assets management performance, managerial performance, earnings ability and liquidity performance of all respondent private commercial banks in Bangladesh.

- ✚ To identify the major weaknesses (if any) and reasons for fluctuation in the profitability and financial performance of PCBs over the period.
- ✚ To suggest some necessary measures for the improvement of financial performance of the private commercial banks in Bangladesh.

(1.6) Scope of the Study

Field of Study: The field of study for this particular research project is analyzing the performance of commercial banks in Bangladesh

Content Dimension: The study focuses in depth specifically on performance of the banks & their current status.

Physical Dimension: The study has been focused on five leading commercial bank with specifically emphasis on the operation & performance of AB Bank Ltd., City Bank Ltd., IFIC Bank Ltd., National Bank Ltd., and United Commercial Bank Ltd.

(1.7) Limitations of the Study

Every study has some limitations. It might be time limitations or cost limitations or information limitations. These limitations can be highlighted below:

- (i) Non financial performance of the banks has not been considered in the present study.
- (ii) Banks could not provide more information for policy or some obvious reasons, which could be very much useful. They showed some sort of reluctance while providing information.

- (iii) Researcher has considered five basic categories of financial performance measuring ratios. These may not represent overall financial performance of private commercial banks.
- (iv) Researcher has used ratio analysis of the data for five years only. Other analytical techniques of analysis could have been used by considering data for longer periods.
- (v) Researcher could not select big sample size that could be more helpful in explaining many other opinions of the research area.

(1.8) Plan of Presentation

Plan of presentation: plan of the study provides a brief description of the present study. The whole research work has been divided in to the following chapters which are as follows:

Chapter – One: Introduction: This chapter is completed with Background of the study, Statement of the problem, Objectives of the study, Scope of the study, Limitations of the study and Plan of presentation.

Chapter – Two: Research methodology: This chapter shows the Population of the study, Rationale of the study, Sampling of the study, Variable covered, Data collection, Data tabulation, Data analysis and Report writing.

Chapter – Three: Literature review: It deals with the review of literature relevant past studies and present scenario of financial performance for private commercial banks.

Chapter – Four : Profile of the banks: It deals with the discussion in History of the organization, Objectives, Function, The organization structure, Present activities and Future programs of five first generation private commercial banks in Bangladesh.

Chapter – Five: Findings and analysis: This chapter provides the findings of the study with their analysis. Here used Capital management ratio, Assets management ratio. Management performance ratio, Earnings ability ratio and Liquidity ratio as the indicator of financial performance.

Chapter – Six: Conclusions and recommendation: The last chapter reflects on Conclusion and recommendations for the study based on summery of findings of the study.

Finally, bibliographically references have been quoted.

Chapter 02
Research
Methodology

(2) Research Methodology

The word method comes from the Greek words ‘Meta’ and ‘hodes’ meaning a way. Broadly, a method or methodology is the underlying principles and rules of organization of a philosophical system or inquiry procedure. Methodology is a process or technique in which various stages or steps of collection of data / information are explained and the analytical techniques are defined. A dictionary of social science observes, “Methodology is the systematic and logical study of the principles guiding scientific investigation”. In general a method is the way of doing something. Mainly the methodologies used in making this study are consultation with the several relevant personnel and go through various manuals of banking: Besides this I have also collected information from the company profile, different journals, annual report, and internet and gone through the books on banking written by wise writers.

(2.1) Population of the Study

The Banking sector of Bangladesh is playing a vital role in fostering the economic and social condition of the country. They help to develop a conducive climate for capital formation through three stages such as, savings, financing and investment and the role of banks is instrumental to all these stages. Banking sector is the key part of the overall financial system of Bangladesh, which is composed of different nationalized, specialized, private commercial and foreign banks under the supervision and regulation of Bangladesh Bank. About forty seven schedule banks are now operating in Bangladesh. They are primarily categorized as local bank and foreign bank. Local bank is classified into specialized Bank and commercial bank. Again commercial bank has been divided into nationalized bank and private commercial bank.

There was no domestic private commercial bank in Bangladesh until 1982. In 1983, five more commercial banks came up. They are called first generation bank. Subsequently in the mid 90's some more banks in the private sector also commenced operations. Finally, in 1999, third generation of private sector banks was given permission to operate and initiate a moderate growth in banking financial institutions. In 2012, the present government approves six commercial banks in private sector which are known as fourth generation private bank.

As first generation bank AB Bank Ltd (ABBL), City Bank Ltd (CBL), International Finance Investment & Commerce Bank Ltd (IFICBL), National Bank Ltd (NBL) and United Commercial Bank Ltd (UCBL) are chosen to determine the profitability of the private banks. In home and abroad, AB bank has 85 branches, City bank has 98 branches, IFIC bank has 99 branches, National Bank has 155 branches and UCBL bank has 120 branches,

Among them, researcher has restricted the research area.

(2.2) Rationale of the Study

The driving forces of the private commercial banks are proper management, efficient as well as experienced staff, satisfactory service of the customers and finally a healthy profit. The research studies so far we have seen on private commercial banks are basically capital city based. Some studies have been conducted on profitability on national commercial banks in Bangladesh. But no study has yet been conducted on private commercial banks in Bangladesh on the same topic. For this very reason, the researcher has made up his mind to do his study on the first generation PCBs

and chosen ABBL, CBL, IFICBL, NBL and UCBL. Moreover, to the best of the researcher's knowledge, no study has been yet conducted on PCBs in Bangladesh about measuring overall financial performance. So the present study evaluates the financial performance of private commercial banks in Bangladesh, i.e. especially the first generation banks in Bangladesh.

(2.3) Sampling Of The Study

Sampling: In this study purposive sampling method has been used. June 2013 there is 53 PCB's operating in Bangladesh (different categories). Of them, five first generation PCB's have been taken as sample for this study. They are:

01. AB Bank Ltd (ABBL)
02. City Bank Ltd (CBL)
03. International Finance Investment & Commerce Bank Ltd (IFICBL)
04. National Bank Ltd (NBL)
05. United Commercial Bank Ltd (UCBL)

Extent : All over Bangladesh.

Time : Period of the survey.

Sample Size : Five fast generation private commercial banks.

Sampling is the only feasible way to collect research data in most situations.

(2.4) Variable Covered

The following variables have been covered for the achievement of study objectives.

- 1). Assessing operational efficiency (Asset management, expenses, income, equity)
- 2). Measuring bank size (asset utilization, total asset, total deposit, total amount of credit, total investment)
- 3) Measuring profitability parameters (creditor, loan & advance, net income)
- 4) Dividend from investment.
- 5) Income from reserve maintained with Bangladesh Bank.

(2.5) Data Collection

In order to make the study more meaningful and presentable, it will be based on the two types of data i.e. primary data and secondary data. Mainly secondary sources of data and information have been used widely.

1. **Primary sources of data:** For collecting information and data from the primary sources, following techniques have been used:-
 - i) **Sampling:** In this study purposive sampling has been used. Till June 2013 there are 53 PCBs are operating in Bangladesh (different categories). Of them, five first generations PCB's have been taken as sample for this study. They are;-
 - 1) AB Bank Ltd (ABBL)
 - 2) City Bank Ltd (CBL)

- 3) International Finance Investment & Commerce Bank Ltd (IFICBL)
- 4) National Bank Ltd (NBL)
- 5) United Commercial Bank Ltd (UCBL)

ii) ***Focused Group Discussion*** (FGD) have been made from the bank executives and banking experts.

iii) **Direct and personal Observation:** In the premises of the five banks, information on qualitative variables has been collected from the customers. For collecting data the researcher has surveyed the services of those banks physically and practically.

2. Secondary Sources of Data

The secondary data have been collected from -

- ✚ The publication of the private banks
- ✚ Banks' official records
- ✚ Annual reports of the banks.
- ✚ Publications of Bangladesh Bank.
- ✚ Ministry of Finance and other relevant organizations.
- ✚ Resume of activities of banks and financial institutions in Bangladesh.
- ✚ BIBM Journal
- ✚ Dhaka University journals of the Faculty of Business and different departments.
- ✚ Journal of Institute of Bankers.
- ✚ Different books, articles, journals & newspapers.
- ✚ Dhaka Stock Exchange & Chittagong Stock Exchange.
- ✚ Website of respondent banks.

(2.6) Data Tabulation

The word 'statistics' has been derived from the Latin word 'status'. In the plural sense it means a set of numerical figures called 'data' obtained by counting, or, measurement. In the singular sense it means collection, classification, presentation, analysis, comparison and meaningful interpretation of 'raw data'.

It has been defined in different ways by different authors. Croxton and Cowdon defined it as 'the science which deals with the collection, analysis and interpretation of numerical data'. Statistical data help us to understand the economic problems, e.g., balance of trade, disparities of income and wealth, national income accounts, supply and demand curves, living and whole sale price index numbers, production, consumption, etc., formulate economic theories and test old hypothesis. It also helps in planning and forecasting.

The success of modern business firms depends on the proper analysis of statistical data. Before expansion and diversification of the existing business or setting up a new venture, the top executives must analyses all facts like raw material prices, consumer-preferences, sales records, demand of products, labour conditions, taxes, etc., statistically. It helps to determine the location and size of business, introduce new products or drop an existing product and in fixing product price and administration. It has also wide application in operations research.

Data tabulation is a basic technique that provides insights into the data and lays the foundation for more advanced analysis.

(2.7) Data Analysis

The following tools and techniques have been used:

- (i) Analysis and interpretation of data have been carried with the help of computer and manually. To evaluate the financial performance of the selected private commercial banks, we use Ratio Analysis and different statistical techniques.
- (ii) Different ratios such as Capital Management Ratio, Asset Management Ratio, Management Efficiency Ratio, and Profitability Ratio & Liquidity Ratio with Sub-ratios have been used.
- (ii) Inter-bank variation and area-wise variation have been shown.
- (iii) Statistical techniques such as Mean and Standard Deviation for each bank have been used.
- (iv) The findings through different tables and graphs have been presented.
- (v) Computer Ms Word, Ms Excel, Graphics have been used.

(2.8) Report Writing

A report is a statement of the results of an investigation or of any matter on which definite information is required. (Oxford English Dictionary)

Reports are a highly structured form of writing often following conventions that have been laid down to produce a common format. Structure and convention in written reports stress the process by which the information was gathered.

This study has been divided into six chapters. First Chapter includes background information, statement of the problem, purpose and objectives etc.

The Second chapter covers methodological issues followed by population of the study, rationale of the study, sampling of the study, variable covered and data collection etc .

The Third chapter shows review of earlier studies done and rationale of the present study.

The fourth chapter describes the profile of the five first generation private banks.

The fifth chapter analyses the interpretation of the finding of data, tables and graphs.

And finally the last chapter deals with the summary, conclusions and recommendations etc.

Chapter 03

Literature

Review

(3.1) History of Economic Development in Bangladesh

Bangladesh started its journey in the early 70's as one of the poorest countries of the world. The economy of Bangladesh has experienced significant shift in trade, fiscal, industrial, and financial policies over the last two decades. Bangladesh is a significantly dependent on external resources and at the behest of the World Bank and the international monetary fund, Bangladesh adopted a set of structural adjustment policies that impacted on all sectors of the economy and every aspect of the short and medium term economic management. The key sectors embodying the pace of reforms are agriculture, Industry, external trade, finance and banking and foreign exchange.

The objective of the present study is a research of some problems of economic development of the newly born nation--**Bangladesh**. The year 1971 has observed the emergence of Bangladesh as the eighth largest nation on earth. Indeed it marked the creation of the largest nation in the quarter century since the partition of the Indian subcontinent. There is naturally, a great deal of curiosity about the new-born nation. In 1972 the Per Capita income of Bangladesh was 190 USD (at 1995 Constant dollar), and eighty percent of Bangladeshi people live in the rural areas. 34 Percent of the population belongs to the civilian labour force, but again 85 percent of the labour force is agricultural and only 15 percent non-agricultural.

About 50 Percent of the agricultural farms are below or up to the size of one hectare (2.47 acre). There is also an intense fragmentation of the farmer's land out of a total area of about 87 million hectare (217 million acres) of farm land 8.4 million hectare

(20.9 million acres) was reported to be fragmented up to 10 or more plots in many cases. Counting about 3.9 million hectare sown more than once a year, rice alone took about 10.3 million hectare (25.5 million acres) in 1969-70 jute, which is our main foreign exchange earner, does not take more than one million hectare(1969-70). Tea takes only about 43 thousand-hectare and sugarcane does not take more than 166 thousand hectare (1969-70). Thus, our agriculture is not at all diversified. Farm products that we now import are many, like rice, oil seeds, cotton, tobacco and sugar. Yet, all these could grow in Bangladesh. The present yield in Bangladesh is extremely low. For rice, it is a about one-third of the yield per unit of land in Japan. Average cropping intensity is only 150, although there is no snow anywhere in Bangladesh, which might prevent round the year cultivation. Cultivators use very old implements, the value of which (except bullocks) would not exceed 20 taka. Rice culture is based almost entirely on natural flood and rainfall, which cause the output to fluctuate heavily from year to year. As it is mostly on alluvial plain, land was never levelled or conserved or irrigated by artificial means on any important scale.

Due to the pressure on the agricultural sector and due to lack of diversification there is a tremendous wastage of manpower that remains unemployed either in the monsoon months or throughout the year. Unemployment exists both in the farm and in the non farm rural families. A study done in 1956 showed that in some areas the percentage of families with unemployment of any duration was as high as 79 in farm families and 66 in non-farm families. Perhaps situation has become worse now. Particularly, women are not working outside because of the social disapproval. High school graduates are now unemployed because they have no vocational training. Many of

the unemployed people are now (in 1973) coming to the cities like Dhaka and giving rise to slum and living in unauthorized huts built for them. They are sometimes exploited by political parties for crowding their meetings or processions. In many cases, farmers cannot diversify agriculture for two reasons: a) Because the land has not been levelled or developed and dependent only on nature, it can grow only a certain crop, even if its price is lower than other alternatives b) Because Transport system is very slow and costly. Fresh fruits and vegetables or any other alternatives are difficult to market for a small farmer, who is also unable to arrange his own marketing as his individual output is small. In Comilla (discussed elsewhere) it was found that farmers were growing paddy, although water-melons were more profitable, only because of the marketing problem.

Another important factor is agricultural prices: For the last 25 years, jute prices have become either same or lower than rice price for the same weight. But jute is more costly to cultivate and if jute is not cultivated the land can be used in most cases for Aus rice. As the government wanted an artificially low exchange rate for Pakistan rupee (enforced by exchange control), jute price could not rise internally. In order to keep the rice price also low, rice farmer had no incentive to increase his yield and therefore, there was stagnation. The local urban population supported the low price policy because it kept their cost of living down.

Bangladesh was born comprising the region formerly known as East Pakistan. The single most important factor underlying the birth of Bangladesh was the economic and political exploitation of East Pakistan by West Pakistan.

A sensitive observer can hardly fail to identify the positive and negative circumstances of the emergence of the new nation. More than any other nations of comparable or larger size, Bangladesh has remarkable linguistic, ethnic and cultural homogeneity. A single language, with a single script and a reasonably developed literature is spoken by almost all the people. Except for a minute proportion of border tribesmen, the whole population is remarkably similar in cultural habits. Religion, the most outstanding source of rivalry among people on the Indian subcontinent, has almost totally been in the background for quite some time and barring a major mistake by the political leadership, is unlikely to surface again as a dominant factor. Internally, there seem to be few vested interest groups strong enough to make a resolute stand against social reform. Feudal interests, though still in existence and dominant in rural production relations, are nowhere near the Latin-American or Middle-Eastern latifundias in size, power or political influence. Domestic capitalists, completely dominated by their West-Pakistani counterparts in the past, would not be strong enough to impose their will on a determined government to persuade it to adopt an industrialization policy which benefitted them at the cost of national welfare.

The new government gave great importance to economic policies, and planning in particular. A planning commission, with a Deputy Chairman having the status of a Minister and with three other members having the status of State Ministers, was set up to design the five-year plan for the country and also to devise economic policy. Eminent economists who had criticized the inefficiency and exploitation of Pakistan's development strategy were included in the commission. The investing of high rank and status to the commission bore testimony to the importance that the government attached to issues of economic management in the new republic.

The planning commission brought out the first five-year plan (1973-78) within the record time of a year and half after the liberation of Bangladesh. It is indeed unusual for a country to prepare a five year national development plan within such a short time. In the case of Bangladesh, this was particularly impressive since in 1971 as it had neither adequate planning machinery nor comprehensive and reliable data on all aspects of the economy.

The Purpose of this paper is not to identify minor gaps in the plan but to comment on the broad strategy of development that the Bangladesh planning commission initiated. In recent time, the commission has come under increasing criticism for initiating policies, which are believed to be unsound in the context of objective condition in Bangladesh. This paper endeavours to examine and appraise the planning decisions, which determined the course of the economy of Bangladesh during the period of liberation. The contention is that planning efforts in Bangladesh have been naive and have not been able to overcome the theoretical and classroom approach. Certain measures emanating from doctrinaire predilections have been grafted onto the economy, which have no possibility of viability and work as disturbing factors in the system. Our observation showed that saving in the public sector is likely to be quite high in comparison with what other nations under similar circumstances have been able to achieve. The main reasons are: a) the existence of a tax structure imposed in the past by the central Pakistan Government which could be made to generate a tax revenue of something around 8 to 9 percent of GDP; b) the ownership of the large-scale industrial enterprises deserted by (West) Pakistani industrialists and businessmen which would be a

source of surplus for the Government of Bangladesh; c) the prospect of a very low outlay on defence which claimed well over half the revenue earnings of the subcontinent governments; and d) the freedom from the large debt service that the former provincial Government in Dhaka was burdened with through a complicated accounting charade devised by the then central Pakistan Government. By June 1972, six months after independence, the economic policy of the Bangladesh Government had taken shape at least in outline.

The constitutional goal of planning in Bangladesh is to establish a democratic socialist state. The logical implication of this new orientation is to emphasize deliberate changes in the distribution of real income as the principal policy objective. The purpose is to assure a minimum real income to all people and to raise the same progressively until the range between the minimum and maximum is reduced to the desired extent. Bangladesh was also constitutionally committed to retaining the multi-party system, justifiable fundamental rights, independence of the judiciary and all other ramifications of democracy. In pursuance of the long-term goal of socialism, the existing big and medium industries and public sector agencies were nationalized. After liberation, ten new corporations were set up. These are Bangladesh Jute Industries Corporation, Bangladesh textile industries Corporation, Bangladesh Paper and Board Corporation, Bangladesh sugar mills Corporation, Bangladesh steel mills Corporation, Bangladesh mineral & natural oil Corporation; Bangladesh Tanneries Corporation, Bangladesh Food and Allied industries Corporation, and Bangladesh Fertilizer, Chemical and Pharmaceutical Corporation.

Planning in Bangladesh has been characterized by fuzziness and lack of commitment to a certain clear course of action. Since liberation, aggregate prices rose three times and the price of rice, the staple food of Bengalees, rose in some places by almost ten times from the pre-liberation level. Unemployment had been on the increase and the bottom 30% of the population who neither contributed nor benefitted from national productivity tended to grow. It was indeed the poorest class whose condition became cumulatively worse until a vast number of them starved to death in the famine that swept through Bangladesh in the fall of 1974.

The basic requirements for economic development are to accelerate the rate of accumulation and to make effective utilization of the existing and incremental resources. These requirements must be fulfilled by any economy irrespective of ideological considerations or the nature of practical constraints; otherwise there will be no growth. Development strategies differ from one another in respect to: first, the methods employed in mobilizing resources and accelerating the rate of accumulation; second, the incentive patterns and institutional arrangement used to facilitate effective utilization of resources; and third, in deciding the contents of economic growth, namely, the composition of the output bundle, the time horizon and the beneficiaries of growth.

The above description indicates that the biggest problems of Bangladesh are: (a) low output of agriculture per unit of land, (b) lack of diversification and (c) huge unemployed population that had now become a burden on the agricultural sector. Fortunately, in these specific areas the Japanese experience is very relevant for us. We are already producing rice not only on too much of our land, but

are also producing more rice per head in Bangladesh than Japan is doing now, although Japan does not have to import rice. In Japan now, per capita production of rice is 3.4 maunds and in Bangladesh the figure is 4.6 maunds. Thus, through increase of yield per acre and through diversification, we can bring down the acreage under rice and reduce our import of agricultural commodities that can be grown on our soil. For increase of yield per unit of land, we need large scale work on land conservation, levelling and embankment construction to reduce our dependence on nature and to regulate the supply of water. This kind of work needs massive labour employment and an overall land development plan.

The major element in this work is the continuous employment of thousands of people year after year, inspired with the “People’s War” spirit. This forms capital, provides employment to man-power and ultimately increases productivity. Possibly it suits our need very well, if we can inspire and honour the workers for their noble contributions. Men have always made sacrifices for high ideals and noble goals, provided that they could be inspired by honest and selfless leadership. This is an alternative to make people work purely through monetary compensation. This may be better in our country, with a colonial background, as compared to works-programme type of effort which increases dependence on foreign aid, leads to corruption and cannot take full advantage of the rural unemployment, as funds are limited. In Bangladesh, there is at present considerable demand for clean and inexpensive restaurants, amusement centers, laundries, public transports, processing of food, tailoring, etc. Yet, there is no method by which a person can obtain these skills (except through the traditional apprenticeship) not open to everybody. These small industries can employ man-power and

make such services available to others that encourage them to work more and earn more. With training and some initial credit many people can be employed through these industries, by making primary education compulsory. We can employ at least 2000 thousand matriculates that are now in the category of educated unemployed. Making primary education compulsory does not need any foreign exchange and no costly constructions at the beginning.

For the supply of capital, reliance on our own resources is the Japanese lesson. But a healthy banking system and manufacture of machinery and capital goods like building material will encourage people to save and invest more. Now, saving is done mainly for security. But continuous fall in the purchasing power of taka and shortage of durable goods discourage people to save. Also, for increasing capital, peace and stability in the country is needed. Definite government policy for long term role of private capital needs to be clearly stated. It is felt that the policy of a 10-year moratorium for newly invested private capital in small industries (announced by the government of Bangladesh in 1972) does not appear attractive. One way of making the existing industries more efficient and to reducing the black marketing of foreign exchange is to make our exchange rate more realistic, so that of foreign exchange. It will make the imports costly and therefore, encourage home industries and simple living. In the matter of foreign trade, non- traditional exports have to be increased. For example, there are many items that have no demand in our country, but are used as food or raw material in other countries. Now such items are not exported because the foreign buyers need a big amount of the product and with some processing that do not exist in Bangladesh. This is an area, in which foreigners can be invited to teach us and

we may develop the export with their help. Examples of non-traditional items that may have international demand are oyster, mushrooms, pigs, frogs, tortoise, alcohol from rice or molasses, tropical fruits, like lichus, pineapples, guava and ground spices, pickles from tropical fruits, animal blood, human hair etc. For this, the entire developed world in the non-tropical areas is a potential market.

Lastly, our future development needs creation of achievement motivation in the minds of the people. This is needed to off-set the colonial attitude of frustration that has developed over several generations in the past. This can be done by introducing achievement oriented writings in the school syllabuses and by the award of prizes and honours for extra- ordinary success earned by individuals.

It will appear from the foregoing discussions that for solving many of our problems of rural economic development, we can be benefitted by a selective absorption of the Japanese experience and by following the spirit of Meiji Restoration. This spirit consists of (a) solving the more important problems first, (b) shaping our economy in the light of our own resources and handicaps, and (c) increasing the skill and employment of the human resources, while keeping their values and ways of living traditional as long as possible. In our case, it is not going to be an easy task. Because, which independence, we have also introduced a democratic form of government and we have now, a big nationalized sector (85 percent of the industrial capacity in the modern sector, all banks and all insurance companies). We have also inherited some social characteristics that are contrary to economic development through private initiative or a mixed economy e.g, corruption frustration, religious fanaticism and deterioration of law and order.

(3.2) Role of Bank in Economic Development of Bangladesh

The People's Republic of Bangladesh is a least developed country with consistent economic growth over the years. Financial sector has evolved beyond banking. Financial sector of Bangladesh, like most poor countries, is dominated by banking enterprises. Banks and other financial institutions play a vital role in fostering the economic and social condition of a country. They help to develop a conducive climate for capital formation through three stages such as savings, financing and investments and the role of banks is instrumental in all these stages. Banks in Bangladesh now constitute the core of the country's organized financing system. They mobilize the savings of people and channel the resources towards different sectors of the economy. The bankers, committee of Bangladesh Bank determines the planned allocation of resources among sectors and regions with the objectives of achieving balanced regional and sectoral development. Commercial banks provide advances in the form of short-term and long term loans.

Specialized banks and financial institution have their special purposes. The roles and functions often overlap among the banks and financial institutions. Bangladesh Shilpa Bank (BSB), Bangladesh Shilpa Rin Sangtha (BSRS) and Bank of Small Industries and Commerce (Bangladesh) Limited work for industrial financing. Investment Corporation of Bangladesh (ICB) operates capital market, Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnoyan Bank finance the agricultural sector.

Bank advances assist economic development

Advances not only play an important part in gross earnings of banks, but also promote the economic development of the country. All types of business activities including trade, industry and agriculture have to depend on bank finance in one form or the other. Banks by channeling accumulated savings of the nation into productive uses help both the depositors and the borrowers. Banks assist in creating more avenues of employment and thus help raising the standard of living of the people.

Funds for lending

If we examine the balance sheet of any big commercial bank in Bangladesh, we can observe that the main sources from which funds become available for lending and or investment are:

- (a) Paid-up capital.
- (b) General reserves and other reserves.
- (c) Deposits of all types-fixed, saving, current, recurring, cash certificates, etc.
- (d) Borrowing from other banks, more particularly the central banking institution, viz Bangladesh Bank.
- (e) Undistributed or unallocated portion of current year's profits.
- (f) Call loans from financial institutions, such as, life Insurance Corporation, etc.

The total working funds also include some 'contra' items such as acceptances, endorsements and other obligations, Bills for collection being bills receivable on the liabilities side, and

corresponding items say, Constituents liabilities for acceptances etc. or bills receivable being bills for collection on the assets side. The composition of working funds may vary from bank to bank, depending on the capital reserves, deposits and borrowings of each bank, but it will be observed that the bank's own fund paid-up capital, reserves and unallocated profit account from only a small percentage of working fund. The major contribution comes from deposits of all kinds.

Development of financial and services market

The corporate sector is the main cause for the introduction of development of financial services market in Bangladesh. The corporate sector's growing quest for credit at low cost and in high volume has given birth to a host of new institutions specializing in capital market instruments such as certificate of participation, bonds and certificate of deposits. These instruments are relatively cheaper in terms of overall cost than bank credit.

Another popular and sometimes quicker means of raising long-term sources are floating of debentures, issue of shares and offer of public deposits. Banks now offer their expertise in managing these issues under what is known as merchant banking services.

i) Merchant Banking

The merchant banking activity comprises managing of public issues, underwriting them and loan syndication by co-ordinating with other banks and financial institutions. The services include finance and management consultancy services, preparation of project reports, arranging for technical consultancy, mergers, amalgamations and reconstructions and so on.

ii) Portfolio management

Banks have been extending services for managing surplus funds of their corporate customers either directly or through merchant bankers. This activity is called portfolio management. It involves assisting their clients in investing their funds in a manner that balances the two economies namely, maximum yield and liquidity. Portfolio management has seriously affected the deposit growth leading Bangladesh Bank of Bangladesh to progressively place restrictions on this business.

iii) Leasing

Conventional term credits becoming harder to obtain from banks, owing to inadequacy of loanable funds with them, industries have begun funding their fixed assets through leasing.

iv) Mutual Funds

Several major financial institutions and banks have floated new subsidiaries to undertake the business of investment in capital market through collecting subscriptions for mutual funds. The business is to invest these funds in shares and debentures and distribute dividends and interest so earned among the Mutual fund subscribers. The operators offer a floor rate of return which is usually higher than the bank rate and would add profit taking –when income from such investments becomes higher.

v) Factoring

Among the most recent services proposed to be taken up by some of the banks is factoring. This involves the factor, the banker, undertaking to collect, to account for and to manage client's debts and also to finance the clients either by lending against account receivables or purchasing/discounting them

outright for a charge called discount. The client assigns debts to the factor who collects debts on due dates. Factoring has already been popular in the developed countries as a regular part of financial service. In Bangladesh too, it has a good prospect of becoming popular as there are innumerable small and large industries facing considerable difficulty in releasing trade dues.

Vi) Housing Finance

Commercial Banks have been permitted to float subsidiaries to undertake housing finance as a specialized business

vii) Consumer Credit and Credit Cards

Emulating some of the developed countries of the West, Commercial bank in Bangladesh have been offering credit cards to some of their customers. They have a link-up with international network such as Master Card or VISA. This is, however, not a profitable business for the banks and is, in fact, particularly risk-ridden. The credit cards serve an intangible purpose of good advertisement for the individual bank.

viii) Travel Related Subsidiary

Consideration of the need to generate foreign exchange resources from all quarters has prompted Bangladesh Bank to permit commercial banks to enter into travel related business in a big way. Travel related services would include arranging package tours especially for foreigners, arranging hotel accommodation and making transport arrangement, all for a cost. Hospitality has begun to be recognized as an industry.

Bangladesh and the World Bank working for a better tomorrow:

Now World Bank is playing vital role in economic development of Bangladesh. Bangladesh has made important progress in human development, in liberalizing its economy for rapid, outward-oriented growth, and in innovative models of NGO-led development that are being replicated worldwide.

A Vision of Bangladesh in One Generation the Vision

Bangladesh can win the war on poverty within one generation, meeting the basic needs of the vast majority of the population by 2020. A recent study suggests that Bangladesh could reach middle income status by 2020, with a per-capita income of over \$1200 (at 1997 prices). The targets would be:

- ✚ A population growth rate down from 1.8 percent to 1.2 percent per year, with a net replacement ratio of 1 reached by 2010.
- ✚ Infant mortality for children under five halved from 80 per 1000 live births to under 40
- ✚ Maternal mortality reduced by three-fourths from 450 per 100,000 to 125
- ✚ Server malnutrition for all ages eliminated, and malnutrition among children down by 80 per cent.
- ✚ Every child, girl or boy, enrolled in primary school and most completing primary education
- ✚ Enrolment in secondary school, with gender parity, doubled from 26 per cent to 52 per cent
- ✚ Adult literacy raised to 95 per cent of the 15+ population

These achievements would exceed the OECD Development Assistance Committee's Basic Goals for 2015, as laid out in shaping the 21st Century: The contribution of Development Co-operation.

The Bank is committed to assisting Bangladesh in attaining this vision. Within its country- assistance strategy (FY 1998-2001) the Bank will help human-development endeavour by supporting .03 million additional contraceptive users, leading to a total of 16 million users immunization for 8.4 million new-born children and a similar number of pregnant women, provision of basic health services to 1 million women and children per month at satellite clinics, and 50 million outpatient visits per year at Thana health complexes.

Community- based projects to improve the nutrition of over 03 million pre-school children, adolescent girls, and lactating mothers primary, secondary, and nonformal education projects to bring quality education to more than 24 million children and adult's microcredit, microenterprise credit, and local community-based social development loans to provide capital for 02 million women borrowers.

To support these achievements, Bangladesh will need outward-oriented economic growth led by the private sector and averaging above 7 per cent. Investing today in infrastructure, public institutions, and correct policies are needed to make this happen, accompanied by safeguard actions to reduce vulnerability to natural disasters and global climate change.

The IDA, IFC, and MIGA will assist Bangladesh by implementing this country-assistance strategy and others to come. The Bank aims

for its assistance to Bangladesh to go beyond the financing of development to leave behind sustainable institutional capacities. But Bangladesh continues to face a monumental challenge of poverty. And it must stay abreast of the increasing pace of change in South and East Asia and in the global economy. Meeting these challenges though rapid economic growth, human development and targeted programs for the poorest requires vision, leadership, and a sense of shared purpose.

Successful development can spring only from the capacities and genius of the people: it cannot be forced. The World Bank believes that people are at the center of the development process, not just as beneficiaries, but more especially as the instruments of their own development. It is committed to a genuinely collaborative endeavour, so that it can work with the government and people to develop Bangladesh and improve the quality of its people's lives. The driving force must be the people themselves through the government, through private-sector initiatives, and through the myriad of civil society organizations.

The Bank enjoys a close partnership with the government of Bangladesh and with civil society-NGOs, the Chambers of Commerce and Industry, academia, the media, and research institutions. It is proud of this relationship and stands ready to support all efforts that will promote Bangladesh's rapid economic and social development in sustainable ways.

The World Bank and Bangladesh: Building Better Lives aims at raising awareness about the role of the World Bank in Bangladesh. Through a better understanding of the Bank's activities, we can hope to achieve a more informed dialogue and hence become a more effective partner in development.

Reduction of poverty remains the World Bank's overarching mission in Bangladesh. For more than two decades the Bank has financed about a quarter of all foreign-aid commitments through interest-free credits repayable over 30-40 years, with a 10 year grace period- equivalent to nearly 90 percent in grants.

In the early years the Bank supported efforts to expand agricultural production, which have helped Bangladesh, achieve a self-sufficient food supply. And to develop population and family- planning programs that have dramatically lowered the high fertility rates.

From the mid- 1980s, the Bank expanded support for more energy projects, particularly in the oil and gas sector, to reduce the country's dependence on imported energy and speed up development of its own gas reserves. Population and family-planning programmes remained a high priority, as did primary healthcare, primary education and educating girls. The Bank also supported the government's efforts to encourage private-sector development and to deal with distortions in trade, pricing, credit allocation and interest rates.

Today, five themes underpin the World Bank's strategy to help reduce poverty in Bangladesh:

- Helping to improve macroeconomic management essential for rapid, sustainable economic growth which is a precondition for poverty reduction.
- Promoting a competitive private sector as the engine of growth.
- Promoting better public-sector management and better public services accessibility by the poor.

- Accelerating agricultural growth and rural development where the vast majority of the poor live.
- Promoting faster and fairer human development to reduce malnutrition and the burden of ill-health and enhance access to education. The challenges for the government in Bangladesh are also:
- To rehabilitate and modernize the judiciary and restructure banks and other financial institution.
- To create viable and representative local government.
- To improve services in the cities.
- To strengthen law and order.
- And to foster an effective civil society.

The World Bank Group is working closely with the government and the civil society in Bangladesh in facing the country's development challenges.

(3.3) Role of Private Bank in Economic Development of Bangladesh

Banking in the sub-continent has undergone a big change. During the British regime, banking was concentrated only in the areas of commercial and administrative importance. Independence of Bangladesh saw yet another major change in the banking sector. Simultaneously, Bangladesh Bank, the Central Bank of the country was established in 1972 by the presidential order No. 127 of 1972 (which took effect on December 16, 1971) through the order, the eastern branch of the former state Bank of Pakistan at Dhaka were renamed as the Bangladesh Bank as full-fledged office of the central Bank of Bangladesh. Bangladesh Bank had taken measures such as credit expansion, branch expansion, deposit mobilization, advances to priority sectors through the banks. Immediately after independence of Bangladesh, banks started their operations under full government ownership. Later, some of the banks were denationalized and the government allowed banks to be established in the private sector. Banking operations have been diversified. A number of specialized banks are established. Development finance institutions also exist to supplement the Banking sector. In an effort to boost the economy, government has been following a pragmatic policy relating to the banking sector in Bangladesh. Despite many odds and problems now facing banking sector, it is expected that it would be able to meet up the challenges ahead, particularly of the next century.

Taking advantage of the liberalization policy of the government regarding participation of private sector in the banking business, a number of private sector banks were established in-and-after 1983, with the emergence of private banks in Bangladesh, a competitive situation in the sector has been created.

There was no domestic private commercial bank in Bangladesh until 1983. In 1983, the Arab Bangladesh Bank commenced Private Commercial Banking in the country. Five more commercial banks came up in 1983. Subsequently in the mid 90's some more banks in the private sector also commenced the operations. Finally in third generation of private sector banks was given permission to operate and initiated a moderate growth in banking financial institutions. There are fifty commercial banks in Bangladesh and most of them are private banks and few are foreign banks.

Bangladesh is a developing country of the third world. For this reason, the role of banks in development of the country is inevitable. But for development of economic infrastructure, boosting social awareness, development of human resources the role of private sector banks is more imperative than the nationalized banks. Moreover, side by side with our private banks, foreign private banks are also coming up to make contribution to dissemination of education and to arrange free treatment of the poor people.

Bangladesh economy has been experiencing a rapid growth since the 90's. Industrial and agricultural development, International trade, inflow of expatriate Bangladeshi workers' remittance, local and foreign investments in construction, communication, power, food processing and service enterprises ushered in a era of economic activities. Urbanization and lifestyle changed concurrent with the economic development and created a demand for banking products and services to support the new initiatives as well as to channelize consumer investments in a profitable manner.

Private Bank was designed exclusively for a select group of their client-individuals like them whose financial needs are complex and whose time is at a premium. They receive a superior level of customer service that will cater to their every financial need. With Private Banking, they will develop a strong working relationship with their Private Banker. Private Bank represent a diverse base of expertise in the financial services industrial, socio-economic such as commercial lending, retail Banking, mortgage, investment, consulting, retirement plan administration and agricultural development as well as in the overall economic development of the country since its inception though saving mobilization and investment of fund. They understand customers unique needs as an affluent individual and dedicated to providing client with a comprehensive portfolio of exclusive products intime, confidential and convenient access to a full range of Personal and customer services designed to meet all of financial needs.

Private bank has its prosperous past, glorious present, prospective future and under processing projects and activities. To keep pace with time and in harmony with national and international economic activities and for rendering all modern services, private bank, as a financial institution has automated all its branches with computer network in accordance with the competitive commercial demand of time. Moreover, considering its forthcoming future the infrastructure of the bank has been rearranged.

The emergence of private bank in the private sector is an important event in the banking arena of Bangladesh. When the nation was in the grip of severe recession. Government took the farsighted

decision to allow in the private sector to revive the economy of the country. Several dynamic entrepreneurs came forward to establishing a bank with a motto to revitalize the economy of the country. They are determined to bring back the long forgotten taste of Banking services and flavors. They want to serve each one promptly and with a sense of dedication and dignity.

Banks of our country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver excellence in Banking. We draw their inspiration from the distant stars. Their team is committed to assure a standard that makes every banking transaction a pleasurable experience. Their endeavour is to offer you razor sharp sparkle through accuracy, reliability, timely delivery, cutting edge technology, and tailored solution for business needs, global reach in trade and commerce and high yield on your investments. Their people, products and processes are aligned to meet the demand of our discerning customers. Their goal is to achieve a distinction like the luminaries in the sky. Their prime objective is to deliver a quality that demonstrates a true reflection of their vision- excellence in Banking.

Private bank playing a vital role in economic and social sector of the country.

Here highlight some private commercial banks this kind of activities:

Dutch-Bangla Bank Limited: The ethos of DBBL for pursuing its activities in social arena has got further momentum with your enthusiasm and support. Dutch-Bangla Bank Foundation (DBBF) is consistently pursuing its objective of being active in those social areas where it is needed most. The foundation carries out diverse social and philanthropic activities in the field of education, health, conservation of nature, creation of social awareness, rehabilitation of distressed people and such other programs to redress human sufferings. It also promotes different socio-cultural and sports activities. Your Board of Directors in order to discharge its corporate social responsibilities in a greater perspective continued its contribution amounting to 5.00% of Bank's profit after charging loan loss provision to Dutch- Bangla Bank Foundation (DBBF).

It is important that citizens of a society enjoy the full benefits that society offers. A society, in turn, flourishes when its citizen can contribute their fullest potential. The well-being of individuals is jeopardize when normal developmental processes are interrupted by personal crisis, poverty, unemployment, poor health and inadequate education. Dutch-Bangla Bank Limited (DBBL) is the first Bangladeshi-European joint venture bank in Bangladesh addresses social concerns that threaten the structure of society and redress social conditions that adversely affect the well-being of people and society. DBBL practice thus encompass the professional activities of helping individuals, families, groups, organization, and communities to enhance or restore their capacity for optimal social functioning and of creating societal conditions favorable to this

goal. Dutch-Bangla Bank Foundation (DBBF) was established on 3rd June, 2001 to perform humanitarian works like rehabilitation of the destitute and neglected portion of the society specially grassroots level poor in right track. Aims and objectives of DBBF are as bellow.

- **Providing support for higher education**
- **Caring Patients Living with AIDS**
- **Operation facilities for V.V.F & prolaps uterus**
- **Providing support for higher education & Research**
- **Stop Acid Violence**
- **Rehabilitation program for mentally/ physically challenged children**
- **Smile brighter program to bring back enduring smile**
- **Save the nation from the curse of dowry**
- **DBBL serves the distressed humanity**

Bank Asia: Bank Asia remains ever conscious of their social responsibility as an integral part of corporate culture. As a new initiative to help the handicapped and the underprivileged the bank signed an agreement with the Bangladesh Eye Hospital on May 12, 2005. The agreement is for the treatment of all born-blind children of Bangladesh, where Bank Asia will provide all necessary financial support including surgery costs, medicines and other expense, and Bangladesh Eye Hospital will provide all required institutional and professional support. During the year around 200

eye operations have been performed and the bank donated about Tk, 1.34 million for the purpose. Budget for the year 2006 is Tk. 2.00 million. During the year the bank also arranged a program with the Islamia Eye Hospital to provide free eye examination to the school children of Munshiganj and Kishoreganj.

Our poverty alleviation scheme “**Palli Shahnirvor**” and **Kormoshangsthan Prokolpo**” operating through the rural branches are financially benefiting the poor.

The Bank recently provided financing through its Tarail and Ashulia branch to the NGOs Bandhan society, Kishoreganj which is working on different socio economic and environmental development projects and to BURO, Tangail which is providing sustainable financial services for the economic development of the landless and disadvantaged poor people mainly to women.

The Bank also introduced a Scholarship program for poor meritorious students of rural areas. Undertaking the responsibility for beautification and maintenance of one of the prime roads of Dhaka city is testimony to our environmental consciousness and commitment.

One Bank: Bank tried to mitigate the sufferings of the flood stricken people in the villages of Meradia / Shatarkul (Dhaka), by distributing family bags amongst 1,100 families. Each bag contained the following items: Rice: 3kg, Pulses: 1kg, Salt: 1kg, Molasses (Gur): 1kg, two pieces of Sari & 2 pieces of lungi (one large and one small). The recipients very much appreciated our endeavor, 111 new houses constructed for the flood affected families at Sylhet and Dohar.

After the flood waters had receded, the Bank constructed or repaired 111 houses, at an average cost of Taka fifteen thousand each, in the following two areas:

- a) Mahmudpur Union Council- 07, P.O Horichandi, P.S: Dohar, Dhaka-53 houses.
- b) Mullargoan Union Council, Dhakin Surma, Sylhet Sadar, Sylhet-58 houses.

The Bank spent around Taka three million in flood related relief activities.

Bank has been actively supporting the flourishing of Cricket in Bangladesh. To facilitate the movement of cricket officials, the Bank has presented one microbus to the Bangladesh Cricket Control Board. In addition, our bank had been the official tickets sponsor for the New Zealand, India and Zimbabwe cricket (Test and ODI) series, during the year 2004. We are very pleased that during our above described association, Bangladesh Team's performance has started to turn around and the victory against India and Zimbabwe has made the nation proud.

Trust Bank: Trust Bank ltd. plays a lead role in fulfilling its corporate responsibilities to the Gambia society. Other than the numerous donations and sponsorships that the bank makes to various applicants in the society, the health, education and youth and sports sectors occupy special priority areas for intervention.

The RVTH Sanatorium, Maternity Ward at the AFPRC General Hospital and the Banjul Half-Die Clinic receive special attention as the bank disburses annual donations to refurbish and provide necessary equipment and assistance for improved health care. For Trust Bank ltd. improved health care delivery system should the

priority business of every business sector. The budget earmark for the health component alone is estimated at D5.5 Million.

In the Education sector the bank is involved in the promotion of quality in education. Through its annual Excellence in the Millennium Award the top ten students of the Gambia Basic Education Examination receive cash prizes and certificates of merit in recognition of excellent results. The bank also sponsors cash prizes during speech and prize giving days in schools to reward hard working students. The bank also sets up and sponsors Business Clubs in senior secondary schools, the objective of which is to inculcate in students the business ethics and culture so as to nurture them to become job creators rather than job seekers when they complete their school career. The project covers 15 pioneering schools from all regions of the country and is expected to expand on annual basis to cover all senior secondary school in the country.

Sports occupy a soft spot in the heart of Trust Bank. In partnership with Western Union Money Transfer, Trust Bank is main sponsor of annual Nawettan football in the country. Recently, the bank observed declining enthusiasm in secondary school sports and injected the required cash to rejuvenate it. Henceforth, all secondary schools in the country will compete for attractive Trust Bank cash prizes, and trophies in four sporting disciplines namely, football, volleyball, basketball and athletics.

Trust Bank Ltd. shall remain be committed to this drive, as it from the belief of Directors, management and staff that the bank should respond adequately to the needs of the community in which we operate and for whom we are in business. For this reason the bank with its reliable partner Western Union annually gives more than 10% of annual profits back to the community.

Social Investment Bank: This bank is doing lots of non formal banking work and voluntary banking work for social and economic development of the country. This are:

- 1) **Family Empowerment Micro-Enterprise Program:** The scheme is introduced only for small and medium Businessmen. Ceiling of investment is from Tk50000 to Tk. 5,00,000 @ 10% return per annum at flat rate for maximum three years. Investment of above Tk. 50,000 minimum collateral security is required.
- 2) **Family Empowerment Micro-Enterprise program (SMSS):** Considering the potentiality of SMEs sector, SIBL has launched Family Empowerment Micro-enterprise program (SMEs) to fulfill the diversified need of SMEs clients. Investment ceiling under this program is from Tk. 2,50,000/- to Tk. 5,00,000/-=@ 14% return per annum for one year on revolving basis.

Small, Medium and Micro-Enterprise Development Program jointly with JOBS project, USAID : On the basis of Memorandum of Understanding (MOU) signed in 2001 between social Investment Bank Ltd. and Job Opportunity and Business Support (JOBS), collaborative efforts are being made to create easy access to business capital for the Small Medium and Micro-Enterprises (SMEs) through enhancing the capacity and performance of the entrepreneurs with available technical assistance from JOBS to be financed through Social Investment Bank Ltd. (SIBL) under Family Empowerment Micro-Credit and Micro Enterprise Program.

Cash Waqf Scheme : In the voluntary sector SIBL has also introduced cash Waqf Certificate, a new product for the first time in the history of banking. Together, a new beginning can be made for a participatory economy.

Cash Waqf provides a unique opportunity for making investment in different religious, educational and social services. Savings made from earning by the well off and the rich people of the society can be utilized in our organized manner. Income earned from these funds will be spent for different purposes like the purposes of the waqf properties itself. This scheme has been well received by the public in general due to its unique feature.

Mosque Waqf property Development Scheme : As a declared corporate policy, the Bank intends to help mosque and waqf property holders with free consultation & technical supports so as to make it economically & socially self-sustained. Meanwhile, the bank has completed a small project for development of a mosque property at Uttar Khan, Dhaka.

HSBC: Private banking is about much more than traditional banking services of deposits and loans. It's about providing the personal one-to-one service that is essential after a certain level of wealth. It's about finding creative solutions to the complicated situation to help affluent individuals and their families to manage their wealth today, and to develop new sources of wealth for future generation. From intentional tax and investment services to specialist advice for the family offices, a private bank offers a comprehensive menu of sophisticated products and services that cater for the particular financial needs of a wealthy client.

At HSBC private Bank, our approach is to take a complete view of your wealth. Your relationship manager will help you to identify your wealth goals and to develop personalized strategies to help you achieve them. We can help you.

Manage your wealth: Private banking is about building relationships. We believe in providing a service that is personal, and personalized. We begin by understanding your individual financial needs, and endeavour to find the best solutions to fit your inevitably unique situations.

Develop and protect your wealth for the future: It is as important to manage your wealth today as it is to plan for tomorrow, and for the generations that follow you. With one of the largest trust businesses and a global network of investment services spanning six continents and all major markets, HSBC Private Bank strongly believes in securing the financial future of you and your family, and in finding new sources of wealth most appropriate to your needs and interests.

Manage the impacts of wealth: Wealth can present unique lifestyle situations. You are buying new homes, investing in art or even relocating overseas, a relationship with HSBC Private Bank opens up a range of specialist services to you and your family. Our teams of specialists offer expertise in areas including philanthropy, property investment, tax advisory, media and immigration services.

The Private commercial banks of Bangladesh earned nearly 40 percent more in operating profit in 2007 compared with the previous year, as officials said. Operating profit of 30 commercial banks rose to about 52 billion taka (\$758 million) in 2007 compared

with nearly 38 billion taka the previous year. The Islami Bank Bangladesh Limited's (IBBL) posted the strongest growth in operating profit, up nearly 56 percent to 5.50 billion taka in 2007 compared with the previous year. "We were cautious in selecting our clients and also closely and regularly monitored them to recover their confidence after a changed situation." Mohammad Aatur Rahman, a senior vice president and the spokesman of the IBBL told Reuters on 16 January 2008.

Economy of Bangladesh had been roiled by political uncertainty, with the army-backed interim government under pressure to stick to promises to hold a free and fair election before the year-end. But in spite of difficult business climate, the central bank said high lending rates underpinned bank profits.

Credit growth of the commercial banks fell 8.01 percentage points in the first 10 months of 2007 compared with the same period of previous year. But the average lending rate of banks was 12.77 percent in 2007 versus 12.60 percent in 2006, while the average deposit rate in the period was 6.85 percent and 6.99 percent, respectively. "The difference between interest rates on lending and deposit is much higher, which should not be more than 3.0 percent." a central bank official said. Central bank Governor Salehuddin Ahmed last week In January 2008 urged private banks to maintain a tolerable level in interest rates. "If they do not comply with the instruction then we may interfere in the market," said the official, who asked not to be identified. "All the commercial banks have already been directed to give their plan on how they want to reduce the gap between lending and deposit rates," the official said (\$1=68.58 taka).

(3.4) Previous Study

The Literature Review

Dr. Shakoor (1990) in his doctoral thesis entitled "Performance Evaluation of the NCBS: A Comprehensive study" found that there is ample scope to develop the performance of the NCBS through making efforts for the productive utilization of fund. He emphasized that fact that the fulfillment of social obligations is major limiting factor for enhancing the profitability of the NCBS.

The area of performance measurement indicate that the term performance evaluation, merit rating and performance appraisal are mostly used in measuring performance of an employee (Bhattacharya and Karmaker, 1989)

A well designed broad purpose of performance evaluation is to improve performance through self-learning and personal growth. This developmental purpose is accomplished when employees are made aware of their strengths and weaknesses and ways of improving their skills and abilities (Ivancevich and Gibson, 1980)

Variations in the concept of 'performance' primarily arise due to the variations in the expectation of concerned persons from a given organization in a given context. Three diminutions of performance have been used for the comparative study of organizational performance over time: productivity, employee morale and effectiveness.(Van and Andrew,1976)

The key methodological issue in this regard is whether to choose one or more than one of the indicators of mentioned above. There remains the problem of choice of indicators reflecting each of the major dimensions of performance (Bhattacharjee and Saha, 1989)

John R. Presely, (1992) concluded from his study that there is a need for the greater risk management in relation to more effective portfolio management, and his requires a greater emphasis upon the nature of risk and return in the bank asset structure, and the greater diversification of assets in order to spread and reduce the bank's risks.

Bhattacharjee (1989) finds out five sets of productivity measures representing five different dimensions, two sets showing rising trends while three sets of productivity measures were found to be associated with variations in policies pertaining to structure and processes as well as variations in deposit mix, credit mix and service package offered by banks. Each of these factors represented specific group of homogenous productivity measures. They were named as employee productivity, labour input productivity etc.

Moniruzzaman and Rahman (1998) made an important study to evaluate the profitability performance of denationalized banks after denationalization in comparison with their pre-denationalization profitability performance. After denationalization i.e. in 1984 the profit increased by 36.43 percent in relation to 1983's profit. They found that the profitability performance of the UBL, PBL, and RBL has been showing decreasing trend after denationalization and their profits have been showing a wide fluctuating position after denationalization period compared to the pre-denationalization period.

Ananya Raihan & et al (2001) attempted to draw the broad picture of automation and modernization of the banking business

in Bangladesh. The authors consciously distinguished between automation of banking and Information and Communication Technology (ICT) based banking.

N. Jahangir & M. Haq (2005) stated that Lack of efficiency in the NCBs of Bangladesh could be attributed to a number of sources. Absence of adequate infrastructure facilities, lack of modern technology and the use of conventional managerial approaches have all contributed to the dismal performance of the NCBs.

Shahid, Banerjee & Mamun (2004) observed traditional banking products of the banks have recently introduced several products such as consumer product, credit card, debit card, merchant banking, leasing, loan syndication etc. in terms of asset product base preferential and installment saving deposits scheme, insurance linked deposit schemes etc. in terms of liability product base, banks executives brought required up gradation in adopting these new products in Bangladesh. The extent of innovation in banking products in Bangladesh is not encouraging. They also observed that some products like factoring, financial derivatives etc. which are being used in other countries are yet to be introduced in the banking system of Bangladesh.

According to Ahmed, Rashid & Shahabuddin (2004), banking activities are aimed at serving the customers in various areas and thus performance of a bank depends upon the level of its customers' satisfaction. Many areas of customer services have been identified that are manifested with problems, which cause customer dissatisfaction. One of the problematic areas is long queue that causes delays in getting services from banks and lack of quick disposal, absence of service providers at point of sale,

etc. have major impact on the long queue. The attitude and mood of the service providers the ways of providing information and accountability towards the customers are accuracy, full services offering, consistency of the services, etc are also found to be equally important to the customers and as such this study suggests that the aspect needs to be improved. As service organizations, banks should have efficient complaint handling system. But neither private nor government banks have this system which needs to be established on an urgent basis to uphold the service quality of banking sector.

According to Akhtaruzzaman, Akther, Masuduzzaman (2005) call money market in Bangladesh was basically developed under competitive environment of the financial market. The market could not develop as expected; rather it showed a wide range of seasonal fluctuations. The study reveals that, in most cases, whenever excess reserve falls, the rate of interest in call money market rises and vice versa. It also shows that NBFIs have played a major role in the recent fluctuations. Some PCBs have taken the opportunity of borrowing money at low rates on the same day, thereby making the market volatile. Other reasons for the recent fluctuations are the expansion of credit and withdrawal of deposit by the public during the Eid festivals. Demand for cash by banks and financial institutions hit the inter-bank repo market. The Repo Market is a market in which securities are exchanged for cash with an agreement to repurchase the securities at a future date. Besides, some banks' borrowing of foreign currency from inter-bank money market contributed to the increase in both exchanges and call money rates.

According to McGahan (1999), between 1981 and 1997, the financial-market premium on publicly traded U.S Corporations rose dramatically. At the same time, accounting profitability dropped steadily. The financial-market premium is the ratio of the value of all financial claims on a firm (including stocks and bonds) to the replacement value of the firm's assets.

Chowdhury and Ahmed (2009) observed that all the selected private commercial banks are able to achieve a stable growth of branches, employee, deposit, loan and advances, net income earning per share during the period of 2002-2006. They indicate that the prospect of private commercial banks in Bangladesh is very bright.

Chowdhury and Islam (2007) stated that deposit and loan advances of nationalized commercial banks (NCBS) are less sensitive to interest changes than those of specialized commercial banks (SCBs). They also suggest that higher return on equity (ROE) ratio is appreciable as it is the primary indicator of bank's profitability and financial efficiency.

Jones et al (1999) provide evidence that when government convert state-owned firm to privately- owned firm via public share offering, they under price share issue privatization offer, allocate the share to favored domestic investors impose control restrictions on privatized firm and typically used fixed price offer rather than competitive tender offer, all to further political and economic policy objectives.

Barth et al (2001) Concluded that state-ownership of banks tends to be associated with more poorly developed banks, non-banks and securities market.

Spathis, and Doumpos (2002) investigated the effectiveness of Greek banks based on their assets size. They used in their study a multi criteria methodology to classify Greek banks according to the return and operation factors, and to show the differences of the banks profitability and efficiency between small and large banks.

Arju Tektas, and Gunay (2005) discussed the asset and liability management in financial crisis. They argued that an efficient asset-liability management requires maximizing bank's profit as well as controlling and lowering various risks, and their study showed how Shifts in market perceptions can create trouble during Crisis.

Mujeri & Younus (2009) Stated that the higher the non Interest income as a ratio of total assets of banks the lower interest rate spread. Similarly, market share of deposit of a bank, statutory reserve requirement and NSD certificate interest rate affects the Interest Rate Spread (IRS).

Bhatt and Ghosh (1992) observed that the profitability of commercial banks depend on endogenous factors like control of expenditure, expansion of banking business, timely recovery of loan and productivity, and exogenous factors consisting of direct investment such as SLR (Statutory Liquidity Ratio) CRR (Cash Reserve Ratio) and directed credit programs.

Avkiran (1997) used a complex process whereby multivariate interdisciplinary measures of potential to perform are integrated with performance measures to develop models of retail performance for bank branches.

Rahman, M. Ataur. & et al (2011) observed another serious weakness that is lack of coordination between proper human resources planning and schemes, which creates bottleneck in the progress of private sector banking in Bangladesh, because of this weakness all of the components of Human Resource Management (HRM) can't be practiced smoothly.

In a study conducted in Kuwait Edris, (1997) to determine the importance of selection factors used by Kuwait business consumers in choosing domestic and importance of selection factors used by Kuwait business consumers in choosing domestic and foreign banks. Findings of this study show that the highest ranking determinant factors of selection a bank in Kuwait by business forms were size of bank asset, personnel efficiency, banking experience, friendliness of staff, reputation, and availability of branches abroad.

Mazher M. Islam, (2003) discussed the development and performance of domestic and foreign banks in Arab gulf countries, and showed that local and foreign banks in these countries have performed well over the past several years. Moreover, he added that banks in the economies are well capitalized and the banking sector is well developed with intense competition among the bank.

Dr. Tapas Kumar Chakrabarthy (1986) made a modest attempt to assess, empirically, the relative performance of each bank in the context of three variables, viz., profit, earning and Expenses . In his study, Herfindhal's index has been computed to measure the inequality in the sharing of profits, net profit, earnings and expenses by each group of banks. The author has suggested that each scheduled commercial banks should be taken up some exercise to evaluate the relative performance of each office of the particular bank for profit planning.

The contribution of Joshi (1986) Dr. Singh (1989) and Prasadrao (1986) indicated various reasons and the studies are based on published data. They have suggested profit planning both at micro and macro levels for the banking industry to overcome the declining trends in profitability.

The word of Dr. Venkataratnam (1987) highlighted the reasons for erosion in bank's profit and profitability in recent years. The study is purely based on published figures. He argued that there is a tradeoff between social obligations to be performed by the banks and increasing profits. In a few studies, somewhat sophisticated statistical tools have been used to rank the banks in terms of their performance. But they remain only academic exercises.

Karkal. G. J (1982) in his work "Profit and profitability in Banking" examines the concept of profit and profitability, the factors that determine the volume or magnitude of profit and the techniques used in profit planning. He also has presented the profitability issue. He has suggested some measures to improve the profitability in banks through increasing the margin between lending (advances) and borrowing (Deposits) rates, improving the productivity of staff, and implementation of uniform minimum service charges. The study did not touch up the area of cost of banking services, and costing exercises in the banking industry.

The studies of Varsha S. Varade and Sempat P. Singh (1983) and E.V.K. Padmini (1989) recognized the need for the methodology in measuring the profitability of commercial banks. They employed the spread burden model to determine the profitability of commercial banks. The studies clearly establish the higher rate of decline in the spread ratio than the burden ratio. They suggested an effective cash management, merchant banking, and better

manpower planning and proper guidelines for improving the profitability of bank branches.

The work of Tiku and Radhakrishnan(1986) presented the factors responsible for declining profitability over the years. The authors opined that there is a need to identify controllable and non-controllable factors both in income and costs so as to maintain a substantial spread between costs and revenues. They have identified the need for efforts from within banks in the form of cost control and from the government and monetary authorities in the form of distinction bank's commercial role and their social obligations.

Pandey (2004) stated that the easiest way to evaluate the performance of a firm is to compare its present ratio with the past ratio. It gives an indicator of the direction of change and reflects whether the firm's financial performance has improved, deteriorated or remained constant over time.

Connelt, et al. (2009) observed how government ownership involvement in a country's banking system affects bank performance from 1989 through 2004, Their study uncovers and the interesting pattern of changing performance difference between state owned and privately owned banks arrowed the Asian Financial crisis.

Chowdhury (2002) observed that the banking industry of Bangladesh is a mixed one comprising nationalized, private and foreign banks. Many efforts have been made to explain the performance of these banks Understanding the performance of these banks requires knowledge about the profitability and the relationship between variables like market size, bank's risk and banks market size with the profitability.

Ahmed, et al. (2006) Stated that in order to strengthen the economic conditions of the economy the NCB must be improved of its NPL, ROA, ROE, NLL and other monitoring, assessment and performance evaluation metrics.

Khan (2009) stated the bank is evaluated based on profit and loss as the same way for other business. If the shareholders of the bank get more profit than the bank is identified as successful banks can attain success if relevant risks are effectively controlled.

Van Horne & Wachowicz (2005) stated that to evaluate a firm's financial condition and performance the financial analyst need to perform "Checkups" on various aspects of a firm's financial health. A tool frequently used these checkup is a financial ratio.

Brigham and Houston (2004) Stated that financial statement analysis involves comparative the firm's in the same industry and evaluating trends in the firm's financial position over time.

Jahangir et al. (2007) argued that the traditional measure of profitability through stakeholder's equity is quite different in banking industry from any other sector of business, where loan-to-deposit ratio works as a very good indicator of bank's profitability as it depicts the status of assets-liability management of banks.

Al-Shammari and Salimi (1998) started that profitability ratio especially Return on Equity (ROE) signals the earning capability of the organization. They also suggested that higher Return of Equity (ROE) ratio is appreciable and it is the primary indicator of bank's profitability and functional efficiency.

Hossain and Bhuiyan (1990) stated that there is no universally accepted operational definition of performance measures. In broad sense, the performance level of an enterprise can be measured by the extent of its organizational effectiveness. In the context of services rendered towards public, the performance of an organization can be two viewed as 'the extent to which its work is carried out by the established specifications for goods and services produced, to the general satisfaction of the clientele served, within given cost and time constraints, and in such a manner as to support or contribute to the achievement of the organization objectives.

In measuring performance level of a bank Swami and Vasudevan (1985) used per employee, deposits, advances, profits, etc.

Generally, the financial performance of banks and other financial institutions has been measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies

Avkiran, (1995). Simply stated much of the current bank performance literature describes the objectives of financial organizations as that of earning acceptable returns and minimizing the risks taken to earn this return.

(Hempel *et al.*, 1986). Chien and Danw (2004) showed in their study that most previous studies concerning company performance evaluation focus merely on operational efficiency and operational effectiveness, which might directly influence the survival of a company. By using an innovative two-stage data envelopment analysis model in their study, the empirical result of this study is that a company with better efficiency does not always mean that it has better effectiveness.

Elizabeth and Elliot (2004) indicated that all financial performance measure as interest margin, return on assets, and capital adequacy are positively correlated with customer service quality.

Scores Mazher, M. Islam (2003) discussed the development and performance of domestic and foreign banks in Arab gulf countries, and showed that local and foreign banks in these countries have performed well over the past several years. Moreover, he added that banks in these economies are well capitalized and the banking sector is well developed with intense competition among the banks.

Generally, the concept of efficiency can be regarded as the relationship between the outputs of a system and the corresponding inputs used in their production. Within the financial efficiency literature, efficiency is treated as a relative measure, which reflects the deviation from maximum attainable output for a given level of input (English M. and Warng, 1992).

However, there have been numerous studies analyzed the efficiency of financial institutions. Among these, Rangan N. and Grabowski, (1988) used data envelopment analysis to analyze technical efficiency in US banking into pure technical and scale efficiency.

Usman et al. (2009) conducted a study on banking efficiency dynamics with the financial sector reform effect. They took a data set of 20 domestic commercial banks of Pakistan and measured their efficiency using Data Envelopment Analysis Malmquist Productivity Index of Total Factor Productivity (TFP) from 1990-2005.

Tarawneh (2006) found that the bank with higher total capital, deposits, credits, or total assets does not always mean that has better profitability performance. Financial performance of the banks is strongly and positively influenced by the operational efficiency and asset management, in addition to the bank size.

Siddique and Islam (2001) pointed out that the commercial banks, as a whole, are performing well and contributing to the economic development of the country. The average profitability of all Bangladeshi banks collectively was 0.09% during 1980 to 1995 which means that a profit of Tk 0.09 was earned by utilizing assets of Tk. 100. In every aspect of profit banking sector contributes the national economy as well as to the individual organization. Despite overall growth of the banking sector being positive, the performances of different categories of banks were not equally attractive.

Bahar (1989) on the other, defining bank performance becomes imperative for establishing transparency in evaluation. The studies and views chosen from the literature did not shed any light on the definition of performance in general and bank performance in particular.

Fraser & Fraser (1990) evaluated bank performance using two basic measures-return and risk. It is worth-mentioning that they recognized the importance of some factors of performance such as: employee relations with management, morale and efficiency of employees, firm's reputation with its customers, bank's prestige in the community, quality and continuity of management. These factors were however regarded as the intangibles by them.

Ahmed Arif Almazari (2011) found that the management system in the field of banking may help decision makers to pay more attention on the major banking activities that may help in increasing the financial performance and ranking of the bank as compared to other banks. The studies also recommend the measures that could be adopted by banks to ensure soundness in their operations. It helps to bank to improve their financial performance and formulate policies that will promote effective financial system.

Medhat Tarawneh (2006) discussed the financial performance of the banks was strongly and positively influenced by the operational to the bank size. The bank managers with the understanding of activities can help to enhance their banks financial performance. The results of this study imply that it might be necessary for a bank management to take all the required decisions to enhance the financial positions of the bank.

Rayhan et al. (2011) concluded that the evaluation of banks financial performance is important for all parties like depositors, banks manager, stockholders, creditors, regulators and educationalist. In a competitive market financial bank performance provides signals to depositor investors whether to invest or withdraw fund from the bank. It flashes direction to bank manager to improve its deposit service or loan service or both to improve its finance.

Syed Golam Maola (2001) observed that the organizational missions, goals and objectives, the performance measurement model of an organization should be based on the blending of objective and subjective measures. In this era of globalization,

companies should develop a more efficient and comprehensive approach for the measurement of organizational performance.

Prof. A. C. Saha (1988) in his study found that there is ample scope to develop the profitability of the bank through better planning and control of the loan able funds.

Sorhabuddin (1985) found that after the advent of private commercial banks in Bangladesh, financial performance of the banking sector in general has improved.

Khaled (1985) while expressing his experience in banking service highlighted the limitations of the NCBS and suggested for the functioning of the private banks in co-operation with NCBS.

Abu Baker (1985) expressed the worries and frustration regarding the deterioration in the customer services of the NCBS in Bangladesh during 1975-76 to 1982-83.

Debnath (1984) in an attempt to evaluate the growth of deposits and advances of the NCBS suggested for the better functioning of the NCBS through systematic planning and control mechanism.

Hossain and Bhuiyan (1990) in his study on revealed that majority of the performance measures showed an upward trend but the magnitude of increase varied from one measure to another. There was decreasing trend in the profitability measures during the recent years.

Nayan (1982) suggested a model for evaluation of performance of commercial banks. His study led to the following conclusions: The present system of ranking the banks on the basis of aggregate

deposits fails to reflect their overall achievements. At the micro level, the existing system of performance budgeting has left much to be desired, and thus cannot be objectively used for evaluation of branch level performance. On the basis of all the important and quantifiable parameters of performance, an Integrated Performance Index needs to be developed, which will act as a model for evaluating the performance of commercial banks.

Based on the above literature, it can be said that there are some studies about banks in various countries; however a detailed study has not yet been conducted in Bangladesh context, especially banking sector. Hence the present study will be made An Evaluation of Financial Performance of Private Commercial Banks in Bangladesh.

Chapter 04

Profile of the organization

(04) An Overview of the first generation private banks in Bangladesh

After 1980s when the government allowed banks in the private sector, till now private banks are playing a commendable role in the field of economy of Bangladesh. The performance of almost all banks is satisfactory. This study is to investigate the financial performance of the five first generation private banks in Bangladesh. These five banks are:-

01. AB Bank Ltd (ABBL)
02. City Bank Ltd (CBL)
03. International Finance Investment & Commerce Bank Ltd (IFICBL)
04. National Bank Ltd (NBL)
05. United Commercial Bank Ltd (UCBL)

All these banks had been established at different months but their regimes started in the decade of 1980. In the following table, name of private banks, year & months of establishment, number of branches in Bangladesh, are shown as follows :-

Name of Bank	Month & Year of Establishment	No. of Branches in Bangladesh.
ABBL	31 st December 1981	85
CBL	27 th March 1983	98
IFICBL	24 th June 1983	99
NBL	28 th March 1983	155
UCBL	26 th June 1983	120

A Brief History of Five First Generation Private Banks in Bangladesh

01. AB Bank Limited: AB Bank Limited, the first private sector bank under joint venture with Dubai Bank Limited, UAE was incorporated in Bangladesh on 31st December 1981 as Arab Bangladesh Bank Limited started its operation with effect from April 12, 1982. AB Bank is known as one of the leading banks of the country since its commencement 29 years ago. It continues to remain updated with the latest products and services, considering consumer and client perspectives. AB Bank has thus been able to keep their consumer's and client's trust while upholding their reliability, across time. During the last 29 years AB Bank limited has opened 85 Branches in different business centers of the country, one foreign branch in Mumbai, India. The bank has correspondent relationship with over 220 international reputed banks across 58 countries of the world. AB bank is recognized as the people's choice, catering to the satisfaction of its clientele. ABBL's success lies in customers' satisfaction. Authorized capital of the bank is taka 1594.33 crore and paid-up capital is taka 368.61 crore as on 31st December 2011. At that time their gross profit is taka 247.26 crore and net profit is taka 139.04 crore.

02. City Bank Limited: City Bank is one of the oldest private commercial banks operating in Bangladesh. It is a top Bank among the oldest five commercial Banks in the country which started their operations on 27th March, 1983. It was the visionary

entrepreneurship of around 13 local businessmen who braved the immense uncertainties and risks with courage and zeal that made the establishment and sustained the condition of bank. These sponsor directors commenced the journey with only Tk. 3.4 crore worth of capital, which is now a respectable Tk. 330.77 Crore as capital and reserve. The bank currently has 98 online branches. City Bank is the first bank in Bangladesh to have issued Dual Currency credit card. The Bank is a principal member of VISA international and it issues both local currency (Taka) and foreign currency (US Dollar) card limits in a single plastic. It is another popular product of this bank. Authorized capital of the bank is taka 10,000 crore and paid-up capital is taka 505.51 crore as on 31st December 2011. At that time their gross profit is taka 419.63 crore and net profit is taka 201.83 crore.

03. IFIC Bank Limited: IFIC was converted in to a full-fledged commercial bank from 24th day of June of 1983. The Government of the People's Republic of Bangladesh now holds 32.75% of the share capital of the bank. Director and sponsor having vast experience in the field of trade and commerce own 8.62% of the share capital and the general public holds the rest. It was established due to the encouragement the of formation of bank through joint collaboration with foreign country. There are 99 branches in all over Bangladesh. Authorized capital of the bank is Tk.535.00 crore and paid-up capital is Tk. 276.83 crore till 31 December 2011. At the same time their gross profit Tk. 287.79 crore and net profit of the bank is Tk. 83.17 crore.

- 04. National Bank Limited:** NBL has its prosperous past, glorious present and prospective future under processing project and activities. It was established on 28th March of 1983. It is also a first generation private sector bank fully owned by Bangladeshi entrepreneurs. NBL has been flourishing as the largest first generation private sector bank with the passage of time after facing many stress and strain. At present NBL has 155 branches all over Bangladesh. The authorized capital of the banks is Tk. 1750 crore and paid-up capital is Tk. 860.36 crore as on 31 December 2011. At that time gross profit of the bank is Tk. 978.16 crore and net profit is Tk. 611.29 crore.
- 05. United Commercial Bank Limited:** UCB started its operation in the 26th day of June of 1983 under Company Act 1913 and has been able to successfully establish one of the largest networks of 120 branches among the first generation banks in the private sector. The authorized capital of the bank is Tk. 1685.30 crore and the paid-up capital is Tk. 727.48 crore as on 31 December 2011. In the same time the gross profit of the bank is Tk. 83.85 crore and net profit of the bank is Tk. 41.28 crore.

(4.1) AB Bank Limited

(a) History of the Organization

AB Bank Limited, the first private sector bank was incorporated in Bangladesh on 31st December 1981 as Arab Bangladesh Bank Limited and started its operation with effect from April 12, 1982.

AB Bank is known as one of leading banks of the country since its commencement 29 years ago. It continues to remain updated with the latest products and services, considering consumer and client perspectives. AB Bank has thus been able to keep their consumer's and client's trust while upholding their reliability, across time.

During the last 29 years, AB Bank Limited has opened 85 Branches in different business centers of the country, one foreign branch in Mumbai, India and also established a wholly owned Subsidiary Finance Company in Hong Kong in the name of AB International Finance Limited. To facilitate cross border trade and payment related services, the bank has correspondent relationship with over 220 international banks of repute across 58 countries of the world.

The Bank maintained its sound credit rating in 2008 to that of the previous year. The Credit Rating Agency of Bangladesh Limited (CRAB) awarded the Bank an A1 rating in the long term and ST-2 rating in the short Term.

AB bank believes in modernization. The bank took a conscious decision to rejuvenate its past identity- an identity

that the bank carried as Arab Bangladesh Bank Limited for twenty five long years. As a result of this decision, the bank chose to rename itself as AB Bank Limited and the Bangladesh Bank put its affirmative stamp on November 14, 2007

The Bank decided to change its traditional color and logo to bring about a fresh approach in the financial world; an approach, which like its new logo is based on bonding, and trust. The logo of the bank is primarily "red", as red represents velocity of speed and purity. The new logo innovates, the bonding of affiliation that generates changes considering its customer demand. AB Bank launched the new logo on its 25th Anniversary year.

AB Bank commits to nation to make a lead in the Banking sector through not only its strong financial position, but also through innovation of products and services. It also ensures creating higher value for its respected customers and shareholders. The bank has focused to bring services at the doorstep of its customers, and to bring millions into banking channels those who are outside the mainstream banking arena. Innovative products and services were introduced in the field of Small and Medium Enterprise (SME) Credit, Women's Entrepreneur, Consumer Loans, Debit and Credit Cards (Local & International), ATMs, Internet and SMS Banking, Remittance Service, Treasury Products and Services, Structured Finance for Corporate, strengthening and expanding its Islamic banking activities, investment Banking, specialized products and services for NRBs, priority banking and customer care. The Bank has successfully completed its automation project in mid 2008. It envisages enabling

customers to get banking services within the comfort of their homes and offices.

AB bank has continuously invests into its biggest asset, the human resource to drive forward with its mission "to be the best performing bank in the country." AB is recognized as the people's choice, catering to the satisfaction of its cliental. Their satisfaction is AB's success.

(b) Objective

AB Bank limited the first private sector bank under joint venture with Dubai Bank Limited, UAE incorporated in Bangladesh. Maximization of profit along with the benefits of employees is the main objective of the bank. In addition, the order objectives are:

AB bank bringing modern banking facility to the doorstep of general public through diversification of banking services, thereby arousing saving propensity among the people.

Foreign a cordial, deep-rooted and firm banker-customer relationship by dispensing prompt and improved clients' service.

Taking part in the development if the national economy through productive deployment of the bank's resources as well as patronizing different social activities.

Connecting clients to modern banking practice by the best application of improved information technology. So that they get encouraged to continue and feel proud of banking with ABBL.

Ensuring highest use of the professional workforce through enhancement of their aptitude and competency.








Responding to the need of the time by participating in syndicated large loan financing with likeminded Bank's of the country, thereby expanding the area of investment of the bank. Elevating the image of the bank at home and abroad by sustained expansion of its activities. Ensuring maintenance of capital adequacy, comfortable liquidity, asset quality and highest through successful implementation of the management core risk program.

(c) Function

A develop banking sector plays a vital role for financial stability of a country. AB Bank Limited (ABBL) is a commercial bank and financial institution. This is the first commercial bank in Bangladesh. ABBL was set up to conduct all types of traditional commercial banking functions including foreign exchange business and other financial services. The bank has been restructured their five main business which are responsible for earning the revenues of the bank. These are:

(i) Corporate Banking

AB Bank aim to provide tailored financing solutions with a dedicated team who can rapidly respond to client needs. Their corporate banking solutions include a broad spectrum of product and services backed by proven, modern technologies. Following are some of the products and financial tools of corporate banking:

-  Project Finance
-  Working Capital Finance
-  Trade Finance
-  Cash Management
-  Syndicated Finance, both on shore & off-shore
-  Equity Finance, both onshore & off shore
-  Corporate Advisory Services

(ii) Consumer Banking

The purpose of this banking is to provide assistance in promoting the skill keeping pace with modern technology and life style along with the development of their standard of living through providing the people belonging to the limited income group, service holders and self-employed profession with Bank Credit facilities. Consumer Banking Division of the bank was restructured and given a new looks in 2011. During the year, bank's Consumer loan portfolio increased by 4.27% from Tk. 269 crore in previous year.

(iii) SME Banking

Bangladesh is rightly called as a country of SMEs. The development potential of SME industries in Bangladesh is boundless. AB bank formed a separate division named, "SME Banking Division" in 2008 to give emphasis on SME financing, to ensure regulation, supervision and monitoring of SME's AB's SME stood 4th among banks operating in the country-in terms of SME loan disbursement in 2011. AB Bank operates its

SME programs through its 86 branches and 11 SME Centers across the country. AB's SME business has been growing substantially and contributed 32% of its total loan portfolio as at December 2011. A specialized SME loan for women entrepreneurs the product named "Awparajita" is developed to cater them. AB bank has good presence in small Enterprise, Manufacturing Sector, Agriculture and Rural Credit.

(iv) Treasury

Treasury function of AB Bank is an integrated unit managing the Liquidity Risk, Interest Rate Risk, Foreign Exchange Risk in addition to the day to day Fund Management and Investment in Govt. Securities of the Bank and regulatory requirements.

ABBL's treasury unit and currency dealing desks have consolidated its position as a well-known and well establish counterpart in the newly transformed Free Floating Rate, dealing daily with a wide circle of both bank and non-bank customers all over Bangladesh. Their everyday business evolves around participation in Money Market and Foreign Exchange Market in a substantial volume.

(v) Cards

In the present context of banking business in the world, card is the future of any bank. Electronic payment system is now ruling the world and some days from now cash transactions system will turn into a history found only in the text book.

AB Bank Limited is one of the leading first generation private sector commercial banks with branch network all over the country. The Bank's card division was formed bank in 2003, under Q-Cash Network, with 11 ATMs and proprietary Debit Card. In the year 2009, Bank moved all its ATMs and Debit Cards under cash link network. Being the principal member of both Master Card and Visa, at present all Visa Cards are accepted at AB Bank ATMs. The Bank is planning to accept Master Card in the ATMs in 2012. AB Bank Debit Card holders can also use their cards at all Visa labeled POS terminals around the country for purchasing goods and services.

(vi) NRB Banking

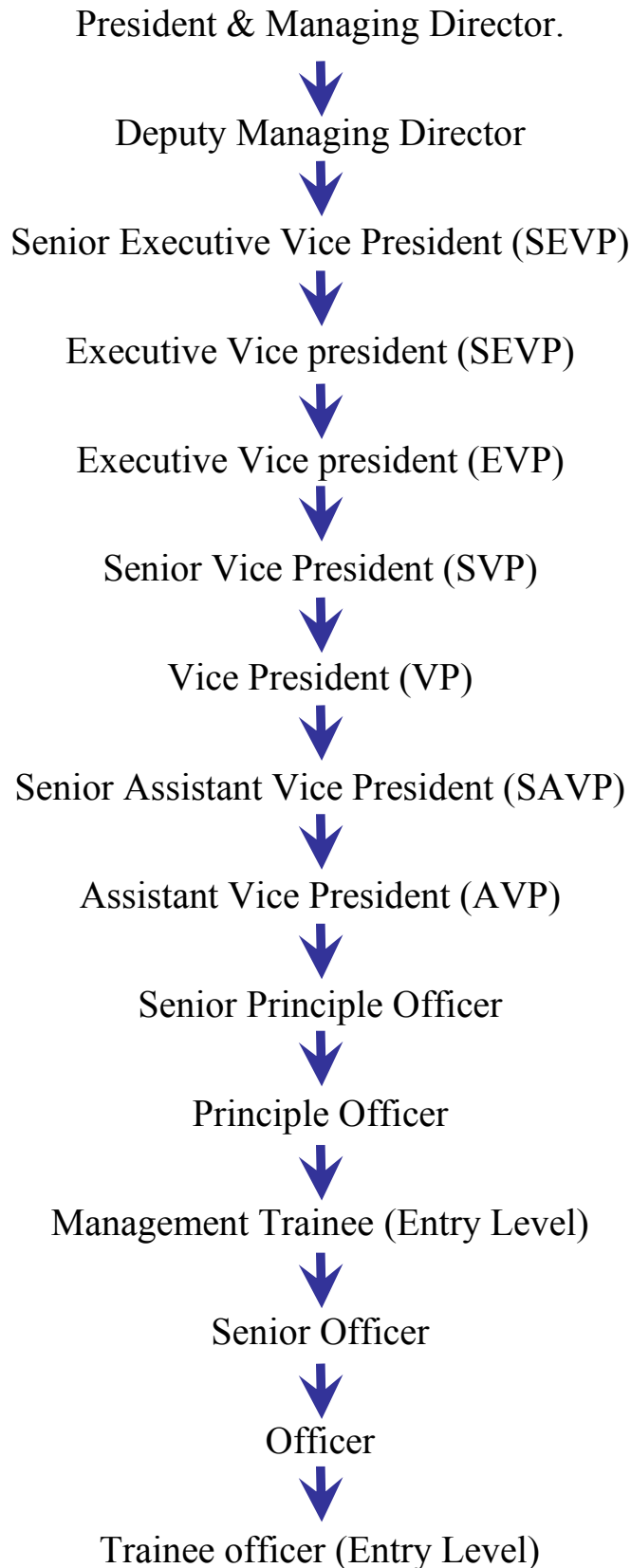
A non-resident Bangladeshi may have a FC account at AB Bank. This Bank maintains a widespread network with foreign banks and money exchanges for easy transfer of home coming remittances through NRB Banking.

(vii) Islamic Banking

As Islamic banking is the demand of many people in present days. AB bank has responded to the demand in right time. An individual branch of AB Bank is completely dedicated for Islamic banking service.

Besides these AB Bank has executed General Banking, Foreign Exchange and Social Responsibilities etc. like other Commercial Banks.

(d) The Organization Structure of AB Bank Limited



(e) Present Activities

AB Bank Limited is the pioneer in commercial banking under private ownership in Bangladesh. It started functioning as "To be the best performing bank in the country." Its activities have spreaded over the country.

"Readily realizing that success in banking can hardly be achieved through simplistic, dead-straight solutions" and that "specialization in banking" was fraught with risks, AB, from very early on, set about to defend its market position and earning power, declaring that would be pair special attention.

AB bank must maintain their technical and personal standard at the level required by the demands of the time. The bank also provides all commercial banking services. In addition, it presents a good number of deposit and credit schemes for the clients. So, researching the present activity of AB Bank Limited is marching towards the visionary goals it set thirty years back.

(f) Future Programs

AB Bank want to build a healthy and vibrant bank that is capable of satisfying clients and their changing needs, needs of its shareholders and is driven by a motivated, skilled and well compensated employees. In the future, AB Bank may become important for the banks to carefully examine the opportunity open to them and compare them to their own potential. The greater consideration must be given to marketing especially in four directions: critical evaluation of

the competitive environment and the services offered, careful attention to the customer's demands, accurate segmentation of the clientele in order to determine the character of the products and the direction of sales efforts and, lastly, development of new financial or related services.

AB Bank will remain committed to its vision and also towards creation of shareholder value. Besides, AB will also continue its efforts in contribution towards economic development of the country.

(4.2) City Bank Limited

(a) History of the Organization

City Bank is one of the oldest private commercial banks operating in Bangladesh. It is a top bank among the oldest five commercial banks in the country which started their operations in 1983. The Bank started its journey on 27th March 1983 through opening its first branch at B.B. Avenue branch in the capital, Dhaka city. It was the visionary entrepreneurship of around 13 local businessmen who braved the immense uncertainties and risks with courage and zeal that made the establishment & forward march of the bank possible. Those sponsor directors commenced the journey with only Taka 3.4 crore worth of capital, which now is a respectable Taka 330.77 crore as capital & reserve. City bank is among the very few local banks which do not follow the traditional, decentralized, geographically managed, branch based business or profit model. Instead the bank manages its business and operation vertically from the head office through 04 distinct business divisions namely

- Corporate & Investment Banking
- Retail Banking (Including Cards)
- SME Banking &
- Treasury & Market Risks

Under a real-time online banking platform, these 04 business divisions are supported at the back by a robust service delivery or operations setup and also a smart IT Backbone. Such centralized business segment based business & operating model ensure specialized treatment and services to

the bank's different customer segments. The bank currently has ninety-eight(98) online branches and ten(10) SME service centers spread across the length & breadth of the country that include a full fledged Islamic branch. The bank currently has 46 ATMs of its own; and ATM sharing arrangement with a partner bank that has more than 550 ATMs in place; SMS Banking; Interest Banking and so on. It already started its Customer Call Center operation.

City bank has launched American Express Credit Card and American Express Gold Credit Card in November 2009. City Bank is the local care taker of the brand in Bangladesh. It also provides incredible privileges all over the globe with more than 13,000 offers at over 10,000 merchants in 75 countries.

City Bank is one of the largest corporate banks in the country with a current business model that heavily encourages and supports the growth of the bank in Retail and SME Banking. The bank is also very active in the workers' foreign remittance business. It has strong tie-ups with major exchange companies in the Middle East, Europe, Far East & USA, from where thousands of individual remittance come to the country every month for disbursements through the bank's large network. For significant performance, The Bank has earned national & international recognition. The City Bank was one of the twelve (12) banks of Bangladesh among the 500 banks in Asia for its asset, deposit & profit as evaluated by "ASIA WEEK" in the year 2000. City Bank wins "Strongest Bank in Bangladesh-2010" from The Asian Banker's and also win from Finance Asia "The Best Bank in Bangladesh-2012" award. Other than that, The City Bank Limited received the "Top Ten Company" award from the Prime Minister of the

People's Republic of Bangladesh. The current management of the bank decided to change and develop its logo and knowledge in their respective "specialized" areas. The newly launched logo and the pay-off line of the bank are just one initial step towards reaching that point.

(b) Objective

The City Bank Limited drives to meet or exceed ambitious performance objectives and quality standards, deliver business results and continually find sustainable improvements in methods or processes. The bank contributes to the socio-economic development of the country and tries to attain highest level of satisfaction through extension of services by dedicated and motivated team of professionals. The bank management works to maintain continuous growth of market share ensuring quality and to maximize bank's profits by ensuring its steady growth maintaining the high moral and ethical standards. To ensure participative management system and empowerment of human resources. This bank's always come up with new ideas to operate more efficiently. City bank ensures respect for community, good governance and compliance in everything they do.

(c) Function

City Bank is one of the largest corporate banks in the country with a current business model that heavily encourages and supports the growth of the banking sector. The main functions of the bank include a wide banking and financial activities to individual firms, largest corporate bodies and other multinational agencies. Short descriptions of the following function areas are given bellow.

- (i) **General Banking:** The general banking section is what keeps the overall banking going. All sorts of day-to-day transactions are performed in here as it plays a vital role in banking. The city bank general banking department that consists mainly savings specially city youth school plan, city youth college plan, current, short-term deposit, fixed deposit etc. expected from the resident and non-resident.
- (ii) **Loan & Advance:** Bank loans are a good source of the bank income and thus they are greatly emphasized. Banks loans play a very important role in the economy since the level of the business activity. The city Bank has been taken different new scheme to attract various customers. Such as Debit-Card, Credit-Card, SME Banking & Islamic Banking etc. Through this, the bank given different facilities to the customer and try to earn high rate of interest. In this way, the bank takes opportunity to strengthen their economic position.
- (iii) **Foreign Exchange:** Foreign Exchange is one of the largest businesses carried out by the commercial banks and it comprises mainly of export and import business. Most of the bank profit comes from foreign exchange. In many countries, international trade accounts for more than 20% of their national incomes. In City Bank, this department performs its function under three categories and they are:

Export

In FY 2010-11 total export of the City bank increased by 41.5% against 4.2% in FY 2009-10 and reached to USD 22,924.4 million from USD 16,204.7 million in FY2009-10.

Import

Import payment registered a robust growth of 41.8% in FY 2010-11 and stood at USD 30,336 million consumer and intermediate goods import increased substantially by 54.6%.

Foreign Remittance

Foreign remittance growth of the City bank decreased a little bit to 6.03% in FY 2010-11 from 13.40% growth in FY 2009-10.

The City bank foreign reserve position is excellent. The gross foreign exchange reserves of Bangladesh Bank had reached to USD 10.912 million as of June 2011 which is 1.5% higher than at June 2010.

(d) The Organization Structure of City Bank Limited

Managing Director (MD) & CEO



Assistant Managing Director (AMD)



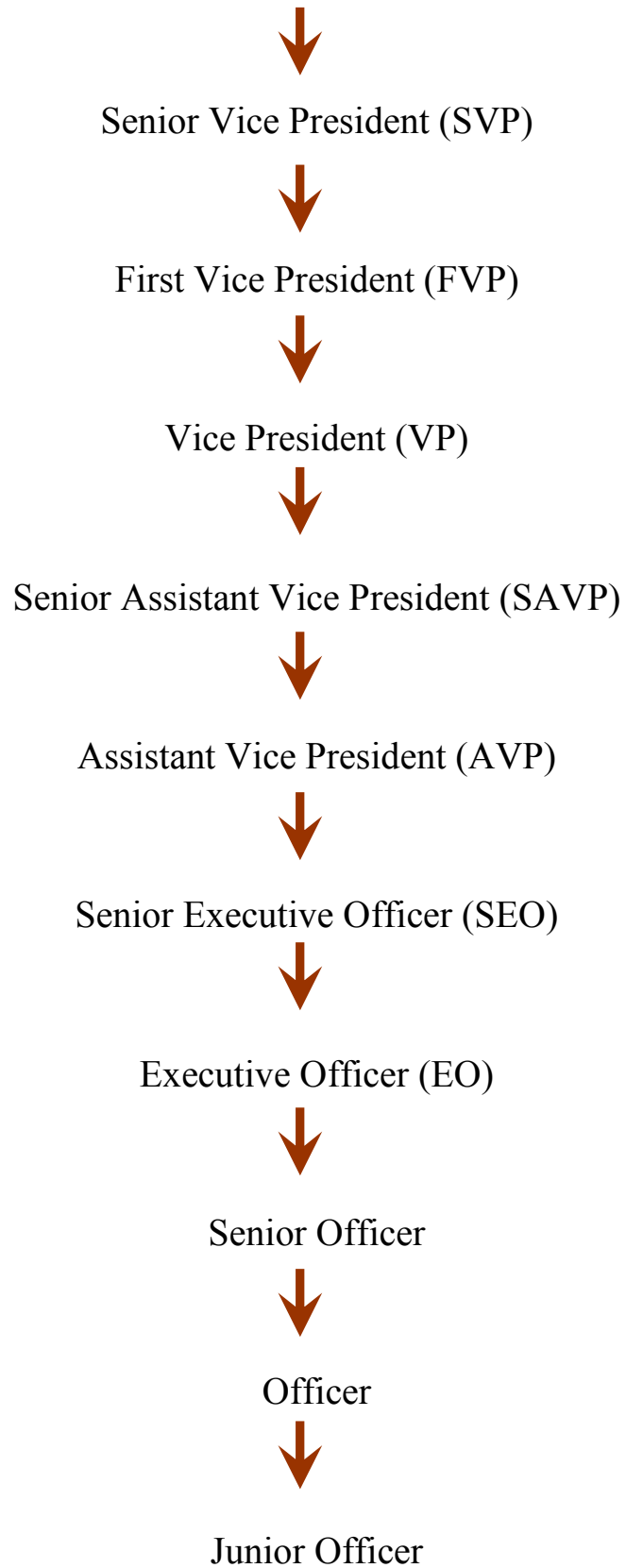
Deputy Managing Director (DMD)



Senior Executive Vice President (SEVP)



Executive Vice President (EVP)



(e) Present Activities

The City Bank's strategic priorities are well-defined and clear. They continue to strive for profit and sound growth by doing the business that they do well-by expanding into areas underserved, entering niche markets and exploring innovative ideas. They have a strong customer focus and build relationships based on integrity, superior service and mutual benefit. The City bank continues to provide new services to customers with support of superior information technology platform. They maintain sound capital base to support growth. They establish good corporate governance by remaining efficient, transparent, professional and accountable to the society. They ensure effective risk management for sustainable growth in shareholders' value. The City bank improves quality of human resources by strengthening their competencies. They focus on Corporate Social Responsibility (CSR). They ensure The City Bank brand is recognized as the "Most Reputed Financial Institution Brand" in Bangladesh. The bank believes in a zero tolerance compliance culture.

(f) Future Programs

The City bank believes that their vision is the desired future where they want to see themselves. Their vision is always stretching and farfetched. It sets the tone for their organization and gives a common direction to its employees as to where it wants to be. At City Bank, they have re-engineered their vision to define a path towards their envisioned future. The financial supermarket with a winning culture offering enjoyable experiences. The bank believes that their future mission cannot be achieved unless they define the expected behavior of their employees. The city bank always tries to be the leading bank in the country with best practices and highest social commitments.

(4.3) IFIC Bank Limited

(a) History of the Organization

International Finance and Investment Company Ltd. was formed as a Public Ltd. Company in October 1976 49% of the share was allocated to the nationalized banks and financial institution and the balance 51% to the general public and foreign investors. Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government, decision to allow banks in the private sector IFIC was converted in to a banking company and named as International Finance and Investment and Commerce Bank Ltd. and started functioning with effect from 24th day of June of 1983. Its authorized capital of Tk. 10 crore and paid up capital is Tk. 8 crore i.e. Tk. 402 crore have been subscribed by the sponsors, Tk. 3.20 crore by the Govt. and balance shares of Tk. 78 lac have been subscribed by the public. It was established due to encourage the formation of bank through joint collaboration with foreign country.

The principal place of business and registered office are located at 8 Rajuk Avenu, BSB building, G.P.O. Box No. 2229, Dhaka -1000. 31th December of 2011 IFIC has total 87 branches all over Bangladesh. All branches & SME service centers of IFIC Bank are operating under state-of-art world class real time on-line banking solution from 2010.

With its firm commitment of the economic development of the country, the bank has already made a distinct mark in the realm of Private sector banking through personalized services,

innovative practices, dynamic approach and efficient management. The bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry through a creative credit Pricey.

(b) Objective

All business concerns earn a profit through selling either a product or a service. A bank does offer a variety of financial services to its customers. So the main objective of the IFIC bank is earning more profit against highest customer service. The other objectives are:

- 1) To explore a new horizon of innovative modern banking. Creating an automated and computerized environment providing on stop service.
- 2) To prepare itself to face the new challenges of globalization and 21st century.
- 3) To be a provider of high quality product and services to attract its potential market.
- 4) To provide a comprehensive range of financial services to national and multinationals companies.
- 5) To introduce SWIFT.
- 6) To introduce on-line banking, ATM card service, with in shortest possible time.

The bank also caters to the needs of its corporate clients.

(c) Function

The activities that a bank performs on day-to-day basis including transaction, services such as cash deposit /withdrawals, account opening, clearing, remittances and related party tasks are the functions of IFIC Bank. These activities and services are general functions of a bank and are necessary in order to provide pace of other party related works and to create mutual relationships with customers and to facilitate overall banking operations.

The functions of IFIC Bank can be summarized as follows:

- (i) To Maintains all types of Deposit:** Deposit is the starting point of all the banking operations. Every day it receives deposits from the customers and meets their demand for cash by honoring cheques. It opens new accounts; Like CD, SD, STD, FDR, MSS and CCS etc. remit funds, issue bank drafts and pay orders etc. since bank is confined to provide the service every day. Deposit is one of the parts of general banking which also know as Retail Banking. Through these deposits, the bank is playing in the market, and these deposits are banks liability to the depositors, as the bank has to return their clients assets on demand.
- (ii) Account Opening Section:** It is said that, there is no banker customer relationship if there is no a/c of a person in that bank. Because accounts are the blood of a bank. By opening as a/c banker and customer create a contractual relationship. However, selection of customer for opening an account is very crucial for a bank.

- (iii) Clearing and Bills Section:** Clearing and bills section is an important section of general banking. This is the section through which branch has to clear its inter branch transaction. As per as safety is concerned get crossed cheque for the transaction. As we know crossed cheque can not be encashed from the counter, rather has to be collected to through the banking channel i.e. clearing. IFIC bank bill sections clearing cheque in to two ways. They are.

Outward Bills for Collection (OBC)

It means customer deposit cheque, draft etc. for collection other banks.

Inward Bills for Collection (IBC)

In this case bank collection customers deposit instruments in the same bank. If dishonored, in this case the instrument is returned to the collection branch along with return memo indicating the case of dishonor.

- (iv) Remittance:** A Payment in response to a bill or an invoice. The transmittal of payment in the form of cash or negotiable instruments from one party to another is call remittance. With a network of their 70 branches spread all over the country, can facilitate remittance of funds among these branches. IFIC bank dealing two types of remittance: They are:

Foreign Remittance

This remittance is also divided into two parts.

- (1) Outward foreign bill collection and
- (2) Foreign demand draft. This draft IFIC bank collection from other country by the help of HSBC and locally collection by the help of Bangladesh bank.

Local Remittance

IFIC bank generally transfer this kinds of funds by

- (1) Pay Order
 - (2) Demand Draft
 - (3) Telegraphic Transfer and
 - (4) Mail Transfer
- (v) **Issuing Cheque Books:** Normally a cheque book is issued to any person who has recently opened an account with the bank for which the applicant has to fill up a "New Cheque Book Requisition Form" mentioning his / her account number, date of account opening, cheque book of how many pages is required, signature of account holder and name and address of that account holder. Then the customer service offers verifies above information along with signature of the account holder and mentions the cheque numbers from which to which issued for that client, and gives initial on that form Afterwards the account holder gives another signature evidencing the received cheque book is in order. Then the customer service officer issues a new cheque book. When a cheque book is finished, the 'White leaf' (filled up) of that book is submitted to customer service department for issuing another book. The white leaf services as requisition form.
- (vi) **Accounts Department:** It can also be called as the mirror of the organization since it reflects the result of all transition at a glance at the end of the day. Every

branch maintains its own accounting system to calculate each day's transactions to the minute's level. Keeping the motive in mind, every branch preserves a sheet consisting each day's position of different asset and liability accounts by putting journal entries in the specified locations. In modern computerized banking system tasks of accounts department has become computer comparatively easier. Because now the entire posting are made in computer and tedious writing in ledger is not required. Moreover computer adjusts all the entries automatically. The computer system is operated by software called "Flora" introduced by the IT division of IFIC bank Ltd. The main job of the accounts officer is to post necessary cheque / vouchers and providing for end-of-day asset-liability position.

The reports printed daily from the accounts department are:

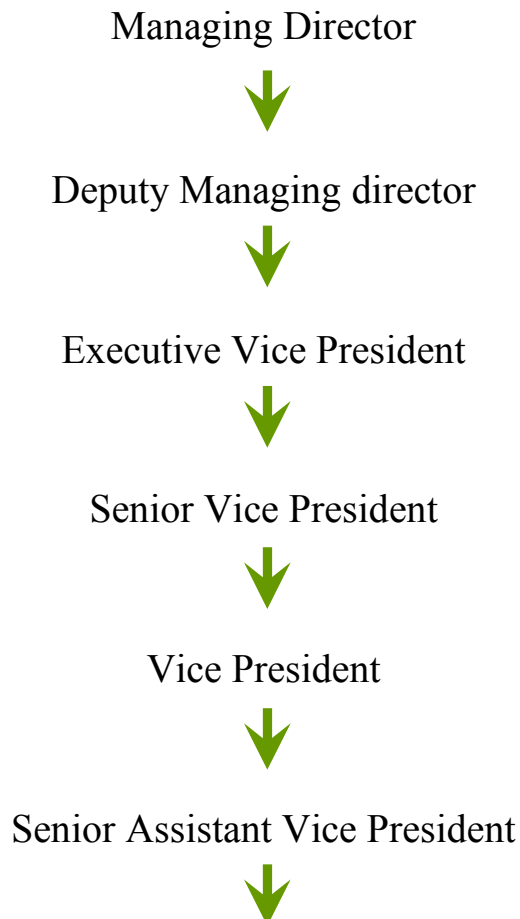
Clean cash report	Trial balance	Updated
Transactions		
Daily Position	Statement of affair	-----
Income / Expenditures		
Statement		
Transaction listing	Balance sheet	-----

All these heading show some figures at their right in affair, which are the forms that each account takes after making all the adjustment for the day. These adjustments are made time-to-time

when any transaction is posted in the software. In liability side of a branch heads like share & reserve, borrowing from other banks always show zero balance as the operations are performed by head office. On the other hand, like money at call and short notice, investment in asset side always represents zero as they also are performed by head office.

Under the head of inter branch account, if IFIC bank general account shows balance at asset sides then the branch is earning interest on the money they have lent to head office and if it shows balance in liability side then they are paying interest to head office against their borrowings.

(d) The Organization Structure of IFIC Bank Limited



Assistant Vice-President



Senior Executive Officer



Officer



Probationary Officer



Junior Officer



Assistant Officer

(e) Present Activities

The bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry through a creative credit policy, and to explore a new horizon of innovative modern banking. It creates an automated and computerized environment providing one stop service. Prepare itself to face the new challenges of globalization and 21st century. To be a provider of high quality product and services to attract its potential market. Provides a comprehensive range of financial service to national and multi-nationals companies. Going to introduce SWIFT and on line banking, ATM card service, with in shortest possible time and the bank also caters to the needs of its corporate clients.

(f) Future Programs

International Finance & Investment Bank Limited has already made a distinct mark to the economic development of the country. In the realm of private sector banking through personalized services, innovative practices, dynamic approach and efficient management, the bank also engaged in the development to trade, commerce and industry through a creative credit pricey. The bank wants is to provide service to their clients with the help of a skilled and dedicated workforce whose creative talents, innovative actions and competitive edge to make their position unique in giving quality service to all institutions and individuals that they care for. IFIC Bank is committed to the welfare and economic prosperity of the people and the community, for they drive from them their inspiration and drive for onward progress to prosperity. They want to be the leader among banks in Bangladesh and make them indelible mark as an active partner in regional banking operation beyond the national boundary. To create an enabling environment and embrace a team based culture where people with excel, in an intensely competitive and complex financial and business environment, the bank particularly focuses on growth and profitability of all concerned.

(4.4) National Bank Limited

(a) History of the Organization:

National Bank Limited has its prosperous past, glorious present, prospective future and under processing projects and activities. Established as the first private sector bank on the 23rd day of March of 1983 fully owned by Bangladeshi entrepreneurs. The then president of the peoples' Republic of Bangladesh inaugurated the bank formally on March 28, 1983 but the first branch at 48, Dilkusha Commercial Area, Dhaka - 1000, started commercial operation on March 23, 1983. The head office and registered office have also same address, with an authorized capital and paid up capital of Tk. 10 crore and Tk. 8 crore respectively. Out of the 8 crore paid up capital, Tk. 4 crore are subscribed by the sponsors / director Tk. 40 crores by the Government. It is one of the three first generation private banks. The other two are Islami Bank Bangladesh Ltd. and Arab Bangladesh Bank Ltd. NBL has been flourishing as the largest Private sector bank with the passage of time after facing many stresses and strains. The members of the board of directors are creative businessmen and leading industrialists of the country. To keep pace with time and in harmony with national and international economic activities and for rendering all modern services, NBL, as a financial institution diversified its services with 127 branches till December 2010 in Bangladesh fully interlinked with computer network. And for providing better services in foreign remittance transferring to its valued customer it has 415 correspondents in 75 countries as well as with 37 overseas exchange companies all over the world. The

emergence of National Bank Ltd. in the private sector is an important event in the banking arena of Bangladesh. When the nation was in the grip of severe recession, Govt. took the farsighted decision to allow in the private sector to revive the economy of the country. Several dynamic entrepreneurs came forward to establish a bank with a motto to revitalize the economy of the country.

NBL was the first domestic bank to establish agency arrangements with the world famous Western Union in order to facilitate quick and safe remittance of the valuable foreign exchanges earned by the expatriate Bangladeshi nationals. This has meant that the expatriates can remit their hard-earned money to the country with much ease, confidence, safety and speed.

NBL was also the first among domestic banks to introduce international Master Card in Bangladesh. In the meantime, NBL has also introduced the Visa Card and Power Card. The Bank has in its use the latest information technology services of SWIFT and REUTERS. NBL has been continuing its small credit programmes for disbursement of collateral free agricultural loans among the poor farmers of Barindra area in Rajshahi district for improving their livelihood. National Bank, has now acquired strength and expertise to support the banking needs of the foreign investors. NBL stepped into a new arena of business and opened its Off Shore Banking Unit at Mohakhali to serve the wage earners and the foreign investors better than before.

Since its inception, the bank was aware of complying with Corporate Social Responsibility. In this direction, the bank has remained associated with the development of education, healthcare and have sponsored sporting and cultural activities. During times of natural disasters like floods, cyclones, landslides, it has extended hand to mitigate the sufferings of victims. It established the National Bank Foundation in 1989 to remain involved with social welfare activities. The foundation runs the NBL Public School & College at Moghbazar where present enrollment is 1140. Besides awarding scholarship to the meritorious children of the employees, the bank has also extended financial support for their education. It also provided financial assistance to the Asiatic Society of Bangladesh at the time of their publication of Banglapedia and observance of 400 years of Dhaka City.

The Bank has a strong team of highly qualified and experienced professionals headed by the Managing Director of the Bank who has vast banking experience to operate bank and at the top there is on efficient Board of Directors for making policies. By their commitment and untiring endeavour, NBL is one of the most successful banking enterprises in our country.

(b) Objective

Maximization of profit along with the benefits of the employees is the main objective of the National Bank Limited. In addition, the other objectives are:

To be one of the leading banks of Bangladesh in terms of ROE (Return on Equity) and ROA (Return on Assets).

To be the marked leader in high quality banking products and services. To achieve excellence in consumer service through providing the most modern and advanced state-of-art technologically in the different spheres of banking.

To achieve excellence in a broader and differentiated segment of retail and wholesome consumer.

NBL is a service-oriented organization, so human resource management is critical in this context. In order to reach towards the strategic goal, NBL has to manage the performance of its human resource cautiously.

(c) Function

NBL is a private commercial bank and registered under the Bangladesh Bank, abides by the rules and regulations prescribed by Bangladesh Bank scheduled commercial banks. The functions covered by the bank include a wide banking and financial activities to individual firms, corporate bodies, and other multi national agencies. A short description of the following financial areas are given below.

(i) General Banking Department : The general banking section is what keeps the overall banking going. All sorts of day-to-day transaction are performed in here as it plays a vital role in banking. The general banking department that consists mainly of the following and they are given below.

(ii) Account opening section: The account opening section is where the relationship between the banker and the client begins with the opening of an account. There are different types of account for different purposes. The different types of account are very commonly in practice:

Current Deposits (CD)

Saving Bank Deposit (SD)

Short Term Deposits (STD)

Fixed Deposit Receipts (FDR)

Monthly Savings Scheme (MSS)

Cash Credit (CC)

Consumer Credit Scheme (CCS)

Security Overdraft (SOD)

- (iii) **Cash department:** The cash department is the riskiest department of the bank. This is the section where tight security is required to avoid any accident. There is a limit to be amount of cash that each counter can carry; carrying of excess cash is avoided for safety reasons.
- (iv) **Cleaning:** In our country clearing house takes place in the Bangladesh bank and thus all the representative banks have account with the Bangladesh bank. The net amount payable or receivable is settled through the account maintained by the Bangladesh bank.
- (v) **Remittance:** Cash handling from one place to another is very risky and thus banks remits funds on behalf of customers to save them from any awkward happening through the network of their branches. Three ways of remitting fund from one place to another are:
 1. Pay Order (PO)/Security Deposit Receipt (SDR)
 2. Demand Draft (DD)
 3. Telegraphic Transfer (TT)

(vi) Account Department: The accounts Department is the most delicate and the most confidential department in a bank. The main task of this department is to record all kinds of transactions of the branch, confirming accuracy, preparing statements etc. Under the computerized banking system, today the clean cash statement and the supplementary statements in party ledger vouchers are printed from the computer. Accountant's function can be divided into two parts:

1. Daily functions
2. Periodical functions

Deposit

Deposits of all kinds like the savings, current, short-term deposit, fixed deposit etc. are expected from the resident and non-resident customers.

Credit

Bank loans are a good source of the bank income and thus they are greatly emphasized banks loans play a very important role in the economy since the level of the business activity which is controlled by the expansion of the bank loan, affects the nation's money supply.

Import finance

Opening of the irrevocable documentary letter of credit (L/C) granting post import finance, such as, Loan against Imported Merchandise (LIM), Advanced against L/C, Loan against trust Receipts (LTR) etc. all include the import finance.

Export finance

Pre shipment and post shipment export finance by way of negotiation /purchase /discount of export bills, packing, back to back L/C etc.

Remittance

The work of the remittance section in a bank include remitting money of the clients both within the country and outside the country through pay order, secured Deposit receipt (SDR), Demand Draft (DD), Telex Transfer, TT, MT etc.

Non Funded Business

The non-fund business part includes issuing the letter of guarantee, shipping guarantee, indemnities, performance guarantee, bid bond etc.

Other services

The national bank is the only Bangladeshi bank licensed by the master card to issue both the domestic international card to the clients. A part from that the NBL is also a proud agent of the world-renowned institutions called the Western Union Financial Services that is famous for its fast transfer of money from one location to another.

(d) The Organization Structure of National Bank Limited

Managing Director (MD)



Executive Vice President (EVP)



Deputy Managing Director (DMD)



Senior Vice-President (SVP)



Vice President (VP)



Assistant Vice - President (AVP)



Grade I Officer (OG)



Grade II Officer (OG)



Grade III Officer (OG)



Grade III -A Officer (OG)



Grade III - B Officer (OG)



Probationary Officer (PO)



Junior Officer

(e) Present Activities

National Bank Limited is determined to bring back the long forgotten taste of banking services and flavors. NBL wants to save every one promptly and with a sense of dedication and dignity. Bringing modern banking facilities to the doorstep to general public through diversification of banking serves, thereby arousing saving propensity among the people. Taking part in the development of the national economy through productive deployment of the banks resources as well as patronizing different social activities. Connecting clients to modern banking practices by the best application of improved information technology, so that they get encouraged to continue and feel proud of Banking with NBL. Ensuring highest use of the professional work force through enhancement of their aptitude and competence. Responding to the need of the time by participating in syndicated large loan financing with like-minded banks of the country, thereby expanding the area of investment of the bank. Last of all elevating the image of the Bank at home and abroad by sustained expansion of its activities.

(f) Future Programs

National Bank Limited was born as the first hundred percent Bangladeshi owned Bank in the private sector. From the very inception it is in the firm determination of NBL to play a vital role in the national economy. This bank is a service-oriented organization, so human resource management is critical in this context. In order to reach towards the strategic plan NBL

has to manage the performance of its human resource cautiously, the bank also to achieving commercial objectives of the bank, NBL's sincerity and all efforts stay put unabated. Respected clients and shareholders are attract-economic activities, alongside providing the best services to the clients. The vision of the bank is to establish as a top grade efficient bank through the best application of modern information technology in business activities, offering high quality of clientele services and proper coordination of foreign trade business is the core of future plan of National Bank Limited.

(4.5) United Commercial Bank Limited

(a) History of the Organization

Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government, United Commercial Bank Ltd, was incorporated in Bangladesh as a public limited company with limited liability as on the 26th day of June of 1983 under Company Act 1913 and commenced its operation immediately after incorporation with due permission from Bangladesh Bank i.e. 13th November 1983. It has 115 branches as on 31.12.2011 among the first generation bank in the private sector. The Bank is listed with DSE and CSE as a public quoted company. The paid up capital is 8 crore including Tk. 40 crore as Govt. contribution towards equity which is 5% of the total paid up capital. The public portion of the paid up capital amounting to Tk. 3.60 crore was issued for subscription in July 1986.

The principal place of business and registered office are located at 60, Motijheel Commercial Area, Federation Bhabon, Dhaka-1000 and Bangladesh. The principal activities carried by the bank include all kinds of commercial banking activities / services to its customers through its branches and electronic delivery channel in Bangladesh.

With its firm commitment to the economic development of the country, the bank has already made a distinct mark in the realm of private sector banking through personalized service, innovative practices, dynamic approach and efficient management. The bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry through a

creative credit policy. The bank has in its management a combination of highly skilled and eminent bankers of the country of varied experience and well educated young, energetic and dedicated officers working with missionary zeal for the growth and progress of the institution.

(b) Objective

United Commercial Bank Limited aims at excellence and is committed to explore a new horizon of banking and providing a wide range of quality products and services.

It is a bank for the common people including businessmen and professionals. It intends to serve with quality at a price competitive to anyone in the financial market. It works constantly to keep on exploring the needs of the clients. So the United Commercial Bank Limited shall also develop a youthful and exuberant management team-technology sound and rich in experience. They would work hand in hand with zeal and enthusiasm to achieve the objectives of the bank in the new millennium.

(c) Function

The functions of the bank are now wide and diverse. They have assumed great significance in the role of an agent for economic renaissance and social reformation because of their vital role in mobilization of resources as well as their deployment for meeting the objectives. They are no longer considered as institutions only for affluent section of the population. They have acquired broad base and have emerged as effective catalytic of social economic change. The main functions of the bank are accepting of deposit and landing of money.

Bank is a financial institution whose main function or business is to accept money on deposit from some people and to advance loan / investment on interest / marking profit / profit loss sharing to some others and render various services to their clients. These activities and services are general functions of a bank and are necessary in order to provide pace of other party related works and to create mutual relationships with customers and to facilitate overall banking operations.

The functions of UCBL can be summarized as follows:

(i) Account opening: Deposit accounts are one of the important sources of a bank's funds. These are the liability-based products for a bank. Keeping an eye on the needs of customers and ensuring their full satisfaction, UCBL is offering a full range of deposit products. The different types of accounts are very commonly in practice:

- (1) Current Deposits Account (CD)
- (2) Saving Deposits Account (SD)
- (3) Short Notice Term Deposit Account (STD)
- (4) Fixed Term Deposit Account (FDR)
- (5) Monthly Saving Scheme (MSS)
- (6) Cash Credit (CC)
- (7) Consumer Credit Scheme (CCS)
- (8) Security Overdraft (SOD)

- (ii) **Cash and cheque:** Cash is an important section in general banking. The function of cash is to receive deposits from the clients and to make payment by cheque and other instruments. In cash section of the UBCL, there are two limits in case of amount keeping. They are:

Counter Limit

The maximum of amount counter limit is Tk. 20 Lacs, that is, in the counter the maximum amount of money to be kept is Tk. 20 Lacs, not exceed of that amount.

Vault Limit

The maximum amount of vault Limit is Tk. 30 Lacs. Any amount exceed of the counter limit must be shifted to the vault.

- (iii) **Clearing House:** The basic function of a commercial bank is to collect cheques, drafts etc. on behalf of its customer. Clearing department performs this function. Clearing House is an institution for mutual settlement of various instruments in presence of various representatives of various banks at the appointed time and place to meet the claims made in among member banks. The net amount payable or receivable as the cash may be, settled through an account kept with the controlling bank (Bangladesh Bank / Sonali Bank) there are two types of clearing in banks.

Outward Clearing

When particular branch receives instruments drawn on the other bank within the cleaning zone is called out ward clearing.

Inward clearing

When a particular branch receives instruments, which are on them selves is known as in word clearing.

- (iv) **Remittance:** Another important part of general banking is remittance. The function of remittance is to issue and remit the DD, TT, PO etc. according to other nature. Remittance is of two types according to its nature.

Inward Remittance

If a client of a bank purchases any instrument such as DD, TT, PO etc. from it, these types of purchasing is called inward remittance from the bank's perspective.

Outward Remittance

If these instruments mentioned above are collected through branches then they are called outward remittance.

- (v) **Accounts Department:** The account department is the most delicated and the most confidential departments in a bank. The main task of this department is to record all kind of transactions of the branch, confirming accuracy, preparing statement etc. Under the computerized banking system, today the clean cash statement and the supplementary statement in party ledger, vouchers are printed of the computer. Accountant's functions can be divided in to two parts:

Daily functions

The functions of a accountant involves posting transfer from one account to another account. Preparing of the supplementary and posting of various transactions in the computer that occur through out the day.

Periodical functions

The account department is to prepare different types of statement for its own branch, head office and Bangladesh Bank.

- (vi) **Credit / Advance:** The investment policy implies that banks take deposit from the public, create funds and invest or lend them in to different investment activities. The credit division of a bank deals with the later portion that is the credit division, of a bank deals with the different lending activities of its fund. The functions of the bank are now wide and diverse. Of all the functions of a modern bank, lending is by far the most important. The memorandum and articles of association of the bank stipulates that 50 percent of loan able funds shall be invested in small and cottage industries sector. Thus the bank main concern remains with promoting and financing small-scale industries in the country.

- (vii) **Consumer Financing Scheme:** There are lot of consumer product under this scheme. They are:

The Purpose of Scheme

The people belonging of the limited income group, means service holders and self employed professions are consumer of the scheme.

The Scope of the Scheme

New or reconditioned motor car / motor cycle / micro bus, refrigerator, deep freeze, TV/ VCR/ etc. Any consumer goods acceptable to the bank

The Eligibility of the Customers

The following person / persons within the age-limit 25 to 50 years (Not applicable to the officers and employers of this bank) shall be able to apply for loan under the scope of this scheme. Officers / employees of the government, semi-government and autonomous bodies.

Officers and employees of the bank, insurance and after financial institutions.

Teachers of universities, colleges, schools and madras as, doctors, engineers, lawyers, chartered accountants and other professions. Officers / employees of established non-government and multi national organization.

(viii) Lease Financing: An entrepreneur, under this scheme, may avail to the lease facilities to procure industrial machinery (without having to purchase it by down payment) with easy repayment schedule. The clients also get special rebate in their income-tax payment under the scheme.

(xi) Foreign Exchange: Foreign trade can be easily defined as a business activity, which transcends national boundaries. These may be between parties or governments. International trades are a common occurrence and normally benefitted both the parties. They are:

Export Financing

Practically by the term “Export” we mean carrying of anything from one country to another. Banker defines “Export” as sending of visible things outside the

country for sale. Export trade plays a vital role in the development process of an economy. There are two types of export financing. There are pre-shipment finance and post-shipment finance.

Import Financing

United Commercial Bank Limited generally follows two types of import financing. There are loan against imported merchandise (UM) and loan against trust receipt (LTR). These two sorts of import financing greatly facilitate the import business and thus enable importer to have credit facilities from the bank.

- (x) **Foreign Exchange Remittance:** Remittance means sending of fund from one place to another place, which may be within the country or between two countries. When fund is transferred to or received from foreign country it is called foreign remittance. There are two types of foreign remittance. They are:

Inward Remittance

The Remittance which are received from abroad, called inward remittance. Purpose of inward remittance-

1. Family maintenance.
2. Indenting commission.
3. Donation.
4. Gift.
5. Foreign investment.
6. Export proceeds.

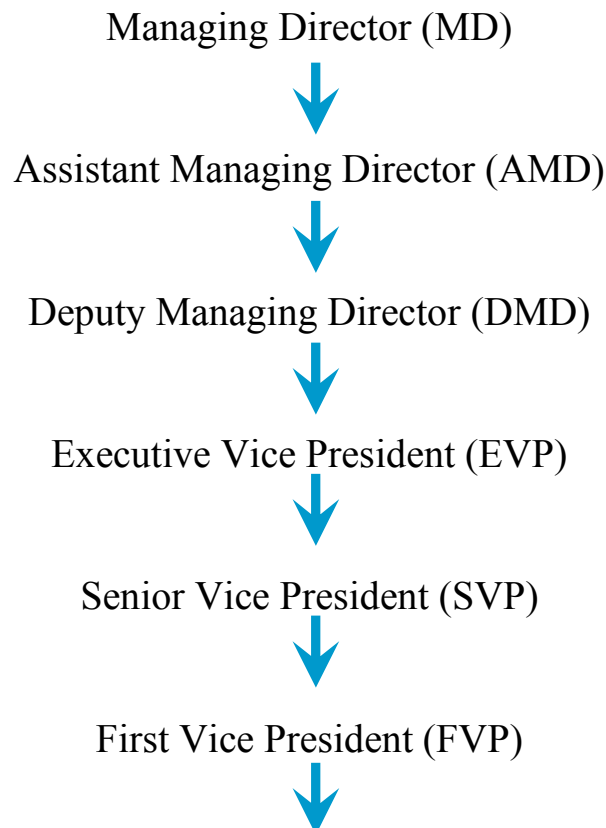
Outward remittance

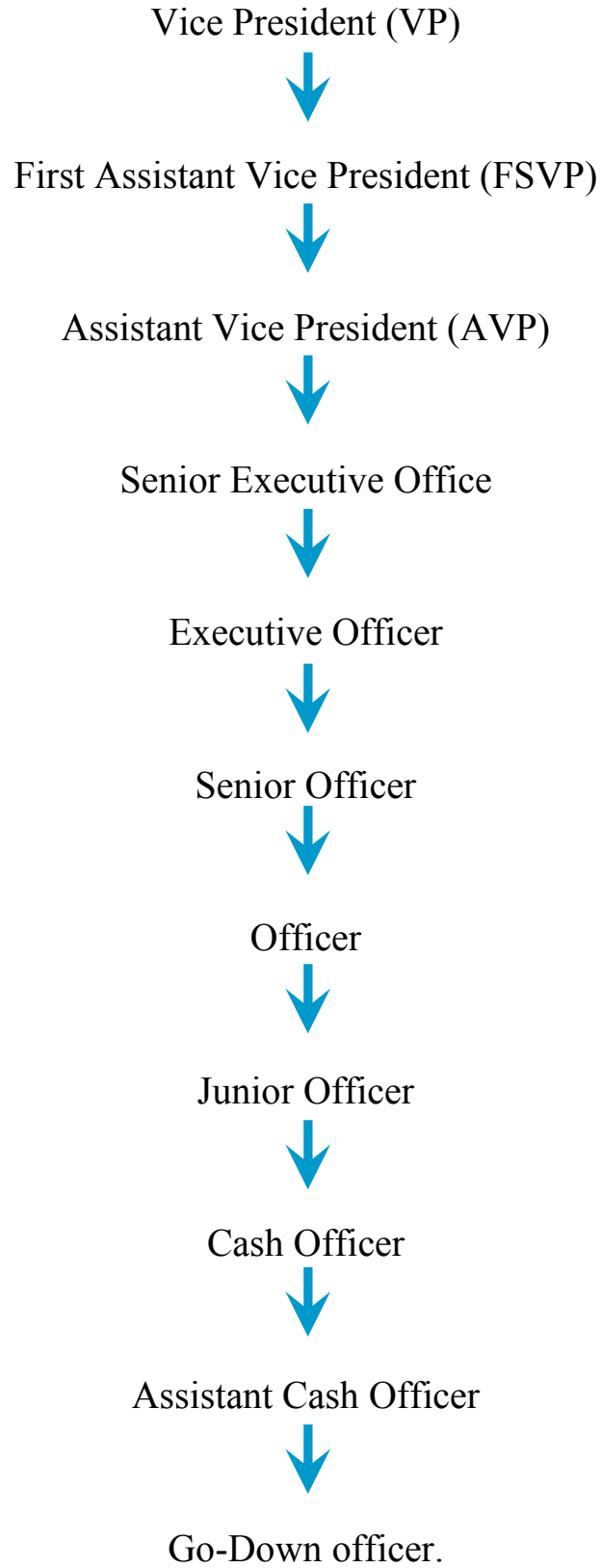
Remittance, which is made from our country to abroad, is called outward remittance. Mode of outward remittance-

1. Foreign Telegraphic Transfer (FTT)
2. Foreign Mail Transfer (FMT)
3. Foreign Demand Draft (FDD)
4. Travelers Cheque (TC)
5. Foreign Currency Notes (FCN)

Present limit of outward remittance fixed by Bangladesh.

(d) The Organization Structure of UCB Limited





(e) Present Activities

United Commercial Bank Limited aims at excellence and is committed to explore a new horizon of banking and providing a wide range of quality product and service.

It is a bank for the common people including businessmen and professionals. It intends to serve with quality at a price competitive to anyone in the financial market. The bank tries to develop appropriate management structure, system, procedures and approaches and also develop appropriate lending risk assessment system to make goods advance. It would constantly keep on exploring the needs of the clients.

(f) Future Programs

United Commercial Bank Limited shall also develop a youthful and exuberant management team-technology sound and rich in experience. They will work hand in hand with zeal and enthusiasm to achieve the future programs of the bank in the new millennium. They try to utilize all available resources to develop various plans, policies and procedures and implement them. To achieve synchronized and steady growth of the bank and utilize team of professional employees. To cope up with the challenge of the information technology and modern banking, all the branches had been computerized. The bank is examining the possibility of introducing new computer programs improving customer service. Swift system has already been introduced and installed at important branches to speed up international turn sections and passing of L/Cs. The bank also searches for a total customized solution of I. T. for the purpose of full automation step for future banking.

Chapter 05
Findings
And
Analysis

(05) Findings And Analysis

A. Introduction

This chapter provides findings of the study with their analysis. In this study we evaluate the Financial Performance of five selected first generation private commercial banks in Bangladesh. Here we use Capital Management, Assets Quality Management, Managerial Performance, Earnings Ability and Liquidity Management as the indicator of financial performance.

B. Capital Adequacy

In banking Industry capital adequacy means the capital expected to maintain balance with the risks exposure of the Bank such as credit risk, market risk and operational risk, in order to absorb the potential losses and protect the Bank's debt holders. It also focuses on the bank's ability to respond to a need to replenish or increase equity at any given time. "Meeting statutory minimum capital requirement is the key factor in deciding the capital adequacy, and maintaining an adequate level of capital is a critical element" (The United States. Uniform Financial Institutions Rating System 1997, p.04). The adequacy of capital of a commercial Bank can be examined with the help of two important sub ratios:

- (i) Capital Adequacy Ratio (CAR)
- (ii) Equity Capital to Total Assets Ratio

B. (i) Capital Adequacy Ratio (CAR)

CAR represents the relationship between the risk-weighted assets of a bank and its equity. This capital ratio is required to meet a minimum of 8% set by the Bank for International Settlement (BIS). However, it is important to note that in some

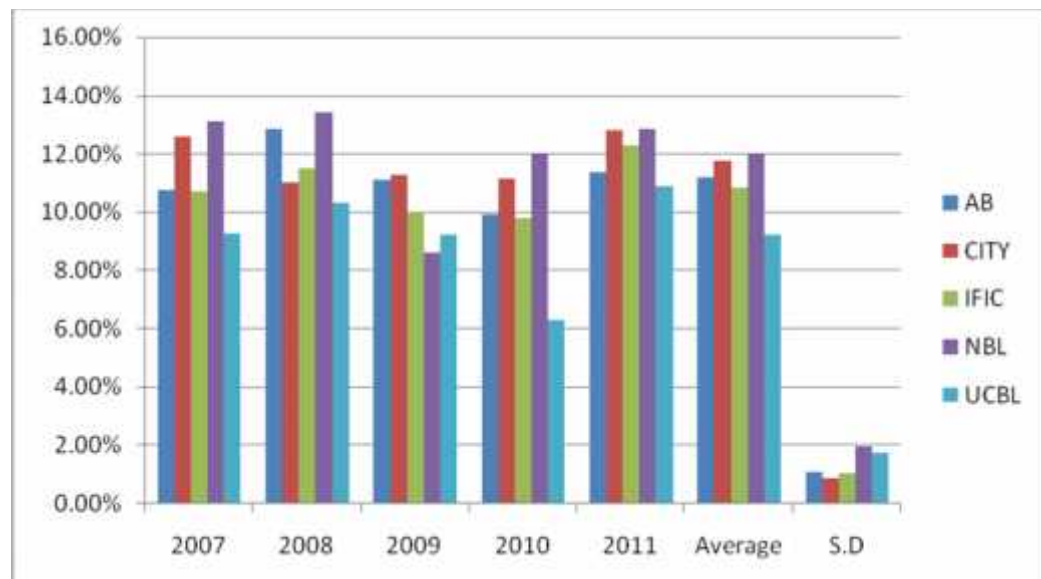
countries the required minimum capital may vary depending on the local regulators and the bank might like to have as high a capital ratio as possible. In Bangladesh previously it was 8% but now it is 10% from 2010.

CAR is measured by using the following formula

$$\text{CAR} = \frac{(\text{Tire 1 Capital} + \text{Tire 2 Capital} - \text{Goodwill})}{\text{Risk Weighted Assets}} \times 100$$

Table-B (i)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	10.74%	12.84%	11.09%	9.91%	11.37%	11.19%	1.07%
CITY	12.61%	11.01%	11.29%	11.15%	12.79%	11.77%	0.86%
IFIC	10.71%	11.49%	10.02%	9.78%	12.27%	10.85%	1.03%
NBL	13.11%	13.42%	8.61%	12.03%	12.86%	12.01%	1.97%
UCBL	9.28%	10.34%	9.22%	6.31%	10.87%	9.20%	1.77%



From our analysis and observation of above table and graph it has been found that except UCBL the CAR of all other selected private commercial banks were at satisfactory level during the period of 2007-2011.

It is also reflected from the analysis and observation that among five selected first generation commercial banks NBL has relatively better and City Bank has relatively stable CAR during the period of our observation.

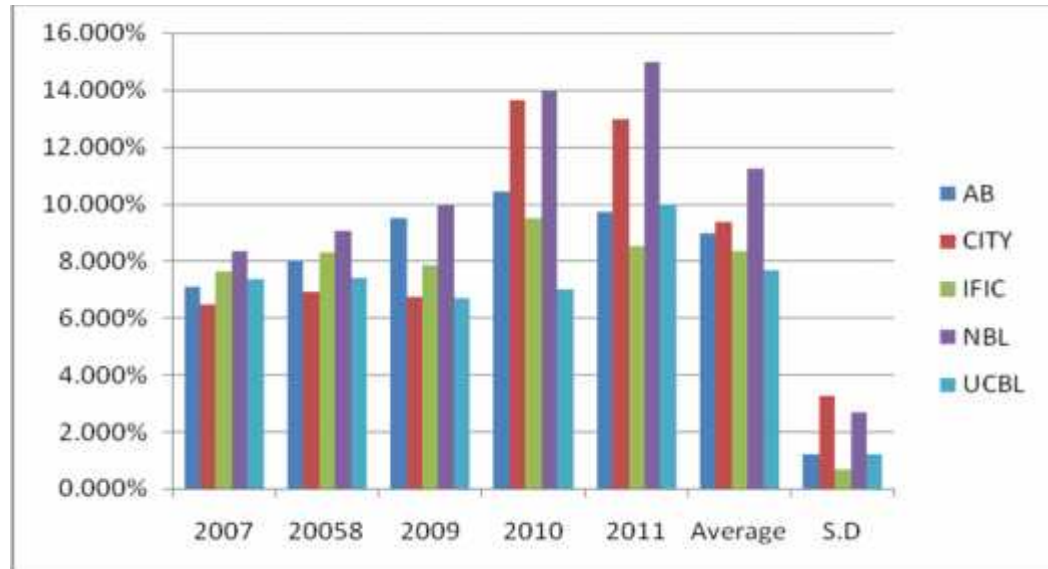
B (ii) Equity Capital to Total Assets Ratio

It indicates the proportion of the bank's assets that are financed with shareholder's equity. It also indicates a Bank's ability to increase equity as and when required. This ratio is calculated in following manner:

$$\text{Equity Capital to Total Assets Ratio} = \frac{\text{Total Equity}}{\text{Total Assets}} \times 100$$

Table-B (ii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	7.100%	7.999%	9.501%	10.451%	9.710%	8.952%	1.222%
UCBL	7.366%	7.378%	6.670%	6.996%	9.993%	7.680%	1.186%
IFIC	7.613%	8.295%	7.836%	9.477%	8.506%	8.345%	0.649%
CITY	6.475%	6.923%	6.748%	13.620%	12.992%	9.351%	3.238%
NBL	8.335%	9.029%	9.925%	13.948%	14.969%	11.241%	2.694%



From the sequence of our analysis from the above table and graph it has been observed that the Equity Capital to Total Assets Ratio of all the selected banks were at a satisfactory level other than the Equity Capital to Total Assets Ratio of UCBL, which Equity Capital to Total Assets Ratio is at unsatisfactory level in comparison to remaining four banks.

From our analysis it was also observed that the IFIC Bank has the relatively stable Equity Capital to Total Assets Ratio but NBL had the best Equity Capital to Total Assets Ratio almost through out the period of our observation.

C. Asset quality

In recent past poor asset quality is the major cause of most bank failures over different part of the world. The most important asset category of a Commercial bank is its loan portfolio. The greatest risk facing a bank is the risk of loan losses derived from the outstanding loans. Measuring the asset quality is difficult because it is mostly derived from the analyst's subjectivity. The asset quality

indicators highlight the use of non-performing loans ratios (NPLs) which are the proxy of asset quality, and the allowance or provision to loan losses reserve. To measure the asset quality of the selected private commercial banks here we use three sub ratios.

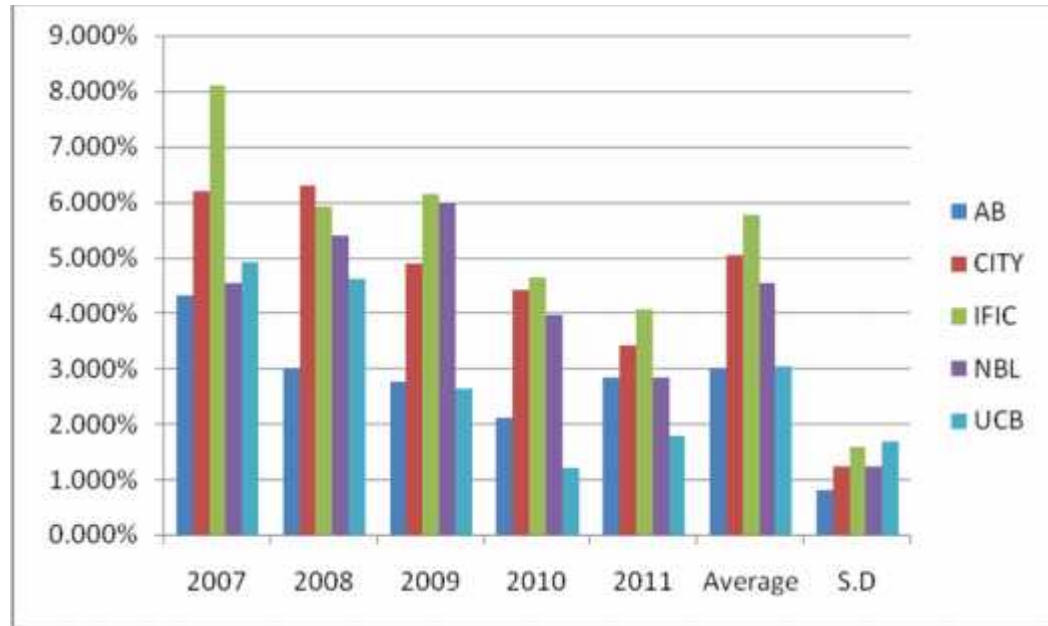
C (i). NPL to Total Loans Ratio

NPL to Total Loans Ratio shows the direct relationship between the taka volume of NPL and Total Loans. It indicates the portion of NPL in loan portfolio. A relatively lower ratio indicates a better quality of the loan portfolio. It is measured by using the following formula:

$$\text{NPLs to Total Loans Ratio} = \frac{\text{Non Performing Loans}}{\text{Total Loans}} \times 100$$

Table-C (i)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	4.309%	2.989%	2.750%	2.104%	2.823%	2.219%	1.055%
CITY	6.201%	6.300%	4.900%	4.400%	3.400%	5.040%	1.230%
IFIC	8.109%	5.915%	6.139%	4.637%	4.056%	5.771%	1.569%
NBL	4.530%	5.390%	5.960%	3.959%	2.830%	4.534%	1.225%
UCB	4.920%	4.620%	2.630%	1.200%	1.790%	3.032%	1.669%



From our analysis and observation of above table and graph it has been reflected that the NPLs to Total Loans Ratio of all the selected commercial banks have showed an improving trend during the period of 2007 to 2011.

From our analysis it is also observed that AB Bank has the relatively better and stable NPLs than Total Loans Ratio throughout the period of our observation (2007-2011).

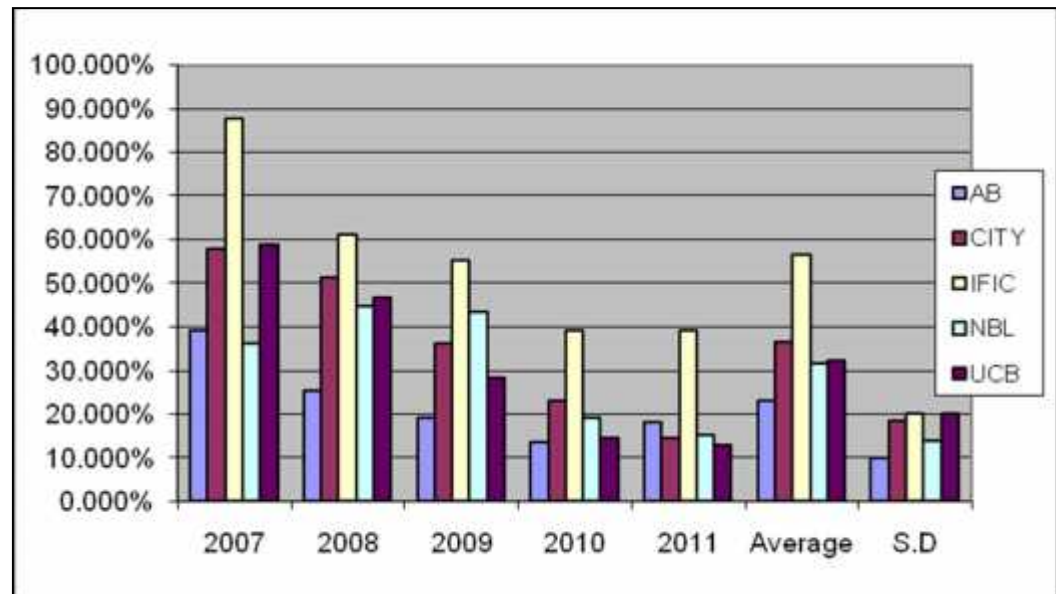
C (ii) NPL to Total Equity Ratio

NPL to Total Equity Ratio shows the direct relationship between the taka volume of NPL and Total Equity. A relatively lower ratio is always desirable. It is measured in the following manner:

$$\text{NPLs to Total Equity} = \frac{\text{Non Performing Loans}}{\text{Total Equity}} \times 100$$

Table-C (ii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	39.074%	25.212%	19.187%	13.355%	17.990%	22.963%	9.949%
CITY	57.794%	51.423%	36.337%	23.044%	14.625%	36.645%	18.273%
IFIC	87.991%	61.094%	55.279%	39.273%	39.251%	56.577%	20.053%
NBL	36.169%	44.576%	43.533%	19.065%	15.170%	31.703%	13.772%
UCB	58.918%	46.839%	28.440%	14.363%	12.926%	32.297%	20.198%



From the sequence of our analysis from the above table and graph it has been reflected that although the NPLs to Total Equity Ratio of all the selected banks has showed an improving trend during the period of our observation (2007-2011), the NPLs to Total Equity Ratio of IFIC Bank is not at a satisfactory level in comparison with remaining four selected first generation commercial banks.

From the above table and graph, it is also observed that in terms of NPLs to Total Equity Ratio AB Bank has showed the better and stable performance through out the period of our observation (2007-2011).

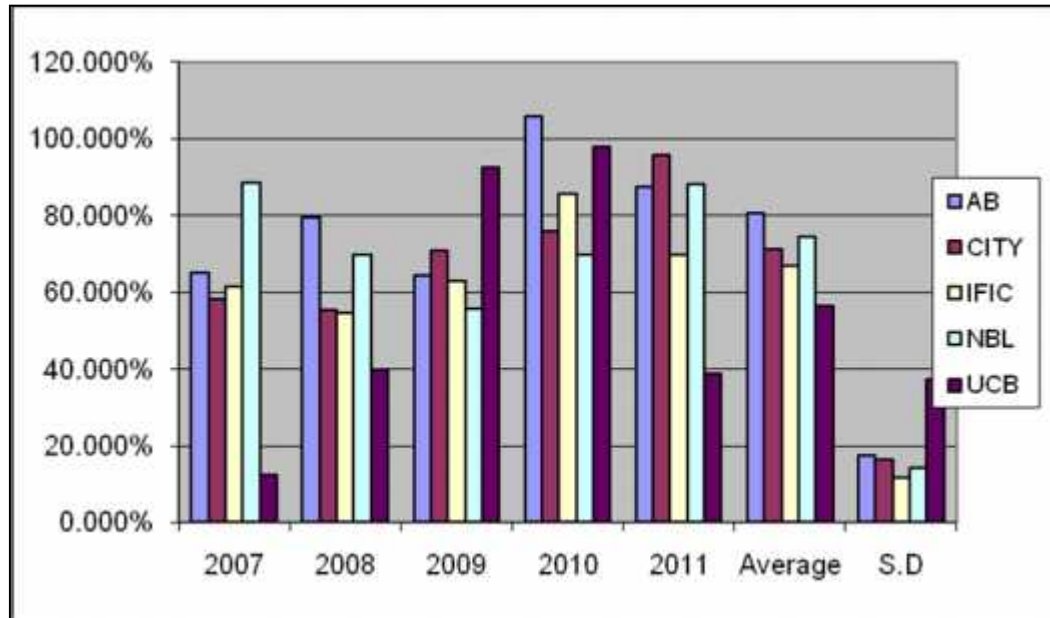
C (iii). Provision for Loan Loss Ratio

Provision for Loan loss indicates the percentage of the money put aside to pay off loan defaults and serve as an insurance to absorb potential losses caused by risky assets. A relatively higher provision shows the ability of a bank to absorb the potential loan loss. It is measured by using the following formula:

$$\text{Provision for Loan Loss} = \frac{\text{Provision for Loan Loss}}{\text{Non Performing Loans}} \times 100$$

Table- C (iii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	65.060%	79.587%	64.289%	105.940%	87.313%	80.438%	17.289%
CITY	58.037%	55.337%	70.724%	75.724%	95.771%	71.119%	16.196%
IFIC	61.524%	54.685%	63.052%	85.547%	69.628%	66.887%	11.705%
NBL	88.519%	69.820%	55.537%	69.933%	88.151%	74.392%	14.011%
UCB	12.357%	39.787%	92.635%	98.023%	38.693%	56.299%	37.332%



From the analysis of above table and graph it has been observed that UCBL and IFIC Bank had made relatively lower provision for loan loss ratio in comparison with three remaining selected commercial banks.

From above analysis it was also found that AB bank had made relatively higher provision for Loan Loss Ratio during the period of our observation (2007-2011).

D. Management Quality

Management quality is basically the capability of the board of directors and management, to identify, measure, and control the risks of an institution's activities and to ensure the safe, sound, and efficient operation in compliance with applicable laws and regulations. This indicator measures the efficiency of a commercial bank and monitors its progress toward achieving a cost structure that is closer to the level achieved by formal financial institutions. To assess the Management Quality we have used the following four key sub ratios.

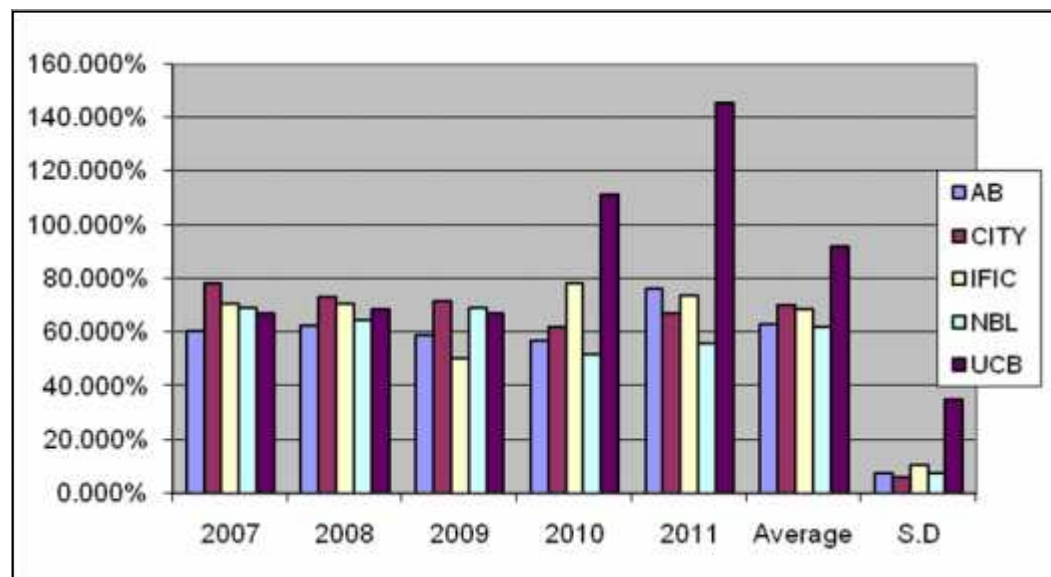
D (i). Total Expense to Total Income Ratio

Total Expense to Total Income Ratio shows the direct relationship between the taka volumes of total Income and Expenditure during a specific period. A relatively higher ratio indicates the higher earnings ability and higher cost efficiency of a commercial bank. It is measured by using the following formula:

$$\text{Total Expense to Total Income Ratio} = \frac{\text{Total Expenses}}{\text{Total Income}} \times 100$$

Table-D (i)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	60.820%	62.562%	59.213%	57.063%	76.340%	63.199%	7.621%
CITY	78.371%	73.177%	71.940%	62.091%	67.098%	70.536%	6.194%
IFIC	71.078%	70.643%	50.682%	78.583%	73.682%	68.934%	10.680%
NBL	69.160%	64.873%	69.129%	51.960%	56.266%	62.278%	7.805%
UCB	67.425%	68.792%	67.242%	111.455%	145.520%	92.087%	35.350%



From the sequence of our analysis and observation from the above table and graph it had been found the Total Expenses to Total Income Ratio of all the selected banks were at a satisfactory level during the period of our observation (2007-2011).

From our analysis it is also observed that UCBL has the relatively stable and better (lower) Total Expenses to Total Income Ratio through out the period of our observation (2007-2011).

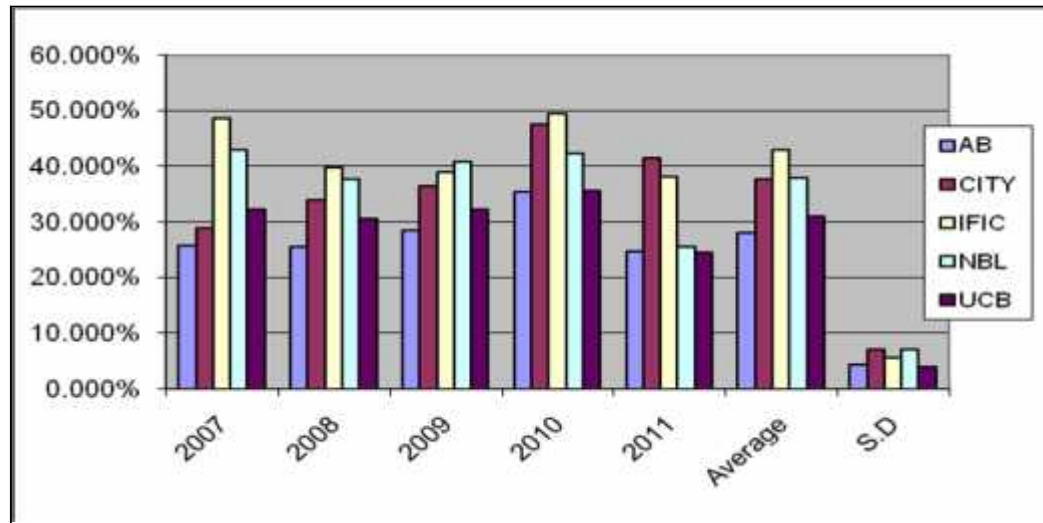
D (ii). Operating Expense to Total Expense Ratio

The ratio that represents the portion of Operating Expense in Total Expenditure of commercial bank is termed as Operating Expense to Total Expense Ratio. It provides the indication about the operational efficiency of a commercial bank and is measured in the following way:

$$\text{Operating Expense to Total Expenses Ratio} = \frac{\text{operating Expense}}{\text{Total Expenses}} \times 100$$

Table-D (ii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	25.785%	25.624%	28.503%	35.425%	24.735%	28.015%	4.376%
CITY	28.917%	33.939%	36.515%	47.655%	41.603%	37.726%	7.194%
IFIC	48.653%	39.890%	38.918%	49.553%	38.180%	43.039%	5.578%
NBL	42.961%	37.690%	40.982%	42.331%	25.540%	37.900%	7.204%
UCB	32.393%	30.730%	32.219%	35.651%	24.559%	31.110%	4.079%



From the sequence of our analysis and observation from the above table and graph it had been found the Operating Expenses to Total Expenses Ratio of all the selected commercial banks were at a reasonable level during the period of our observation (2007-2011).

From the above analysis it is also clear that AB Bank had showed the relatively better performance in terms of Operating Expenses to Total Expenses Ratio through out the observation period

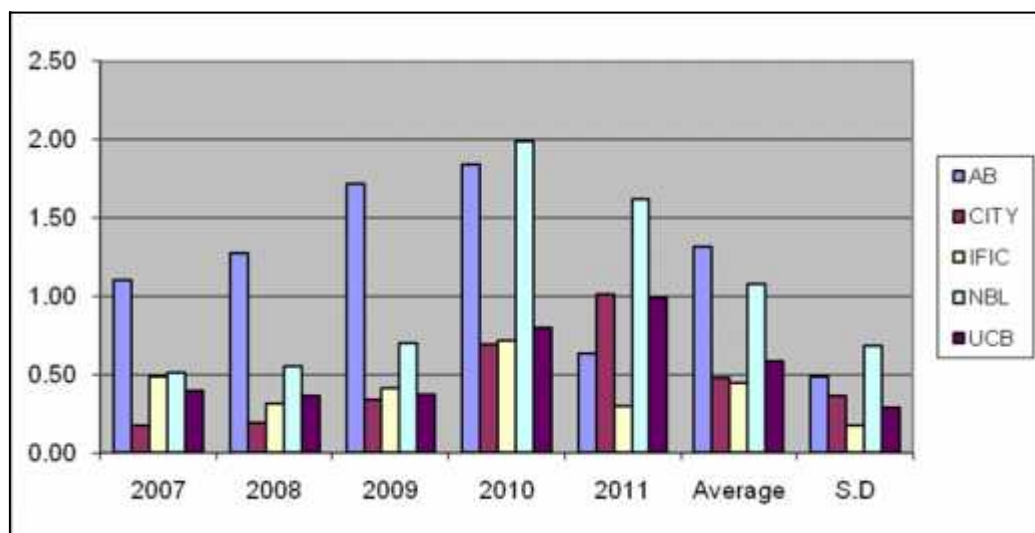
D (iii). Earnings per Employee

Probably this is the most widely used ratio to appraise a bank's managerial efficiency. This ratio relates Net Income to the average number of Employee during a specific period of operation. It is calculated buy using the following formula:

$$\text{Earnings per Employee} = \frac{\text{Net Income}}{\text{Number of Employee}}$$

Table- D (iii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	1.10	1.28	1.72	1.84	0.63	1.32	0.49
CITY	0.17	0.19	0.34	0.69	1.01	0.48	0.36
IFIC	0.48	0.31	0.41	0.72	0.30	0.44	0.17
NBL	0.51	0.55	0.70	1.99	1.62	1.08	0.68
UCB	0.39	0.37	0.37	0.80	0.99	0.58	0.29



From above table and graph it has been observed that the average earnings per employee of AB Bank and NBL were higher than that of UCBL, IFIC and City Bank during the period of our observation.

From the above analysis it was also observed that AB Bank had the highest average earnings in comparison with remaining four selected commercial banks.

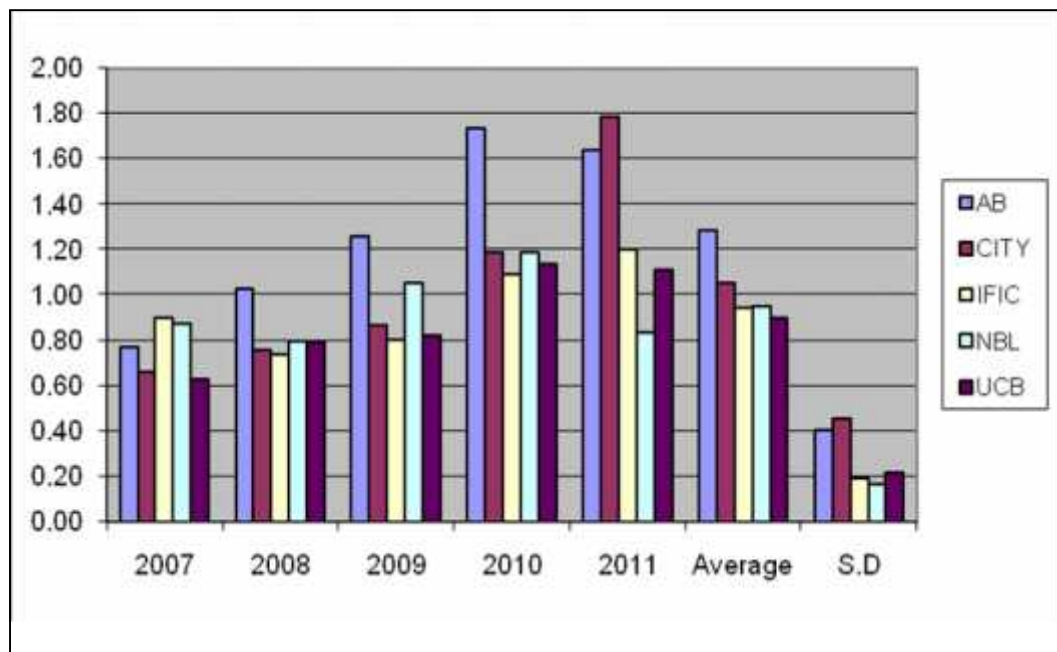
D (iv). Operating Expense per Employee

Probably this is the most widely used ratio to appraise a bank's operational efficiency. This ratio relates Total Operating Expenditure to the average number of Employee during a specific period of operation. It is calculated in the following manner:

$$\text{Operating Expense per Employee} = \frac{\text{Operating Expense}}{\text{Number of Employee}}$$

Table-D (iv)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	0.77	1.03	1.26	1.74	1.64	1.29	0.41
CITY	0.66	0.76	0.87	1.19	1.79	1.05	0.46
IFIC	0.90	0.74	0.80	1.09	1.20	0.95	0.20
NBL	0.88	0.79	1.05	1.19	0.84	0.95	0.17
UCB	0.63	0.79	0.82	1.14	1.11	0.90	0.22



From our study and analysis of above table and graph it is observed that the per employee operating expenses of all the selected commercial banks had showed an increasing trend during the period of our observation (2007-2011). It may be happened for the new revised pay scale for the bank's employees.

E. Earnings Ability:

Earnings Ability measures the ability of a banking institution to maintain and increase its net worth by generating profits from revenue and assets. A consistent profit not only builds the public confidence in the bank but absorbs loan losses and provides sufficient provisions. Thus consistently healthy earnings are essential to the sustainability of banking institutions. The future performance in earning should be given equal to or greater value than past and present performance.

To measure the earnings ability of selected commercial banks here we use following key sub ratios:

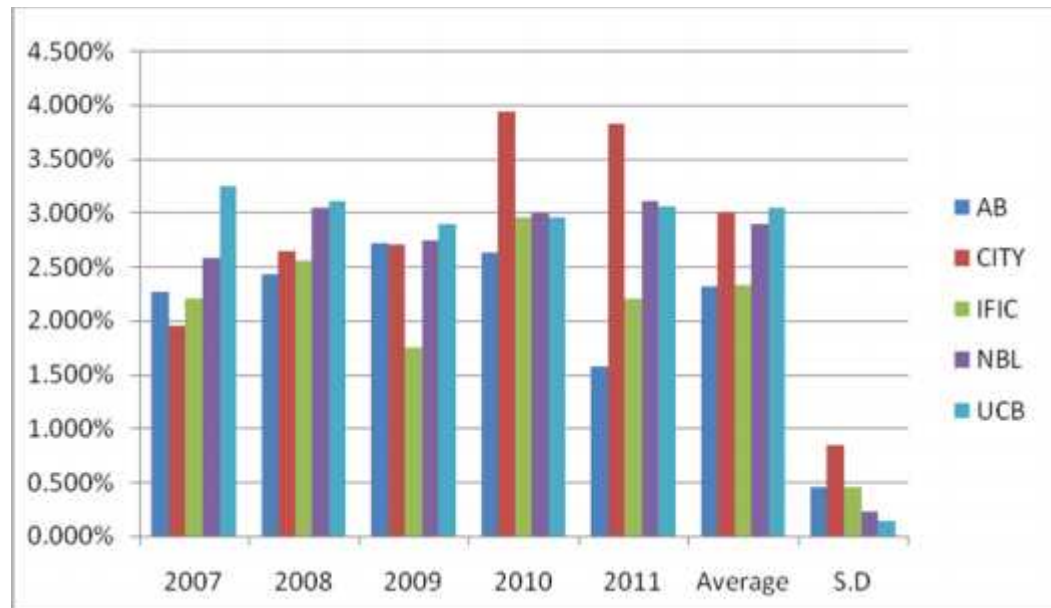
E. (i) Net Interest Margin Ratio (NIM)

Net Interest Margin Ratio shows the direct relationship between the taka volumes of Interest Received and paid during a specific period. A relatively higher NIM ratio indicates the higher earnings ability of a commercial bank. It is measured in the following manner:

$$\text{NIM} = \frac{(\text{Interest Income} - \text{Interest Expense})}{\text{Total Assets}} \times 100$$

Table-E (i)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	2.264%	2.420%	2.720%	2.623%	1.565%	2.319%	0.457%
CITY	1.944%	2.637%	2.708%	3.932%	3.817%	3.008%	0.847%
IFIC	2.200%	2.556%	1.752%	2.954%	2.194%	2.331%	0.450%
NBL	2.575%	3.037%	2.737%	2.998%	3.103%	2.890%	0.225%
UCB	3.244%	3.100%	2.892%	2.953%	3.048%	3.047%	0.136%



From our analysis and observation of above table and graph it has been found that Net Interest Margin of all the selected private commercial banks are at satisfactory level during the period of researcher observation (2007-2011).

From the above analysis it is also observed that UCBL has the relatively better (higher) and stable NIM ratio through out the period.

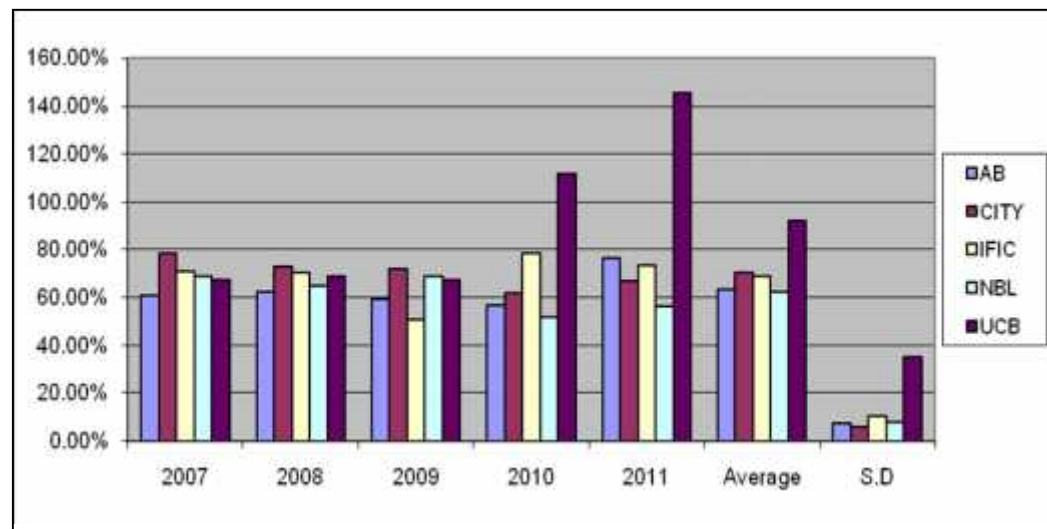
E. (ii) Cost Income Margin Ratio (CIM)

CIM Ratio shows the direct relationship between the taka volumes of total Income and Expenditure during a specific period. A relatively higher CIM ratio indicates the higher cost efficiency of a commercial bank. It is measured by using the following formula:

$$CIM = \frac{\text{Total Income}}{\text{Total Expenditure}} \times 100$$

Table-E (ii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	60.820%	62.562%	59.213%	57.063%	76.340%	63.199%	7.621%
CITY	78.371%	73.177%	71.940%	62.091%	67.098%	70.536%	6.194%
IFIC	71.078%	70.643%	50.682%	78.583%	73.682%	68.934%	10.680%
NBL	69.160%	64.873%	69.129%	51.960%	56.266%	62.278%	7.805%
UCB	52.529%	54.781%	52.769%	50.535%	54.889%	53.101%	1.806%



From the sequence of our analysis and observation from the above table and graph it had been found the Cost to Income Ratio of all the selected commercial banks are at a reasonable level during the period of our observation (2007-2011).

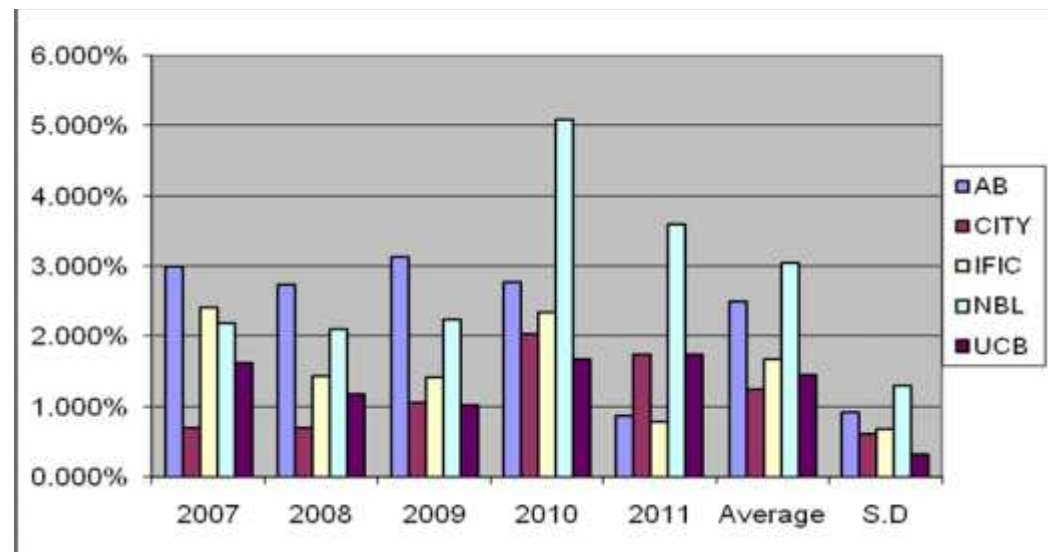
E (iii). Return on Total Assets:

Return on total assets measures the profitability of the total assets available to the business. It measures earnings in all investments provided by owners and creditors. This ratio is calculated in the following manner-

$$\text{Return on Total Assets} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100$$

Table-E (iii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	2.994%	2.738%	3.146%	2.785%	0.868%	2.506%	0.930%
CITY	0.704%	0.697%	1.071%	2.034%	1.744%	1.250%	0.611%
IFIC	2.418%	1.437%	1.430%	2.349%	0.781%	1.683%	0.693%
NBL	2.190%	2.102%	2.252%	5.092%	3.600%	3.047%	1.299%
UCB	1.624%	1.181%	1.031%	1.680%	1.744%	1.452%	0.323%



From our study and analysis of above table and graph it is observed that the Return on Assets of all the selected commercial banks is at a satisfactory level during the period of our observation (2007-2011).

From above analysis it is also observed that NBL had the highest return on assets among five selected first generation commercial banks.

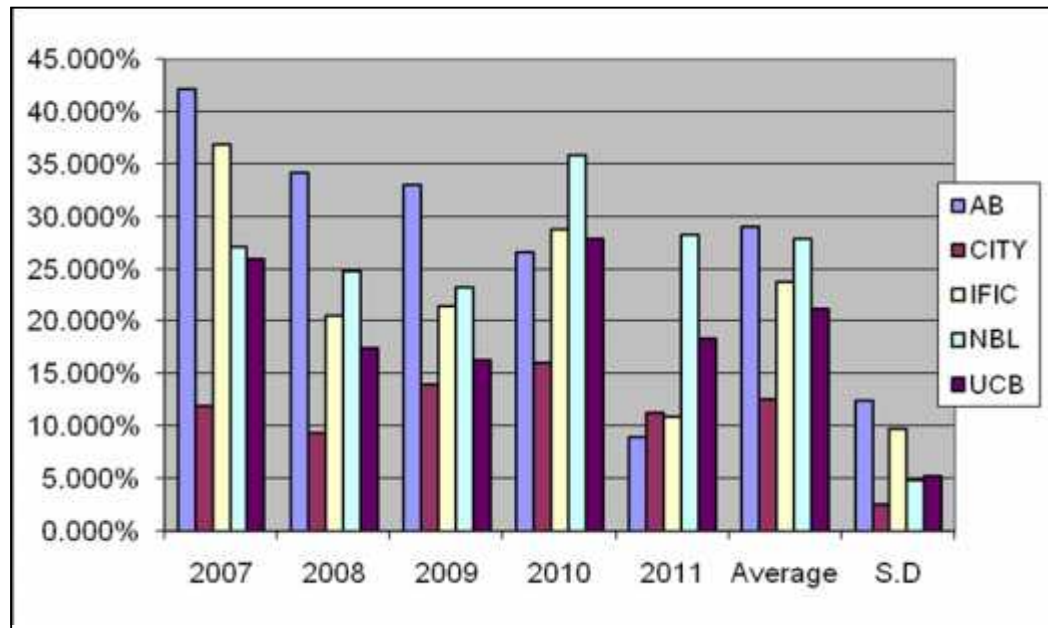
E (iv). Return on Equity:

Return on total equity measures the profitability of the total equity available to the business entity. It measures earnings in all investments provided by owners. This ratio is calculated in the following manner-

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}} \times 100$$

Table-E (iv)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	42.176%	34.226%	33.107%	26.653%	8.941%	29.021%	12.507%
CITY	11.935%	9.438%	13.967%	16.052%	11.302%	12.538%	2.544%
IFIC	36.917%	20.562%	21.430%	28.863%	10.886%	23.732%	9.754%
NBL	27.102%	24.769%	23.220%	35.907%	28.276%	27.855%	4.914%
UCB	25.980%	17.450%	16.354%	27.914%	18.417%	21.223%	5.320%



From the sequence of our analysis and observation from the above table and graph it had been found that except City Bank the Return on Equity of all the remaining selected commercial banks were at a satisfactory level during the period of our observation (2007-2011).

F. Liquidity Management

Liquidity refers to the ability of a commercial bank to fulfill its short-term obligations without distorting the profitability. There should be adequacy of liquidity sources compared to present and future needs, and availability of assets readily convertible to cash without undue loss. The fund management practices should ensure an institution which is able to maintain a level of liquidity sufficient to meet its financial obligations in a timely manner; and capable of quickly liquidating assets with minimal loss. (Uniform Financial Institutions Rating System 1997, p. 8). To measure the liquidity position of the selected commercial banks. We use following two key sub ratios.

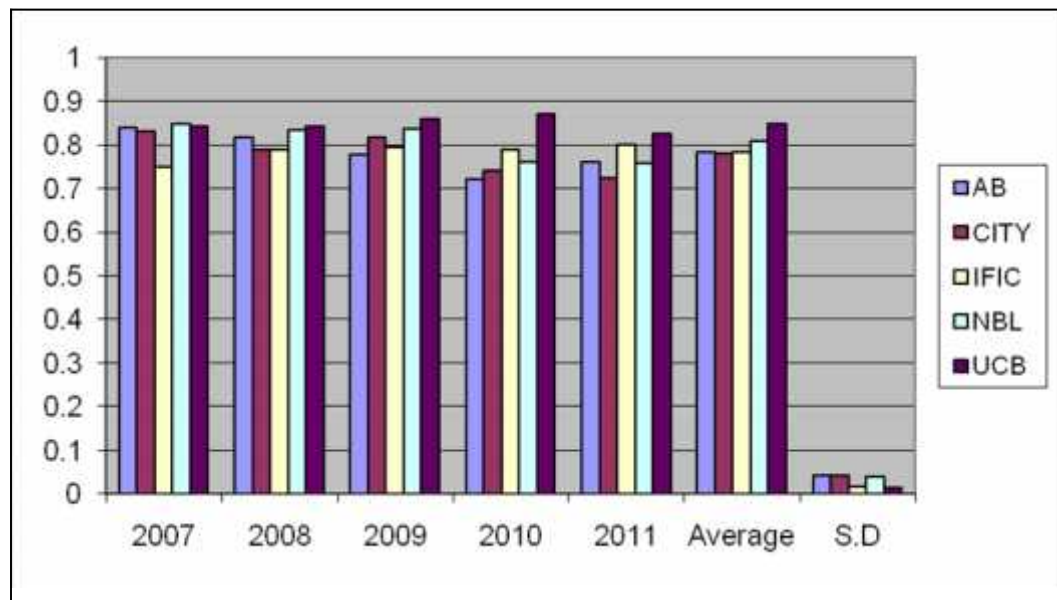
F (i). Customer Deposit to Total Assets Ratio

Customer Deposit to Total Assets Ratio shows the direct relationship between the taka volume of Customer Deposits and Total Assets. It indicates the portion of total assets financed with customer deposits. This ratio is measured by applying the following formula:

$$\text{Customer Deposits to Total Assets Ratio} = \frac{\text{Customer Deposits}}{\text{Total Assets}} \times 100$$

Table-F (i)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	84.0%	81.6%	77.7%	72.1%	75.9%	78.3%	4.2%
CITY	83.2%	78.8%	81.6%	74.2%	72.4%	78.0%	4.1%
IFIC	74.9%	78.9%	79.5%	78.9%	79.9%	78.4%	1.8%
NBL	84.8%	83.4%	83.6%	76.1%	75.9%	80.7%	3.9%
UCB	84.3%	84.1%	85.9%	87.1%	82.6%	84.8%	1.5%



From above table and graph it has been observed that the percentage of customer deposits in total asset is relatively higher for UCBL than four remaining selected banks.

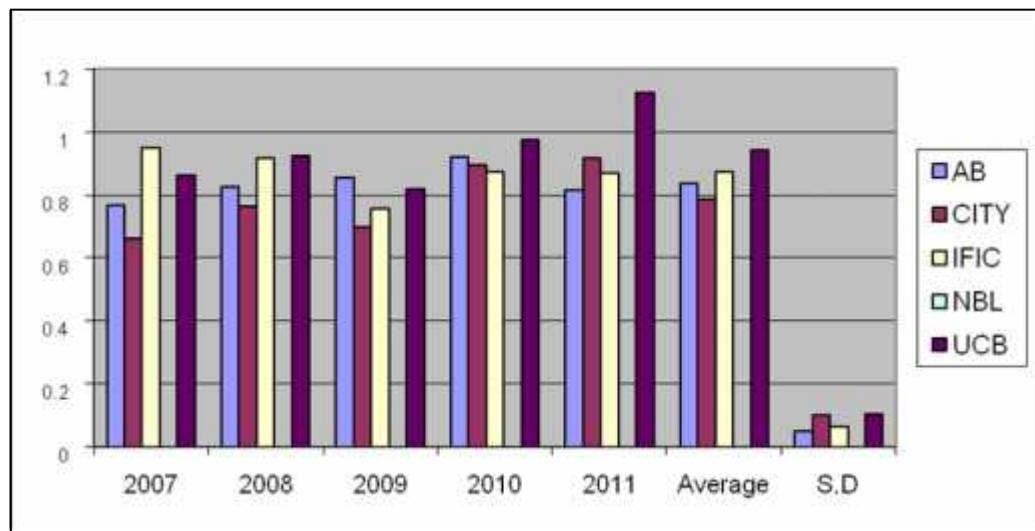
F (ii). Total Loans to Customer Deposits Ratio

Probably this is the most widely used ratio to appraise a bank's Liquidity Position. This ratio relates Total Loans to the Total Customer Deposits during a specific period of operation. It is calculated in the following manner:

$$\text{Total Loans to Customer Deposits} = \frac{\text{Total Loans}}{\text{Customer Deposit}} \times 100$$

Table-F (ii)

Items	2007	2008	2009	2010	2011	Average	S.D
AB	76.656%	82.714%	85.308%	91.954%	81.478%	83.622%	5.024%
CITY	66.078%	76.433%	69.707%	89.479%	91.635%	78.667%	10.284%
IFIC	94.853%	91.483%	75.561%	87.317%	86.940%	87.231%	6.519%
NBL	0.038%	0.041%	0.042%	0.046%	0.041%	0.042%	0.002%
UCB	86.201%	92.406%	81.712%	97.309%	112.467%	94.019%	10.643%



From the sequence of our study and analysis of above table and graph it is observed that the Total Loans to Customer Deposits Ratio of AB Bank and City Bank is relatively better than remaining three selected banks through out the period of our observation (2007-2011).

(5.1) Financial Highlights**Financial High Lights of AB Bank Limited.**

Items	Year	2006	2007	2008	2009	2010	2011	Average Growth
Total Capital		2664.17	4785.07829	7439.79615	10918	14660.285	15944	
Growth in Capital			79.61%	55.48%	46.75%	34.28%	8.76%	44.97%
Total Assets		47989.34	63549.8644	84050	106910	132690	152961	
Growth in Assets			32.42%	32.26%	27.20%	24.11%	15.28%	26.25%
Total Deposits		42077	53375.3484	68560.4743	83087.1291	95701.8945	116151.864	
Growth in Deposits			26.85%	28.45%	21.19%	15.18%	21.37%	22.61%
Total Loans & Advances		31289.25	40915.3522	56708.7719	70879.9334	88002	94638.2184	
Growth in Loans & Advances			30.76%	38.60%	24.99%	24.16%	7.54%	25.21%
Total Expenditure		4823.52	5161.9	7,235	8651.60	9849.00	13871.00	
Growth in Total Expenditure			7.02%	40.17%	19.57%	13.84%	40.84%	24.29%
Net Profit		532.19	1903.49385	2300.62164	3362.556	3696.01711	1327.98371	
Growth in Net Profit			257.67%	20.86%	46.16%	9.92%	-64.07%	54.11%
Amount of Non Performing Loan		1257.82785	1763	1695	1949	1852	2672	
Growth in NPL			40.16%	-3.86%	14.99%	-4.98%	44.28%	18.12%
Provision for Loan Loss		865.56	1147	1349	1253	1962	2333	
Growth in Loan Loss Provision			32.52%	17.61%	-7.12%	56.58%	18.91%	23.70%

Source : Calculated from field survey data

Financial High Lights of City Bank limited.

Items	Year							Average Growth
	2006	2007	2008	2009	2010	2011		
Total Capital	2601	3157	3954	5160	12380	15036		
Growth in Capital		21.38%	25.25%	30.50%	139.92%	21.45%		47.70%
Total Assets	47445.75	48755.4	57114.58	76466.8	90898.05	115735.97		
Growth in Assets		2.76%	17.15%	33.88%	18.87%	27.33%		20.00%
Total Deposits	40881.41	40539.63	45034.33	62384.28	67419.8	83817.79		
Growth in Deposits		-0.84%	11.09%	38.53%	8.07%	24.32%		16.23%
Total Loans & Advances	30789.02	26788.47	34420.94	43486.42	60326.55	76807.03		
Growth in Loans & Advances		-12.99%	28.49%	26.34%	38.73%	27.32%		21.58%
Total Expenditure	3856.52	4551	4788	5784	6717	8557		
Growth in Expenditure		18.01%	5.21%	20.80%	16.13%	27.39%		17.51%
Net Profit	240.02	343.46	398.11	818.72	1849.24	2018.33		
Growth in Profit		43.10%	15.91%	105.65%	125.87%	9.14%		59.93%
Amount of Non Performing Loan	2210.65	1661	2168.52	2130.81	2654.388	2611.43		
Growth in NPL		-24.86%	30.56%	-1.74%	24.57%	-1.62%		5.38%
Provision for Loan Loss	1100	964	1200	1507	2010	2501		
Growth in Loan Loss Provision		-12.36%	24.48%	25.58%	33.38%	24.43%		19.10%

Source : Calculated from field survey data

Financial High Lights of IFIC Bank limited.

Items	Year							Average Growth
	2006	2007	2008	2009	2010	2011		
Total Capital	2028.39	3038.62	3793.04	4928.76	6713.75	7784.32		
Growth in Capital		49.80%	24.83%	29.94%	36.22%	15.95%	31.35%	
Total Assets	36080.48	39914.15	45729.47	62901.86	70840.26	91507.54		
Growth in Assets		10.63%	14.57%	37.55%	12.62%	29.17%	20.91%	
Total Deposits	28620.91	29900.05	36092.17	50017.96	55918	73105.73		
Growth in Deposits		4.47%	20.71%	38.58%	11.80%	30.74%	21.26%	
Total Loans & Advances	25490.66	28361.46	33018.39	37793.89	48826	63557.97		
Growth in Lons & Advances		11.26%	16.42%	14.46%	29.19%	30.17%	20.30%	
Total Expenditure	3155.33	3693.57	3904	4534.18	5103.45	7517		
Growth in Total Expenditure		17.06%	5.70%	16.14%	12.56%	47.29%	19.75%	
Net Profit	253.83	964.93	657.31	899.52	1664.08	714.51		
Growth in Net Profit		280.15%	-31.88%	36.85%	85.00%	-57.06%	62.61%	
Amount of Non Performing Loan	1437.39	2299.9	1953.07	2320.31	2264.28	2578.09		
Growth in NPL		60.01%	-15.08%	18.80%	-2.41%	13.86%	15.03%	
Provision for Loan Loss	970.77	1415	1068	1463	1937	1795		
Growth in Loan Loss Provision		45.76%	-24.52%	36.99%	32.40%	-7.33%	16.66%	

Source : Calculated from field survey data

Financial High Lights of National Bank limited.

Items	Year	2006	2007	2008	2009	2010	2011	Average Growth
Total Capital		3237.87	4711.49	6519.14	9124.62	18791.9	25033.9	
Growth in Capital			45.51%	38.37%	39.97%	105.95%	33.22%	52.60%
Total Assets		46796.04	56526.96	72205.5	91931.63	134732.31	169037.38	
Growth in Assets			20.79%	27.74%	27.32%	46.56%	25.46%	29.57%
Total Deposits		40350.87	47961.23	60187.89	76834.13	102471.83	128215.97	
Growth in Deposits			18.86%	25.49%	27.66%	33.37%	25.12%	26.10%
Total Loans & Advances		32709.68	36475.75	50665.07	65129.29	92003.56	115388.89	
Growth in Loans & Advances			11.51%	38.90%	28.55%	41.26%	25.42%	29.13%
Total Expenditure		3453.33	4967.53	5769.24	7608.45	9670.8	12340.53	
Growth in Expenditure			43.85%	16.14%	31.88%	27.11%	27.61%	29.32%
Net Profit		507.49	1238.11	1517.43	2070.47	6860.34	6085.7	
Growth in Net Profit			143.97%	23%	36%	231%	-11%	84.60%
Amount of Non Performing Loan		1965.851768	1652.35	2730.48	3881.71	3642.57	3264.95	
Growth in NPL			-15.95%	65%	42%	-6%	-10%	14.99%
Provision for Loan Loss		854.18	1462.65	1906.67	2155.77	2547.36	2878.08	
Growth in Loan Loss Provision			71.23%	30%	13%	18%	13%	29.16%

Source : Calculated from field survey data

Financial High Lights of United Commercial Bank limited.

Items	Year	2006	2007	2008	2009	2010	2011	Average Growth
Total Capital		2620.4	3696.48	4780.38	6035	9085.83	16877.06	
Growth in Capital			41.07%	29.3%	26.2%	50.6%	85.8%	46.59%
Total Assets		38547.6	50180.58	64794.88	90483.78	129877.03	168891.78	
Growth in Assets			30.18%	29.1%	39.6%	43.5%	30.0%	34.50%
Total Deposits		33015.00	42296.00	54485.27	77730.40	113070.78	139485.00	
Growth in Deposits			28.11%	28.8%	42.7%	45.5%	23.4%	33.68%
Total Loans & Advances		26110.00	37566.02	44446.33	61692.22	93560.70	115506.33	
Growth in Loans & Advances			43.88%	18.3%	38.8%	51.7%	23.5%	35.22%
Total Expenditure		3200	4033.67	5400.31	6415.12	8753.71	13524.67	
Growth in Total Expenditure			26.05%	33.9%	18.8%	36.5%	54.5%	33.94%
Net Income		581.75	815.12	764.75	932.90	2181.64	2945.80	
Growth in Net Profit			40.12%	-6.2%	22.0%	133.9%	35.0%	44.96%
Amount of Non Performing Loan		742.2	1848.248	2053.42	1622.505	1122.73	2067.56	
Growth in NPL			149.02%	11.1%	-21.0%	-30.8%	84.2%	38.50%
Provision for Loan Loss		738.92	228.38	817	1503	1100.53	800	
Growth in Loan Loss Provision			-69.09%	258%	84%	-27%	-27%	43.70%

(5.2) Comparative Performance at a Glance

The following table shows the comparative performance of five selected first generation commercial banks on the basis of average of nine performance indicators covering the period from 2007-2011.

Particulars	AB Bank	City Bank	IFIC Bank	National Bank	United Commercial Bank	REMARKS		
						Relatively Better	Average (In-between)	Relatively Worse
Average growth in Capital	44.97%	47.70%	31.35%	52.60%	46.95%	NBL, City, UCBL	AB	IFIC
Average growth in Assets	26.25%	20%	20.91%	29.57%	34.50%	UCBL, NBL	AB	IFIC, City
Average growth in Deposits	22.61%	16.23%	21.26%	26.10%	33.68%	UCBL, NBL	AB, IFIC	City
Average growth in Loans & Advances	25.21%	21.58%	20.30%	29.13%	35.22%	UCBL, NBL	AB	City, IFIC
Average Return on Asset	2.82%	1.33%	1.71%	3.85%	1.45%	NBL, AB	IFIC	UCBL, City
Average Return on Investment	23.03%	13.50%	14.87%	17.93%	10.13%	AB	NBL	City, IFIC, UCBL
Average growth in Net Profit	54.11%	59.93%	62.61%	84.60%	44.96%	NBL, IFIC	City	AB, UCBL
Average growth in NPL	18.12%	5.38%	13.03%	14.99%	38.50%	City	IFIC, NBL, AB	UCBL
Average growth in Loan Loss Provision	23.70%	19.10%	16.66%	29.16%	43.70%	UCBL	NBL	City, IFIC, AB

Source : Calculated from field survey data

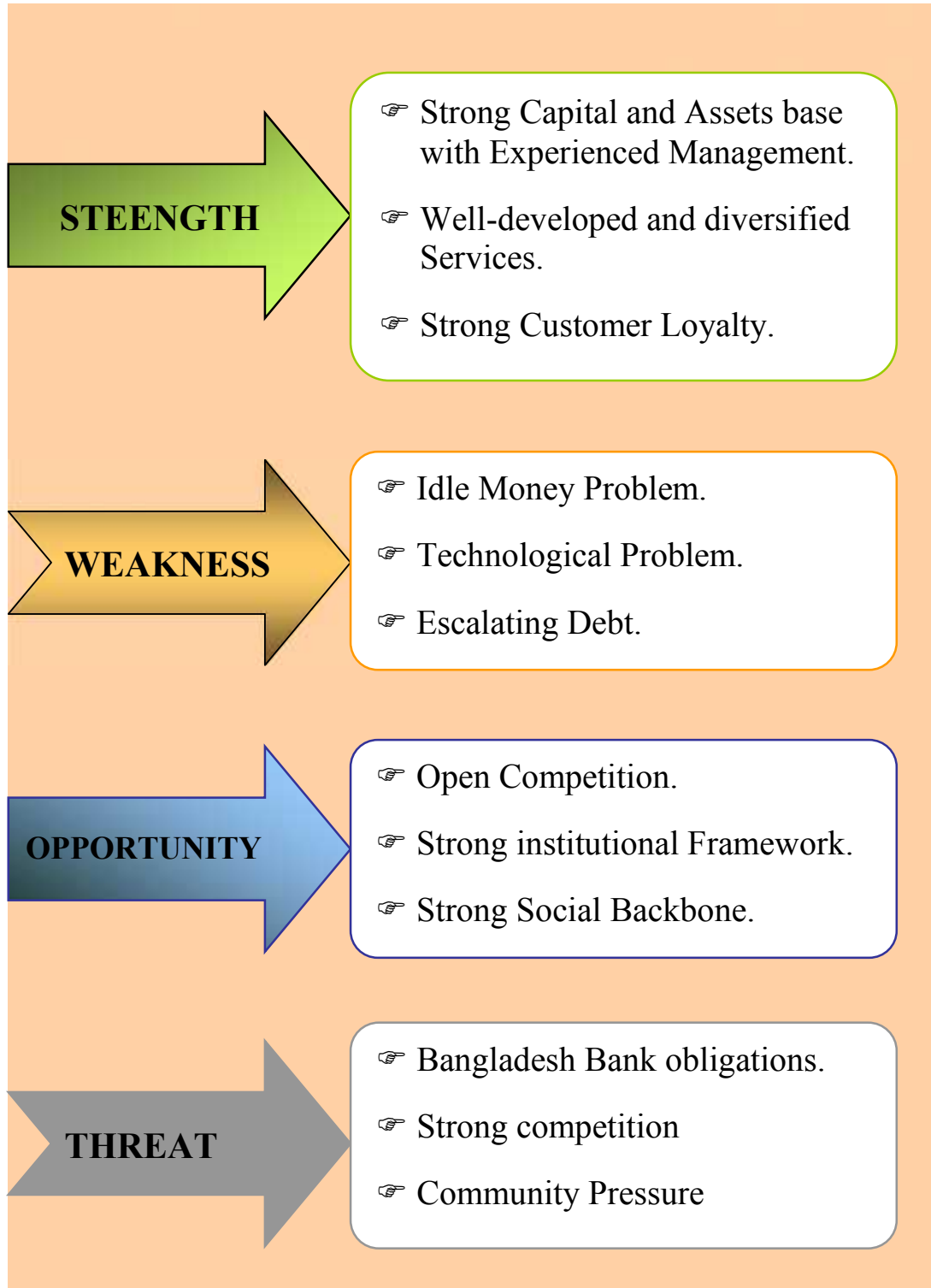
(5.3) Relative Ranking

The following table shows the relative ranking of five selected first generation commercial banks on the basis of average of nine performance indicators covering the period from 2007-2011.

Particulars	AB	City	IFIC	NBL	UCBL
Average growth in Capital	4th	2nd	5th	1st	3rd
Average growth in Assets	3rd	5th	4th	2nd	1st
Average growth in Deposits	3rd	5th	4th	2nd	1st
Average growth in Loans & Advances	3rd	4th	5th	2nd	1st
Average Return on Asset	2nd	5th	3rd	1st	4th
Average Return on Investment	1st	4th	3rd	2nd	5th
Average growth in Net Profit	4th	3rd	2nd	1st	5th
Average growth in NPL	4th	1st	3rd	2nd	5th
Average growth in Loan Loss Provision	3rd	4th	5th	2nd	1st

(5.3) SWOT

SWOT Analysis of five selected first generation private commercial banks in Bangladesh is as follows:



(5.4) Summary of Major Findings

In Bangladesh the journey of private commercial banks has started in the year 1982-1983. Since that the private commercial banks are playing a vital role in the economic development of the country. This chapter provides the findings of the study with their analysis. In this study the researcher evaluate the financial performance of five first generation private commercial banks in Bangladesh. The indicators of Financial Performance are:

A. Capital Management

From the sequence of our analysis it is reflected that although the performance of capital management of all the selected banks have showed an improving trend during the period of 2007 to 2011, the performance of UCBL is not satisfactory in comparison with the remaining four other banks.

So we are quite optimistic that the Management of UCBL should take necessary steps to improve its performance in managing the Capital.

B. Assets Management Performance

It has been identified that although almost every year loans and advances of selected private commercial banks have increased from the previous year, the total loans and advances of IFIC bank is relatively lower than the remaining four other selected banks.

It is also reflected from the analysis that the percentage of NPL of all the selected banks is at quite satisfactory level. A relatively high loans recovery rate indicates that the banks are able to manage their credit efficiently. Among all the selected banks the management of AB bank has showed the best performance in managing its assets in the most efficient way over the remaining four other banks.

C. Managerial Performance

From our analysis and observation it is reflected that although the performance of management of all the selected banks have showed an improving trend during the period of 2007 to 2011, the performance of IFIC Bank and CITY Bank is not satisfactory in comparison the remaining three other banks. From our study it was also observed that the Operating Exp. per Employee has showed an increasing trend throughout the period. It may happen for new revised pay scale for the employees.

Here it is expected that the management of IFIC Bank and CITY Bank should take necessary measures to improve their performance.

D. Earnings Ability

It has been observed that except AB and IFIC Bank the net income of all other selected private commercial banks have showed an increasing trend during 2007 to 2011. It is also reflected from the analysis that the EPS of all the selected commercial banks are very high during the period. It indicates the profitability of all the selected banks is quite satisfactory. It is also reflected from the analysis that the NIM and CIM ratio of UCBL is higher than any other selected banks, which indicates the relatively high profitability of UCBL.

IFIC bank needs to increase its net income by increasing deposits, decreasing cost and expanding more branches.

As the net income of AB Bank is fluctuating, the bank should try to keep it at a stable point.

E. Liquidity Position

From the sequence of our analysis it has been observed that the percentage of customer deposit in total assets is relatively higher for UCBL than four remaining selected banks. It is also observed that the Total Loans to Customer Deposits Ratio of AB Bank and CITY Bank was relatively better than remaining three other selected banks.

So we are quite optimistic that the Management of NBL and IFIC Bank should take necessary steps to improve their liquidity position and management of UCBL should take care of its Total Loans to Customer Deposits Ratio.

Chapter 06
Problems
Recommendation
& Conclusions

(06) Problems, Recommendations & Conclusions

Problems

The researcher sketches that the performance of the five selected first generation commercial banks suffers from a number of problems and deficiencies in various aspects of financial performance.

- ✚ Their capital base relative to the risk-weighted assets is not so strong.
- ✚ High portion of nonperforming loans shows the deteriorating quality of commercial bank assets.
- ✚ Relative dependency on the stock market.
- ✚ Government borrowings from commercial banks.
- ✚ Liquidity crisis.
- ✚ Inadequate provision for loan loss ratio.
- ✚ Political pressure on bank management personnel.
- ✚ High Call Money rate.
- ✚ Inadequate supervision and monitoring of credit.
- ✚ Lack of proper incentive for employees.
- ✚ High cost structure.
- ✚ Instable profitability.
- ✚ Corruption in banking industry.
- ✚ High loans to customer deposit ratio.
- ✚ Huge competition from non-banking financial institution.

Recommendations

For the betterment of the scenario of the private commercial banks, the researcher recommends the following points to be noted:

- ✚ To have a strong capital base and follow the international rating convention, total capital should be greater than 19.5% of the total risk-weighted assets.
- ✚ Necessary steps should be taken to control the amount of nonperforming loans to improve the quality of assets.
- ✚ A strong regulatory framework should be developed by the Bangladesh Bank to monitor the functions of PCBs.
- ✚ Adequate provision for loan loss ratio should be maintained.
- ✚ Risky investment in stock market should be avoided.
- ✚ A well balanced strategic planning should be formulated to monitor and supervise the various types of loans and advances.
- ✚ Proper training and incentive scheme should be taken to improve the banking knowledge and working efficiency of the bank personnel.
- ✚ Steps should be taken to improve the loans to customer deposit ratio.
- ✚ Government should stop borrowings from the private commercial banks.
- ✚ A comprehensive guideline should be followed to identify and avoid relatively risky investments.

A relatively winning strategy should be formulated to compete with the non-banking financial institution.

Conclusion

In Bangladesh the journey of private commercial banks has started in the year 1982-1983. Since that the private commercial banks are playing a vital role in the economic development of the country. In Bangladesh private commercial banks dealt with some adverse political situations in the past, and they still face many problems which are out of their control. These problems mainly stem from the fact that Bangladesh is still going through the stages of development, and some of the sectors are still underdeveloped. Control of corruption and regulatory quality are two main aspects which need further improvement in Bangladesh. The performance of the five selected Banks is reasonably well in terms of efficiency, but assets quality needs improvements, since the percentage of Non Performing Loan is comparatively higher. This again reflects the lack of control over corruption and weak regulatory control.

Therefore the study of five randomly selected banks reveals that operating a banking business in the economic environment of a developing country like Bangladesh requires full understanding of the changing economic situation, sound strategy making for tackling adverse situation and efficient risk management. Since the political situation of the country and the policy measures of the government change drastically from time to time, banks have to give more importance to short term planning than long term strategic planning. Theoretically long term strategic planning is important, but for economies like Bangladesh, planning for short term adjustment is more important, since the economic and political scenario changes day.

It so happens that most of the private banks in our country have a common attitude to esteem the rich customers highly and on the other hand show some kind of negligence to the middle-class or upper middle class customers or small traders. But the fact is that the number of these small depositors is so high in the market that they together constitute the larger share of the net deposit in most of these banks. So the better care to these customers can make a massive change in bank deposit.

Again the small business holders are mostly found to be very regular and punctual to their transaction. Though they take smaller size of loan, yet they, as a whole, play a vital role in total loan disbursement as they are also in a great number. These small traders are hardly found defaulter in their transaction while the big merchants are very off and on observed to delay their payment to some intolerable stage or to be reluctant to pay at all by exercising some legally illegal deception or political power. Banks rather earn more by the small traders as they have to pay much higher rate of interest compared to the big merchants. So these small traders are to be given same importance as the big ones.

As a whole it can be figured out that successful operation of commercial bank in a developing country requires good strategic thinking, efficient management of risk, intensive monitoring of the movements of economic agents as well as capabilities to adjust the changing circumstances.

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Excel Sheet

The Excel Sheets of five first generation private commercial banks
are shown as follows:

AB Bank Limited

A. Capital Ratio	2007	2008	2009	2010	2011
Tire-1 Capital	3838	6128	9250	12411	13410
Tire-2 Capital	947	1312	1668	2249	2534
Total RWA	44550	57950	98460	147950	140250
Total Capital	4785	7440	10918	14660	15944
Total Assets	63550	84050	106910	132690	152960
1. CAR	0.107407	0.128387	0.110888	0.099088	0.113683
2. Equity Capital to total Assets	0.075295	0.088519	0.102123	0.110483	0.104236
B. Assets Quality Ratio					
Total Loans & Advances	40911	56709	70880	88002	94638
Non Performing Loans	1763	1695	1949	1852	2672
Provision for Loan Loss	1147	1349	1253	1962	2333
Total Equity	4512	6723	10158	13867	14853
1. NPLS to Total Loans	0.043094	0.029889	0.027497	0.021045	0.028234
2. NPLS to Total Equity	0.390736	0.25212	0.191868	0.133554	0.179896
4. Provision for Loan Loss Ratio	0.650596	0.79587	0.642894	1.059395	0.873129
C. Managerial Performance					
Total Income	8487.2	11565	14611.1	17260	18170
Net Income	1903	2301	3363	3696	1328
Total Expenditure	5161.9	7235.3	8651.6	9849	13871
Operating Expenditure	1331	1854	2466	3489	3431

Number of Employee	1725	1804	1952	2008	2096
1.Total Exp. to Total Income	0.608198	0.62562	0.592125	0.570626	0.763401
2. Operating Exp. to Total Exp.	0.257851	0.256244	0.285034	0.354249	0.247351
3. Earnings Per Employee	1.103188	1.275499	1.722848	1.840637	0.633588
4. Operating Exp. Per Employee	0.771594	1.027716	1.26332	1.73755	1.636927
D. Earnings Ability					
Net Interest Income	1439	2034	2908	3481	2394
Non-Interest Income	3217.3	4118.3	5410	7919.7	5342.6
Net Income	1903	2301	3363	3696	1328
Total Assets	63550	84050	106910	132690	152960
Total Equity	4512	6723	10158	13867	14853
1.Net Interest Margin	0.022644	0.0242	0.0272	0.026234	0.015651
2. Cost to Income Ratio	0.608198	0.62562	0.592125	0.570626	0.763401
3. ROA	0.029945	0.027377	0.031456	0.027854	0.008682
4. ROE	0.421764	0.342258	0.331069	0.266532	0.08941
E. Liquidity					
Total Customer Deposits	53375	68560	83087	95702	116152
Total Loans	40915	56709	70880	88002	94638
Total Assets	63550	84050	106910	132690	152960
1. Customer Deposit to Total Assets	0.83989	0.815705	0.777168	0.721245	0.759362
2.Total Loans to Customer Deposits	0.766557	0.827144	0.853082	0.919542	0.814777

Source: Calculated from field survey data.

City Bank Limited

A. Capital Ratio	2007	2008	2009	2010	2011
Tire-1 Capital	2313	2711	3535	9260	11322
Tire-2 Capital	844	1243	1625	3120	3714
Total RWA	25037	35919	45715	111049	117575
Total Capital	3157	3954	5160	12380	15036
Total Assets	48755	57115	76467	90898	115736
1. CAR	0.126093	0.110081	0.112873	0.111482	0.127884
2. Equity Capital to total Assets	0.064752	0.069229	0.06748	0.136197	0.129916
B. Assets Quality Ratio					
Total Loans & Advances	26788	34421	43486	60327	76807
Non Performing Loans	1661	2168.523	2130.814	2654.388	2611.43
Provision for Loan Loss	964	1200	1507	2010	2501
Total Equity	2874	4217	5864	11519	17856
1. NPLS to Total Loans	0.062005	0.063	0.049	0.044	0.034
2. NPLS to Total Equity	0.57794	0.514234	0.363372	0.230436	0.146249
4. Provision for Loan Loss Ratio	0.580373	0.553372	0.707241	0.757237	0.957713
C. Managerial Performance					
Total Income	5807	6543	8040	10818	12753
Net Income	343	398	819	1849	2018
Total Expenditure	4551	4788	5784	6717	8557
Operating Expenditure	1316	1625	2112	3201	3560
Number of Employee	1991	2134	2424	2685	1991
1. Total Exp. to Total Income	0.783709	0.731774	0.719403	0.62091	0.670979
2. Operating Exp. to Total Exp.	0.289167	0.33939	0.365145	0.476552	0.416034
3. Earnings Per Employee	0.172275	0.186504	0.337871	0.688641	1.013561
4. Operating Exp. Per Employee	0.660974	0.761481	0.871287	1.192179	1.788046

D. Earnings Ability					
Net Interest Income	948	1506	2071	3574	4418
Non-Interest Income	1624	1874	2297	3728	3338
Net Income	343	398	819	1849	2018
Average Earnings Assets					
Total Assets	48755	57115	76467	90898	115736
Total Equity	2874	4217	5864	11519	17856
1. Net Interest Margin	0.019444	0.026368	0.027084	0.039319	0.038173
2. Cost to Income Ratio	0.783709	0.731774	0.719403	0.62091	0.670979
3. ROA	0.007035	0.006968	0.010711	0.020341	0.017436
4. ROE	0.119346	0.09438	0.139666	0.160517	0.113015
E. Liquidity					
Total Customer Deposits	40540	45034	62384	67420	83818
Total Loans	26788	34421	43486	60327	76807
Total Assets	48755	57115	76467	90898	115736
1. Customer Deposit to total Assets	0.831504	0.788479	0.815829	0.74171	0.724217
2. Total Loans to Customer Deposits	0.660779	0.764334	0.69707	0.894794	0.916354

Source: Calculated from field survey data.

International Finance Investment & Commerce Bank Limited

A. Capital Ratio	2007	2008	2009	2010	2011
Tire-1 Capital	2487.9	3145.242	4044.76	5737	6509
Tire-2 Capital	550.72	647.79	884	976.3	1215
Total RWA	28361.45	33018.38	49194.7	68627.6	63464.7
Total Capital	3038.62	3793.032	4928.76	6713.7	7784
Total Assets	39914.15	45729.47	62901.86	70840.26	91508
1. CAR	0.107139	0.114876	0.100189	0.097828	0.122651
2. Equity Capital to total Assets	0.076129	0.082945	0.078356	0.094772	0.085064
B. Assets Quality Ratio					
Total Loans & Advances	28361	33018	37794	48826	63558
Non Performing Loans	2299.9	1953	2320.3	2264.26	2578
Provision for Loan Loss	1415	1068	1463	1937	1795
Total Equity	2613.78	3196.73	4197.47	5765.44	6568
1. NPLS to Total Loans	0.081094	0.05915	0.061393	0.046374	0.040561
2. NPLS to Total Equity	0.879913	0.610937	0.552785	0.39273	0.392509
4. Provision for Loan Loss Ratio	0.615244	0.546851	0.630522	0.855467	0.696276
C. Managerial Performance					
Total Income	5196.49	5526.38	8947.52	6494.33	10202
Net Income	964.93	657.31	899.52	1664.08	715
Total Expenditure	3693.57	3904	4534.81	5103.45	7517
Operating Expenditure	1797.02	1557.29	1764.84	2528.93	2870
Number of Employee	1997	2110	2193	2315	2383
1.Total Exp. To Total Income	0.710782	0.70643	0.506823	0.785832	0.736816
2. Operating Exp. to Total Exp.	0.486527	0.398896	0.389176	0.495533	0.381801
3. Earnings Per Employee	0.48319	0.311521	0.410178	0.718825	0.300042
4. Operating Exp. Per Employee	0.89986	0.738052	0.804761	1.09241	1.204364

D. Earnings Ability					
Net Interest Income	878.03	1168.7	1102.17	2092.75	2008
Non-Interest Income	2010.9	2421.92	4280	2622.17	3547
Net Income	964.93	657.31	899.52	1664.08	715
Average Earnings Assets					
Total Assets	39914.15	45729.47	62901.86	70840.26	91508
Total Equity	2613.78	3196.73	4197.47	5765.44	6568
1. Net Interest Margin	0.021998	0.025557	0.017522	0.029542	0.021943
2. Cost to Income Ratio	0.710782	0.70643	0.506823	0.785832	0.736816
3. ROA	0.024175	0.014374	0.0143	0.023491	0.007814
4. ROE	0.36917	0.205619	0.214301	0.28863	0.108861
E. Liquidity					
Total Customer Deposits	29900	36092	50018	55918	73106
Total Loans	28361	33018	37794	48826	63558
Total Assets	39914.15	45729.47	62901.86	70840.26	91508
1. Customer Deposit to Total Assets	0.749108	0.78925	0.795175	0.789353	0.798903
2. Total Loans to Customer Deposits	0.948528	0.914829	0.755608	0.873171	0.869395

Source: Calculated from field survey data.

National Bank Limited

A. Capital Ratio	2007	2008	2009	2010	2011
Tire-1 Capital	3742.01	5259.45	7329.92	14202.8	20316.1
Tire-2 Capital	969.46	1259.69	1794.7	4589.1	4987.8
Total RWA	35940.79	48562.76	105986.2	156148.7	196812.4
Total Capital	4711.47	6519.14	9124.62	18791.9	25303.9
Total Assets	56526.96	72205.5	91931.63	134732.31	169037.38
1. CAR	0.13109	0.134242	0.086093	0.12034618	0.12856863
2. Equity Capital to total Assets	0.083349	0.090286	0.099254	0.13947582	0.14969411
B. Assets Quality Ratio					
Total Loans & Advances	36475.74	50665.07	65129.29	92003.56	115388.89
Non Performing Loans	1652.351	2730.847	3881.706	3642.57	3264.95
Provision for Loan Loss	1462.65	1906.67	2155.77	2547.36	2878.08
Total Equity	4568.39	6126.27	8916.76	19105.6	21522.57
1. NPLS to Total Loans	0.0453	0.0539	0.0596	0.03959162	0.02829519
2. NPLS to Total Equity	0.361692	0.44576	0.435327	0.19065457	0.15169889
4. Provision for Loan Loss Ratio	0.885193	0.698197	0.555367	0.69933042	0.88150814
C. Managerial Performance					
Total Income	7182.63	8893.07	11006.14	18612.11	21932.47
Net Income	1238.11	1517.43	2070.47	6860.34	6085.7
Total Expenditure	4967.53	5769.24	7608.45	9670.8	12340.53
Operating Expenditure	2134.08	2174.4	3118.11	4093.71	3151.71
Number of Employee	2432	2737	2960	3442	3758
1.Total Exp. to Total Income	0.691603	0.648734	0.691291	0.51959719	0.56266029
2. Operating Exp. to Total Exp.	0.429606	0.376895	0.409822	0.42330624	0.25539503
3. Earnings Per Employee	0.509091	0.554414	0.699483	1.99312609	1.61939862
4. Operating Exp. Per Employee	0.8775	0.794446	1.053416	1.1893405	0.83866684

D. Earnings Ability					
Net Interest Income	1455.35	2193.08	2516.29	4039.05	5245.93
Non-Interest Income	2893.83	3106.36	3999.51	8995.97	7497.72
Net Income	1238.11	1517.43	2070.47	6860.34	6085.7
Average Earnings Assets					
Total Assets	56526.96	72205.5	91931.63	134732.31	169037.38
Total Equity	4568.39	6126.27	8916.76	19105.6	21522.57
1. Net Interest Margin	0.025746	0.030373	0.027371	0.02997833	0.03103414
2. Cost to Income Ratio	0.691603	0.648734	0.691291	0.51959719	0.56266029
3. ROA	0.021903	0.021015	0.022522	0.0509183	0.0360021
4. ROE	0.271017	0.247692	0.2322	0.35907483	0.28275898
E. Liquidity					
Total Customer Deposits	47961.22	60187.89	76834.13	102471.83	128215.97
Total Loans	36475.74	50665.07	65129.29	92003.56	115388.89
Total Assets	56526.96	72205.5	91931.63	134732.31	169037.38
1. Customer Deposit to Total Assets	0.848466	0.833564	0.835775	0.7605587	0.75850661
2. Total Loans to Customer Deposits	0.760526	0.841782	0.847661	0.89784246	0.89995724

Source: Calculated from field survey data.

United Commercial Bank Limited

A. Capital Ratio	2007	2008	2009	2010	2011
Total RWA	39846.11	46247.16	65440.12	144080.55	155231.89
Total Capital	3696.48	4780.38	6035	9085.83	16877.06
Total Assets	50180.58	64794.86	90483.78	129877.03	168891.78
1. CAR	0.092769	0.103366	0.092222	0.06306077	0.1087216
2. Equity Capital to total Assets	0.073664	0.073777	0.066697	0.06995717	0.0999282
B. Assets Quality Ratio					
Total Loans & Advances	37566.02	44446.33	61692.22	93560.7	115506.33
Non Performing Loans	1848.248	2053.42	1622.505	1122.7284	2067.5633
Provision for Loan Loss	228.38	817	1503	1100.53	800
Total Equity	3137	4384	5705	7817	15996
1. NPLS to Total Loans	0.0492	0.0462	0.0263	0.012	0.0179
2. NPLS to Total Equity	0.589177	0.46839	0.284401	0.14362651	0.129255
4. Provision for Loan Loss Ratio	0.123566	0.397873	0.926345	0.98022817	0.3869289
C. Managerial Performance					
Total Income	7679	9858	12157	17322	24640
Net Income	815	765	933	2182	2946
Total Expenditure	4033.67	5400.31	6415.12	8753.71	13524.67
Operating Expenditure	1306.64	1659.54	2066.89	3120.76	3321.46
Number of Employee	2082	2092	2508	2738	2982
1.Total Exp. To Total Income	0.525286	0.54781	0.527689	0.50535215	0.5488908
2. Operating Exp. to Total Exp.	0.323933	0.307305	0.32219	0.35650713	0.2455853
3. Earnings Per Employee	0.391451	0.365679	0.37201	0.79693207	0.9879276
4. Operating Exp. Per Employee	0.627589	0.793279	0.824119	1.13979547	1.1138364

D. Earnings Ability					
Net Interest Income	1627.71	2008.53	2617.09	3835.41	5148.42
Non-Interest Income	1696.77	2100.91	2574.97	4018.47	4145.95
Net Income	815	765	933	2182	2946
Total Assets	50180.58	64794.86	90483.78	129877.03	168891.78
Total Equity	3137	4384	5705	7817	15996
1.Net Interest Margin	0.032437	0.030998	0.028923	0.02953109	0.0304835
2. Cost to Income Ratio	0.525286	0.54781	0.527689	0.50535215	0.5488908
3. ROA	0.016241	0.011806	0.010311	0.01680051	0.0174431
4. ROE	0.259802	0.174498	0.163541	0.27913522	0.184171
E. Liquidity					
Total Customer Deposits	42296	54485	77730	113071	139485
Total Loans	37566.02	44446.33	61692.22	93560.7	115506.33
Total Assets	50180.58	64794.86	90483.78	129877.03	168891.78
1. Customer Deposit to Total Assets	0.842876	0.840885	0.859049	0.87060044	0.8258839
2. Total Loans to Customer Deposits	0.88817	0.815754	0.793673	0.82745089	0.8280914

Source: Calculated from field survey data.