Determinants of Bank Profitability: A Study on Private Commercial Banks in Bangladesh

An Internship Report submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration (MBA)

SUBMITTED TO

Md. Amdadul Hoque

Associate professor and Head of the Department

Department of Finance and Banking

Faculty of Business Studies

Comilla University, Cumilla.

SUBMITTED BY

Student Name: Jannatul Ferthus Tohfa

Class ID: 22317015

Registration No: 22317015

Session: 2022-2023

Program: MBA

Department of Finance and Banking

Comilla University, Cumilla.

DATE OF SUBMISSION

26th May 2025

Department of Finance & Banking

Comilla University, Cumilla.

An Internship Report

on

“Determinants of Bank Profitability: A Study on Private Commercial Banks in Bangladesh"

LETTER OF TRANSMITTAL

Date: 26th May 2025

Md. Amdadul Hoque
Associate Professor and Head of Department
Department of Finance and Banking
Faculty of Business Studies
Comilla University, Cumilla

Subject: Submission of Internship Report on "Determinants of Bank Profitability: A Study on Private Commercial Banks in Bangladesh."

Dear Sir,

With due respect and humble submission, I am pleased to present my internship report titled "Determinants of Bank Profitability: A Study on Private Commercial Banks in Bangladesh." for your kind consideration.

During my internship at the Financial Administration Division (FAD) of NCC Bank PLC, I had the opportunity to gain practical exposure to various core financial and regulatory functions of a scheduled commercial bank in Bangladesh. The division plays a critical role in maintaining the financial integrity, statutory compliance, and overall financial reporting framework of the bank.

I tried to present briefly my experience and observation in this report. I've made a sincere effort to prepare this report.

Sincerely Yours,

…………………..
Jannatul Ferthus Tohfa
Class ID: 22317015
Registration No: 22317015
Session: 2022-2023
Department of Finance and Banking
Comilla University

SUPERVISOR'S DECLARATION

This certifies that the internship report on **"Determinants of Bank Profitability: A Study on Private Commercial Banks in Bangladesh."** is done by Jannatul Ferthus Tohfa; ID No: 22317015, Reg No: 22317015 Session: 2022-2023 as the partial fulfilment of Master of Business Administration by the Department of Finance & Banking, Comilla University, Cumilla.

This internship report was written by my instruction and details the effective completion of genuine work.

…………………………………

Md. Amdadul Hoque

Associate Professor and Head of Department

Department of Finance and Banking

Faculty of Business Studies

Comilla University

STUDENT'S DECLARATION

I sincerely declare that the work in this internship report on "Impact of Deposit Management on "Determinants of Bank Profitability: A Study on Private Commercial Banks in Bangladesh" is an original work done by me under the supervisor of Md. Amdadul Hoque, Assistant professor and Head of Department of Finance & Banking, Comilla University. No portion of this report has been previously submitted to any other University/ College/ Institution/Organization for any academic certificate/ degree/ diploma. This work I have presented does not breach any existing copyright. Information derived from the published and unpublished work of others has been acknowledged in the text and references.
Additionally agree to keep the department from any damage or harm resulting from a breach of duty.

……………………………………

Jannatul Ferthus Tohfa
ID No: 22317015
Reg No: 22317015
Session: 2022-2023
Department of Finance and Banking
Faculty of Business Studies
Comilla University, Cumilla.

EXPERIENCE CERTIFICATE

NCC Bank
with you always

ন্যাশনাল ক্রেডিট এন্ড কমার্স ব্যাংক পিএলসি.
NATIONAL CREDIT AND COMMERCE BANK PLC.

HUMAN RESOURCES DIVISION

NCCB/HO/HRD/FAD/Intern-19/2025

April 29, 2025

Md. Amdadul Hoque
Head of Department
Department of Finance and Banking
Cumilla University
Cumilla-3506.

Subject : Acceptance favoring Ms. Jannatul Ferthus Tohfa, Roll#:22317015, MBA Student as preparer of Intern-report.

Dear Sir/Madam,

Resting on the above, we would like to inform that Management of the Bank has accorded permission favoring the student named in the caption to prepare an intern-report in NCC Bank in compliance with following conditions & formalities to be complied.

About Intern Report :	**Preparer of the Intern-report must comply:-**
a) Title	a) **"Bank Profitability-A Study on the Private Commercial Banks in Bangladesh."**
b) Maxi. Time Allowed	b) **03** months from the date of joining for commencement of the program.
c) Submission to	c) The Head of HR, NCC Bank PLC., HRD, H.O, Dhaka.
d) Submission Mode / Form	d) **Email to hrd@nccbank.com.bd.**
e) Bank's Logo	e) **No permission** to use at anywhere in the intern-report.
f) Title Alteration	f) **Prior approval is required.**
Attachment in Bank:	**For acquiring both operational and academic knowledge on Bank**
a) Operational place	a) **Financial Administration Division, Head Office, Dhaka.**
b) Academic place	b) Training Institute, Head Office.
c) Status	c) Preparer of intern-report on NCC Bank.
Activities in connection :	**For grooming in corporate culture.**
a) Attendance	**a)** Advised to maintain a note book & get signature on entry & exit as per schedule from the Incumbents of the places s/he is attached to.
b) Absence	b) Prior permission / Intimation is required for such absence from the Incumbent under whose disposal s/he remains during that period.
c) Dress & behavior	c) Comply with the Official Dress & Decorum.
d) Fidelity & Honesty	d) Must maintain fidelity & honesty.
e) Secrecy	e) Must not disclose any information in any form to any person not related to intern-report preparation.
f) Utilization of Service	f) For Product Marketing, Development & other purposes of the Bank as may suit.

You are requested to acknowledge receipt of this acceptance letter issued in favour of your approach in this regard.

Thanking you.

Yours sincerely,

A. H. M. Abdus Sadik Khan
Senior Vice President &
Head of Human Resources

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ACKNOWLEDGEMENT

At the outset, I would like to convey my heartfelt gratitude to the Almighty for granting me the strength, patience, and resilience to successfully complete this task. The internship report is an important part of the MBA program, and it has been a rewarding experience to prepare this report on **"Determinants of Bank Profitability: A Study on Private Commercial Banks in Bangladesh."**

In this regard, I would also like to extend my sincere thanks to my respected academic supervisor, Md. Amdadul Hoque, Associate Professor, Department of Finance and Banking, Comilla University, Cumilla, for his kind support, guidance throughout the preparation of this report.

Executive Summary

The profitability of a bank is mainly determined by its ability to generate income relative to its costs and risks. Bank profitability reflects how efficiently a bank utilizes its resources to yield revenues and profits. Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) are the common financial metrics.

ROA ratio measures a bank's ability to generate profit from its assets. It is calculated as net income divided by total assets. A higher ROA indicates better profitability from the bank's asset base.

ROE is a critical measure of a bank's profitability relative to shareholders' equity. It is calculated as net income divided by shareholders' equity. A higher ROE means the bank is effectively utilizing shareholder funds to generate profit.

NIM is the difference between the interest income a bank earns on its loans and the interest it pays on deposits and other borrowings, divided by the average earning assets. A higher NIM generally means a bank is more efficient in generating income from its assets.

In this report I was working on the Determinants of Bank Profitability. I have collected last Ten-year financial data of five selected private commercial bank National Credit and Commercial Bank PLC, Eastern Bank PLC, City Bank PLC, Bank Asia PLC, BRAC Bank PLC about return on asset ratio from banks annual reports. There are six variables; these are return on assets, total deposit, operating expenses, total assets, total interest income and capital adequacy ratio, each of the data I have collected from annual reports of the banks. Mainly, in this report I analyse how internal variables influence the bank's profitability.

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Chapter One

INTRODUCTION

1.1 Introduction

Bank profitability reflects how efficiently a bank utilizes its resources to yield revenues and profits. Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) are the common financial metrics.

Return on Assets (ROA): Indicates how efficiently a bank uses its assets to generate profit. The higher the ratio the more efficient the bank at utilising assets to generate its earnings.

Return on Equity (ROE): Shows how effectively a bank uses shareholders' equity to generate profits.

Net Interest Margin (NIM): Measures the difference between interest income (loan) and interest paid (deposit), relative to interest-earning assets.

Banks play a vital role in the financial system by acting as intermediaries between savers and investors. Bangladesh bank established in 1971, it functions as the central bank and regulate the banking sectors.

Bank Names	Number of Banks
State-Owned Commercial Banks	6
Private Commercial Banks	43
Islami Shariah-Based PCBs	3
Foreign Commercial Banks (FCBs)	9
Non-Scheduled Banks	5

In April 2024, Bangladesh Bank initiated a policy to encourage the merger of weaker with stronger banks. Notable mergers include:

- Padma Bank Limited merged with EXIM Bank PLC
- BASIC Bank PLC merged with City Bank PLC
- Bangladesh Development Bank PLC merged with Sonali Bank PLC
- Rajshahi Krishi Unnayan Bank merged with Bangladesh Krishi Bank

Consistent profitability is essential for ensuring long-term stability in the banking industry. In banking KPIs (Key Performance Indicators) are specific, measurable metrics used to evaluate how effectively a financial institution is achieving its strategic objectives. KPIs provide a clear view of bank's overall performance and help pinpoint areas that need improvement. KPIs are essential tools for banks to track their performance, using of right KPIs banks can improve their efficiency, profitability, and customer satisfaction.

Banks can ensure their strong profits by:

- Effective cost control on deposits
- Make loan portfolio that are being paid back on time
- Increased revenue from government securities

This research will provide valuable insights to key stakeholders such as policymakers, investors and bank management supporting the development of effective policy measures for the banking sector in Bangladesh.

1.2 Background of the Study

Banks are the financial intermediary that has experienced a significant growth and transformation over the past few decades. Banks collect deposits from individuals and institutions and lend them to businesses and entrepreneurs, thereby facilitating investment and economic activity. Profitable banks play an important role in our economy like employment generation, government revenue, investor confidence, financial stability.

With higher profits, banks can invest in better customer services, training, and outreach programs, this makes banking easier and more available to everyone.

According to (Kotler & Keller, 2016) increasing sales, whether through expanding market share, enhancing product offerings plays a critical role in profitability.

This report focuses on banks profitability under 5 private commercial banks of Bangladesh for the period 2014-2023. Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) are the common financial metrics of bank's profitability.

The internship is an important part of my Masters of Business Administration (MBA) degree, because it helps to connect what I learn in class with real-life work experience. Goal of this report is to apply what I've learned in theory to what I've experienced during the internship.

1.3 Problem Statement

The profitability of private banks in Bangladesh is crucial for ensuring economic stability, promoting growth, and boosting competitiveness. It also contributes to job creation, attracts investment, and boosts government revenue. A profitable banking sector strengthens the country's financial foundation and is essential for achieving long-term development objectives.

In my research report, I analyzed the profitability of ten private commercial banks in Bangladesh and examined the key variables that significantly influence the bank's performance.

I have selected 5 private commercial banks of Bangladesh, and the research problems can be articulated as follows:

Questions:

1. What strategies banks implement for ensuring effective cost control on deposits?
2. How banks can maintain a high-performance portfolio?
3. What is the relationship of bank's profitability and economic stability of our country?
4. Increase revenue from government securities can impact the bank's profitability?

1.4 Significance of the Study

This (1 to 3 months) internship program has been introduced to the Master of Business Administration by the Department of Finance & Banking aims to bridge the gap between academic learning and real-world business practices.

This report presents my internship experience and provide an analysis of bank's profitability under 5 private commercial banks of Bangladesh. It will also include recommendations for both my professional growth as well as improvements for private banks of Bangladesh.

1.5 Research Questions

This report explores the influence of specific factors of banks on the profitability of the 5 largest private commercial banks in Bangladesh during the period from 2014 to 2023. Return on Asset (ROA) is considered as the profitability measures.

1. What are the key internal factors (capital adequacy ratio, total deposit, operating expenses) that influence a bank's ROA?
2. How do non-performing loans influence the financial performance of banks in Bangladesh?
3. How do capital adequacy ratios affect the profitability of banks?
4. How does the bank's operational efficiency correlate with profitability?

1.6 Objectives of the Study

The objective of this study is to examine how bank-specific factors influence the profitability of the 5 largest private commercial banks in Bangladesh over the period from 2014 to 2023. Although bank profitability is depending on both internal (bank-specific) and external (macroeconomic) factors, in my research paper I have focused solely on internal determinants, (ROA, total deposit, total assets, capital adequacy ratio, total interest income, and operating expenses) affecting the banking sector's profitability.

1.6.1 Broad Objective

The main objective of this study is to determine the key elements influencing profitability of the private commercial banks of Bangladesh.

1.6.2 Specific Objectives

- To investigate the relationship between bank-specific factors such as capital adequacy ratio, total deposits, total assets, interest income, and operating expenses with the profitability of private commercial banks in Bangladesh.
- To evaluate the profitability trends and patterns in the private banking industry throughout the last ten years.

1.7 Limitations of the study

- **Limitations of time:** Three months were allocated to complete this report, but understanding the profitability of 5 private commercial banks took considerably less time.
- **Data Availability and Quality:** Numerous studies on bank profitability rely on data but it is not possible to work with large numbers of data within 3 months. Specific data might not give accurate results.

- **Modeling Assumptions:** Research often relies on certain assumptions in statistical models. These assumptions may not always reflect real-world complexity, potentially leading to biased results.
- **Data Reliability:** The data were obtained from secondary sources; therefore, reliability may be uncertain.

Chapter Two

LITERATURE REVIEW

2.1 Literature Review

There are many studies have been conducted on bank profitability undertaken so far utilizing sample data from different countries. A few examples include:

Internal factors significantly influence the profitability of banks. One of the most widely studied factors is capital adequacy. According to Menicucci and Paolucci (2016), well-capitalized banks tend to be more profitable because they are better positioned to absorb shocks and signal financial strength to investors. Le and Ngo (2020) similarly report a positive relationship between equity and profitability in South Eastern European banks.

Islam and Rana (2017) conducted a study on 15 private commercial banks in Bangladesh covering the years 2012 to 2016. Their findings indicate that total interest income, non-performing loans, operating expenses, capital adequacy, assets, and deposits all have a significant impact on return on assets (ROA). Additionally, they found that non-performing loans are negatively associated with return on equity (ROE).

Pervan et al. (2015) investigates 15 listed commercial banks in Bangladesh covering the year 2008-2012, where he shows a positive relationship among profitability, asset quality, operating performance, bank size and liquidity but profitability and capital adequacy are related negatively. Adelopo et al. (2018) reveals that operating expenses and liquidity shows a significant result on profitability analysing the banking sector data in India for the period 2000 to 2008.

Using Pooled Ordinary Least Square (POLS) method Osuagwu (2014) recognize bank specific factors over bank profitability by using data of top 15 Pakistani commercial banks over the period 2005-2009. They found assets, loans equity & deposits have positive impact on all 3 profitability indicators i.e., ROA, ROE and NIM.

Weersainghe et al. (2013) found that, in the case of private commercial banks, the volume of deposits has an insignificant effect on profitability, whereas an increase in non-performing loans generally leads to a decline in profitability. In contrast, capital adequacy was shown to have a significant and positive impact on profitability. Similarly, Shehzad et al. (2013), through the estimation of a panel data regression model using bank-level data from 78 commercial banks across Latin America (including Argentina, Brazil, Chile, Colombia, Paraguay, Peru, Venezuela) and Mexico for the period 1995 to 2010, identified a positive relationship between capital adequacy and profitability.

Islam et al. (2017) and Menicucci and Paolucci (2016) observe a big number of deposits leads to higher profits. Simatele et al. (2018) found the same result using data 2000 to 2014. On the other hand, Mirzaei et al. (2013) examine 80 countries bank level data sample from 1988-1995, where they find deposit and profitability has mixed relationship.

Simiyu and Ngile (2015) found a positive relationship between capital ratios and bank profitability, emphasizing that well-capitalized banks are perceived as safer and enjoy lower funding costs.

According to Riaz and Mehar (2013), non-performing loans significantly reduce profitability, indicating that asset quality is a crucial determinant.

Kiganda (2014) described that in case of private commercial banks, the volume of deposits has an insignificant impact on profitability and higher non-performing loans reduces the profitability in general. However, capital adequacy has significant and positive impact on profitability.

A number of studies have investigated bank profitability across various countries. In the context of India, notable contributions include those by Islam (2023), as well as Kiganda (2014). Research in Pakistan includes work by Riaz and Mehar (2013). In Turkey, significant studies have been conducted by Simiyu and Ngile (2015). Mirzaei et al. (2013) explored this area in the United Kingdom, Simatele et al. (2018) focused on Japan. Studies by Islam et al. (2017) addressed bank profitability in South Korea, and Weersainghe et al. (2013) examined the issue in the Philippines.

In the context of Bangladesh, research has been undertaken by Islam and Rana (2017) and have contributed valuable insights into the determinants of bank profitability within the country.

A growing body of Bangladeshi research has focused on identifying the determinants of bank profitability. Al Karim and Alam (2013) conducted an empirical study on the performance of private commercial banks. Ahamed (2021) analyzed both conventional and Islamic banks. Uddin and Bristy (2014) focused on the financial efficiency of banks. Additionally, Islam and Rana (2017) offered comparative studies analyzing profitability trends and the influence of macroeconomic indicators in the Bangladeshi banking sector.

Menicucci and Paolucci (2016) conducted a study using the cointegration and error correction models to identify the determinants of profitability on all Jordanian's banks over 2000-2006. According to the study loans and advances outstanding to total assets ratio, non interest or operating expenditures ratio, the capital arrangement and the deposit to asset ratio are important internal determinants of profitability.

Le and Ngo(2020) found that for private commercial banks, deposit volumes do not significantly influence profitability. However, a high level of non-performing loans greatly undermines profitability, while strong capital adequacy has a notable and positive effect on it.
Islam and Rana (2017) observed that indicators of bank profitability exhibit a positive response to increases in capital. In contrast, Pervan et al. (2015) noted that rising operating expenses lead to a decline in the profitability of Turkish banks. Furthermore, their study found no statistically significant relationship between the ratio of total loans and receivables to total assets and profitability indicators.
Adelopo et al. (2018) identified a negative impact of liquidity on bank profitability, while Osuagwu (2014) observed a weak but positive short-term relationship between liquidity and return on assets (ROA). In contrast, studies by Lee and Hsieh (2013) and Menicucci and Paolucci (2016) suggest that a higher volume of deposits contributes to increased profitability, a conclusion also supported by Ahamed (2021). However, Simiyu and Ngile (2015) reported a mixed association between deposits and profitability.
Increase in operating expenses causes the profitability of Turkish banks to fall, commented Mirzaei (2013).They also identified that there does not exist any statistically significant relationship between total loans and receivables to total assets ratio with the indicators of profitability.
Growe, Simatele et al. (2018) conducted study during the period 1994-2011 over U.S. regional banks using the Generalized Method of Moments 46 Riaz and Mehar (2013) estimator technique and found that the level of nonperforming assets is negatively related to all measures of profitability.
Uddin and Bristy (2014) finds the ratio of non-performing loans to total outstanding loans and advanced has adverse relationship where equity to total ratio has positive results on profitability. They used quarterly data from the sample banks operated between 2005 to 2010 in Turkey.
Al Karim and Alam (2013) analyzed the performance of banks across six European countries and found that the relationship between bank size—measured by total assets—and profitability, as indicated by return on equity (ROE), was generally weak. However, in the case of British banks, they observed a positive link between profitability and off-balance sheet activities.
Ahamed (2021) examine the performance determinants of banks in Philippines during the period 1990–2005. The study suggest that operating expense is negatively related with ROA and ROE while the capital and non-interest income have positive impact on profitability.

Chapter Three

METHODOLOGY OF THE STUDY

3.1 Methodology of the study

The following methodology was applied to gather data and information for the study and compile the report.

3.2 Research Design

The objective of this research is to examine the profitability of the 5 largest private commercial banks in Bangladesh. According to achieving the particular objectives of the internship, I have collected a ten-year period data, spanning from 2014 to 2023.

3.3 Research Type

This study is a descriptive, and analytical research. It employs a secondary data-based approach, focusing on the financial performance indicators of private commercial banks in Bangladesh.

The research aims to measure and analyse profitability using key financial ratios such as Return on Assets (ROA). The study also uses statistical tools to identify trends, compare performance across banks, and assess factors influencing profitability over a specific period.

The findings are based on data extracted from published annual reports, Bangladesh Bank publications, and other credible financial databases.

3.4 Source of Data

This research is based on information collected from various secondary sources. The details of these sources are outlined below:

3.4.1 Internal Sources

1. The data has been obtained from the balance sheet, income statement and other financial statements of the selected banks
2. The central bank of Bangladesh (Bangladesh Bank)

3.4.2 External Sources

1. Books
2. Various articles &Journals
3. Web Browsing

3.5 Research Variables

Dependent Variable: I consider Return on Assets (ROA) as profitability measure as it is one of the key profitability ratios used to evaluate a bank's financial performance. It measures how efficiently a bank uses its assets to generate profit.

Independent Variables

The study includes five independent variables for the model. The list of variables are:

Variables	Measures
Dependent Variable	
ROA	**Net profit after tax/ Total Asset**
Independent Variable	
CA (Capital Adequacy)	**Capital/ Risk Weighted Asset**
TD	**Total Deposit**
OE	**Operating Expense**
Size	**Total Asset**
TII	**Total Interest Income**

Capital Adequacy (CA):

Capital Adequacy Ratio ensures that a bank has enough capital to absorb potential losses and protects depositors and the financial system.

High capital ratio means here has some threat of low risk compare to banks with lower capital ratio. High capital ratio indicates shareholders are active in their performance.

According to Basel III standards:

The minimum required CAR is typically 8% on an international basis.

Total Deposit

Total Deposit is the primary source of funds that banks use to generate income. Higher deposits mean more funds available for lending, which can boost bank'sincome. It reflects customer trust and the bank's ability to attract savings. However, managing large deposits requires proper risk and liquidity management.

According to data of Bangladesh Bank deposits in the banking sector reached approximately Tk 17.77 trillion by December 2024.

In 2023, out of 36 listed banks on stock exchanges, 9 banks have published their financial reports and recommended dividends.

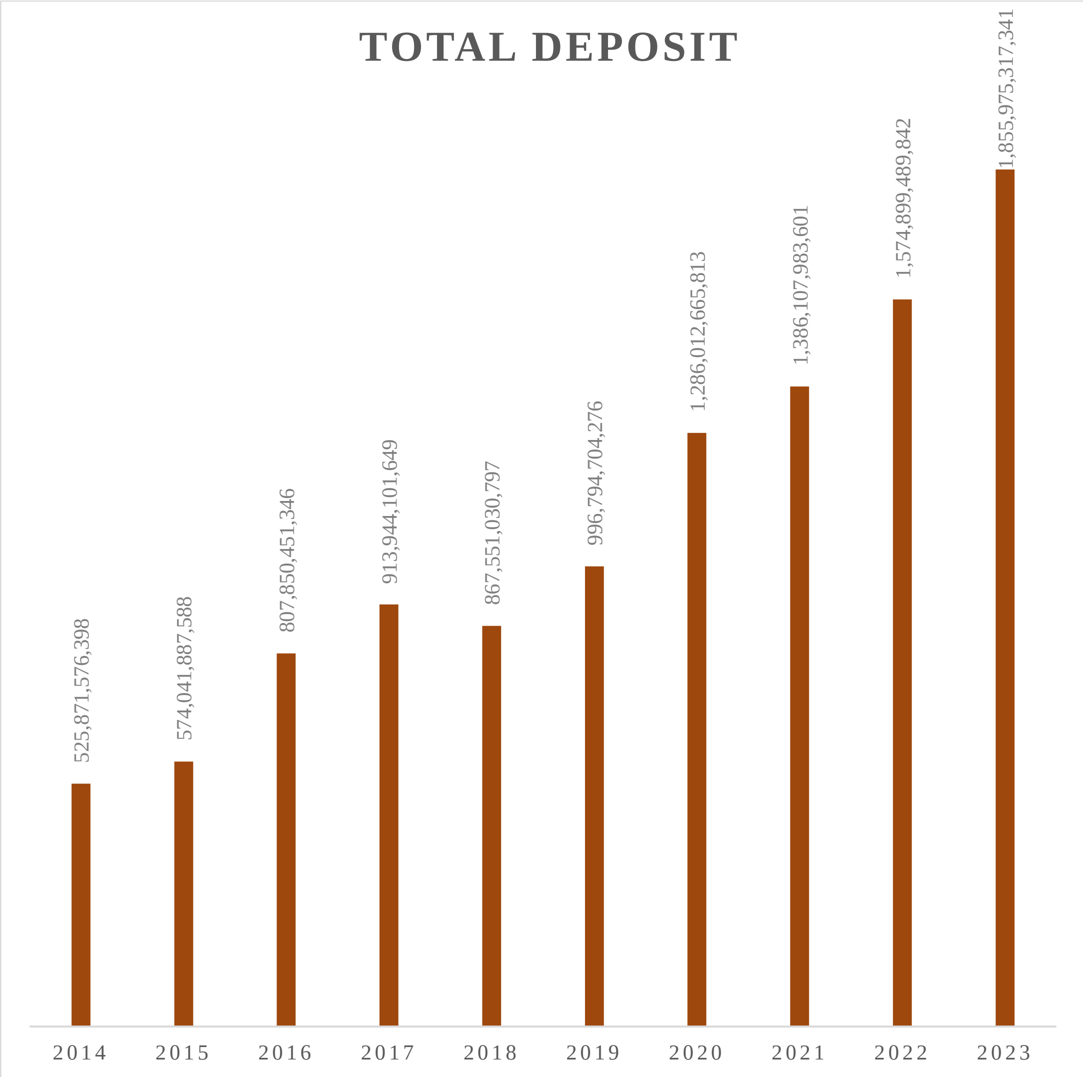

Figure 1: Total Deposits

In 2013, the total deposit was relatively high compare to other years, indicating that bank collect a high amount of deposit from surplus unit. Total deposit then experienced a decreasing trend, reaching in 2018. However, from 2019 there is a noticeable increase. This upward trend suggests an evolving strategy where the bank is deploying a larger portion of its deposits towards loans and advances, possibly to stimulate economic activities or meet growing demand for credit.

Operation Expenses

Operating expenses is the cost of banks, banks try to reduce their cost for maximising the profits. High cost creat less opportunity for banks to invest hence it effects the profitability and banks financial performance.

Operating expenses has a significant effect on bank's profitability. If banks can control its operating expenses without sacrificing service quality or compliance, it retains more of its revenue as net income.

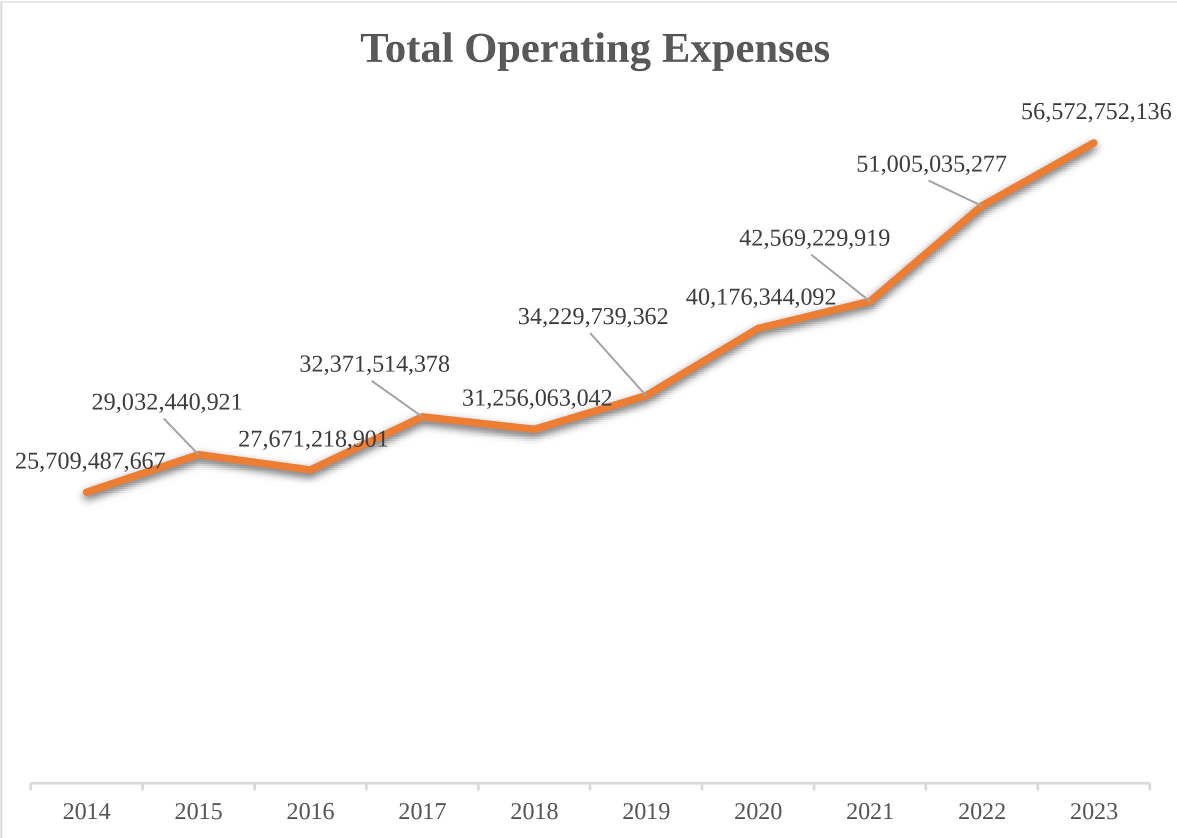

Figure 2: Total Operating Expenses

In 2016 operating expense is lower than 2015, but it is increasing from year 2019. Higher operating expenses reflect increased spending on the day-to-day activities required to run the business. It can decline profit margins of the organization also it indicates a positive outlook spending more on marketing, research and development can lead to higher future revenues.

Total Asset

Total assets play a crucial role in evaluating a bank's profitability, as they serve as the base against which returns and revenue efficiency are evaluated. These metrics help stakeholders assess both the bank's operational effectiveness and its financial health.

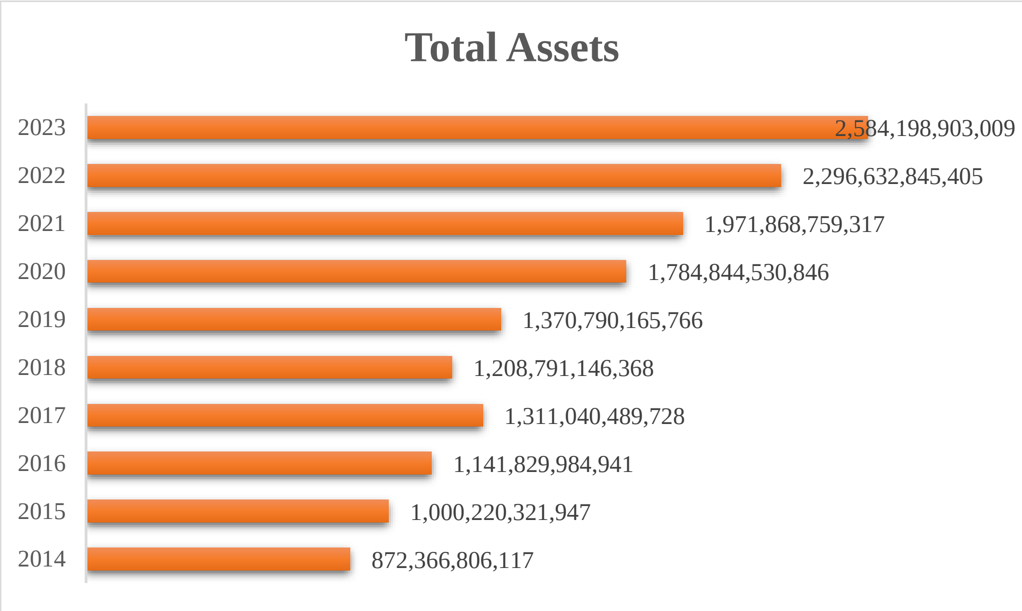

Figure 3: Total Assets

Total asset shows the total value of a company, in 2023 company have the highest total asset from 2014 it is increasing by year to year. But it is surprisingly increased from 2020. More total assets mean the company has more resources to increase their product, deliver services on time also sale the products at a good price.

Total Interest Income

Total interest income represents the income a bank earns from its core lending activities. Interest income comes from loans issued by the bank—such as mortgages, personal loans, credit cards, and business loans. The more interest they can collect the more revenue they can bring in.

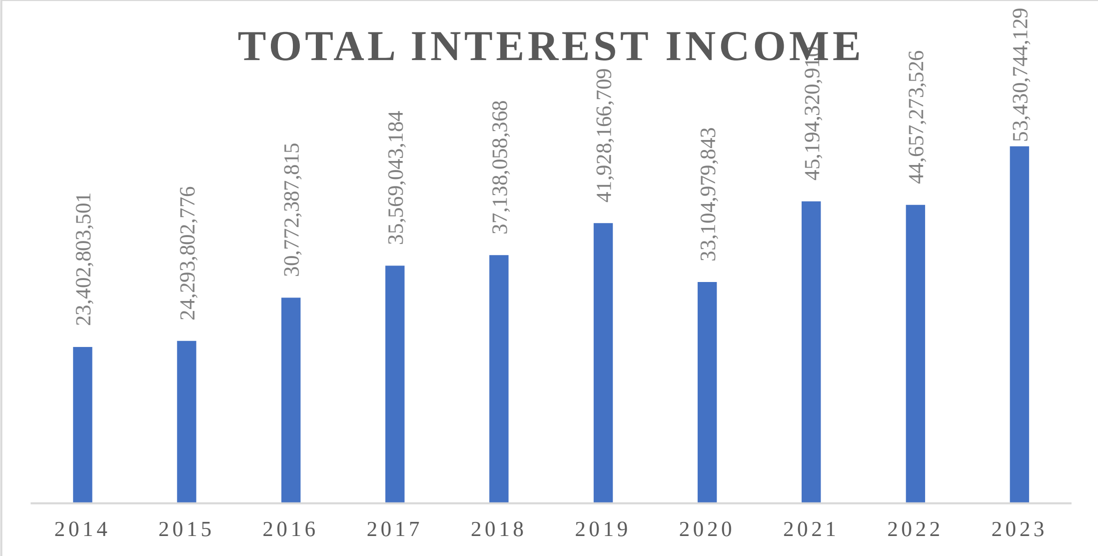

Figure 4: Total Interest Income

Interest income is the earnings for the banks, from 2014 to 2019 interest income is increasing suddenly in 2020 it's decreased. Interest income reflects how well the institution is using its interest-earning assets like loans and investments to generate income. It is clear from the graph that selected banks are use their products properly in 2023, this year they earn the highest rate of income.

3.6 Research Hypotheses

As, deposit is a liability for banks and banks have to pay interest/profit to the depositors, deposit would have an adverse relationship with return on asset. Total interest income is the earnings variable for bank, it has a positive effect on ROA. Total asset has a positive relationship with ROA. Operating expense represent the cost for banks, bank's always try to minimize the cost and higher operating expenses are generally expected to have a negative impact on Return on Assets (ROA). Capital adequacy represent the core financial strength of a bank; therefore, it can be reasonably hypothesized that it has a positive influence on the bank's return on assets (ROA).

3.7 The Procedure of Data Collection

I mainly relied on secondary data to improve the report's presentation. Additionally, I gathered some information by consulting with experts.

3.8 Data Analysis Tools & Technique

The information collected was organized and put together using MS Word and Excel. In addition, statistical methods like correlation analysis, regression analysis, and descriptive statistics were applied to analyze the data clearly and effectively.

3.9 Empirical Models

In this study, five dependent variables are analyzed through regression analysis.

$YROA = \alpha + \beta TII + \beta OE + \beta TD + \beta TA + \beta CA + \varepsilon$………...

Where,

TII = Total Interest Income CA= Capital Adequacy

OE = Operating Expense ε = Error term

TD = Total Deposit

TA= Total Asset (Bank Size)

Chapter Four

OVERVIEW OF FIVE SELECTED PRIVATE COMMERCIAL BANKS

4.1 National Credit and Commerce Bank PLC

NCC bank known as National Credit and Commerce Bank PLC is a leading private commercial bank in Bangladesh.

It was originally established in 1985 as an investment company and was subsequently transformed into a full-fledged commercial bank in 1993. The bank is headquartered at NCC Bank Bhaban, 13/1–13/2 Toyenbee Circular Road, Motijheel Commercial Area, Dhaka-1000. As of 2025, NCC Bank Limited (NCCBL) operates 129 branches across Bangladesh, including 128 full-service branches and 9 ATMs. Additionally, the bank has established over 10,000 customer touchpoints through partnerships with various organizations. The bank offers a wide range of financial services, including deposits, loans, SME banking, remittance services, and digital banking solutions.

NCC Bank supports communities by giving farming materials to farmers, running financial education programs, and encouraging eco-friendly finance. In 2024, the bank showed its focus on safe banking by getting the ISO 27001:2022 certificate for information security
NCC bank offers various deposit & credit products that attracted the clients-both corporate and individuals who feel comfort in doing business with the Bank.

Core Values of NCC Bank

- Accountability
- Commitment
- Professionalism
- Integrity
- Respect for individual
- Respect for Nature
- Confidentiality

Logo

Here, **Red** symbolizes **dynamism, passion and enthusiasm** while **Blue** symbolizes **trust, honesty, transparency, efficiency, security, reliability and dependability.**

NCCBL Vision

To become a progressive and socially responsible financial institution by bringing and commerce together for increased shareholders value and sustainable growth.

NCCBL Mission

- ❖ Delivering excellence financial services to their communities and create a strong customer relationship.
- ❖ Providing long lasting solutions that combining their cutting-edge technology.
- ❖ Creating a cohesive and friendly environment where customer and their peoplr can excel.

Slogan

With trust and reliability, **NCC Bank** is always with you.

Corporate profile of NCC Bank PLC

Name of the Company	**National Credit and Commerce Bank PLC**
Chairman	**Alhaj Md. Nurun Newaz**
Managing Director	**M. Shamsul Arefin**
Company Secretary	**Md. Monirul Alam**
Date of Incorporation	**1993**
Legal Status	**Private Commercial Bank**
Statutory Auditors	**M/s. ACNABIN** **Chartered Accountants BDBL Bhaban, level-13 & 1512 Kawran Bazar, Dhaka-1215**
Registered Office	**NCC Bank Bhaban, 13/1-2, Toyenbee Circular Road, Motijheel Commercial Area, Dhaka- 1000, Bangladesh**
Authorized Capital	**Tk 20,000 crore**

Paid-up Capital	**Tk 11,104 crore**
Number of Employee	**2,374**
Number of Branches	**130**
Phone-PABX	**8802-223381903-4 and 8802-223383981-3**
FAX	**8802-223386290**
SWIFT	**NCCLBDDHXXX**
Website	**www.nccbank.com.bd**
Email	**@nccbank.com.bd**

Corporate Strategy

As a compliant organization, NCC Bank is firmly committed to enhancing profitability in a sustainable and controlled manner by upholding the principles of accountability, integrity, ethics, and transparency across all areas of its operations.

4.2 Eastern Bank PLC

Eastern Bank PLC (EBL) is a prominent private commercial bank in Bangladesh. It's renowned for its innovative financial services and commitment to sustainable growth. EBL is listed on both the Dhaka and Chittagong Stock Exchanges. As of 2019, the bank reported assets totaling approximately $4 billion, with a net income of $95 million and operating income of $180 million.

Overview of EBL

- Founded: 1992
- Headquarters: Dhaka, Bangladesh
- Branches: 87 across Bangladesh
- ATMs: 214 nationwide
- Employees: Approximately 3,000

Logo

Eastern Bank Ltd.
Simple Math®

Core Values

Service Excellence, Commitment, Openness, Integrity, Trust, and Responsible Corporate Citizenship.

Vision

To become the most valuable brand in Bangladesh's financial services sector, creating long-lasting value for stakeholders and the community through sustainable growth and business transformation.

Mission

To deliver service excellence to all customers, maximize shareholder value, and maintain a cohesive and professional team.

Credit Rating

In May 2024, the Credit Rating Agency of Bangladesh assigned EBL a long-term entity rating of "AAA" and a short-term rating of "ST-1" with a stable outlook, reflecting the bank's strong financial position

EBL has been awarded "Bank of the Year" by The Banker magazine three times (2020, 2021, and 2023), making it the first Bangladeshi bank to achieve this distinction. In July 2024, EBL received two Euromoney Awards for Excellence: "Best Bank" and "Best Bank for Corporate Responsibility".

4.3 City Bank PLC

City Bank is the first private commercial bank in Bangladesh, it was founded by a group of 12 local entrepreneurs, including Deen Mohammad, the chairman of Phoenix Group.

Overview of CB PLC

- Established on March 28, 1983,
- Headquarters: City Bank Center, 28 Gulshan Avenue, Dhaka 1212
- Branches: 164 locations across Bangladesh
- Employees: Approximately 4,866 (as of 2022)
- CEO: Mashrur Arefin

Logo

Awards

- Best Retail Bank – Bangladesh (2022) by Retail Banker Asia
- Best CSR Bank in Bangladesh (2022) by Asiamoney
- International Presence
- Malaysia: 10 branches and 1 representative office established in 2013.
- Hong Kong: A subsidiary office opened in 2019.
- International Finance Corporation (IFC): Invested BDT 1.31 billion for a 5% stake in the bank in 2016.

4.4 Bank Asia PLC

Bank Asia is a third-generation public limited commercial bank. The bank is committed to offering value-added services while maintaining the highest standards in a globalized world, leveraging technological advancements.

Overview of BA PLC

- Incorporation: September 28, 1999
- Operations Commenced: November 27, 1999
- Headquarters: Rangs Tower, Purana Paltan, Dhaka
- Branches: Over 135 nationwide
- Employees: Approximately 2,600

Logo

Core Values

- Customer satisfaction as the top priority
- Excellence in banking operations
- High ethical standards and transparency
- Regulatory compliance
- Environmental responsibility

Vision

To build a poverty-free Bangladesh by ensuring access to banking services for every individual, regardless of socio-economic status.

Mission

To deliver high-quality services, set high standards of integrity, and become the most sought-after bank in the country by offering technology-driven, innovative services through a dedicated team of professionals.

In May 2024, Bank Asia was honored with the “Best Trade Partner Bank in South Asia” award at the International Finance Corporation’s (IFC) Global Trade Partners Meeting in Barcelona, Spain.

4.5 BRAC Bank PLC

BRAC Bank PLC is a prominent private commercial bank in Bangladesh, it operates under the umbrella of BRAC, the world’s largest NGO, and has since grown into a significant player in the country’s financial sector.

Headquarters: Anik Tower, 220/B Tejgaon Gulshan Link Road, Dhaka-1208, Bangladesh

Logo

BRAC bank introduced small ticket loans to the small and medium enterprises (SME), to specially bring the grassroots enterprises under the umbrella of formal banking services. Close to half of the bank's lending portfolio is comprised of small and medium enterprise – popularly known as the "SME"

BRAC Bank shares the 3P Philosophy – People, Planet and Prosperity with the other partners of GABV.

Chapter Five

ANALYSIS, FINDINGS AND RECOMMENDATIONS

5.1 Analysis

Table 1: Descriptive Statistics of Variable

Variable	Obs	Mean	Std. dev.	Min	Max
wROA	50	1.0794	.3054632	.59	1.7
wLNTD	50	25.95208	.6022348	24.23537	26.67512
wLNOE	50	22.62571	.4501383	21.77958	23.37004
wLNTA	50	26.38761	.3957664	25.6359	27.04356
wLNTII	50	22.59437	.515379	21.70929	23.44684
wCAR	50	14.5846	1.830715	11.97	18.61

This model offers an overview of the descriptive statistics for the dependent and independent variables for five private commercial banks from the year 2014 to 2023. Here, return on asset (dependent variable) had a mean value of 1.0794%, a minimum of .59%, and a maximum of 1.7%. This indicates that the sampled bank earned an average of 1.0794% during the period under review. Total deposits, the independent value, had a mean value of 25.95208% with a minimum of 24.23537% and a maximum of 26.67512%. That indicates that the sampled banks earned an average of 25.95208% over the period under review. According to the model, the operating expense had a mean value of 22.62571, ranging from a minimum of 21.77958 to a maximum of 23.37004. This indicates that sampled banks realized an average profit of 22.62571% during the period under review. The total interest income, an independent variable, had a mean value of 22.59437 and a range of 21.70929% to 23.44684%. This indicates that sampled banks made an average profit of 22.59437% over the time period under review.

Table 2: Fixed Effect Model Result on ROA

```
. xtreg wROA wLNTD wLNOE wLNTA wLNTII wCAR , fe

Fixed-effects (within) regression               Number of obs     =         50
Group variable: Banks                           Number of groups  =          5

R-squared:                                      Obs per group:
     Within  = 0.2359                                         min =         10
     Between = 0.5370                                         avg =       10.0
     Overall = 0.0674                                         max =         10

                                                F(5,40)           =       2.47
corr(u_i, Xb) = -0.8862                         Prob > F          =     0.0485

------------------------------------------------------------------------------
        wROA | Coefficient  Std. err.      t    P>|t|     [95% conf. interval]
-------------+----------------------------------------------------------------
       wLNTD |   .0453285   .1288624     0.35   0.727    -.2151121     .305769
       wLNOE |   -.900176   .4272706    -2.11   0.041    -1.763722   -.0366299
       wLNTA |   .4450813   .3898873     1.14   0.260    -.3429103    1.233073
      wLNTII |  -.1094284   .2214798    -0.49   0.624    -.5570559    .3381991
        wCAR |     .01141   .0212065     0.54   0.594    -.0314499    .0542699
       _cons |   10.83158   3.505246     3.09   0.004     3.747209    17.91594
-------------+----------------------------------------------------------------
     sigma_u |  .48690495
     sigma_e |  .23603869
         rho |  .80971299   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0: F(4, 40) = 5.39                       Prob > F = 0.0014
```

Total deposit has a negative influence with dependent variable ROA, as deposit is a liability for a bank and statistically insignificant. Total Interest Income and the capital adequacy have a negative relationship with the dependent variable. Operating expense statistically significant but have a negative relationship with ROA. Asset size have a positive relationship with ROA but statistically insignificant.

Key terms from the table

Coef. (Coefficient): Shows how much the Return on Asset (dependent variable) is expected to change for one-unit change in the corresponding independent variables.

Std. Err.: Indicates the standard error of the coefficient, measuring the precision of the estimated coefficient.

t-value: The coefficient divided by the standard error. It indicates the statistical significance of the coefficient.

p-value: Shows the probability of observing the results if the null hypothesis (that the coefficient is zero) is true. Lower p-values indicate stronger evidence against the null hypothesis.

• $p < 0.01$: Very significant

• $p < 0.05$: Significant

• $p < 0.10$: Weakly significant

[95% Conf Interval]: The range in which the true coefficient is likely to lie with 95% confidence.

Explanation of variables

1. Total Deposit (TD)

Coefficient = .0453285: A 1-unit increase in total deposit is associated with an increase of .0453285 in ROA. P-value = 0.727: Not statistically significant, so the effect may not be reliable.

2. Operating Expense (OE)

Coefficient = -.900176: A 1-unit increase in OE is associated with a decrease of 0.900176 in ROA. P value = 0.041: Statistically significant.

3. Total Asset (TA)

Coefficient = .4450813: A 1-unit increase in total asset is associated with an increase of .4450813 in ROA. P-value = 0.260: Not statistically significant, so the effect may not be reliable.

4. Total Interest Income (TII)

Coefficient = -.1094284: A 1-unit increase in TII is associated with a decrease of 0.1094284 in ROA. P value = 0.624: Statistically insignificant.

5. Capital Adequacy (CA)

Coefficient = .01141: A 1-unit increase in CA is associated with an increase of .01140 in ROA. P-value = 0.594: Not statistically significant, so the effect may not be reliable.

Key Takeaways:

Operating Expense (OE) is the only variable of this report which is statistically significant at the 5% level.

Table 3: Hausman Test Result of ROA

	Coefficients (b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) Std. err.
wLNTD	.0453285	-.0807442	.1260726	.
wLNOE	-.900176	-.0046226	-.8955534	.3075581
wLNTA	.4450813	-.3602316	.8053129	.2435021
wLNTII	-.1094284	.4007262	-.5101546	.1204051
wCAR	.01141	-.0037097	.0151197	.

b = Consistent under H0 and Ha; obtained from **xtreg**.
B = Inconsistent under Ha, efficient under H0; obtained from **xtreg**.

Test of H0: Difference in coefficients not systematic

```
    chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
            =   9.82
Prob > chi2 = 0.0805
(V_b-V_B is not positive definite)
```

As presented in table 3 above, probability value is greater than chi2 fixed effect model can be used for this study. In the Hausman test null hypothesis is rejected.

- H0: Select Hausman test effect ($p>0.05$)
- H1: Select Hausman test effect ($p<0.05$)

5.2 Findings

The findings indicate that the independent variable total deposit has a significant influence on financial performance of banks profitability. The increase in customer base and deposit volume increases the banks capacity to extend more loans thereby generate high interest income and contributing to an overall improvement. The statistical analysis established a negative correlation with ROA. Deposit is a debt for banks as bank have to pay interest/profit to their depositors. This is the major source of funding for banks which they use to issue loans and investments.

Total interest income (TII) has a positive relationship with depended variable ROA.But the study found TII and ROA is statistically insignificant, so it is clear that there have a multicollinearity. This problem makes it difficult to determine the individual effect to each variable on the depended variables. Also, only interest income doesn't determine ROA. Operating expense, non-interest income is significant effect Return on Asset.

Capital Adequacy ratio have a positive relationship ROA. A high CAR measures that the bank is well capitalized, it uses less debt to finance its assets. A bank with a lower CAR might take on riskier assets that yield higher returns, boosting ROA but at a higher risk of loss. The study shows capital adequacy ratio (CAR) and ROA is statically insignificant. This indicates weak evidence to reject the null hypothesis, which states that the variables have no effect on dependent variable.

The impact of operating expense to return on asset was also determined by the study. It shows a negative relationship. High operating expense makes lower ROA and lower operating expense create higher ROA. According to the study result operating expense (OE) and return on asset (ROA) is statistically significant.

Total asset represents the total value what the bank owns, it has a direct relationship with ROA.

- High total assets + low net income = low ROA (inefficient use)
- Low total assets + high net income = high ROA (efficient use)

The study demonstrates total asset (TA) and ROA is statically insignificant. The firm size may be captured better by another variables like revenue. There has a multicollinearity with other variables. When two or more independent variables influence each other rather than dependent variables multicollinearity occurs.

Bank's profitability has a direct impact on its performance. Profitability reflects how efficiently a bank uses its resources to generate earnings. When a bank is profitable, it can improve its financial strength, invest in growth, meet regulatory requirements, and gain the trust of customers and investors. As a result, higher profitability generally leads to better overall performance of the bank.

There have several key areas that specially influence banks performance:

a. Customer Confidence: Profitable banks often inspire greater trust among customers and investors, enhancing their market reputation.
b. Financial Stability: Higher profitability strengthens a bank's capital base, making it more resilient to economic shocks or losses.
c. Growth Potential: Profitable banks can reinvest earnings into expanding services, technology, or geographic reach.
d. Creditworthiness: Higher profits improve a bank's credit rating, reducing borrowing costs and increasing investor confidence.
e. Regulatory Compliance: Strong profits help maintain capital adequacy ratios and meet regulatory requirements more easily.

5.3 Recommendations

1. To attract more customers' bank should improve deposit mobilization policy, additionally they need to ensure that the mobilized funds are effectively and efficiently transformed into loans to generate interest income.
2. Furthermore, banks ought to concentrate on enhancing their operating expense to deposit ratio but high operating expenses reduce the return on asset.
3. Capital adequacy ratio ensure financial institutions can absorb a reasonable amount of loss and protect depositors. Banks should maintain 12% CAR.
4. The efficient utilization of total assets is a critical factor. By optimizing asset management, banks can enhance their operational efficiency, improve profitability. Proper asset utilization plays a vital role in fostering long-term growth, maintaining competitive advantage, and ensuring the bank's resilience in fluctuating market conditions.
5. Banks can enhance their revenue streams by diversifying supplementary services such as wealth management, insurance, and investment banking. This strategic can contribute to increased overall profitability and help mitigate potential losses incurred from traditional banking activities.

Chapter Six

CONCLUSION AND REFERENCES

6.1 Conclusion

This analysis revealed a positive relationship between banks performance and banks profitability. The efficient use of total asset enhances the profitability of bank, which this report cleared. Capital adequacy ratio represents bank can absorb a reasonable amount of loss and protect the depositors, deposit is the major fund of banks from where banks give loans and earn profits, banks have to ensure that they can give the cash whenever the depositors wishes so that customers feel interested to work with the banks on individual and corporate purpose. This report shows operating expense have a significant positive relationship with return on asset.

The study used quantitative secondary data collection techniques to collect data from annual reports of banks. The findings explained all of the proposed hypotheses by demonstrating a relationship between internal variables and return on asset as well as noteworthy impact of banks profitability on private commercial banks in Bangladesh.

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