An Internship Report On
Financial Performance Analysis of IFIC Bank PLC

Supervised By

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Letter of Transmittal

May 25, 2025

Md. Amdadul Hoque
Associate Professor
Department of Finance & Banking
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Subject**: Submission of Internship Report.**

Honorable Sir,

It is my great pleasure to submit the internship affiliation report titled **"The Financial Performance Analysis of IFIC Bank PLC"** which is a prerequisite for the completion of the BBA degree program. Three months of internship at **IFIC** was a worthwhile experience for me as it provided me with wide exposure to the real life working situations. In this report, I have tried my level best to incorporate my learning and experience in a very comprehensive manner and to cover all the aspects regarding to the topic. A careful attention has been given regarding information collection and authenticity of the affiliation report.

I hope this report will meet the standards of your expectation. I would be grateful to receive your suggestions and comments regarding this and would be available in any time to explain you any queries if necessary. I would like to thank you for giving me this wonderful opportunity to submit this report.

Sincerely yours,

Rabina Islam Oishi
ID no: 22317037
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Student Declaration

I, Rabina Islam Oishi, hereby declare that the internship report titled "**Financial performance Analysis of IFIC Bank PLC** " is individually prepared by me after completing the 90 days internship at **IFIC Bank** and prepared a report where analyze the financial performance of the company based on the company's last ten years annual reports.

I would also like to declare that the report is prepared exclusively for academic purposes and not for any other reason.

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Rabina Islam Oishi
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Supervisor Forwarding

The Internship Affiliation Report entitled "**Financial Petrformance Analysis of IFIC BANK PLC**" has been submitted in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA) under the Department of Finance & Banking, Faculty of Business Studies, Comilla University,on 05th May,2025 by Rabina Islam Oishi, ID 22317037.

The report has been accepted and may be presented to the Internship Defense Committee for evaluation.

(Signature of Internship Supervisor)

Md. Amdadul Hoque

Associate Professor

Department of Finance and Banking

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ACKNOWLEDGEMENT

I would like to thank almighty Allah (swt) first and foremost for his infinite amount of blessings, for giving the capability and opportunity to do the internship and prepare this report as well.

I feel honored to lay my sincerest gratitude to my honorable supervisor, Md. Amdadul Hoque, Assistant Professor, Department of Finance & Banking, Comilla University, for his help, encouragement, guidance, and valuable suggestions during the preparation of this report. He has a different way of making things understood in a very calm way which is great. Without which it would not have been possible to submit this report on time.

It was a great opportunity for me to complete my internship program at IFIC BANK PLC. I am also very grateful to two people with whom I have been working for last three months. Firstly, I would like to thank my internship in-charge as well as the Customer Service Officer (Second Manager) of the IFIC BANK PLC, Chandina Branch, Md Adil Ahmed who has guided me a lot. Secondly, I would like extend my gratitude to Md Tareq Hossain Bhuiya(Branch Manager) who also taught me a lot and I came to know about many things. They helped me to gather and accumulate information to prepare this report.

I am fortunate for the aid and encouragement I have received from my parents, teachers and friends and students of Comilla University. I would not have come this far without them.

Executive Summary

IFIC Bank promotes a vibrant and welcoming workplace culture that encourages innovation, teamwork, and diversity. The company's dedication to collaboration, honest communication, and a strong feeling of community is frequently cited by IFIC BANK PLC employees. This culture encourages a supportive workplace atmosphere where people may flourish and help the business succeed.

Through the internship program in IFIC BANK PLC, I go to experience and have acknowledgements about their financial operations and corporate culture. The study of the report highlight the whole experience at IFIC BANK PLC outlining all aspects..

This report is divided into several parts and discussed every possible parts from organization specific to focused topics of project. There are detailed manner discussions about organization, daily operations of different departments, business structures, strategies regarding their growth and success in competitive market. The company has maintained a healthy level of profitability, with a consistent gross and a net profit margin during the analysis period.

In the focused part of findings and analysis, I have tried to hold up the reflection of financial issues and conditions in this sector through detailed study of IFIC BANK PLC. This report gives the overview of IFIC BANK PLC's concerning areas to improve and current market position.

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CHAPTER 01
INTRODUCTION

1.1. Introduction

In general, the word "bank" makes it easy to understand that a financial institution deals with money. The overall scenario of a country's economy can be found by examining the state of the banking sector. The banking sector plays an important role in the economic activity and development of every country. There are various types of banks such as central banks, commercial banks, savings banks, investment banks, industrial banks and credit unions. However, when we use the term "bank" without a prefix or qualification, we mean a commercial bank. Commercial banks mainly contribute to the economy of countries like Bangladesh. In Bangladesh, commercial banks dominate the financial sector, and macroeconomic management relies heavily on the performance of commercial banks as well as the banking sector. The banking industry grew primarily in the public sector, focusing on the rebuilding of the financial system and the development needs of the war-torn economy, and then gradually liberalized. There was growing belief that banks should be allowed to give momentum to private-sector-led development processes in the private sector. Several banks of private sector were first licensed in the 1980s. One of them is IFIC Bank. Today, the concept of banking does not continue in a branch or branch cubicle. Bankers are currently practicing banking activities other than cabins. Guaranteeing Service Provider Availability is an important element of banking services. As a result, it is imperative that everyone have some idea of the bank and the banking process. Currently, there are 63 planned banks operating nationwide. Of these, 9 are state-owned (including 5 specialized banks), 38 are private commercial banks, and the remaining 9 are foreign commercial banks. Bangladesh's banking sector has undergone radical changes, but still suffers from chronic inefficiencies. The biggest problem with Bangladesh's banking system is the bank's default problem. Various initiatives have been taken to address the Bangladesh credit default swap issue. One of them is the credit and procedural policies mandated by the Bangladesh Bank. Therefore, the bank's financial performance includes all the necessary analysis.

1.1Background of the Study

An internship is necessary for me to finish my BBA program at Comilla University. I sought for an internship in order to complete my graduation requirements, and thankfully I was successful. I am attempting to contrast my academic knowledge with practical knowledge while I am doing my internship. I have the chance to learn about a well reputed private bank setting through this internship program, and I also get to use cutting-edge office management tools and software. I'll need to compile a report based on my internship experience when the program is through. My report's primary goals are to inform my supervisor of my internship experience and to satisfy a requirement for my graduate program.

1.2Rationale of the Study

The internship program offers students the chance to get knowledge of the actual workplace so they can be ready to be creative employees. I gathered various financial data for study of IFIC BANK PLC's performance during my internship time. My research is only concerned with the structure, operations, and performance of organizations.

- To know the practical environment of the private banks of Bangladesh.
- To understand the organogram and assess IFIC BANK PLC's performance.
- Understanding the IFIC BANK PLC balance sheet and income statement.

1.3 Objectives of the Study

The purpose of the study is to know the operations of a private entity. More particularly, we're attempting to comprehend Bangladesh's financial sector. To understand the performance of the bank, we gather the IFIC BANK PLC yearly report and analyze it. The prime objectives of the study are:

- Evaluate the performance of IFIC BANK PLC by analyzing the annual report of the organization.
- To understand the financial industry of Bangladesh.
- To find out the strengths and weaknesses of IFIC BANK PLC.
- To know how to improve the profitability of IFIC BANK PLC.

1.4 Limitation

Although my seniors at the IFIC BANK PLC have been very supportive, there are few limitations that I have faced. The following are:

Time limitation: My internship program has a three-month maximum duration. This is a fairly short period of time to comprehend the organization.

Inadequate data: Any qualitative resource must first meet the prerequisites of accurate information and sufficient data. It was really challenging for me to get the qualitative data during my investigation.

Non-Disclosure Policy: A company's policy of secrecy prevents it from making all of its data and statistics public. Therefore, I could not gather and include all of this confidential information in the report, which may have decreased its acceptance.

Lack of Experience: This is my first organized research work. I believe that having prior experience writing research papers would have benefited me during my studies.

1.5 Methodology

1.5.1 Research Design

This report is of the descriptive kind and includes a summary of IFIC BANK PLC's financial performance in addition to the organization's purpose, vision, and product. We also gather the organization's annual reports from the previous ten years for study. Ratio analysis is our primary technique for data analysis. We compute several financial ratios using Microsoft Excel, which can provide us with an accurate view of the organization's financial health.

1.5.2 Nature and Sources of Data

I have used the last 10 (ten) years' annual reports of IFIC BANK PLC as secondary data.

1.5.3 Problem Statement

The current problem is to evaluate and comprehend the significant variables that have impacted IFIC BANK PLC's (International Finance Investment and Commerce Bank Limited) financial performance over the last ten years, with a focus on identifying areas for improvement and offering practical suggestions for boosting financial sustainability and efficiency.

1.5.4 Research Questions

I. What is the historical financial performance of IFIC BANK PLC over the past ten years in terms of revenue, profitability, and liquidity?
II. What are the key financial indicators and ratios (e.g., ROA, ROE, current ratio, debt-to-equity ratio) for IFIC BANK PLC, and how have they evolved over time?
III. What internal factors within IFIC BANK PLC, such as cost management, investment decisions, and operational efficiency, have impacted its financial results?
IV. What are the major risks and challenges that IFIC BANK PLC faces in maintaining or improving its financial performance?
V. What are the potential areas for improvement in IFIC BANK PLC's financial management and decision-making processes based on the analysis of its financial performance?
VI. What recommendations can be made to enhance IFIC BANK PLC's financial sustainability and ensure its continued contribution to the energy sector and national economy?

Chapter 02

Literature Review

2. Literature Review

Since its establishment in 1976, IFIC Bank Limited has grown into a leading private commercial bank in Bangladesh. According to Bhowmick (2021), a comparative ratio analysis was conducted between IFIC Bank and other early private banks like AB Bank Ltd, National Bank Ltd, and NCC Bank Ltd. The study explored key financial indicators such as liquidity, solvency, operational efficiency, profitability, and market value over a five-year span, offering an in-depth assessment of IFIC Bank's financial health.

Aziz (2014) conducted a broader review of private commercial banks, including IFIC Bank, and discovered a significant 31.85% reduction in the bank's net income in 2008. This decline, especially when compared to the positive performance of peer institutions, points to underlying profitability challenges for the bank during that time.

A separate review by Assignment Point (2011) found that IFIC Bank experienced a notable 34% growth in both deposits and loans and advances in 2011 compared to the previous year. Despite this, its operating profit dropped by around 25%, largely due to a one-time income boost in the previous period, suggesting a need for more consistent income generation.

Furthermore, a study published in the UniversePG Journal (2016) analyzed investments in human capital across multiple banks and revealed that IFIC Bank achieved human capital returns of 224.33% in 2014, 256.59% in 2015, and 240% in 2016. Although these figures highlight effective human resource utilization, the inconsistency also points to potential areas for refinement.

Together, these findings illustrate both the strengths and the ongoing challenges in IFIC Bank's financial performance, indicating opportunities for strategic improvement and sustainability.

IFIC Bank Limited, established in 1976, has developed into a key player in Bangladesh's banking sector. As a first-generation private commercial bank, its financial trajectory and strategic decisions have attracted considerable attention from researchers and analysts. Over the years, the bank has attempted to balance rapid expansion with the need for sustainable financial health. Various academic and industry studies have critically examined its financial performance from multiple angles, including profitability, asset utilization, liquidity management, and human capital investment.

One of the more comprehensive evaluations was conducted by Bhowmick (2021), who applied a five-year ratio analysis to benchmark IFIC Bank's financial performance against other first-generation private banks such as AB Bank Ltd, National Bank Ltd, and NCC Bank Ltd. This study focused on critical financial metrics—liquidity, solvency, operational efficiency, profitability, and market value ratios. The findings suggested that while IFIC Bank has made strides in improving its financial structure, it still trails behind some of its peers in operational efficiency and asset utilization. The study highlighted the importance of strategic resource management and the consistent monitoring of key financial ratios to remain competitive in a saturated banking market.

In a wider evaluation, Aziz (2014) examined the financial performance of multiple private commercial banks in Bangladesh and identified a sharp decline in IFIC Bank's net income—approximately 31.85% in the year 2008. This was in stark contrast to the upward trajectory seen in competing banks during the same period. The decline raised concerns about IFIC Bank's ability to adapt to market changes and maintain long-term profitability. Aziz pointed out that internal inefficiencies, external market pressures, or lapses in strategic decision-making could be contributing factors. The study emphasized the need for proactive financial planning and risk management frameworks to withstand economic shocks.

Additional insights into the bank's growth patterns were provided by a report from Assignment Point (2011), which analyzed year-over-year changes in deposits, loans, and profitability. The report noted a 34% increase in IFIC Bank’s total deposits and loans and advances in 2011 compared to 2010. Despite this promising expansion, the bank's operating profit declined by around 25%. This decrease was attributed to an extraordinary income reported in the previous year, which inflated prior results. The analysis implied that the bank needs to focus on consistent revenue sources and manage its non-operating income effectively to ensure long-term financial stability. The disparity between asset growth and operating profit also underlined the necessity for internal efficiency improvements and prudent lending strategies.

Human capital, an often-overlooked component of financial performance, has also been explored in academic literature. A study by UniversePG Journal (2016) delved into the impact of human capital investment on firm performance, particularly in the banking sector. The research found that IFIC Bank exhibited high human capital return on investment (HCROI), with figures standing at 224.33% in 2014, 256.59% in 2015, and 240% in 2016. These numbers reflect the bank’s effective use of human resources to drive financial outcomes. However, the fluctuations across the years suggest that while the bank values its workforce, there is room for greater consistency and alignment of human capital strategy with overall business goals.

Overall, the reviewed literature paints a multi-dimensional picture of IFIC Bank’s financial performance. The bank has shown considerable strengths in deposit growth and human capital efficiency. However, challenges remain, particularly in achieving consistent profitability, improving operational efficiency, and reducing reliance on non-recurring income. These findings suggest that IFIC Bank must implement more robust financial and operational strategies, focus on sustainable profit drivers, and invest in technological and human capital development to maintain its position in the competitive financial services industry of Bangladesh.

Chapter 03
Overview of IFIC Bank PLC

3.1 Overview of the Company

IFIC Bank Limited is a prominent state-owned commercial bank in Bangladesh, recognized for its extensive reach and influence in the country's banking sector. With a wide network of **955 branches** strategically located throughout nearly every commercial hub of the country, the bank ensures accessibility and financial services to both urban and rural populations. In addition to its domestic presence, IFIC Bank also maintains relationships with a number of **overseas exchange houses** and has established partnerships with **hundreds of foreign correspondent banks**, enabling smooth and efficient international banking, remittance services, and global trade support.

The modern entity known as IFIC Bank Limited was officially incorporated as a **Public Limited Company** on **May 17, 2013**. The purpose of its incorporation was to formally assume all the operations, assets, liabilities, rights, and responsibilities of the earlier IFIC Bank. This strategic transition was designed to strengthen the bank's legal and operational structure under corporate governance norms while retaining its commitment to public sector values.

To facilitate this transition, a formal agreement known as the **Vendors Agreement** was signed on **November 15, 2013**, between the **Ministry of Finance of the Government of the People's Republic of Bangladesh**—acting on behalf of the former IFIC Bank—and the **Board of Directors of the newly formed IFIC Bank Limited**. This agreement retroactively authorized the bank to operate under its new legal status, with effect from **July 1, 2013**. From that date onward, IFIC Bank Limited officially commenced operations under its new identity, building on its legacy and continuing to play a crucial role in the financial and economic development of Bangladesh.

3.2 Bank's Mission

The mission of the bank is to deliver outstanding financial services by leveraging the expertise and dedication of a highly capable workforce. These professionals bring creativity, innovation, and a competitive spirit that distinguish the bank in providing top-quality services to both individuals and institutions. The bank places strong emphasis on building lasting relationships with its clients, guided by a deep sense of responsibility and care.

Beyond offering excellent customer service, the bank is also committed to playing a meaningful role in the social and economic development of the country. It aims to contribute positively to the welfare of people and the advancement of communities by supporting sustainable financial growth and inclusive prosperity.

With an ambitious vision, the bank strives to position itself as a leading financial institution in Bangladesh while also making a significant impact in the broader regional banking sector. It seeks to expand its footprint beyond national borders, establishing itself as a dynamic and influential partner in international finance.

In a global environment marked by increasing competition and complexity in both financial and business sectors, the bank maintains a clear focus on driving consistent growth and ensuring profitability for all stakeholders—including customers, employees, shareholders, and the communities it serves.

3.3 Bank's Vision

IFIC Bank aspires to become the most trusted and sought-after provider of financial services by embracing innovation, ensuring long-term sustainable progress, and promoting inclusive development. Their objective is to offer exceptional value and service to every stakeholder involved—customers, employees, shareholders, regulators, and the community at large.

3.4 Core Values

- **Integrity**: Consistently maintaining honesty and strong moral principles in every action, at all times and in all places.
- **Fairness**: Dedicated to delivering the highest quality services to our customers with honesty, equality, and openness.
- **Innovation**: Fostering and supporting original ideas and creative thinking.
- **Commitment**: Devoted to delivering outstanding customer service and enhancing stakeholder value through collaboration and teamwork.

3.5 Milestones in the development of IFIC Bank

- **1976** – IFIC Bank was originally founded as an **Investment and Finance Company** through a joint venture arrangement with the **Government of Bangladesh**, marking the beginning of its journey in the financial sector.
- **1980** – The bank began engaging in **foreign exchange operations** on a limited scale, stepping into international banking activities.
- **1982** – The Government of Bangladesh granted IFIC permission to operate as a **commercial bank**. In the same year, IFIC expanded its international presence by establishing its **first overseas joint venture**, the **Bank of Maldives Limited** in the Republic of Maldives. (IFIC later sold its shares in this venture to the Maldivian government in 1992.)
- **1983** – IFIC officially started operating as a **fully-fledged commercial bank** in Bangladesh, offering a comprehensive range of banking services to individuals and businesses.
- **1985** – IFIC established another joint venture abroad, setting up an **exchange company in Oman** under the name **Oman Bangladesh Exchange Company**, which was later renamed **Oman International Exchange LLC**.

- **1987** – The bank launched its **first overseas branch** in **Karachi, Pakistan**, strengthening its cross-border banking operations.
- **1993** – A second overseas branch was established in **Lahore, Pakistan**, continuing its expansion in South Asia.
- **1994** – IFIC entered the Nepalese market by forming a **joint venture bank** named **Nepal Bangladesh Bank Ltd.**, further extending its regional footprint.
- **1999** – IFIC expanded its operations in Nepal by launching a **second joint venture**, this time in the **lease financing sector**, named **Nepal Bangladesh Finance & Leasing Co. Ltd.** (This venture later merged with Nepal Bangladesh Bank Ltd. in 2007.)
- **2003** – In a major restructuring initiative in Pakistan, IFIC helped establish a new bank, **NDLC–IFIC Bank Ltd.**, by merging its overseas branches and a local leasing company (NDLC). This institution was later renamed **NIB Bank Ltd.**
- **2005** – The bank adopted **MISYS**, a cutting-edge core banking solution, enabling **real-time online banking** and improving **risk management systems**.
- **2007** – IFIC entered the plastic money market with the launch of **VISA-branded credit cards**. By 2010, it completed its card service range with **debit, credit, and prepaid cards**.
- **2010** – The bank established an **Offshore Banking Unit (OBU)** to support trade financing and serve international clients more efficiently.
- **2011** – IFIC extended its global operations by launching **IFIC Money Transfer (UK) Ltd.**, a fully owned **subsidiary exchange company** aimed at facilitating remittances from expatriates.
- **2012** – IFIC reached a significant milestone with the **opening of its 100th branch**, located on **Tejgaon-Gulshan Link Road in Dhaka**.
- **2015** – The bank continued its physical expansion by **adding 15 new branches** in various strategic locations across the country.
- **2016** – A landmark event in the bank's corporate identity was the **inauguration of IFIC Tower**, its modern head office located at **61 Purana Paltan, Dhaka**.
- **2017** – IFIC launched **IFIC Aamar Account**, a groundbreaking financial product that combined features of savings accounts, current accounts, fixed deposits, and credit cards. It also introduced a **One-Stop Service Model** in its branches—becoming the first bank in Bangladesh to implement such a system. IFIC also became the **market leader in home loans** within the retail banking segment.
- **2018** – IFIC's **Home Loan portfolio surpassed BDT 2,911.40 crore**, while the **Aamar Account** grew to BDT 1,456.49 crore with **99,399 accounts**, reflecting strong customer adoption and trust.
- **2019** – The bank established **35 Uposhakhas** (banking sub-branches) across the country to improve accessibility. It also launched its **digital banking platform, IFIC Aamar Bank**, and introduced **IFIC Shohoj Account**, aiming to further promote **financial inclusion**.
- **2020** – IFIC Bank's physical network crossed **150 branches**, while the number of **Uposhakhas reached 285** nationwide. The total amount of **sanctioned home loans** reached a significant BDT **61,061.924 million** by the end of the year. In addition, the bank launched **IFIC Shohoj Rin**, a simplified loan product, and formed **IFIC Investment Limited** to enter the **merchant banking** sector.

3.6 Management Structure/ Responsibilities

The **Board of Directors**, consisting of **13 members**, is responsible for formulating strategic plans and setting overall policy directions for the bank. In addition, an **Executive Committee**—formed from within the board—handles **urgent business matters and proposals** that require immediate attention.

To ensure regulatory compliance and proper operational governance, the bank also has an **Audit Committee** under the **Management Committee**. This committee monitors adherence to important regulations and oversees key operational practices.

The **Chief Executive Officer (CEO) and Managing Director**, along with the **Deputy Managing Director** and **Heads of Departments**, are tasked with executing the bank's business objectives and managing daily operations effectively. They are supported by a **senior management team** which includes **Deputy General Managers** and **Department Managers**, who are responsible for supervising different functional areas and coordinating activities across branches.

Crucial operational and policy-related matters are addressed by the **Executive Committee**, which is chaired by the **CEO** and guided by the **Executive Director**. This structure ensures **swift and efficient decision-making**.

Additionally, the bank has established an **Asset and Liability Committee (ALCO)**, composed of members from senior management and chaired by the **CEO and Managing Director**. This committee plays a vital role in managing the bank's financial risk and balance sheet strategy.

3.7 Main Services of IFIC Bank:

1) Corporate Banking

IFIC Bank's **Corporate Banking Division** is designed to support large businesses and corporate clients with customized financing solutions to meet their capital and operational needs. Key services include:

- **Working Capital Finance** – Short-term funding to support day-to-day business operations.
- **Project Finance** – Long-term financing for infrastructure and development projects.
- **Team Finance** – Collaborative financial support tailored for business teams or consortiums.
- **Syndication Finance** – Joint financing involving multiple financial institutions for large-scale projects.

- **Lease Finance** – Asset-based financing that allows businesses to acquire necessary equipment or infrastructure through leasing arrangements.

2) Retail Banking

The **Retail Banking Division** caters to individual customers, offering a wide range of personal banking products and services. These include:

- **Consumer Finance** – Personal loans for individual needs such as education, medical, travel, etc.
- **Debit & Credit Cards** – Secure and flexible payment options for everyday spending.
- **Deposit Products** – Various savings and fixed deposit schemes with competitive returns.
- **Prepaid Cards** – Reloadable cards for controlled spending, ideal for budgeting or gifting.
- **NRB Accounts** – Specialized banking services for **Non-Resident Bangladeshis**, facilitating remittance and savings.

Popular Retail Products:

- **IFIC Aamar Account** – A multifunctional account combining the benefits of savings, current accounts, and fixed deposits.
- **IFIC Sohoj Account** – A simplified banking solution promoting financial inclusion.
- **IFIC Aamar Bhomishawt** – A product aimed at long-term financial planning and savings.
- **IFIC Aamar Bari** – A home loan scheme helping customers fulfill their dream of homeownership.
- **Student File** – A dedicated solution to support students seeking education abroad.

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3) SME Banking

IFIC Bank places strong emphasis on supporting the **Small and Medium Enterprises (SME)** sector, recognizing its role in economic development and employment generation. The SME product suite includes:

- **Easy Commercial Loan**
- **Retailers Loan**
- **Transport Loan**
- **Commercial House Building Loan**
- **Possession Right Loan**
- **Contractor's Loan**
- **Bidder's Loan**
- **Working Capital Loan**
- **Project Loan**
- **Trade Finance**
- **Muldhan (Capital Loan)**

- **Women Entrepreneur's Loan** – Specially designed financing to empower female-led businesses.

These loan products are tailored to support a wide variety of business needs—from startup funding to expansion, equipment purchases, and contract-based financing.

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4) Treasury and Capital Market Operations

IFIC's **Treasury and Capital Markets** division plays a vital role in managing the bank's liquidity, investment portfolio, and capital market presence:

- **Money Market Operations** – Efficient management of short-term surplus and liquidity.
- **Foreign Exchange (Forex) Market** – Currency trading and exchange services for importers, exporters, and individual clients.
- **Brokerage House Services** – Investment solutions for clients interested in trading securities and participating in the capital market.

5) Agricultural Credit

IFIC Bank supports the agricultural sector, recognizing its critical importance to the national economy. The **Agriculture Credit Program** includes:

- **Krishi Shoronjam Rin** – Loans for purchasing agricultural equipment.
- **Shech Shoronjam Rin** – Financing for irrigation equipment and systems.
- **Phasali Rin** – Crop loans designed to help farmers manage seasonal production costs.

These loans aim to empower farmers, enhance food security, and boost rural economic activity.

Digital Banking and Technology Services

To meet the needs of a tech-savvy generation and promote financial inclusion, IFIC has developed a robust digital banking ecosystem:

- **IFIC Aamar Bank** – A full-featured digital banking platform offering seamless mobile and online services.
- **bKash Integration** – Convenient mobile financial transactions through bKash partnership.
- **24/7 Customer Support** – Round-the-clock assistance via call centers and digital channels.
- **Charge-Free ATM Access** – Customers can withdraw cash from any bank's ATM across the country **without service charges**, enhancing accessibility.

3.8 Departments of IFIC Bank

This section provides an overview of the three main operational divisions of IFIC Bank Limited, each playing a vital role in delivering comprehensive banking services to its customers:

1. **General Banking Division**
   This division serves as the foundation of the bank's day-to-day operations, handling a wide array of routine banking activities. It manages customer accounts, processes deposits and withdrawals, facilitates fund transfers, and oversees various payment services. General Banking also ensures smooth interaction between the bank and its customers by providing efficient branch services, managing savings and current accounts, and handling cheque clearances and other essential banking functions.
2. **Credit, Loan, and Advances Division**
   Focused on lending operations, this division is responsible for evaluating, sanctioning, and managing different types of credit facilities offered to individuals, businesses, and corporate clients. It deals with diverse loan products, including personal loans, commercial loans, project financing, and working capital advances. This division ensures proper risk assessment, compliance with lending policies, and effective recovery mechanisms, thereby supporting the bank's core objective of facilitating economic growth through credit provision.
3. **Foreign Exchange Division**
   The Foreign Exchange Division manages all international banking transactions involving foreign currencies. This includes import and export financing, foreign currency remittances, and trade settlements. The division plays a crucial role in supporting the bank's clients engaged in global business activities by providing currency exchange services, handling letters of credit, and ensuring compliance with international banking regulations. It helps foster cross-border trade and financial connectivity in an increasingly globalized economy.

Together, these three divisions form the backbone of IFIC Bank's operations, enabling it to provide comprehensive financial services that meet the diverse needs of its clients while contributing to the overall development of the economy.

3.8.1 General Banking

The **General Banking Division** is the central hub of all banking activities and serves as the foundation for a bank's daily operations. It is responsible for managing the essential, routine transactions that occur within the bank, making it the heart of the institution's functioning. This division acts as the primary processing center where various types of financial transactions are initiated, recorded, and processed, serving as a crucial link to other specialized departments such as the foreign exchange and credit divisions.

One of the most significant roles of the general banking sector is the **mobilization of deposits**, which forms the financial backbone for the bank's lending and investment activities. By efficiently managing deposits, the bank ensures a steady flow of funds that support both customer needs and the broader economic development goals.

IFIC Bank offers a wide range of account types and specialized savings options under its general banking services, catering to the diverse requirements of individuals, businesses, and organizations. The division is subdivided into several key operational sections, each tasked with specific functions essential to smooth banking service delivery:

- **Accounts Opening Section:** This is where new customers are welcomed and their accounts are set up. The section ensures proper documentation and compliance with regulatory requirements, facilitating a seamless onboarding experience.
- **Deposit Section:** Responsible for handling all types of deposits made by customers, including cash deposits, cheque deposits, and online transfers. This section maintains accurate records to ensure the availability of funds.
- **Cash Section:** Manages all cash-related transactions, including cash withdrawals and deposits. It ensures efficient cash flow within the bank, maintains cash reserves, and adheres to security protocols.
- **Remittance Section:** Handles domestic and international money transfers, providing reliable and timely fund transfer services that cater to personal and business needs.
- **Bills and Clearing Section:** Manages the processing of cheques, bills of exchange, and other negotiable instruments. This section ensures the smooth clearing and settlement of payments between banks and customers.
- **Accounts Section:** Oversees the maintenance and reconciliation of customer accounts, ensuring accurate and up-to-date records of all transactions.
- **Cheque Book Issuance:** Facilitates the distribution of cheque books to account holders, enabling convenient transaction options.
- **Debit Card Issuance:** Issues debit cards to customers, allowing them easy access to their funds through ATMs and electronic payments.
- **Account Transfers:** Manages internal and external fund transfers between different accounts within the bank or with other banks, ensuring seamless transaction flow.
- **Account Closure:** Handles the formal process of closing accounts, ensuring all dues are settled and records are properly updated.
- **Dispatch Section:** Responsible for sending out bank statements, notices, and other communications to customers in a timely manner.

Overall, the General Banking Division is indispensable to IFIC Bank’s operations, ensuring that customers’ everyday banking needs are met efficiently while supporting other banking functions. Its role in mobilizing deposits, processing transactions, and maintaining customer relationships directly contributes to the bank’s stability and growth.

Opening of Account:

To open an account at IFIC Bank Limited’s Federation Branch, an individual or a company needs to follow a step-by-step process:

- **Contact the Responsible Officer:** First, the applicant must get in touch with the bank official in charge of account openings to initiate the process.
- **Account Opening Form:** The applicant must fill out a specific form provided by the bank, which varies depending on the type of account—such as savings, current, or standard accounts. It's important that the applicant completes the form personally to ensure accuracy and authenticity.
- **Photograph Submission:** The applicant needs to submit two recent passport-sized photographs. For partnership accounts, every partner involved must provide their own photograph to verify their identity.
- **Documentation Process:** The entire documentation must be completed by the applicant themselves, which means submitting all required papers and information in person to comply with bank regulations.
- **Signature Verification:** The applicant must sign a specimen signature sheet, which the bank will keep on record to verify future transactions.
- **Introducer Requirement:** An introducer acts as a trusted intermediary or reference to help validate the identity of the applicant. This person assists in facilitating the account opening process.
- **Verification by Authorized Officer:** An authorized bank officer will verify the introducer's signature and account details to confirm authenticity and maintain security.
- **Application Acceptance:** Once all documents are verified, the authorized officer will approve the application.
- **Initial Deposit:** The applicant must deposit the minimum required balance to activate the account. The bank only accepts this deposit in cash at this stage.
- **Account Registration:** A bank representative will then enter the applicant's details into the official register and formally open the account.
- **Checkbook Issuance:** After the account is opened, the officer will provide the new account holder with a checkbook for transactions.
- **KYC Compliance:** The bank enforces Know Your Customer (KYC) rules, meaning the applicant's identity and background are verified thoroughly. The account opening must be introduced or vouched for by one of the following: an existing account holder at the bank, a bank employee at the rank of assistant officer or higher, or a respected local person who is familiar to the branch manager or sub-manager.

Deposit Section:

People deposit cash in banks to keep their money safe for future needs or emergencies. Banks act as financial institutions that safeguard these deposits. Their main role is to collect this money and use it productively to earn profit. Banks lend money to others, invest it, and pay interest to depositors, while making a profit themselves. This process of gathering and using deposits benefits not only individual customers but also the overall economy by promoting financial activity.

There are four main types of deposits commonly used:

1. **Current Deposit:** Primarily for frequent transactions, usually without interest.

2. **Savings Account:** Encourages saving with interest earned on deposits.
3. **Short Term Deposit (STD):** Deposits held for a short period, often with higher interest than savings accounts.
4. **Fixed Deposit (FDR):** Money deposited for a fixed time at a predetermined interest rate, generally offering higher returns.

Cash Section:

The cash section is a crucial part of any bank's operations. Banking activities cannot function properly without an efficient cash counter. This area is directly connected to customer service and handles several important tasks, including:

- Allowing customers to deposit and withdraw cash.
- Providing various financial products such as prize bonds and savings certificates (sancaypatra).
- Facilitating bill payments, including utility bills like electricity.
- Processing cash payments related to different types of fund transfers, such as payment orders and demand drafts.

The cash area serves as a vital point where customers interact with the bank for their everyday monetary needs.

3.8.2 Credit Department

Loans and advances, or credit, can be understood in both broad and narrow terms. Broadly, credit refers to the act of providing funds to another party, such as a borrower, buyer, company, or partnership. Simply put, credit is the counterpart of debt: the borrower incurs a debt with the obligation to make future payments, while credit represents the lender's right to receive those payments.

In the context of IFIC Bank, risk refers to the possibility of financial loss or other negative outcomes. Effective risk management has become crucial today to minimize uncertainties related to assets and other factors. The main types of risks faced by the bank include credit risk (the risk of borrowers defaulting), liquidity risk (difficulty in meeting short-term obligations), market risk (such as currency fluctuations and interest rate changes), operational risk (risks arising from internal processes), and reputational risk (damage to the bank's public image).

Market risk specifically covers currency risk and equity risk related to interest rates, all of which are carefully managed to protect the bank's stability.

3.8.3 Foreign Exchange Department

Foreign trade is one of the most significant activities carried out by commercial banks. It involves transactions between parties from different countries engaged in international trade. Handling these transactions requires specialized knowledge of global business practices. Banks that facilitate such operations often consider international banking as a highly profitable sector.

Foreign trade primarily consists of imports, exports, and international money transfers. International trade depends on the smooth exchange of goods and payments between buyers and sellers across borders. In this process, banks play a crucial role as intermediaries, bridging the gap between importers and exporters.

The foreign trade operations fall under the foreign exchange department of the bank, which functions on a global scale to promote and support international commerce by offering various services. Banks licensed by Bangladesh Bank to handle foreign exchange are called Authorized Dealers. Authorized branches can transfer foreign currency from the local country to overseas destinations.

Since this department deals mainly with foreign currencies, it is known as the foreign exchange department. The activities of this department are governed by several national and international laws and regulations, including the Securities and Exchange Act of 1947, which applies to foreign currency transactions, stock exchange operations, and import-export documentation. Additionally, the Documentary Credit Act of 1950 and government import-export policies are important legal frameworks that influence the bank's foreign trade activities.

Chapter 04
Research Design & Analysis

4.1. Research Design

This study tries to find a connection between certain things about the bank and how much money it makes. They will do this by doing real research. The information for this research comes from the financial documents of IFIC Bank Limited, specifically their annual reports from the past 8 years. The sample was checked using math and statistics to see if there were any patterns or relationships in the data.

4.2. Research Instrument

In this study, we used ratio analysis to see how the variables have changed over time. Statistics has been used to see if the profitability ratio and bank specific variables are different from each other. We have looked at how certain factors about the bank affect how much money IFIC Bank Limited makes. We used a math method called Correlation Coefficient analysis and showed the results in a correlation matrix. We used a method called linear regression to test our ideas, using a software called E-views 10. The profitability ratio goes up and down based on the bank's specific variables.. The variables to analyze the influence of bank specific factors on profitability using regression analysis are as follows:

Variables	Symbols	Measure
Dependent Variable		
Return on Equity	ROE	Net profit after tax/Total shareholder's equity
Independent Variables		
Capital Adequacy Ratio	CAR	Total capital/Total risk weighted assets
Liquidity Ratio		Liquid assets/Total assets
Management Efficiency	LIQ	Total investment/Total deposits
Non-Performing Investment	NPI	Nonperforming investment/Total investment
Operating Expense Ratio	OPE	Total operating expense/Total assets

Table: Description of Variables

4.3. Description of Data

The data collection method of study consists of secondary sources. The details of these sources are given below:

Secondary Sources of Data:

- Annual Reports of the bank (2016-2023)
- Various reports related to study
- Web base support from the internet

4.4. Data Collection Procedure and Instruments

For "The Impact of Bank Specific Factors on Profitability of IFIC Bank Limited" I mainly used secondary data. Besides this I also collect some information by taking expert opinion and bank website.

Instruments Used for Analysis

1. Ratio Analysis
2. E-views Analysis

4.4.1. Ratio Analysis

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, profitability by studying its financial statements such as balance sheet and income statements. Ratio can be classified into four broad groups-

1. Liquidity Ratio
2. Activity Ratio
3. Debt Ratio
4. Profitability Ratio

4.4.2. E-views Analysis

The following instruments have been used for the analysis of data. Such as:

1. Regression Analysis
2. Autocorrelation

3. Heteroskedasticity Test
4. T-statistics
5. F-statistics
6. Correlation
7. Classical Assumption Test

4.5. Data Analysis Tools and Techniques

To analyze and present the numerical data and values associated with this study I have used EViews10. Ratio analysis has been used to show the trend by using line chart. Both descriptive and empirical results including correlation, regression have been used.

4.6. Conceptual Framework

4.6.1. Bank Specific Factors

Variables within the bank that affect how well it does and can be managed. Each bank is affected in a different way by its own internal factors, which can impact its financial performance. Some factors for banks include having enough money, the quality of their assets, being able to pay their bills, being efficient in their costs, being well managed, having successful investments, and having a good balance between what they owe and what they own. Capital adequacy is the amount of money banks need to have in order to handle risks like credit, market, and operational risks. This helps protect the bank and its customers from potential losses. Asset quality shows how well a bank can use its stuff to make money. By reducing the amount of money banks spend on running their business, they can make more profit. Nonperforming investment is the amount of money that banks can't get back from customers. Other things can also impact how much money the bank makes. Bank-related factors have a big impact on how well commercial banks do in Bangladesh.

4.6.2. Financial Performance

Financial performance is a way to see how good a company is at using its assets to make money. This phrase can also be used to see how well a company is doing financially. It can also be used to compare how well different companies in the same industry are doing or to compare different industries. Ngugi says that financial performance analysis means figuring out the good and bad parts of a company's finances by looking at the balance sheet and profit and loss account. One way to measure how well a bank is doing is by looking at how much profit it makes. The bank's profits can be measured by looking at the return on its assets. This is a ratio of the bank's earnings to the overall value of its assets. Commercial banks' income statements show how much money they made before and after paying taxes. Another way to measure how well a bank is doing is by looking at how much profit they make compared to how much money they have, instead of just looking at how much money they have. Banks with more money invested should also make more profit. You can figure out how well a bank is doing by looking at three main things: how much profit they make compared to how much money they have, how much profit they make compared to their assets, and their financial leverage. In this research, we will measure how well a company is doing financially by looking at its return on equity.

4.6.3. Effect of Bank Specific Factors on Financial Performance

Inner components or bank particular components are controllable by the administration of a company. In the event that well overseen they contribute emphatically to the budgetary execution of the company. One of the greatest components that administration centers on is operational fetched administration as well as wage enhancement. Typically to guarantee that firms get greatest returns at the most reduced conceivable costs. The operational fetched proficiency of administration is measured as the ratio of operating costs to add up to resource. This is often anticipated to be adversely related with productivity. Administration quality in this respect, decides the level of working costs and in turn influences productivity. Capital ampleness is one of the inner variables that influence monetary execution. The ampleness of capital is judged on the premise of capital adequacy proportion (CAR). Capital ampleness proportion appears the inner quality of the bank to resist misfortunes amid crisis. Capital ampleness proportion is straightforwardly corresponding to the versatility of the bank to emergency circumstances. It moreover features a coordinate impact on the productivity of banks by deciding its development to unsafe but productive wanders or zones. Current proportion is additionally a bank particular calculate that influences execution. A direct sum of liquidity may move entrepreneurial execution, but that an plenitude of liquidity may do more hurt than great. Nonperforming speculation is another bank particular figure which has negative impact on benefit. Banks ought to take after legitimate credit dispensing approach some time recently giving any advance. Profitability of banks can be expanded in case working costs can be minimized. Thus, working costs has negative relationship with bank productivity. The proficiency of administration in utilizing the bankâ ™s stores is additionally an vital calculate impacting bank benefit. Both money related hazard and use have negative impact on productivity of banks. Since the more the monetary fetched, the less will be the benefit volume of banks. The measure of the bank too has noteworthy affect on bank â ™s productivity. The bigger the measure, the higher will be the productivity of banks.

4.6.4. Dependent Variables: (Profitability Ratio)

Every bank wants to make sure it makes a lot of money. Profitability ratios tell us how well a bank is doing overall. One of the most common ways to analyze a bank's finances is by looking at profitability ratios, which help find out how well the bank is doing financially. Profitability measures help managers and owners understand how well their business is doing. This report uses Return on Equity (ROE) to measure how profitable a company is. Many studies say that this factor can help understand how profitable a bank is. The definition of the variable is provided below

- . **Return on Equity (ROE)**

Return on equity is the profit percentage that a company makes on the money invested by its shareholders. It checks to see how much money the bank makes from the money shareholders give it. Return on equity (ROE) is a measure of how much profit a company makes for every dollar that shareholders have invested in it. It is calculated by dividing the company's net income by the amount of money that common shareholders have put into the company. A 10 percent return on equity means that the people who own the company's stock have made Tk. 10 for every Tk100 they have put into the company. The higher the ROE, the better management is at using its money and giving back to investors. The ROE ratio is calculated by,

Return on Equity (ROE) = Net Profit after tax/Total shareholders equity

4.6.5. Independent Variables: (Bank-Specific Factors)

Total six variables have been selected for this study. They include capital adequacy, current ratio, nonperforming investment, operating expense, earning per share and management efficiency. Studies suggest that these variables have significant impacts on the profitability of a banking institution. All the variables are bank specific factors that can be controlled by the management. A brief description of the factors is as follows;

- **Capital Adequacy Ratio (CAR)**

Capital adequacy is how much money a bank has compared to its debts. It shows how much money is there to protect against bad things happening. The connection between ROE and CAR is not easy to understand or predict. Some studies say the relationship is bad, but others say it's good. This shows how much of the company's assets are attributed to equity. An increase in capital ratio means there is more money available to support a bank's business. This money acts as a safety net in case something bad happens. Having more money in the bank can help the bank make more profit. The formula for CAR is.

Capital Adequacy Ratio (CAR) = Total capital/Total risk weighted assets

- **Liquidity Ratio (LIQ)**

It's important to have enough cash, but also to make money. Having cash and other assets that can be easily used can help prevent the need to take money out of the bank in a hurry. Having more money on hand reduces the risk, but it also means there is less money to lend. If a company has a big amount of cash, it might not earn a lot of money. So, these two don't get along well. A bank has to have enough money or it might not have enough when it needs it. The ratio is figured out by comparing two quantities

Liquidity ratio (LIQ) = Liquid assets/Total assets

- Management Efficiency (MGTEF)

Venture store operations are used to improve management productivity.It is calculated by adding up transactions and separating all speculations and is usually transmitted as an exchange rate.It is also used as a measure of liquidity.If this ratio is too high it means the bank may not have enough liquidity to meet unexpected funding needs.On the other hand, if the odds are too low, the bank runs the risk of not winning much, which is entirely possible.The formula to calculate this ratio is:

Management efficiency (MGTEF) = Total Investment/Total Deposits

- **Non-Performing Investment (NPI)**

The Non-Performing Investment ratio shows how many investments are not being paid back on time. Banks make less money when they have a lot of bad investments. When banks put more money into classified investments, their profits go down. Every bank has certain rules for deciding where to invest. The bank needs to make sure that borrowers have enough valuable things to give if they can't pay back their loans. This will help prevent the bank from losing money. The formula used to find this ratio is.

Nonperforming investment ratio (NPI) = Nonperforming investment/Total investment

- **Operating Expense (OPE)**

In this research, we use the total operating expenses divided by total assets as a way to measure how well a business is running. Good management helps reduce how much it costs to run the business, which means the business makes more money. ROE and operating expense ratio are expected to have an opposite relationship. In order to make the bank more profitable, we need to reduce the amount of money we spend on operating costs. The operating expense ratio is calculated by taking the operating expenses and dividing it by the property's gross potential income.

Operating Expense Ratio (OPE) = Total Operating Expenses/Total assets

Chapter 5: Ratio Analysis

5.1. Introduction

Here, it is a presentation of results obtained from the data collected; empirical statistics have been used specifically using regression analysis, autocorrelation, heteroskedasticity, T-statistics, F-statistics, correlation and classical assumption test to establish the significance level of the model and to establish the link between bank specific factors and the profitability of IFIC bank limited. The ratio analysis is used for showing the trend of the variable.

5.2. Ratio Analysis

Ratio analysis involves methods of calculating and interpreting financial ratios to analyze and monitor the firm's performance. In order to show the trend of the variables, ratio analysis has been used in this study. The trend of the lasttenyears of the ratios has been shown in the following table.

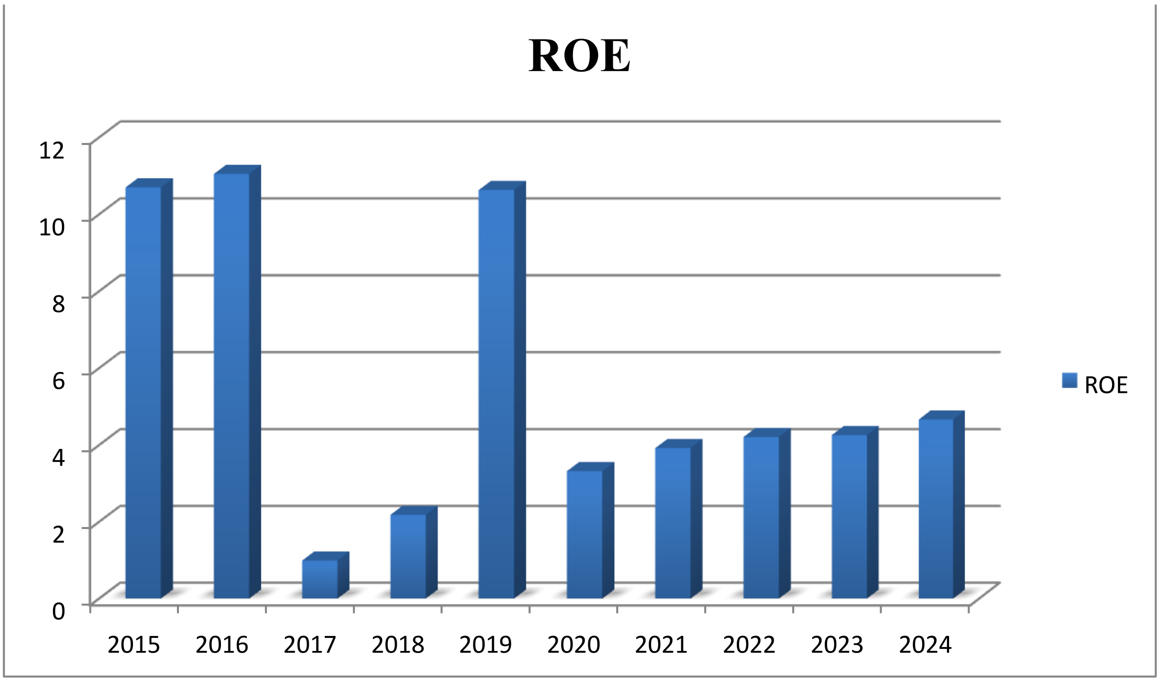
YEAR	ROE	CAR	LIQ	MGTEF	NPI	OPE
2015	10.70	11.32	3.70	41.44	24.61	1.33
2016	11.05	12.24	4.06	41.52	25.61	1.4
2017	0.99	10.08	2.31	47.16	24.9	1.39
2018	2.18	10.33	3.47	45.5	28.22	1.63
2019	10.63	10.35	5.45	43.5	35.09	1.59
2020	3.32	10.1	6.88	40.21	26.14	1.47
2021	3.92	10.09	5.83	43.22	20.25	1.34
2022	4.21	10.02	3.02	50.1	18.31	1.35
2023	4.26	10.04	2.13	50.78	16.98	1.3
2024	4.66	10.7	2.24	50.77	15.77	1.33

Table: Factors Result (Percentage)

5.2.1. Return on Equity (ROE)

Return on equity is calculated by dividing the company's profit after taxes by the amount of money invested by shareholders. High ratios mean that the shareholders are getting a good return on their investments. It gives a more accurate guess than ROA because it shows the real profit earned from the money shareholders put in. The graph shows the ROE ratio for the past Ten years.

Figure-01: Last ten years Return on Equity Ratio at a glance



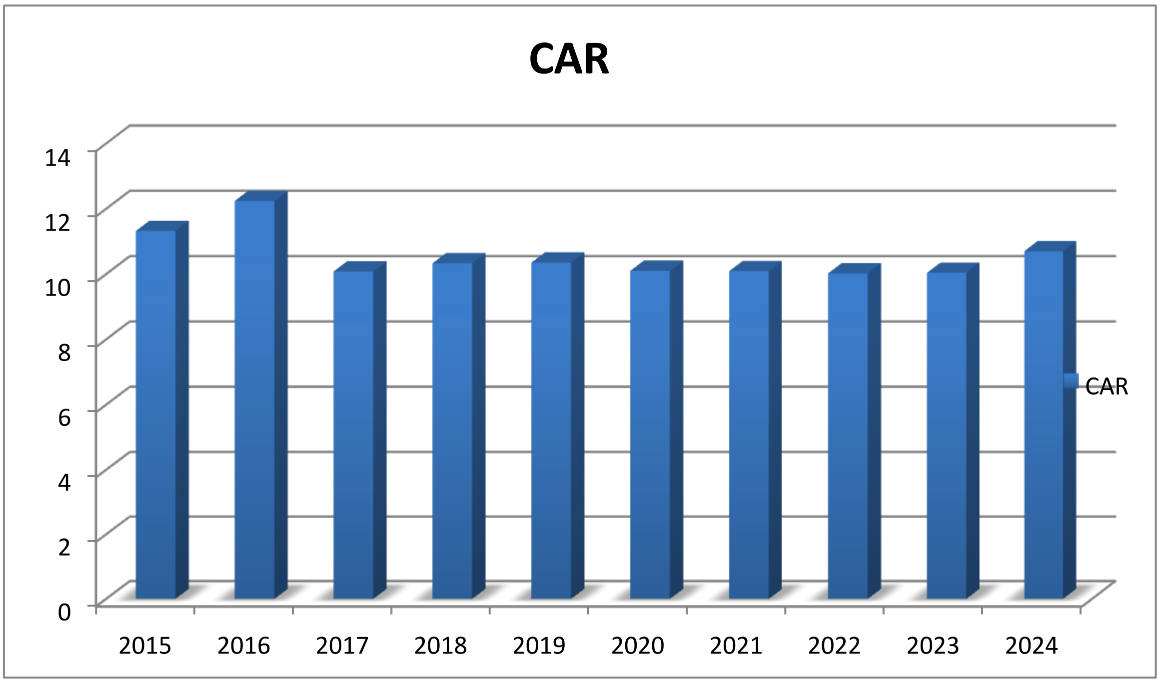
Source: Annual report of IFIC (2015-2024)

The ROE Ratio of IFIC bank was 11.05 percent in 2016 but in 2017, it was declined to 0.99 percent. It was continuously increased till 2019 which was 10.63 percent. Again, it was declined in 2020 and continuously increased till 2023 which was 4.26, which were impressive and implies that the investors saw a percent back on their funds which were invested.

5.2.2. Capital Adequacy Ratio (CAR)

Capital adequacy is how much money a bank has compared to what it owes. It shows how much money is on hand to protect against bad things happening. An increase in capital ratio means the bank has more of its own money to use for its business. Therefore, bank capital serves as a financial cushion in case things go wrong. Having more money in the bank can help make more money. The graph shows the car sales for the last ten years.

Figure-02: Lasttenyears Capital Adequacy Ratio at a glance



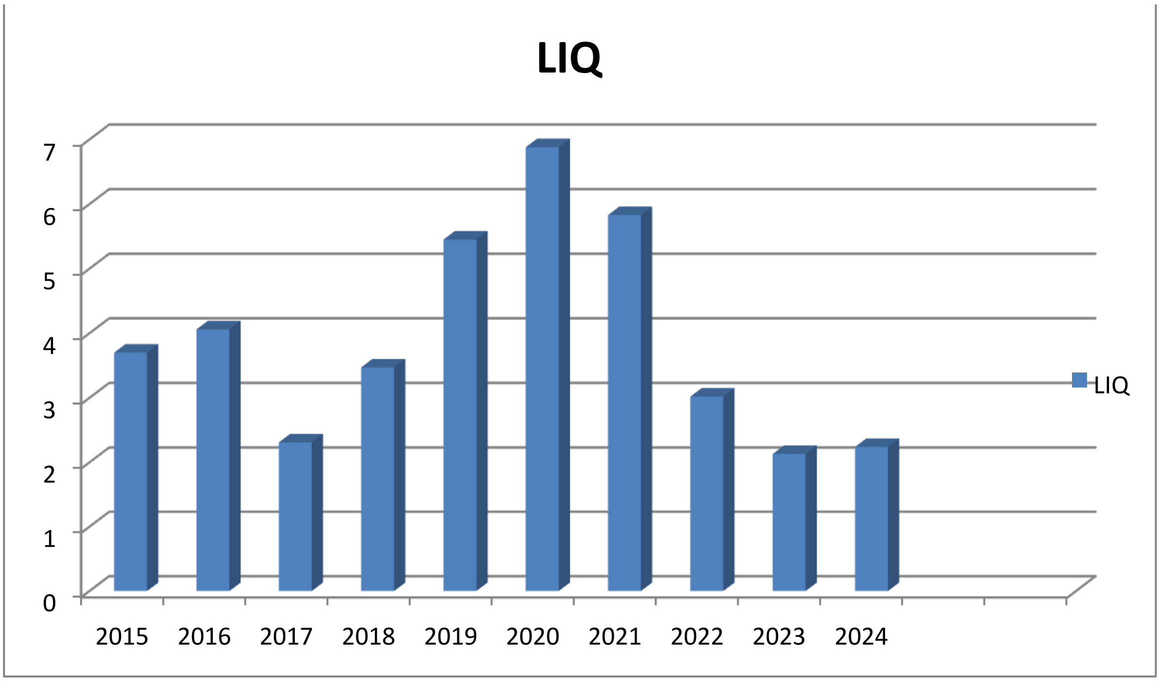
Source: Annual report of IFIC (2015-2024)

The CAR of the bank in 2016 was 12.24 percent. But in 2017 it was declined to 10.08 percent which indicates that it had lower volume of capital. It was continuously increased till 2019 which was 10.35. In 2022 it was decreased in 10.02 percent. And in 2023 it was increased in 10.04 percent that means it had increased its capital as a safeguard for facing unfavorable situations.

5.2.3. Liquidity Ratio (LIQ)

Liquidity and profitability are related in an opposite way. Cash and other easily accessible funds help protect against having to pay out money quickly for deposits. More money available means less risk, but it also means less money to lend. So, having more cash means making less money. The graph below shows how much cash was available over the last ten years

.Figure-04: Lasttenyears Liquidity Ratio at a glance



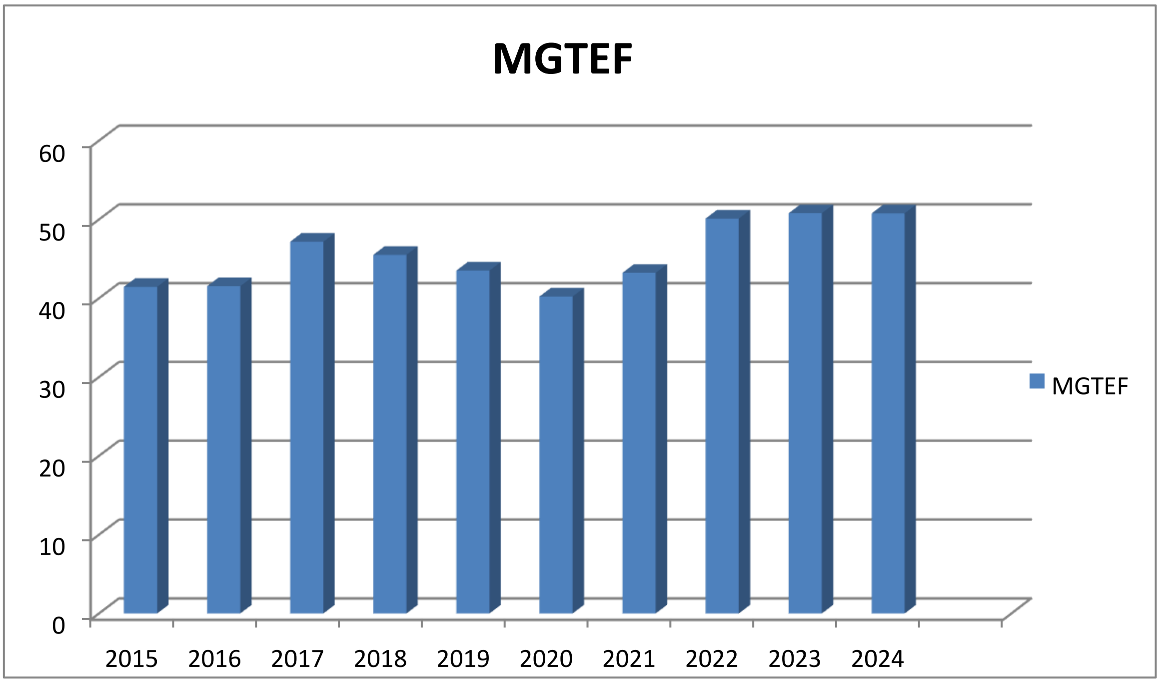
Source: Annual report of IFIC (2015-2024)

The highest LIQ was 6.88 percent in 2020, which indicates bank had more liquidity than lasttenyears. The lowest percent was 2.13 in 2023 that is not a good result than lasttenyears. The bank has not been able to inecrease its liquidity ratio of the bank in year 2020 to 2023.

5.2.4. Management Efficiency Ratio (MGTEF)

The investment deposit ratio is a number that shows how well a bank is managing its money. It is calculated by dividing the bank's total investment by its total deposits. This number is also called the ITD ratio. It is also used to see how much money the bank has. The more the ratio increases, the better the management is at using its deposits efficiently. However, a bank also needs to think about how easily it can access its money. Due to having less money available, the bank may be at risk of not having enough money to meet its needs. The following list shows the trend over the last ten years.

Figure-05: Lasttenyears Management Efficiency Ratio at a glance



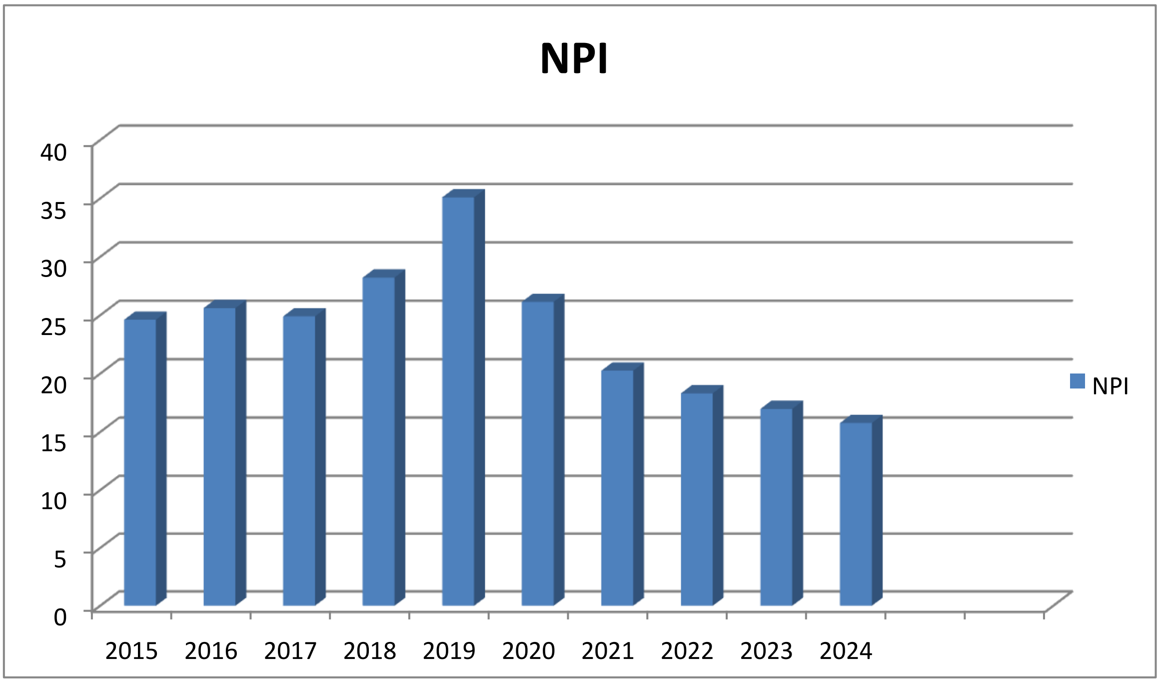
Source: Annual report of IFIC (2015-2024)

In 2016, total investment to total deposit was 41.52 percent, which indicates that 41.52 percent o f banks total deposits have been invested. But from 2018 it was decreasing till 2020. Again, it was increased in 2021 by 43.22 percent. This happens due to the investment made of other funds of the bank along with deposits.

5.2.5. Non-Performing Investment (NPI)

The non-performing investment ratio shows how many investments are not being paid back. Banks make less money when they have a lot of bad investments. If a lot of investments aren't making money, banks won't be as profitable. The graph below shows the NPI ratio for the last ten years.

Figure-06: Lasttenyears Non-Performing Investment Ratio at a glance



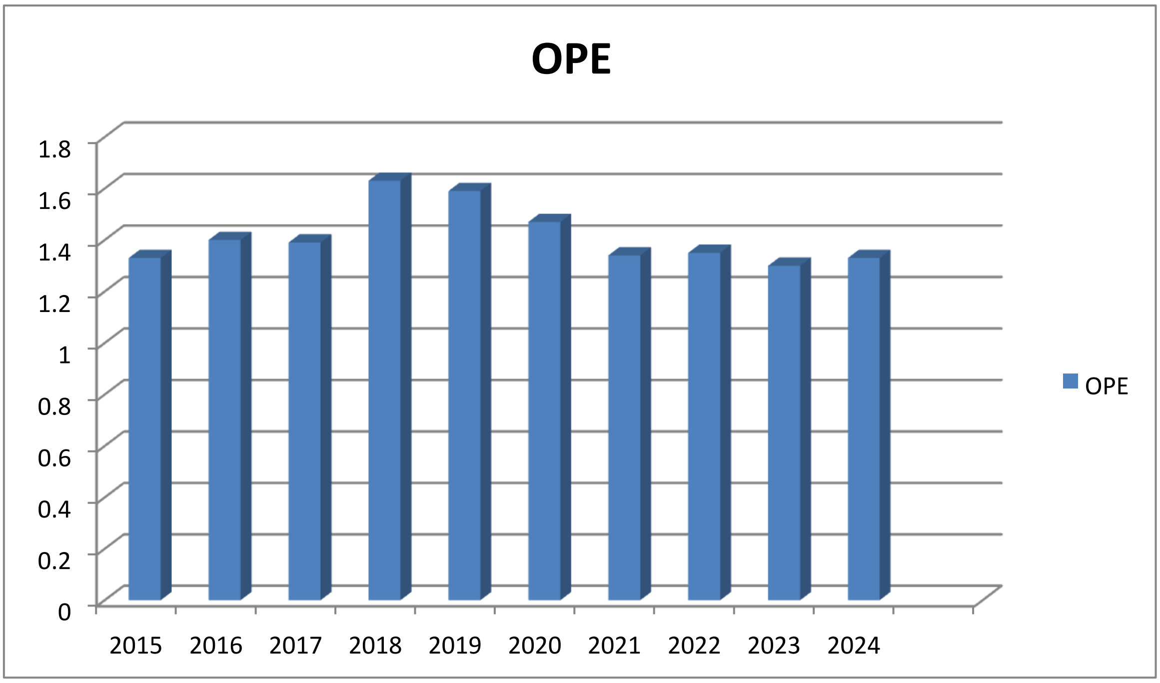
Source: Annual report of IFIC (2015-2024)

The highest NPI was 35.09 percent in 2019, which indicates bank had more non-performing investment than lasttenyears. The lowest percent was 16.98 in 2023 that is a better result than last ten years. The bank has been able to decrease its classified investment as proved by the lower NPI ratio of the bank in year 2019 to 2023.

5.2.6. Operating Expense Ratio (OPE)

The proportion of add up to working costs to add up to resources is utilized as intermediary for measuring the working effectiveness. Proficient administration leads to a bringing down of working field which in turns increments the benefit of firm. An reverse relationship is anticipated between ROE & working cost proportion. The slant of final ten a long time is appeared within the taking after chart.

Figure-06: Last ten years Operating Expense Ratio at a glance



Source: Annual report of IFIC (2015-2024)

For last ten years, the highest operating expense ratio was 1.63 in 2018 that was negative sign for bank. In 2023, it was the lowest ratio 1.30. The best result in compare to lasttenyears. The bank has been able to decrease its operating expense ratio as shown by the lower operating expense ratio from the year 2018. This is a positive sign for the bank.

5.3. E-views Analysis

5.3.1. Regression Analysis

Dependent Variable: ROE
Method: Least Squares
Date: 12/02/24 Time: 17:11
Sample: 2013 2022
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-154.8044	25.15298	-6.154517	0.0254
CAR	6.529792	0.802028	8.141599	0.0148
LIQ	3.408692	0.564962	6.033494	0.0264
MGTEF	1.878466	0.308238	6.094199	0.0259
NPI	0.670780	0.144728	4.634759	0.0435
OPE	-16.45436	6.391056	-2.574592	0.1235

R-squared	0.881922	Mean dependent var	5.070000
Adjusted R-squared	0.936726	S.D. dependent var	3.731204
S.E. of regression	0.938559	Akaike info criterion	2.824765
Sum squared resid	1.761788	Schwarz criterion	2.884346
Log likelihood	-5.299058	Hannan-Quinn criter.	2.422914
F-statistic	21.72598	Durbin-Watson stat	1.971485
Prob(F-statistic)	0.044585		

Interpretation:

Here, this part shows that regression analysis. Dependent variable is return on equity. We use least square method. Data are collected from 2014 to 2021. In this analysis we will interpret the probability values, R-squared and adjusted R-squared.

Probability:

To interpret probability values of each of the independent variables we have to know that, if the probability value for independent variables is less than 0.05 then the respective independent variable is important or significant for this model or we can say if the probability value is less than 0.05 then the respective independent variables explains the dependent variable in a good way. If it is not, if the probability value is greater than 0.05 then that certain independent variable is not significant for determining dependent one. For CAR, P-value is 0.0148 which is less than 0.05. It means this variable CAR determine ROE in a good way. For LIQ, P-value is 0.0264 which is less than 0.05. It means this variable LIQ determine ROE in a good way. For MGTEF, P-value is 0.0259 which is less than 0.05. It means MGTEF is determine ROE in a good way. For NPI, P-value is 0.0435 which is also less than 0.05. It means NPI also determine ROE in a good way. For OPE, P-value is 0.1235 which is greater than 0.05. So, OPE is not significant independent variable for this regression model.

So, from here, by interpreting the P-values or significance of the independent variables we can say CAR, LIQ, MGTEF, NPI are the significant independent variables those determine ROE in a significant way and OPE is not significant here.

Coefficient of Determination (R-Square):

The term R-Square is the multiple coefficients of determination interpreted as the proportion of variability in the dependent variable that can be explained by the estimated multiple regression equation. Hence, when multiplied by the 100, it can be interpreted as the percentage of the variability in profitability that can be explained by the estimated regression equation. Here R-square = 0.881922 (88.19% expressed in percentage) indicates 88.19% of the variability in obtained ROE is explained by the independent variables CAR, LIQ, MGTEF, NPI and OPE.

Adjusted R-Square:

From the Adjusted R-Squared it is evident that after adjusting the model for inefficiencies the independent variables can explain 93.67% of profitability of SBL.

5.3.2. Autocorrelation

The degree of correlation of the same variables between two successive time intervals is referred to as autocorrelation. Autocorrelation, also known as serial correlation, can be a significant problem in analyzing historical data if one does not know to look out for it. The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a statistical model or regression analysis.

R-squared	0.881922	Mean dependent var	5.070000
Adjusted R-squared	0.936726	S.D. dependent var	3.731204
S.E. of regression	0.938559	Akaike info criterion	2.824765
Sum squared resid	1.761788	Schwarz criterion	2.884346
Log likelihood	-5.299058	Hannan-Quinn criter.	2.422914
F-statistic	21.72598	Durbin-Watson stat	1.971485
Prob(F-statistic)	0.044585		

The Durbin-Watson measurement could be a test for autocorrelation within the residuals of a factual demonstrate or relapse examination.The esteem of the Durbin-Watson measurement is continuously between and 4.The Durbin-Watson measurement is between and 4.A esteem of 2 or near to 2 shows no autocorrelation superlative.Worthy extend is 1.50 to 2.50.Durbin-Watson is little (less than 1.

50)

- when the distinction between sequential mistakes is little.This shows the nearness of positive autocorrelation.Positive autocorrelation is exceptionally common.Durbin-Watson is tall (over 2.50)
- when the contrast between continuous blunders is huge.This shows the nearness of negative autocorrelation.Negative autocorrelation isn't especially common.
- For time arrangement with slacked factors, the Durbin-Watson measurement tends to have values closer to 2.and is in this manner less dependable.

This show incorporates a Durbin-Watson measurement less than 2, showing positive autocorrelation.

5.3.3. Heteroskedasticity Test

The heteroskedasticity test determines whether a variable regression model's residual is distinct to the residual of other observations. If the variance of the residuals remains constant, it is referred to as homoskedasticity.

Heteroskedasticity describes a situation in which the residual's variance is unequal throughout a range of measured values. If there is heteroskedasticity in the population employed in the regression, the results of the analysis may be erroneous. Heteroskedasticity is said to be more common in models with a large range of values.

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	5.860419	Prob. F(5,2)	0.1522
Obs*R-squared	7.488852	Prob. Chi-Square(5)	0.1867
Scaled explained SS	0.476374	Prob. Chi-Square(5)	0.9930

The guideline is that if the value of Prob. Chi-Square (5) is less than 0.05, it means the data has heteroskedasticity. And if the value of Prob. Chi-Square (5) is greater than 0.05, it means the data has homoskedasticity.

In this data set we see the Prob. Chi-Squared (5) is 0.1867, which is greater than 0.05. It means there is no heteroskedasticity among the independent variables. So, we can say that my data set has homoskedasticity. And it's good for a good regression.

5.3.4. Hypothesis for T-test analysis

T-test is a statistical test which compares the means of two samples.

Null hypothesis: Independent variables are not individually significant.

Alternative Hypothesis: Independent variables are individually significant.

Independent variable	Capital Adequacy Ratio	Liquidity Ratio	Management Efficiency	Non-Performing Investment	Operating Expense
P-value	0.0148	0.0264	0.0259	0.0435	0.1235

Here the p-value of independent variables like CAR, LIQ, MGTEF and NPI are 0.0148, 0.0264, 0.0259 and 0.0435 which is less than 0.05 or 5%. Which means that null hypothesis is rejected and alternative hypothesis is accepted. But the other independent variable like OPE is not significant to explain dependent variable ROE.

5.3.5. Hypothesis for F-statistics

F-statistics should be performed to know whether the independent variables are jointly significant or not.

H_0 **= All the independent Variables jointly cannot influence dependent variable.**

H_1 **= All the independent Variables jointly can influence dependent variable.**

The value of F-statistics is following:

F-statistics	21.72598
Prob. (F-statistics)	0.044585

Here the probability of F-statistic is 0.044585 which indicates that the Null hypothesis is rejected and Alternative Hypothesis is accepted so all independent variables (CAR, LIQ, NPI, MGTEF and OPE) are jointly significantly to explain dependent variable ROE.

5.3.6. Correlation Analysis

Relationship investigation could be a factual strategy which is utilized to degree the strength of liner relationship between two factors that's effectively distinguished since it is spoken to with the image r and is more often than not a esteem without units which is found between 1 and -1. A tall relationship focuses to a solid relationship between two factors whereas a moo relationship implies that the factors are feebly related.

	ROE	CAR	LIQ	MGTEF	NPI	OPE
ROE	1.000000	0.699494	0.265478	-0.377355	0.432605	0.160338
CAR	0.699494	1.000000	0.024356	-0.447858	0.226213	0.045115
LIQ	0.265478	0.024356	1.000000	-0.839214	0.417112	0.314191
MGTEF	-0.377355	-0.447858	-0.839214	1.000000	-0.579305	-0.406780
NPI	0.432605	0.226213	0.417112	-0.579305	1.000000	0.870482
OPE	0.160338	0.045115	0.314191	-0.406780	0.870482	1.000000

In this part, ROE (return on equity) is very strongly positive because the value of this correlation is 1, then CAR is strongly positive correlation with profitability that is 0.699494. This relationship indicates that if the CAR increases then the profitability i,e ROE of the bank will increase. LIQ is weakly positive correlation with profitability that is 0.265478. Which indicates if LIQ increases then the profitability i,e ROE of the bank also increase. MGTEF is weakly negative correlation with profitability that is -0.377355. This relationship indicates if MGTEF increases then the profitability i,e ROE of the bank will also decrease. NPI is medium positive correlation with profitability that is 0.432605 and which indicates that if NPI increases then the profitability i,e ROE of the bank also increase. There is a very weakly positive correlation between OPE and profitability which is 0.160338. This relationship indicates that if OPE increases then the profitability i,e ROE of the bank also increase.

Chapter 6: Findings, Recommendations and Conclusion

6.1 Major Findings

- In the Analysis it has been seen that IFIC maintains current ratio more than 1:1 ratio over the last five years. But the dynamic trend of current ratio and net working capital over the last five years indicates that the bank may face liquidity risk in future if this trend continues.
- The cost to income ratio of the bank has decreased over the years which indicate that the bank was efficient enough to reduce its cost relative to income, but in comparison with the industry average, this was quite lower than the other companies within the industry.
- The trend of ROA of IFIC Bank PLC was also transitional. Which refers to the bank having a hard time maintaining its profit using its assets and is not efficient enough in generating profit by utilizing its assets and equity capital of the shareholders. Same goes for ROE. The trend is not stable and does not indicate regular growth.
- Analyzing the EPS, the trend is altering, which means the EPS is also not stable or having a continuous growth. The bank must be motivated enough to maintain a higher EPS trend than the previous year.
- The Price Earnings Ratio of IFIC Bank PLC has decreased over the years from 13.38 times in 2021 to 11.87 times in 2022. This indicates that investors' confidence about banks' performance was reduced over the years.
- In comparison to the industry average, the profitability ratio of the bank is better. It is a good sign for the bank. But all the ratio shows that the performance from 2022 is enormously poor. This can be alarming to the banks' future profitability.

6.2 Recommendations

The following recommendations can be made to improve the financial performance of IFIC BANK PLC bank.

- ✓ IFIC Bank PLC should try to maintain a satisfactory level of liquidity position but should be careful about current assets in relative to its current liabilities because excess liquidity could affect its profitability.
- ✓ IFIC Bank PLC should also try to improve their Total Asset Turnover. It should provide more concentration in making investments to creditworthy customers and develop an appropriate monitoring and supervision and a recovery procedure.
- ✓ The leverage position of the bank has increased over the years; therefore, the bank should try to decrease its amounts of debt to reduce the degree of indebtedness of the bank.
- ✓ IFIC Bank PLC should try to increase its net profit by utilizing their assets and equity capital properly to increase the profitability ratios as they are in decreasing trend.
- ✓ Bank management should try to reduce the cost of fund, operating expenses and increase the service quality to generate more operating profit to reduce the cost to income ratio.
- ✓ As in comparison with the industry average, the performance of IFIC Bank PLC was quite good enough for, over the year of analysis, the management should try to maintain this level.
- ✓ It is recommended that banks use more ratios, especially those that are of significance for improving their financial performance. The IFIC Bank should probably consider using funds to invest other opportunities to make a profit, as they feel that not only most of the participants are also paying or spending more interest in the business in general.
- ✓ IFIC owners/managers are urging their financial staff to conduct more research studies and financial analysis for bankruptcy forecasting models at relevant institutions such as universities for financial research and financial analysis. Some of the models presented in this study can use IFIC Bank PLC as they are easy and important to know about the financial health of the bank.

6.3. Limitations of The Study

On the way to my study in IFIC Bank PLC, I have faced the following problems, which may be termed as the limitations of the study. The major limitations of the study are given as follows:

- Lack of experience has acted as a constraint in the way of meticulous exploration on the topic.
- Being a member of the organization, it was not possible on my part to express some of the sensitive issues.
- The depth of focus of information and system is not possible because of the organizational confidentiality.
- As a fourth generation bank the quantity of information was not adequate for further detailed analysis.
- The restriction of operating the bank’s software and entering the cash division acted as a limitation since I could not develop my knowledge and experience in that area.
- I did not get the opportunity to learn about the banking policies opted by IFIC Bank, its hierarchy and hierarchical capacity and financial information as they were confidential and not shared with interns.

Conclusion

The research was based on annual data of IFIC Bank Limited during the period of 2015– 2024. The empirical study was conducted based on five independent variables (capital adequacy, liquidity, nonperforming investment, operating expense ratio and management efficiency) and one dependent variable (ROE) indicating the profitability of the bank. Liquidity and management efficiency have positive correlation with profitability. This indicates that if a bank has adequate liquid assets it will be able to raise its profitability. The profitability of the bank can be increased by efficient management of its investment and deposits. Capital adequacy, nonperforming investment and operating expense ratio have negative correlation with profitability of IFIC Bank Limited which indicates that the higher the level of capital adequacy, the lower the bank profitability will be. This similar relationship exists in case of non-performing investment and operating expense. From the results of linear regression analysis where the interactions of independent variables in relation with dependent variable are presented, it can be stated that none of the independent variables have significant impact on profitability. It is clear that non performing investment, capital adequacy, operating expense have highest influence on profitability while other variables have lowest influence. The regression model is statistically significant and null hypothesis is rejected thereby alternative hypothesis is accepted that is there exists relationship between bank specific factors and profitability. Based on what said above it can be concluded that the bank can increase its profits by maintaining its liquidity position and management efficiency and at the same time managing its capital adequacy, nonperforming investment and operating expense.

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