An Internship Report on
“The impact of Asset Management Efficiency on Profitability: A study on Sonali Bank PLC”
For the Degree of Master of Business Administration (MBA)

SUPERVISED BY

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26-05-2025

Department of Finance & Banking
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Letter of Transmittal

26 May, 2025

To

Sutapa Chowdhury

Assistant Professor

Department of Finance & Banking

Comilla University, Cumilla.

Subject: Submission of an internship report on **" The impact of Asset Management Efficiency on Profitability: A study on Sonali Bank PLC."**

Sir,

This is my pleasure that I have completed my internship report and hereby ready to submit my report on **"The impact of Asset Management Efficiency on Profitability: A study on Sonali Bank PLC "** as a requirement of MBA program. I have tried my best to give an overview of Asset Management in relation with profitability and also tried to make my analysis and report a successful one. This report helps me tremendously to apply my theoretical experience and ideas into analysis of the topic mentioned which has sharpened my views, ideas and ability to do research further. In preparing this report I have followed the instructions of you. I sincerely thank you for your careful guidance and cooperation and hope that you will appreciate my effort. I will be glad for your cordial approval of my submission.

Sincerely yours

Mst. Nafiza Akter

ID No:22317007

Session: 2022-23

MBA 6th Batch

Department of Finance and Banking

Comilla University, Cumilla.

Declaration

I am Mst. Nafiza akter, Student of Department of Finance & Banking. MBA 6th Batch bearing ID:22317007 hereby declare that the internship report on **" The impact of Asset Management Efficiency on Profitability: A study on Sonali Bank PLC "** represent the result of my own works, pursued under the supervision of Sutapa Chowdhury, Assistant Professor of Department of Finance & Banking, Comilla University, Cumila.

I also declare that the report is prepared for academic purpose which is a part of MBA program and in this paper, I used the actual present scenario of the organization.

Mst. Nafiza Akter
ID No: 22317007
Session: 2022-23
MBA 6th Batch
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Certificate of Supervisor

This is to certify that Mst. Nafiza akter, a student of MBA program, Id:22317007, Reg:22317007, has successfully completed her “Internship Program” and submitted report entitled **“The impact of Asset Management Efficiency on Profitability: A study on Sonali Bank PLC”** under my supervision as the partial fulfilment for the award of MBA program. She has done her job according to my supervision and guidance. She has tried her best to do this successfully. I think this program will help her future to build up her career.

I wish her success and prosperity.

(Sutapa Chowdhury)

Assistant Professor

Department of Finance and Banking

Comilla University, Cumilla

Acknowledgement

At first, I would like to express my gratitude to the Almighty for making me able to complete this report within due time. I am deeply indebted to my supervisor, Sutapa Chowdhury, Assistant Professor, Department of Finance & Banking, Comilla University, for assigning me such a topic named **“The impact of Asset Management Efficiency on Profitability: A study on Sonali Bank PLC."** She allowed me to encroach upon his precious time from the very beginning of this work till the completion. Her expert guidance, affectionate encouragement and critical suggestions provided me necessary insight into the research problem and paved the way for the meaningful ending of this report within due time.

I also express my warm gratitude and cordial thanks to S.M Sajjad Ali Khan, Senior Principal Officer & Branch Manager of Sonali Bank PLC of Wapda Building Branch, Cumilla.

Finally, I would like to express my wholehearted thanks to all those people who have shared their views about my work, provided me with necessary information, criticized me and congratulated me. This report is not free from limitations. There might still be some minor mistakes such as typing errors despite my utmost care. I apologize for this.

Mst. Nafiza Akter

ID No: 22317007

Session: 2022-23 MBA 6th Batch

Department of Finance and Banking

Comilla University, Cumilla.

Executive Summary

This report investigates the relationship between asset management efficiency and profitability, focusing on Sonali Bank PLC, the largest state-owned commercial bank in Bangladesh. The study aims to evaluate how effectively the bank utilizes its assets to generate profits and sustain financial stability in a highly competitive and regulated banking environment.

The internship report is based on **" The impact of Asset Management Efficiency on Profitability: A study on Sonali Bank PLC."** This report is for knowing the determinants which effect mostly to the Asset Management efficiency on profitability in Sonali Bank PLC.

In the beginning. **Chapter one**, of the report the background, problem statement, scope and objectives are discussed. The main objective of this report is to scrutinize the overall impact of Asset Management Efficiency on profitability of Sonali Bank PLC. Then in **Chapter two**, Literature review is given which is a crucial part of this report. It is a collection of the most relevant and significant publications regarding the topic in order to providea comprehensive look at what have said on the topic and by whom.

In **Chapter three**, the methodology, conceptual framework and overview of Sonali Bank PLC is given. It covers that this report is based on secondary data which is collected from annual reports, different journals and several web pages, the origin of the bank, organizational profile, products and services.

Then in chapter **four**, organizational profile of Sonali Bank PLC were discussed. Its Corporate profile, vision, mission, Strategic objectives and so on are discussed. Then in **Chapter five**, the financial analysis and findings are drawn. In financial analysis part, different ratios of Sonali Bank PLC over last ten years with graphical presentation are shown. Descriptive analysis, Regression analysis, Correlation analysis and Heteroscedasticity test, normality test has been establish using STATA-14.

In the ending, **Chapter six**, the conclusions, recommendations and limitation of the study are given. The recommendations are given that may help to improve the present scenario.

SONALI BANK PLC.
WAPDA BUILDING BR, CUMILLA.
'Credible and Smart'

Mobile : +88-01766-693457
E-mail : [illegible]

NO-SBPLC/CUM/WAPDA/INTERNSHIP/162

DATE: MAY 18,2025

TO WHOM IT MAY CONCERN

THIS IS TO CERTIFY THAT **NAFIZA AKTER, CLASS ID- 22317007, REG NO-22317007** STUDENT OF COMILLA UNIVERSITY, DEPARTMENT OF FINANCE & BANKING UNDER **MBA PROGRAM** IS CONTINUING HER THREE MONTHS LONG INTERNSHIP IN SONALI BANK PLC. WAPDA BUILIDING BRANCH, CUMILLA.

DURING HER ONGOING INTERNSHIP PERIOD SHE UNDERGOES A THOROUGH INTERNSHIP PROGRAM ON **"THE IMPACT OF ASSETS MANAGEMENT EFFICIENCY ON PROFITABILITY – A STUDY ON SONALI BANK PLC."**. SHE MAINTAINED ALL THE RULES & PROVIDED THE SERVICES AS AN EMPLOYEE OF THE ORGANIZATION.

ON THE WAY OF ACCOMPLISHING THE TASK WE FOUND HER VERY SINCERE, HARD WORKING AND CURIOUS TO ACQUIRE BANKING KNOWLEDGE. SHE DEVOTED HERSELF FULLY IN WORK AREA AND PERFORMED ALL THE DUTIES & RESPONSIBILITIES ACCORDINGLY. SHE ALWAYS ENGAGED HERSELF IN WORK INSTRUCTED BY THE PERSONNEL OF THE BRANCH.

WE WISH EVERY SUCCESS IN HER LIFE.

(S. M. SAJJAD ALI KHAN)
SENIOR PRINCIPAL OFFICER & BRANCH MANAGER
SONALI BANK LIMITED
WAPDA BUILIDNG BRANCH
CUMILLA.

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CHAPTER 1

Introduction

1.1 Introduction

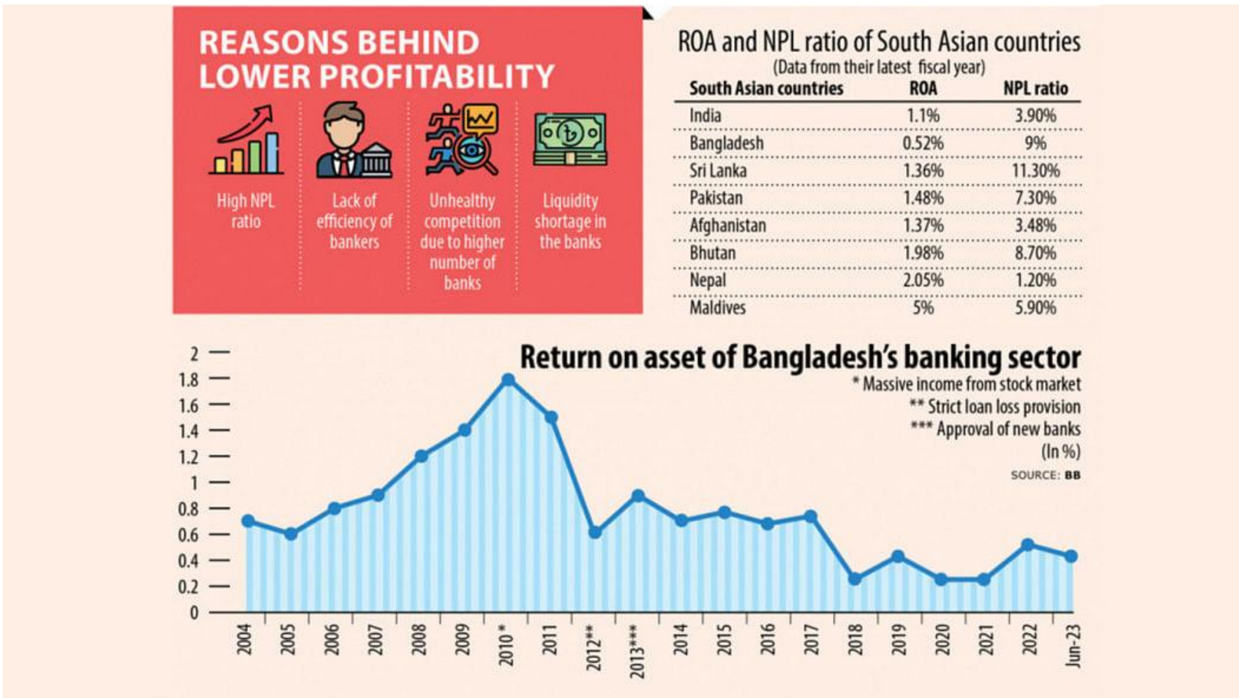
In the dynamic geography of the banking sector, profitability is not only a measure of success but also a critical determinant of sustainability and growth. Among the various factors influencing bank profitability, asset management efficiency plays a vital role. Efficient management of assets ensures optimal allocation of resources, minimizes non-performing assets, and enhances overall financial performance. It ensures that banks can maintain a balance between profitability, liquidity, and security, which are fundamental objectives for sustainable banking operations. This internship report explores the relationship between asset management efficiency and profitability, with a specific focus on Sonali Bank PLC, the largest state-owned commercial bank in Bangladesh.

Sonali Bank PLC plays a pivotal part in the financial sector of Bangladesh by offering comprehensive banking services to both individuals and businesses. By looking at the bank's asset management practices, one can gain valuable insights into how large public banks in developing economies use their resources to increase profitability, thanks to its extensive asset base and nationwide presence.

The motive of this report is to examine the impact that asset utilization, loan portfolio management, and investment efficiency have on the profitability of Sonali Bank. Through the examination of financial data and operational practices from their internship, the study seeks to identify strengths and weaknesses in the bank's asset management strategies. The report is based on practical experience gained during the internship at Sonali Bank PLC, as well as secondary data such as financial records, internal policies, and supporting data. This report presents the results and analysis to help us understand how better managed assets can improve the performance of banks, especially those that are state-owned.

The part of asset operation in finance and banking has grown exponentially over the once decade. According to a report by Boston Consulting Group, global asset under management (AUM) reached a record$ 103 trillion in 2020, despite the profitable challenges posed by the epidemic (BCG, 2021). This growth underscores the adding reliance on sophisticated asset operation strategies to navigate unpredictable requests and meet demanding customer prospects.

This study is based on both primary observations during the internship period and secondary financial data, focusing on key asset efficiency indicators such as asset turnover ratio, return on assets (ROA), and loan-to-deposit ratio. By analyzing these indicators in the context of Sonali Bank's operational and financial structure, this report seeks to identify existing gaps and suggest possible areas for improvement in asset management strategies.



This study is important because it may point up areas where asset management procedures might be improved to improve financial results. Understanding the relationship between asset management and profitability is more crucial than ever in a time when banking institutions must contend with heightened competition, regulatory challenges, and economic concerns. This paper aims to provide a thorough understanding of how Sonali Bank PLC handles these difficulties and uses its resources to turn a profit by combining empirical data analysis with direct observations.

1.2 Background of the Study

Sonali Bank PLC is one of the largest state-owned commercial banks in the country which contributes to the nation's banking industry by providing a variety of financial services. Financial success is greatly dependent on the bank's ability to manage its assets, which, in turn, influences profitability.

As far as efficiency in asset management is concerned, it is the optimal use of resources of the bank which include loans, investments, and other financial instruments to achieve the highest returns with the lowest risk and cost. The issues related to asset management such as non-performing loans, liquidity issues, and operational efficiency improvements have had an impact on the profitability of the bank during the last few years.Research indicates that effective planning and implementation of working capital and asset management increase the profitability of the bank by reducing costs, improving liquidity, and commanding high earning from services offered. For instance, in the case of Sonali Bank, the effective management of loans and investments enabled the bank to maintain operational profit in spite of economic down turn and competitive onslaught.

Given the importance of asset management to the overall financial health of the bank, this study seeks to evaluate the impact of asset management effectiveness on the profitability of Sonali Bank PLC. The commitment of the bank and its personnel is a critical factor in ensuring competitive advantage, for instance through proactive marketing policies.

This background highlights the importance of asset management efficiency to profitability by integrating insights from Sonali Bank-specific working capital management studies and financial performance analyses. Profits due to efficient loan and investment management, despite economic volatility and competitive pressures.

1.3 Problem Statement

In the competitive and well-structured banking industry in Bangladesh, keeping up profitability is a good indicator of proper functioning of bank. Sonali Bank PLC, as one of the biggest state-owned commercial banks, must assure optimal use of its assets to remain financially viable and contribute to national economic development.

- Despite its huge branch throughout all over the country and manages a vast proportion of its physical and financial asset, concern have been raised regarding its asset allocation and utilization and its relation with profitability. The inefficiency of the bank suggests weaknesses in the bank's asset allocation, monitoring, and recovery processes.
- Despite of having being various studies conducted about the profitability of the banking sector, very few show the impact of asset management efficiency on profitability within state-owned bank specially Sonali Bank PLC.
- Without solving the above asset allocation problem Sonali Bank may face continued underperformance in profitability, continuously decreasing its ability to compete, expand lending, and support financial inclusion.

1.4 Significance of the Study

This study provides most significant insights for Sonali Bank PLC to evaluate the efficiency of its asset utilization strategies and identify areas for further improvement to enhance its profitability. A proper understanding of the relationship between asset management and profitability, the management of Sonali Bank can adopt more effective resource allocation and risk management practices. They can also take different strategies and techniques to resolve the issues about Non-Performing Loan and asset allocation.

The study can also serve as a reference for policymakers and regulators in evaluating the performance of state-owned banks and developing guidelines to improve asset efficiency in the public banking sector. When they deeply analyze this study, they have a clear idea about the asset utilization and profitability of state-owned bank of our country.

Academically, this study helps to the limited research on asset management efficiency in state-owned banks in Bangladesh, offering a foundation for future research. Students are strongly benefited by analyzing this study. Personally, the study has enriched the researcher's thought of financial management in public banking institutions and enhanced practical analytical skills. This finding can also inform other banks facing similar challenges in asset management, contributing to a more strong and efficient banking sector in Bangladesh.

1.5 Scope of the Study

As Sonali Bank constructs of 1230 branches currently, an opportunity was gotten to do internship in Wapda Building Branch, Cumilla to fulfill the requirements of MBA program. This study focuses on assessing the impact of Asset Management Efficiency on profitability of Sonali Bank PLC, one of the prominent financial institutions in Bangladesh.

The study holds a predetermined timeframe from 2014 to 2023, collected from the historical data and financial performance of Sonali Bank PLC during this period. To track trends Asset Management and profitability over the years historical data will be examined. The study aims to gives a thorough understanding of the relationship between Asset Management and the financial performance of the bank, highlighting the implications on its profitability.

1.6 Research Questions

To reach the entire goal of the research the following questions were set:

- Does bank's asset management have any relation with its profitability?
- What is the extent of impact Asset Management having on SBPLC's profitability?
- What is the relation between ROA and Loan to Deposit Ratio of SBPLC?
- What is the relation between ROA and NPL Ratio of SBPLC?
- What is the relation between ROA and CAR of SBPLC?

1.7 Objectives

The main objective of the report is to diagnose and discuss the overall Asset Management situation of Sonali Bank PLC and its effects on the profitability of the bank and to support the key objective the following are the specific objectives of the report.

Broad Objective

1. To scrutinize the overall impact of Asset Management efficiency on profitability of Sonali Bank PLC.

Specific Objectives

1. To examine the relationship between profitability (ROA) and Asset Management of SBPLC.
2. To examine the relationship between profitability (ROA) and Capital Adequacy Ratio of SBPLC.
3. To examine the relationship between profitability (ROA) and Total Asset Turnover Ratio of SBPLC.
4. To assess the current circumstance of Asset Management in our banking sector
5. To know the, remedies, cause and effect of poor asset utilization in banking industry particularly for SBPLC.

1.8 Limitations of the Study

- The findings of this study are specific to Sonali Bank PLC in Bangladesh and may not be directly applicable to other financial institutions or different countries.
- Some unobserved variables and factors that were not included in the analysis may also influence the relationship between Asset Management efficiency and profitability.
- The time limit for this research is limited
- The website of state-owned commercial bank is not so much enriched like the commercial bank for this taking information from this is quite difficult
- The data sometimes is not available.
- Some very previous year annual report is not well decorated.
- The mathematical data is not available all time and the employees also not so amicable to cooperate to the person who goes for information collection to them.

CHAPTER 2

Literature Review

2.1 Literature Review

The effectiveness of Asset management has been widely known as a critical determinant of financial performance in the banking sector. In addition to reflecting sound management techniques, Efficient utilization of assets not only reflects prudent management practices but also directly influences profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE). This relationship has been the subject of numerous empirical researches, particularly in emerging and developing economies where banking systems are often under regulatory and operational pressures.

Mehta and Bhavani (2017) examined the performance of Indian public and private sector banks and found a positive correlation between asset management ratios and profitability. Better asset turnover results in higher returns, particularly in banks with robust credit and investment portfolios, according to their analysis. In a panel data analysis of banks in South Eastern Europe, Athanasoglou et al. (2008), reported that bank-specific factors such as asset quality and operational efficiency play a more significant role in profitability than macroeconomic variables.

Rahman and Akhter (2015) looked at the financial performance of state-owned commercial banks in Bangladesh and concluded that inefficiency in asset utilization was a key reason behind weak profitability levels. According to Ahmed and Malik (2018), assert that non-performing loans (NPLs) and credit risk management inefficiencies are strongly related to the overall asset management strategy, which directly impacts profitability metrics in banks like Sonali Bank PLC.

Islam and Rana (2020) looked into the internal performance metrics of Sonali Bank and noted that despite holding the largest asset base among Bangladeshi banks, its profitability was still relatively poor. High administrative costs, poor investment allocations, and underperforming loans were reason for this, —factors that underscore the importance of efficient asset management. Beck, Demirguc-Kunt, and Levine (2005) examined the inter-linkage between bank concentration and banking system fragility where they have established that higher bank concentration is associated with lower profitability.

Resti (2002) examined corporate bond recovery rate abducing to bond default rate, macroeconomic variables such as Gross Domestic Product and growth rate, amount of bonds outstanding, amount of default, return on default bonds, and stock return wherein it was established that default rate, amount of bonds, default bonds, and economic recession had negative effect, while the Gross Domestic Product growth rate, and stock return had positive effect on corporate recovery rate. Lis, et.al., (2000) used a simultaneous equation model in which they explained bank loan losses in Spain using a host of indicators.

Bourke (1989) asserts that, efficient asset utilization significantly influences a bank's return on assets (ROA) and return on equity (ROE), which are two key measures of profitability. Bourke emphasized that proper functioning banks tend to have higher profitability levels due to prudent resource allocation and effective credit risk management.

In the South Asian context, Sufian and Habibullah (2009) analyzed the determinants of bank profitability in Bangladesh and found a positive correlation between asset management efficiency and profitability. The study concluded that efficient asset management allows banks to allocate resources more effectively, minimize costs, and increase returns. Bercoff, Giovanniz and Grimardx (2002) in their study of Argentinean banks tried to measure Non-Performing Assets by using the various bank related parameters as well as macroeconomic parameters.

Recent studies have begun to focus more on technological improvements and digital asset tracking as ways to enhance asset management in banks. For instance, Islam and Rahman (2021) found that digital transformation in asset tracking systems has led to better loan monitoring and portfolio management in several Bangladeshi banks, with a noticeable improvement in profitability margins.

CHAPTER 3

Methodology of the study

3.1 Research Design

Research design means to the way the study is designed, that is, the system used to carry out research. This study used the quantitative method. Quantitative data collection methods are structured and it generalizes results from larger sample population. Research design, according to Kerlinger (1986), is the plan and framework of investigation that is intended to give answers to research questions. According to (Olive M Mugenda & Mugenda, 1999) research design is the outline plan or scheme that is used to produce answers to the research problems. Time series analysis served as the primary sources of secondary data. This study is analytical since this study is trying to explore the cause and effects relationship among variables, this study is analytical. The quantitative approach is used in this study to estimate and measure the variables.

3.2 Sources of Data

The study based on secondary data. Secondary data sources will be used to generate this report.

Secondary Sources of Data

- ✓ The annual report of Sonali Bank PLC.
- ✓ Different Article.
- ✓ Banking related text books, relevant books, research papers, newspapers, journal and manuals.
- ✓ Web browsing.

3.3 Data Collection

To conduct the study secondary data was used and this data was realized from the financial statements of the bank. This included the statement of financial position and statement of comprehensive income of SBPLC for this study. The data obtained from bank's financial statement used to determine bank specific variables that determine Asset Management and profitability of the bank. The study used audited financial statements (balance sheet, income statement and cash flow statement) of SBPLC sourced to enhance the credibility and reliability of the research.

3.4 Asset Management

The methodical way of monitoring an organization's assets throughout their lifecycle from acquisition to disposal is known as Asset management. It entails strategic planning, optimization, and maintenance to ensure that assets are utilized efficiently to meet organizational objectives.

3.5 Key Principles of Asset Management

Management of Lifecycle

Strategically managing assets across their whole lifecycle- including planning, acquisition, operation, maintenance, and disposal is the objectives of the lifecycle management strategy. This principle minimizes downtime and maximizes resource utilization guaranteeing that assets deliver maximum value and performance at every stage.

Risk Management

Identification and mitigation of asset-related risk are used for effective asset management. This includes assessing potential risks, putting preventive measures in place, and having contingency plans to address unforeseen events that could affect performance or value of an asset.

Cost Optimization

It is crucial to minimize costs associated with asset acquisition, operation, and maintenance. By reducing unnecessary spending this principle emphasizes maximizing the return on investment (ROI) while ensuring assets function efficiently and effectively.

Compliance and Regulatory Adherence

In asset management adhering to regulatory standards and compliance requirements is fundamental principle. Organizations need to make sure that their asset management practices adhere to industry-specific regulations, safety standards, and environmental restrictions.

Data-Driven Decision Making

In asset management utilizing data analytics and insights plays a crucial role. In order to improve asset efficiency leveraging technologies like IoT sensors, artificial intelligence, and predictive analytics helps in real-time monitoring, performance forecasting, and informed decision-making to enhance and reduce downtime.

3.6 Determinants of Asset Management of Bangladesh

Macroeconomic Factors

- Inflation
- Interest Rates
- GDP growth
- Exchange Rate Stability

Bank Specific factors

- Return on Asset
- Total Asset Turnover Ratio
- Investment to Total Asset Ratio
- Loan to Deposit Ratio
- Capital Adequacy Ratio

3.7 Dependent Variable

ROA

ROA provides insight into how well a company is uses its assets to increase profits. Better asset utilization and efficiency are dictated by a higher ROA, but ineffective use of assets to produce profits dictated by lower ROA.

ROA= Net Income/Total Asset

Various factors influence the complex relationship ROA and Asset Management in banks.

3.8 Independent Variables

In this study, Five independent variable namely Total Asset Turnover ratio, Loan to Deposit Ratio, NPL ratio, Loan to Total Asset ratio and CAR.

Total Asset Turnover Ratio

The Total Asset Turnover Ratio evaluates how well a company uses its assets to generate revenue. It shows the amount of revenue is generate for each dollar spent on assets. Generally, a higher ratio signifies more effective asset utilization, suggesting the company is generating enough sales relative to its assets.

Loan to Deposit Ratio

A financial indicator called the Loan to Deposit Ratio (LDR) used to assess a bank's liquidity by comparing its total loans to its total deposits. The LDR is used to assess its ability to meet withdrawal demands and short-term obligations. Less cash on hand is indicated by a larger ratio while a lower ratio indicates more liquidity. To make sure banks aren't going overextending, regulators strictly monitor the LDR. An LDR of 80% to 90% is regarded as healthy in many jurisdictions, balancing profitability and liquidity.

NPL ratio

One important financial indicator for evaluating the health of a bank's loan portfolio and its exposure to credit risk is NPL ratio.

The NPL ratio is we can measure by using the following formula:

NPL Ratio = (Non-Performing Loans/Total Loans) x 100

Loan to Total Asset ratio

Frequently called the debt-to-total-assets ratio, the loan to total asset ratio measures the proportion of a company's assets that are financed by debt, including loans and other liabilities. It provides insight into a company's financial leverage and risk profile by showing how much of its asset base is funded by borrowing rather than by equity.

Loan (Debt) to Total Asset Ratio=Total Debt (Loans and Liabilities) /Total Assets

Capital Adequacy Ratio

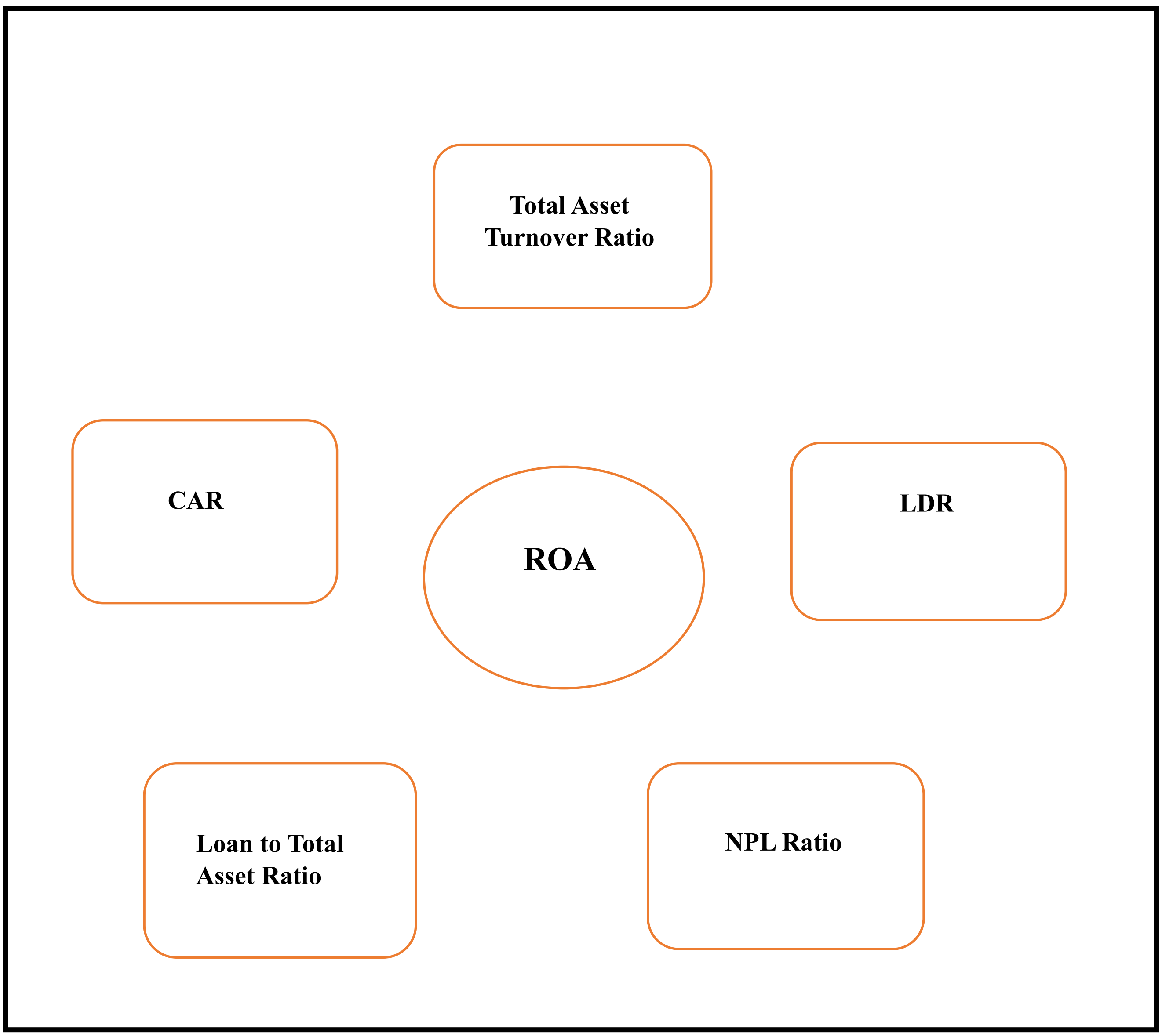
The capital adequacy ratio (CAR) is a measure of how much capital a bank has available, reported as a percentage of a bank's risk-weighted credit exposures. The goal is to establish that banks have sufficient capital on reserve to handle a certain number of losses, before being at risk for becoming insolvent.

The formula for CAR is: (Tier 1 Capital + Tier 2 Capital) / Risk-Weighted Assets

CAR is regulatory capital requirement (Tier 1 + Tier 2). (Blum & Hellwig, 1995) pointed out that CAR are the amounts kept by the banking sector that protect them from insolvency risk.

3.10 Conceptual Framework

A conceptual framework is a manner of concepts or variables which the researcher would operationalize in order to attain set objectives. It is a pictorial demonstration of the proposition depict as a model where researcher shows the link between variables in order to disclose the relationship between the independent, dependent and control variables.



3.11 Hypothesis

In order to show the impact of the Asset Management on Sonali Bank PLC Profitability and to achieve the objectives of the research, the following hypotheses stated in their null format were tested:

H01: It is presumed that there is no significant relationship between Return on Assets (ROA) and Total Asset Turnover Ratio.

H02: It is presumed that there is no significant relationship between Return on Asset (ROA) and Loan to Deposit Ratio (LDR).

H03: It is presumed that there is no significant relationship between Return on Assets (ROA) and NPL Ratio.

H04: It is presumed that there is no significant relationship between Return on Assets (ROA) and Loan to Total Asset (LTA) Ratio.

H05: It is presumed that there is no significant relationship between Return on Assets (ROA) and CAR.

3.12 Model Specification

We use linear regression model to determine the effects of independent variables like Total Asset Turnover Ratio, Loan to Deposit Ratio, Loan to Total Asset Ratio, Non-Performing Loan Ratio and Capital Adequacy Ratio Adequacy on dependent variable like ROA.

The econometric model:

$ROA = \alpha 0 + \beta 1TAT + \beta 2LDR + \beta 3NPL + \beta 4LTA + \beta 5CAR + \varepsilon$.

Where,

ROA=Return on Asset

TAT=Total Asset Turnover Ratio

NPL=Non-Performing Loan Ratio

LTA=Loan to Total Asset Ratio

CAR=Capital Adequacy Ratio

CHAPTER 4

Organizational Profile

4.1Background of Sonali Bank PLC(SBPLC)

Sonali Bank Limited is the largest principal state-owned leading public commercial bank in Bangladesh. It was established by taking over the branches of National Bank of Pakistan, Bank of Bhawalpur and Premier Bank that were functioning in East Pakistan until 1971 and was nationalised under the (Nationalisation) Order 1972. The bank has been converted to a public limited company with 100% ownership of the government and started functioning as Sonali Bank Limited (SBL) from 03 June 2007 taking over all assets, liabilities and business of Sonali Bank. After corporatisation, the management of the bank has been given required autonomy to make the bank competitive and to run its business effectively.

The formation of a subsidiary company called "Sonali Investment Limited" to expand the banking business as well as to encourage the general public to invest and Merchant Banking has been operating since September 14, 2009 and it is helping strengthen economic growth of Bangladesh. Sonali Bank Limited is doing the responsibility of corporate social responsibility by monitoring with the formation of "Sonali Foundation".

Sonali Bank Limited now has 1224 branches, among them there are 1222 branches in the country and 2 branches abroad. Of the 1226 branches in the country, 701 are in rural areas and the remaining 523 are in urban areas. Sonali Bank Limited conducts foreign trade activities through 45 branches (authorized dealers or AD branches). Sonali Bank Limited's two overseas branches located in West Bengal, India. Among these two overseas branches, one is in Kolkata and another one is in Siliguri. Sonali Bank Limited has 11 General Manager's Offices, 46 Principal Offices and 16 Regional Offices for run the administrative and business functions. The overall banking activities of the Sonali bank Limited are being directed through 47 divisions of the head office. SBL has more or less 1.25 crore different types of client accounts in Bangladesh. Training centres has been built to train the officers and employees of the bank to develop their skills and knowledge about banking activities.

4.2 Corporate Profile

Chairman	Mohammad Muslim Chowdhury
Managing Director and CEO	Md. Shawkat Ali Khan
Company Secretary	Mr. Tauhidul Islam
Legal Status	Public Limited Company
Genesis	Emerged as Nationalised Commercial Bank, in 1972
Date of Incorporation	03 June 2007
Date of Commencement	03 June 2007
Registered Office	35-42,44 Motijheel Commercial Area, Dhaka, Bangladesh
Accounting Year-end	December 31
Authorized Capital	Tk. 6000 Crore
Paid-up capital	Tk. 4530 Crore
Branches	1224
Number of Employees	21839
Credit Rating Company	Credit Rating Information and Services Limited (CRISL)
SWIFT Code	BSONBDDH
E-mail:	info@sonalibank.com.bd.
Website	www.sonalibank.com.bd

4.3Vision, Mission, Motto & Corporate Culture of Sonali Bank PLC

Vision:

Sonali Bank's primary vision is socially committed leading banking institution with global presence. At Sonali Bank, we draw our inspiration from the distant stars. Our vision is to assure a standard that makes every banking transaction a pleasurable experience.

Our endeavour is to offer you supreme service through accuracy, reliability, timely delivery, cutting edge technology and tailored solution for business needs, global reach in trade and commerce and high yield on your investments.

Mission:

Dedicated to extend a whole range of quality of products that support divergent needs of people aiming at enriching their lives. Creating value for the stakeholders and contributing towards socio-economic development of the country.

Slogan: Your trusted partner in innovative banking.

Corporate Culture: Employees of Sonali Bank PLC share certain common values that helps Sonali Bank PLC to maintain a corporate culture-

- ✓ Giving service to the largest amount of customer in Bangladesh
- ✓ Professional excellence is one of the main priorities
- ✓ Ability to quick decision making
- ✓ Encouraging creativity
- ✓ Flexible in response

4.4 Strategic Objectives

- ➢ Our objectives are to conduct transparent and high-quality business operation based on market mechanism within the legal and social framework spelt in our mission and reflected in our vision.

- Our greatest concerns are our customers to provide them continually efficient, innovative and high-quality products with excellent delivery system.

- Our motto is to generate profit with qualitative business as a sustainable ever-growing organization and enhance fair returns to our shareholders.

- We are committed to our community as a corporate citizen and contributing towards the progress of the nation as our corporate social responsibility.

- Our employees are our backbone. We promote their wellbeing through attractive compensation package, promoting staff morale through training, development and career planning.

- We strive for fulfilment of our responsibility to the government through paying entire range of taxes and duties and abiding by the other rules.

- We are cautious about environment and climatic change and dutiful to make our homeland a green and clean soil.

4.5 Ethical Principles

- We are compliant to our country's laws and regulations.

- We reject bribery and corruption.

- We avoid compromised gifts and entertainment.
- We speak up if we suspect any actual, planned or potential behaviour that may breach any laws and regulations.

- We are compliant to Anti Money Laundering guidelines and other prudential regulations provided by our regulators.

- We resolve customer complaints quickly and fairly.

- We maintain confidentiality and fidelity of our customer.

- We treat our colleagues with fairness and respect; work with highly motivated team spirit and fellowship bond.

4.6 Core Values of Sonali Bank PLC

The core value proposition of Sonali Bank limited consists of the following key elements, which would assist the bank in perceiving its employees to work as a team towards accomplishment of assigned duties and responsibilities for achievement of desired objectives. The core value includes:

Ethics:

Everyone must ensure adherence to ethical practices of banking.

Objectivity:

All persons will have definite objective in carrying out their tasks.

1. **Integrity:**

   Protection and safeguard of national and customers interest are vital elements for societal trust.

2. **Accountability:**

   All employees are responsible to their activities and will remain accountable to their respective superior for accomplishment.

3. **Commitment:**

   Every employee is committed to work up to the expected level to ensure satisfaction of valued customers.

4.7Board of Directors of Sonali Bank PLC (SBPLC)

The Board of Directors delegates power to the Executive Committee for approving credit facilities to the client as recommended by the branch and Management Credit Committee. The Board monitors the activity of the Executive Committee and the Management of the Bank. The Board of Directors sits in meeting once in every month. The Board is the highest authority to approve any credit facilities for which power is not delegated.

Current Board of Directors ofSonali Bank Limited (SBL) are as follows:

Name	Position
Mohammad Muslim Chowdhury	Chairman
A. B. M. Ruhul Azad	Director
A. K. M. Kamrul Islam	Director
Ishtiaque Ahmed Chowdhury	Director
Daulatunnaher Khanam	Director
Molla Abdul Wadud	Director
Mohammad Kaykobad	Director
Md. Matiur Rahman	Director
Abul Kalam Azad	Director
Md. Shawkat Ali Khan	Chief executive officer and Managing Director

CHAPTER 5

Analysis and Findings

To determine the impact of Asset Management Efficiency on Profitability of Sonali Bank PLC, I have done the statistical analysis through STATA by using the simple linear regression model. We have considered ROA as dependent variable (Y) and Total Asset Turnover Ratio(X1), Loan to Deposit Ratio(X2), Loan to Total Asset Ratio(X3), Non-Performing Loan Ratio(X4), Capital Adequacy Ratio(X5) as independent variable. I have considered significant level at 5%. In this Statistical analysis, I have showed P value, t statistics, R2, adjusted R2 and p (F-Statistic).

5.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	10	0.0282	0.0198315	0.006	0.068
TotalAsset~o	10	0.0471	0.004383	0.035	0.05
LoantoDepo~o	10	0.47446	0.094401	0.3728	0.6692
NPLRatio	10	0.22468	0.0684562	0.1323	0.3528
LTARatio	10	0.38356	0.061874	0.3203	0.5088
CAR	10	0.10337	0.0067882	0.1002	0.1224

Interpretation

The above table shows the mean, standard deviation, minimum and maximum values of dependent and independent variables of ROA. The number of observations for all the variables are 10.

The table depicts that ROA ranges from 0.006 to 0.068, with a mean of 0.0282 and a standard deviation of 0.0198315. Whereas Total Asset Turnover Ratios minimum and maximum value are 0.035 and 0.05 and mean and standard deviation are 0.0471 and 0.004383. There after Loan to Deposit Ratio, its minimum and maximum value are 0.3728 and 0.6692, mean and standard deviation are 0.47446 and 0.094401. Then it comes NPL Ratio which minimum and maximum value is 0.1323 and 0.3528 and 0.22468 is its mean and standard deviation is 0.0684562. Then Loan to Total Asset Ratio, which minimum and maximum value is 0.3203 and 0.5088. Its mean and standard deviation is 0.38356 and 0.061874. At last, the minimum and maximum value of

CAR is 0.1002 and 0.1224 and mean and standard deviation is 0.10337 and 0.0067882. The highest mean value lies in Loan to Deposit Ratio and the lowest standard deviation exist on Total Asset Turnover Ratio.

5.2 Correlation Analysis

	ROA	TotalA~o	Loanto~o	NPLRatio	LTARatio	CAR
ROA	1.0000					
TotalAsset~o	-0.0297	1.0000				
LoantoDepo~o	-0.0024	-0.8321	1.0000			
NPLRatio	0.3295	0.6040	-0.8572	1.0000		
LTARatio	0.0240	-0.8169	0.9946	-0.8258	1.0000	
CAR	0.7515	0.2746	-0.2451	0.3001	-0.2150	1.0000

Interpretation

The correlation matrix shows the correlation values, which measure the degree of linear relationship between each pair of variables. The correlation values can fall between -1 and +1. If the two variables tend to increase and decrease together, the correlation value is positive. If one variable increase while the other variable decreases, the correlation value is negative.

A negative linear relationship exists between ROA and Total Asset Turnover Ratio and Loan to Deposit Ratio. That means if Total Asset Turnover Ratio and Loan to Deposit Ratio is decreased then ROA is also decreased. A positive linear relationship exists between ROA NPL Ratio, LTA Ratio and Capital Adequacy Ratio because both moving to the same direction. Also, there exists interrelation among these other variables like there is negative relation between NPL Ratio and Loan to Deposit ratio, LTA Ratio and NPL Ratio, CAR and LTA Ratio. Positive relationship among NPL Ratio and Total Asset Turnover Ratio, LTA Ratio and Loan to Deposit Ratio.

5.3 Regression Analysis

Source	SS	df	MS			
				Number of obs	=	10
				F(5, 4)	=	12.60
Model	.003328245	5	.000665649	Prob > F	=	0.0147
Residual	.000211355	4	.000052839	R-squared	=	0.9403
				Adj R-squared	=	0.8656
Total	.0035396	9	.000393289	Root MSE	=	.00727

ROA	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
TotalAssetTurnoverRatio	1.778298	1.232317	1.44	0.222	-1.643162	5.199757
LoantoDepositRatio	1.144542	.3906142	2.93	0.043	.0600236	2.229061
NPLRatio	.4393352	.096218	4.57	0.010	.1721911	.7064793
LTARatio	-1.174067	.4979107	-2.36	0.078	-2.556489	.2083543
CAR	2.150328	.3878903	5.54	0.005	1.073372	3.227284
_cons	-.4692613	.1011087	-4.64	0.010	-.7499841	-.1885386

Interpretation

This section explains the relationship between the dependent variable and the independent variable. **R-squared value** (0.9403) of the regression model indicates that the model explains or predicts 94.03% of the relationship. That means dependent variable ROA are near about completely explained by the above mentioned five independent variables. So, the model is perfect fitted to explain the relationship between the variables. In this study **Adjusted R-squared value** is 0.8656 which is close to perfect. The F-Statistic value 0.0147 indicates that the variance between the samples is no greater than the variance within the samples and the samples probably come from populations with the same mean. In linear regression analysis, three independent variables are significant out of five independent variables at 5% level of significance. Loan to Deposit Ratio, NPL Ratio and CAR are strongly significant.

5.4 Normality Test

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
ROA	10	0.83056	2.611	1.825	0.03398
TotalAsset~o	10	0.48225	7.979	4.587	0.00000
LoantoDepo~o	10	0.88801	1.726	0.990	0.16103
NPLRatio	10	0.95830	0.643	-0.727	0.76629
LTARatio	10	0.85121	2.293	1.554	0.06005
CAR	10	0.49981	7.708	4.487	0.00000

Interpretation

The Shapiro-Wilk test statistic values close to 1 suggest normality.

Prob>z: This the p-value associated with the test statistic. Since the p-value is lower than 0.05 of most of the variables, we can reject the null hypothesis of the test. We have sufficient evidence to say that the variables are not normally distributed.

5.5 Heteroscedasticity Test

The presence of heteroscedasticity is a high concern in regression analysis and the analysis of variance, as it abolishes statistical tests of significance that assume that the modelling errors all have the same variance. If the variance of the residuals remains constant, it is referred to as homoscedasticity.

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of ROA

         chi2(1)      =     1.31
         Prob > chi2  =   0.2515
```

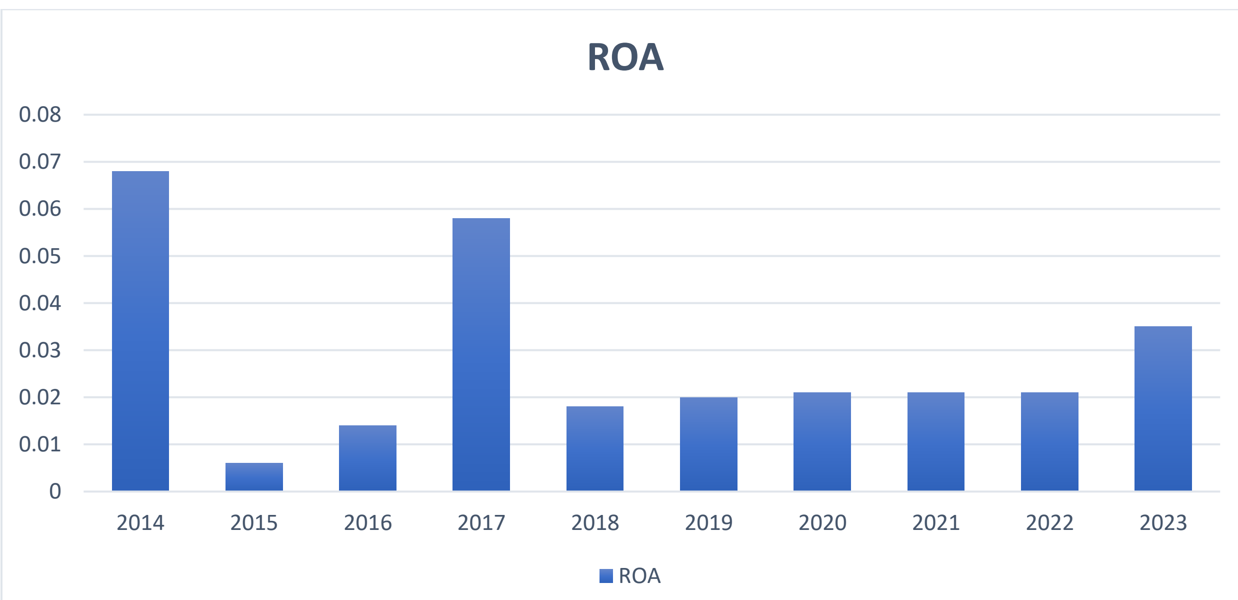
Interpretation

The guideline is that if the value of prob. Chi-Square is less than 0.05, it means the data has heteroscedasticity. And if the value of prob. Chi-Square is greater than 0.05, it means the data has homoscedasticity.

In this data we see the probability Chi-Square (2) is 0.2515, which is greater than 0.05. It means that there is no heteroscedasticity among the independent variables. So, we can say that the data set has homoscedasticity. And it is good for a good regression.

5.6 Ratio Analysis of Sonali Bank PLC

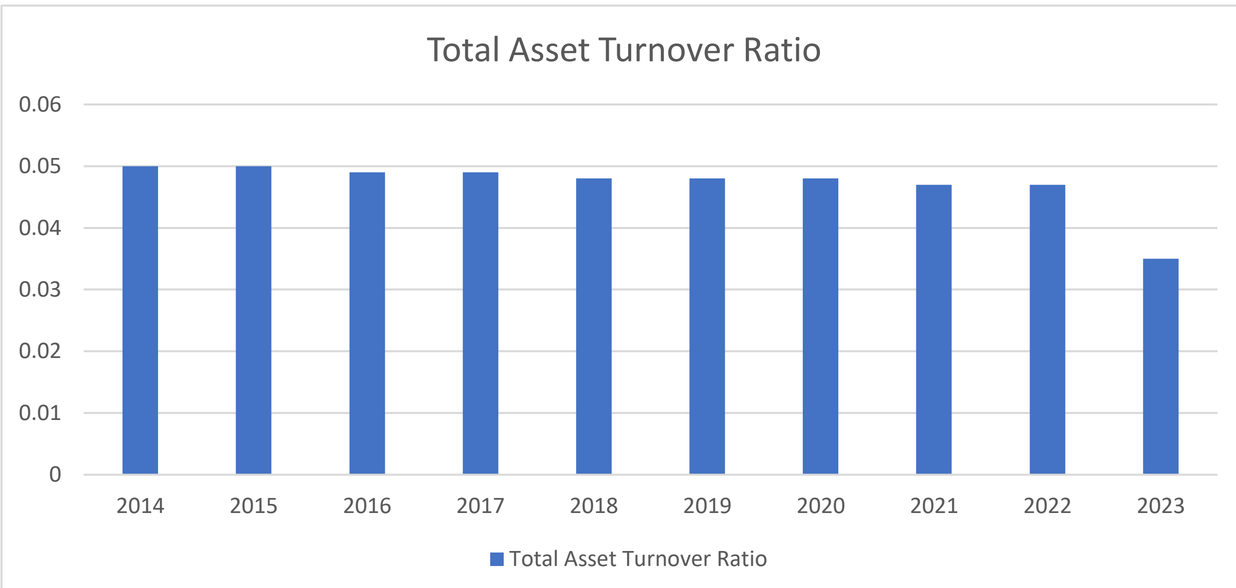
5.6.1 Return on Asset (ROA)



Interpretation

A ROA that rises over time show the company is doing well at increasing its profits with each investment dollar it spends. A falling ROA indicates the company might have over-invested in assets that have failed to produce revenue growth, a sign the company may be in some hazard. In this study ROA is fluctuating over time, this rate is very low in 2015,2016 and 2018.

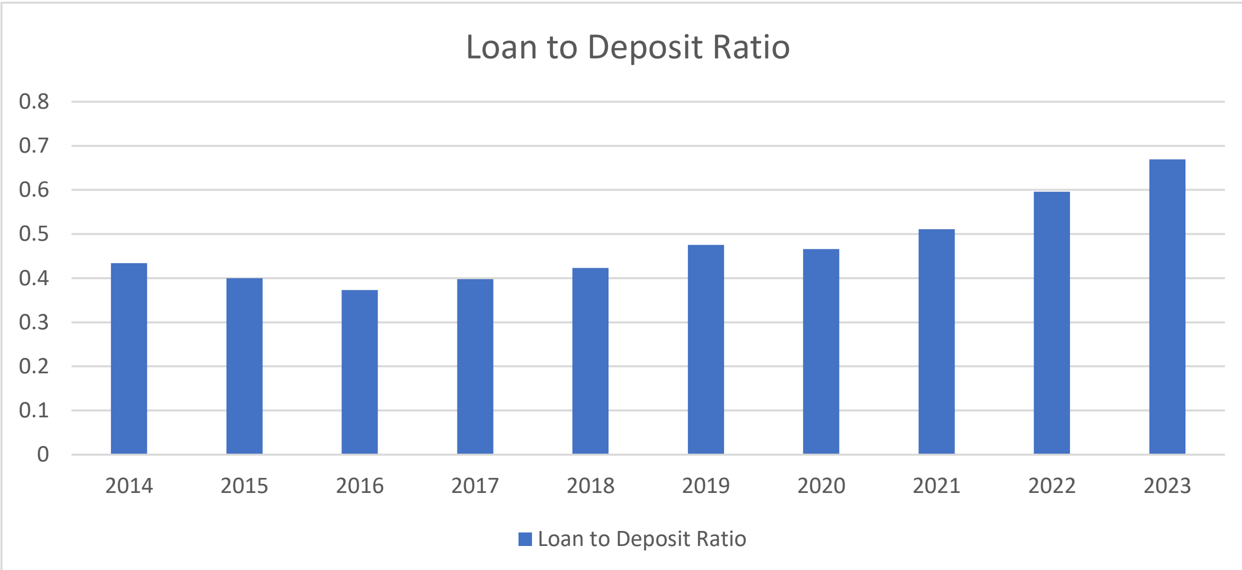
5.6.2 Total Asset Turnover Ratio



Interpretation

The Total Asset Turnover Ratio Assess how efficiently a company uses its assets to generate revenue. In this chart the ratio is slightly decreasing from year 2014 to 2023. This indicates that the bank is inefficient in using its assets. The bank has too much capital tied up in assets relative to its sales.

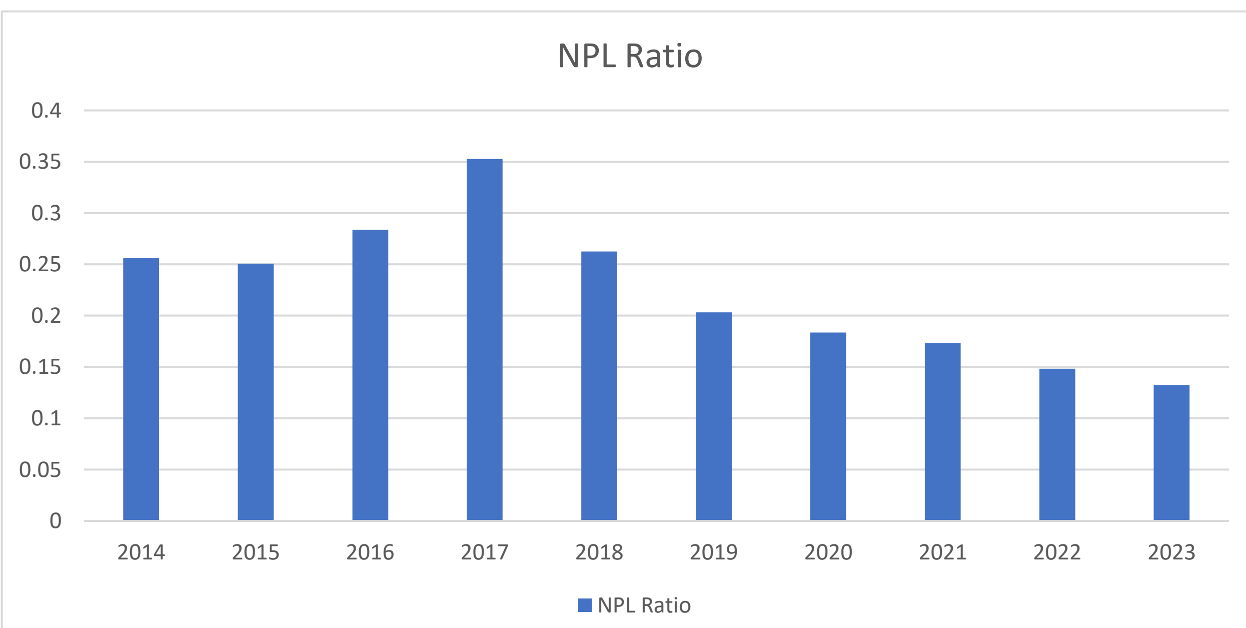
5.6.3 Loan to Deposit Ratio



Interpretation

The Loan to Deposit Ratio (LDR) is a financial metric used to a bank's liquidity by comparing its total loans to its total deposits. Day by day the rate is increasing from 2014 to 2023. A high degree of LDR means aggressive lending policy.

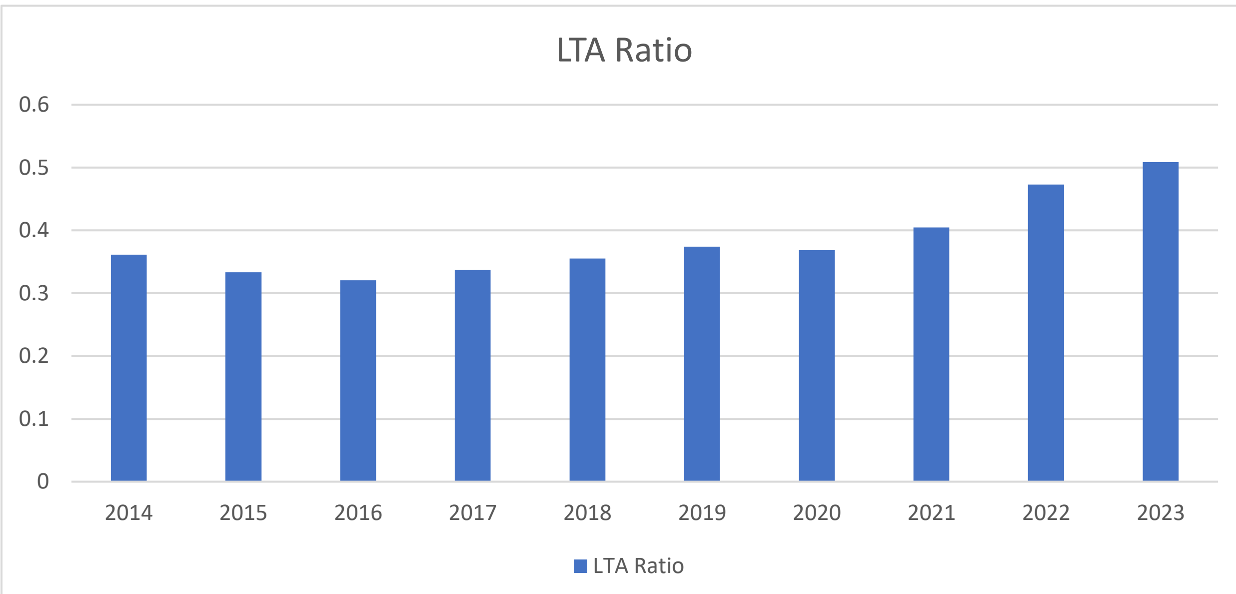
5.6.4 NPL Ratio



Interpretation

The Non-Performing Loan (NPL) ratio is a key indicator used to measure the health and credit risk of a bank's loan portfolio. A small ratio of NPL means that the outstanding loans present a low threat to the bank**.** It is loftiest in year 2017 and gradually it is in falling trend that is a quite good indicators compared to previous.

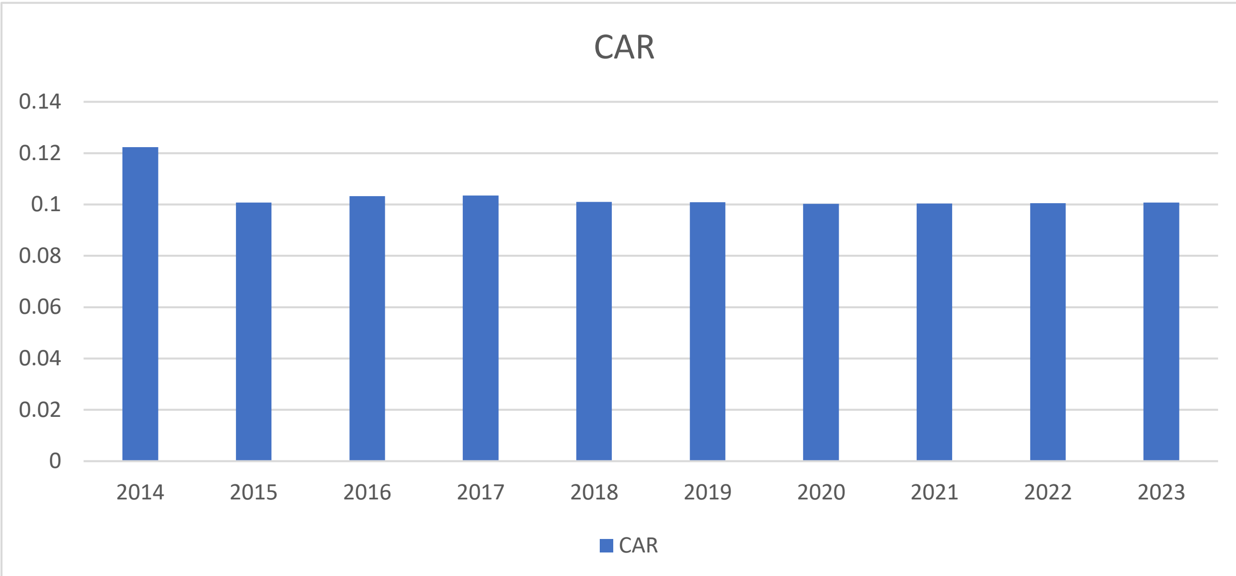
5.6.5 Loan to Total Asset Ratio



Interpretation

The Loan-to-Total Asset ratio shows the proportion of a bank's assets are tied up in loans and investments. A high ratio of Loan to Total Asset Ratio indicates a large portion of asset are tied to loans. In this study this degree is increasing gradually and that is a negative indicator of the bank.

5.6.6 Capital Adequacy Ratio



Interpretation

A bank's available capital that a bank has on hand to its risk-weighted assets is called its CAR. When faced with challenging financial conditions, the ratio provides a quick idea of whether a bank has enough funds to cover losses and remain solvent. In this study this ratio is quite similar from year 2015 to 2023and increase in 2014.

5.7 Findings

This research ROA as the dependent variable and tries to find out the relationship between other independent variables such as Total Asset Turnover Ratio, Loan to Deposit Ratio, NPL Ratio, Loan to Total Asset Ratio and Capital Adequacy Ratio for this analysis, the number of observations is 10 years and levels of significant is 5%.

H01: It is presumed that there is no significant relationship between Return on Assets (ROA) and Total Asset Turnover Ratio.

Findings 1: In our analysis, the P value is 0.222 which is greater than the level of significance of 5%. So, we fail to reject Null Hypothesis(H_{0}), and not statistically significant.

H02: It is presumed that there is no significant relationship between Return on Asset (ROA) and Loan to Deposit Ratio (LDR).

Findings 2: In our analysis, the P value is 0.043 which is less than the level of significance of 5%. So Null Hypothesis(H_{0}) is rejected, and Alternative Hypothesis is accepted.

H03: It is presumed that there is no significant relationship between Return on Assets (ROA) and NPL Ratio.

Findings 3: In our analysis, the P value is 0.010 which is less than the level of significance of 5%. So Null Hypothesis(H_{0}) is rejected, and Alternative Hypothesis is accepted.

H04: It is presumed that there is no significant relationship between Return on Assets (ROA) and Loan to Total Asset (LTA) Ratio.

Findings 4: In our analysis, the P value is 0.078 which is greater than the level of significance of 5%. So, we fail to reject Null Hypothesis(H_{0}), and not statistically significant.

H05: It is presumed that there is no significant relationship between Return on Assets (ROA) and CAR.

Findings 5: In our analysis, the P value is 0.005 which is less than the level of significance of 5%. So Null Hypothesis(H_{0}) is rejected, and Alternative Hypothesis is accepted.

5.8 Hypothesis Summary

Hypothesis	P Value	Decision
1	0.222	No Significant Relationship
2	0.043	Significant Relationship
3	0.010	Significant Relationship
4	0.078	No Significant Relationship
5	0.005	Significant Relationship

CHAPTER 6

Conclusion and Recommendation

6.1 Conclusion

The purpose of this study is to assess the relationship between asset management efficiency and profitability in the context of Sonali Bank PLC, one of the largest state-owned commercial banks in Bangladesh. The analysis, based on key financial indicators such as Total asset turnover ratio, return on assets (ROA), and Loan to Deposit Ratio (LDR), reveals that effective utilization of assets plays a crucial role in enhancing the bank's profitability.

The findings indicate that although Sonali Bank has made some progress in managing its assets more efficiently, there remains considerable site for improvement. Potential profitability has been suppressed by inefficient asset allocation, a high proportion of non-performing assets, and limited returns on investments have continued to suppress potential profitability. To improve financial performance, it is essential to strengthen internal controls, modernizing risk management practices, and aligning asset deployment strategies with market opportunities.

This study is important because it may point up areas where asset management procedures might be improved to improve financial results. Understanding the relationship between asset management and profitability is more crucial than ever in a time when banking institutions must contend with heightened competition, regulatory challenges, and economic concerns. This paper aims to provide a thorough understanding of how Sonali Bank PLC handles these difficulties and uses its resources to turn a profit by combining empirical data analysis with direct observations

All things considered, the study emphasizes the critical role of asset management efficiency in driving sustainable profitability. For Sonali Bank PLC, Long-term success for Sonali Bank PLC will depend on the bank's ability to continuously evaluate and optimize asset usage in response to changing financial and economic conditions.

6.2 Recommendations

The study's conclusions about the impact of asset management efficiency on the profitability of Sonali Bank PLC, the following recommendations are proposed to enhance financial performance:

- Through better allocation of credit and investment portfolios Sonali Bank should concentrate on optimizing the use of its assets. To increase return on assets (ROA) the bank must conduct periodic reviews of underperforming assets and take prompt corrective measures.
- A strong framework for managing credit risk should be enforced since a significant portion of the bank's assets are tied to loans and advances. To lower non-performing loans and improve asset quality this includes stricter credit appraisals, enhanced loan monitoring, and early warning systems to reduce non-performing loans and improve asset quality.
- Conducting regular internal audits of asset management activities will help identify inefficiencies and potential leakages. Establishing performance benchmarks and KPIs (Key Performance Indicators) can promote accountability among asset managers.
- To mitigate risks and improve returns, Sonali Bank should consider diversifying its asset base. Investment in low-risk, high-return instruments and exploring emerging sectors can contribute to long-term profitability.
- Asset management strategies should be aligned with the overall strategic objectives of the bank. This requires close coordination between different departments such as finance, operations, and risk management to ensure that asset decisions support long-term growth.

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