

Performance Evaluation of NCB'S VIS-A VIS PCB'S Operating In Bangladesh

*Shelina Nasrin¹, MD. Abdus Sabur²

Abstract

Commercial Bank is the most important functionary of the financial system play a dynamic role in the economic development of a nation as well as Bangladesh. Economic history shows that financial development always starts with a banking system. In a country's development, the banking systems' contribution is highest in the initial stage of development compared with the other financial systems. An attempt has been made in this paper to evaluate the comparative performance of these two sectors of banks operating in Bangladesh. The specific objectives of the study are to evaluate the growth trend of general business activities of selected banks and identify the comparative commercial profitability, employee efficiency and overall performance of studying banks during 1995 to 2004. On the basis of the analysis considering the above measures included in this paper, it has been observed that the profitability performance as well as trend of general business operation and employee efficiency of the selected private banks was far better than the selected public banks for the study period.

Key Words: Evaluation, Financial system, Profitability, Efficiency

Introduction

The World Bank classifies Bangladesh is a 'least developed country' and is one of the most populous countries of the world. Per Capita gross domestic product (GDP) is Tk. 24,628 equivalent to US \$ 418 (2003-04, BBS). Most people live in rural villages and are mainly below the poverty line. Preliminary Report of Household Income and Expenditure Survey - 2004 (HIES) of Bangladesh Bureau of Statistics (BBS) reveals that in 2004, 43.3% of the rural poor were below poverty line based on daily per capita calorie intake of 2200 Kcal and 18.2% below hard core poverty line based on daily per capita calorie intake of 1805 Kcal. On the other hand, poverty and hard core poverty in urban areas in 2004 were 37.9% and 20.8% respectively (HIES) which were 49.7% and 27.3% respectively in 1995/96 (Economic Review 2004). So, it is unmentionable that the fortune of the people might be change. To serve the enormous population there was a rapid expansion of bank branches after independence in 1971.

In a country's economic development the banking sector plays a significant role. In Bangladesh, the banking sector dominates the financial sector and macro economic management largely depends on the performance of the banking sector. In recent years, various aspects of the performance of Commercial Banks in Bangladesh have been the subject of extensive research. This present study will analyze the comparative performance position of NCB's (Sonali Bank & Agrani Bank) and PCB's (National Bank Limited & United Commercial Bank Limited).

*Corresponding Author

¹Shelina Nasrin, Assistant Professor, Department of Accounting and Information Systems, Islamic University, Kushtia, Bangladesh

²MD. Abdus Sabur, Lecturer, Department of Accounting and Information Systems, Islamic University, Kushtia, Bangladesh

Objectives

The main purpose of this paper is to evaluate the overall comparative performance of selected public (SB & AB) and private (NBL & UCBL) sector banks. The specific objectives of the study are as under:

- To evaluate the growth trend of general business activities of selected banks for the study period.
- To identify the comparative commercial profitability of selected NCB's and PCB's.
- To identify the comparative employee efficiency and overall performance of studying banks during 1995 to 2004.

Literature Review

Hossain and Bhuiyan, (1990), address their paper "The Performance Dynamics of the Sonali Bank during the Period of 1973-1988". The paper identified the nature and degree of relationship between different performance measures and a set of explanatory variables. They also analyzed of interrelationship among chosen variables revealed a high degree of positive relationship between employment generation and deposits and between branch expansion and deposits. So proper strategy for deposit mobilization, credit management, manpower development (HRD) and branch expansion may have further favorable impact on the performance dynamics of the bank. They suggested that prior to selection of appropriate strategy there is need to identify the determinants of the net profit and to examine the nature and magnitude of the relationship between net profit and other key performance measures.

Ahmed, F.U., (1990 & 1991), in a study on "Nationalized Commercial Banks in Bangladesh- An Analysis of their Operational and Functional Performance " stressed that despite the constraints faced, the NCBs had to gear up their activities to earn more profit by reducing expenditure and increasing income. With their vast network of branches and huge staff, it is quite possible for them to attract more deposits through improving the quality of service. He measured the performances on the basis of total income, total deposits, total expenditure, net profit, advances, deposits etc.

Moniruzzaman, M. and Rahman, S., (1990&1991), made a study on "Profitability Performance of Denationalized Banks – a comparative study of the Pre and Post Denationalization Periods. They conducted to show the profitability performance of the denationalized banks. Mainly they studied a comparative study of the pre and post denationalization period's performances of three denationalization banks. They showed that three denationalized banks were earning considerable and significant amount of profits, still they were denationalized. And also in this study they observed that after denationalization, the profitability performances of Uttara Bank Ltd. and Rupali Bank Ltd. became unsatisfactory.

Chowdhury, A. and et.al., (1998), addresses their paper "performance of Foreign Banks Vis-A-Vis Other Commercial Banks Operating in Bangladesh." The paper observed that foreign banks have been maintaining an encouraging trend of overall performance of the country. They found that foreign banks have been performing much better than local private banks and NCBs. They suggested that the Government decision to involve foreign banks in a greater way is a right one and it will have a positive impact on the economy of the country.

Alam, J., and Riyadh, A.N., (2003), made a study on "Measuring Productivity and Profitability of Banking in Bangladesh." They studied the overall present banking scenario in Bangladesh.

They showed that the foreign commercial banks were most profitable and productive in the banking sector of Bangladesh. They pointed out various reasons behind the comparatively less satisfactory performance of nationalized commercial banks may be due to the absence of profit making objectives, mismanagement, government intervention, directives to loan program of the government, red tapism, employment of inefficient employee, manual accounting procedure, etc. They suggested that there was huge scope to increase the productivity and profitability of NCBs through reducing the amount of classified loan, recruitment of young and meritorious probationary officer through Bankers Recruitment Committee (BRC), adjustment of rural branches, branch automation, limiting the activities of trade union, and selecting the good project etc.

Forest C., (1989), in a significant study entitled "Productivity in the Banking Industry in Bangladesh" highlighted that productivity in private banking is much higher than that in the NCBs. This is partly due to the very higher number of NCB employees and partly due to the lower earnings of fee income from service windows. The trend in NCBs productivity over the past decade shows a significant improvement but recently that has started to decline. Virtually, the productivity of the total commercial banking sector is nearly stagnant.

Islam, M.S. and et.al., (1995), made an article titled "Managerial Performance of Grameen Bank: A Critical Review." In their paper they measured managerial performance of Grameen Bank on the basis of three types of indicators: general business, resource productivity and social indicators. They showed that general business indicates the rising trends. Similarly, productivity and social indicators also registered upward tendencies. They evaluate that the absence of transparency of MIS might be responsible for lower rate of return and financial losses in some years. They suggested that the need of incentive schemes with financial and non – financial reward for those who could demonstrate extraordinary skill in performance.

Methodology

For the purpose of comparative analysis, two categories, viz. two public banks and two private banks have been selected. This paper covered during from 1995-96 to 2003-04. Performance measures used in this paper include general business measures including growth of deposit and advance, working capital and net profit. Commercial profitability measures include interest earned on working capital, interest paid on working capital, return on equity, profit on deposit and advance and employee efficiency measures include deposit per employee, advance per employee, income per employee and profit per employee for the study period. Statistical techniques like mean, standard deviation and coefficient of variation were followed to analyze the relevant factors of the study. On the basis of ANOVA hypothesis of the study were tested.

Hypothesis

- There is no significant difference in profitability and productivity between two public selected banks.
- There is no significant difference in profitability and productivity between two private selected banks.
- There is no significant difference in profitability and productivity between public and private selected banks for the study period.
- There is significant correlation of productivity with deposit per employee and advance per employee in case of the selected banks for the study period.

Analysis and Interpretation

Trend of General Business Activities of Selected Banks: Appendix 1: represents the total deposit positions of the selected four banks for the study period. The highest average deposit was Tk.179399.91 millions for SB, Tk.92972.30 millions for AB, Tk.20850.54 millions for NBL and Tk.12567.18 millions for UCBL. The highest average deposit of SB was more than 14 times higher than the lowest average deposit of UCBL. The position of average growth rate was 9.23 percent for NBL, 11.99 percent for UCBL, 9.40 percent for SB and 7.63 percent for AB during the study period. The deposit growth trend was far better for UCBL in comparison to other selected banks during the period under review. Appendix 1 also presents the advances made by the selected banks during the study period. The highest advance was Tk.168283.00 millions for SB in 2004 and the lowest of the same was Tk.4717.43 millions for UCBL in 1995. The highest average advance was Tk.122289.54 millions for SB followed by AB, NBL and UCBL i.e., Tk.69248.99 millions, Tk.16523.13 millions Tk.9077.41 respectively for during the period under study. The average advance of SB was 13 times higher than that of UCBL. The average growth rate was the highest for UCBL (14.87 percent) followed by NBL (10.97 percent), SB (11.40 percent) and AB (8.71 percent) during the study period. The growth trend of advance was far better for two private banks with compare to the public banks.

Appendix 2: shows the working capital position of the selected banks for the study period. Working fund is the total amount of total balance sheet except contra items. Working fund is the main indicator of financial institution to operate their business efficiently and effectively. The highest working fund was Tk.292181.57 millions for SB in 2004 and the lowest was Tk.8585.28 millions for UCBL in 1995. The highest average working fund was Tk.211656.76 millions for SB and the lowest Tk.15632.48 millions for UCBL during the study period. The average growth rate was highest for UCBL (12.73 percent), followed by NBL (10.72 percent), SB (10.11 percent) and lowest for AB (8.44 percent). The growth trend of working capital was far better for private banks than the selected public banks. Appendix 2 also shows the equity capital position of the selected banks for the study period. The highest equity capital was Tk.6106.2 millions for SB in 2004 but the equity capital of AB was negative by Tk.18898.84 millions in the same year, which was 3 times lowest of the highest equity capital. The position of equity capital abnormally decreased for AB in the year 2004 that made the average lowest equity capital of Tk.847.89 millions and the highest average equity capital was Tk.5494.96 for SB. The average growth rate of equity capital was highest for UCBL (14.91 percent) followed by NBL (13.90 percent), SB (2.78 percent) and AB had a negative growth rate of 70.47 percent for the study period. The growth trend of equity capital was so much better for the private banks as compare to the public banks.

Appendix 3: displayed the net profit of the selected banks and pre tax profit is used as net profit because a few banks did not show the net profit position for a few years. The highest net profit was Tk.715.68 millions in 1995 for SB and the 2nd highest was Tk.626.06 millions for UCBL in 2004 and the worst and huge loss of Tk.21721.10 millions for AB in 2004. The largest average net profit was Tk.309.11 millions for NBL followed by UCBL (Tk.210.09 millions), SB (Tk.196.18 millions) and average net loss of Tk.2161.30 millions was for AB. In this year AB provided Tk.20969.00 millions as provision. AB had largest negative average growth rate of profit (96480.62 percent) followed by positive for NBL (20.14 percent) and UCBL (86.66 percent) and also negative for SB (4.02 percent). This growth trend of net profit was easily remarked that it is absolutely far better for UCBL and NBL.

Appendix 4: combined shows the interest (interest earned and interest paid) position of the selected banks for the study period. Interest earning and payment capacity is one of the important indicators of financial institution to operate their business efficiency. The highest interest earned was Tk.13381 million for SB in 2003 and the lowest was Tk.462.58 million for UCBL in 1995. The highest average interest earning capacity was Tk. 103662.72 million for SB and the lowest Tk.11094.94 million for UCBL during the study period. The average growth rate was highest for NBL (21.50 percent), followed by UCBL (18.6 percent), AB (13.22 percent) and lowest for SB (8.60 percent). The growth trend of interest earned was far better for private banks than the selected public banks. On the other hand the highest interest paid was Tk.12107.07 million for SB in 2002 and lowest was UCBL by Tk.344.68 million in 1995. The average growth rate of interest paid was highest for NBL (13.27 percent) followed by UCBL (12.31 percent), AB (12.07 percent) and SB had a lowest growth rate of interest paid was (10.81 percent) for the study period. The growth trend of interest earned and interest paid both was so much better for the private banks compare with the public banks.

Commercial Profitability Measures (Ratio Analysis): There are various techniques of performance evaluation. Among them ratio analysis is widely used and an important technique of performance evaluation. A ratio is defined as the indicated quotient of two mathematical expressions' and as the relationship between two or more things (Webster's New collegiate Dictionary, 1975). Any ratio reflects particular aspects of a company. In this paper employee efficiency has been measured in terms of deposit per employee, advance per employee, profit per employee and income per employee. Profitability has been measured in terms of interest earned as percentage of working capital, interest paid as percentage of working capital, return on equity capital, net profit as percentage of deposit and net profit as percentage of advance.

Ratio Analysis Showing the Profitability (Taka in million)

Year	Table - 1					Table - 2				
	Interest Earned as percentage of Working Funds				Grand Mean	Interest Paid as percentage of Working Funds				Grand Mean
	SB	AB	NBL	UCBL	-	SB	AB	NBL	UCBL	-
1995	4.81	3.92	3.27	5.39	4.35	3.60	3.70	3.96	4.01	3.82
1996	5.21	4.98	3.90	6.45	5.14	4.18	4.61	3.53	4.01	4.08
1997	5.37	5.44	4.18	6.21	5.3	4.69	4.96	4.37	4.54	4.64
1998	5.33	6.14	4.84	6.00	5.58	4.86	5.55	4.62	4.30	4.83
1999	4.86	6.60	6.29	8.60	6.59	4.23	5.83	3.91	4.24	4.55
2000	5.14	4.83	6.42	6.87	5.82	4.51	5.19	4.34	3.67	4.43
2001	5.13	4.30	7.14	7.42	5.99	4.71	5.14	4.70	3.74	4.57
2002	4.51	5.04	7.02	6.76	5.83	4.47	4.66	4.81	3.58	4.38
2003	3.93	4.33	7.22	7.51	5.75	4.42	4.87	4.97	3.75	4.50
2004	3.18	3.62	7.49	7.84	5.53	3.69	4.91	4.98	3.88	4.37
Avg.	4.95	4.92	5.78	6.91	5.64	4.34	4.94	4.42	3.97	4.42
SD	0.38	0.94	1.58	0.95	0.59	0.42	0.58	0.49	0.31	0.29
CV(%)	7.65	19.19	27.27	13.82	10.46	9.67	11.66	11.10	7.80	6.52
AGR(%)	-04.071	0.619	10.043	05.598	103.12	0.8109	03.686	03.316	-0.118	100.81

Source: Annual Report: Various Issues of selected banks.

Ratio Analysis Showing the Profitability (Taka in million)

Year	Table - 3					Table - 4				
	Net Profit as percentage of Total Advance				Grand Mean	Net Profit as percentage of Total Deposit				Grand Mean
	SB	AB	NBL	UCBL		SB	AB	NBL	UCBL	
1995	1.087	0.024	1.702	3.184	1.499	0.65	0.02	1.26	1.95	0.97
1996	0.326	0.021	2.50	4.24	1.772	0.20	0.01	1.58	2.39	1.045
1997	0.155	0.019	2.642	2.333	1.287	0.10	0.01	1.83	1.31	0.813
1998	0.087	0.019	3.432	2.177	1.429	0.07	0.01	2.40	1.10	0.895
1999	0.102	0.012	1.116	1.297	0.632	0.08	0.01	1.05	1.13	0.567
2000	0.099	0.037	1.798	0.2424	0.544	0.07	0.03	1.46	0.19	0.437
2001	0.058	0.005	1.983	1.5996	0.911	0.04	0.00	1.63	1.26	0.732
2002	0.102	0.028	1.155	1.3099	0.648	0.07	0.02	0.97	0.97	0.507
2003	0.069	0.003	1.510	2.8948	1.119	0.05	0.00	1.23	2.46	0.935
2004	0.094	-22.64	2.120	4.0694	-4.09	0.06	-12.72	1.70	3.04	-1.98
Avg.	0.218	-2.247	1.995	2.333	0.57	0.14	-1.76	1.51	1.58	0.37
SD	0.315	7.166	0.714	1.279	1.69	0.19	0.01	0.44	0.73	0.89
CV(%)	144.58	-318.85	35.79	54.84	294.06	140.78	-0.49	29.25	46.11	242.93
AGR(%)	-12.64	-83833.	12.863	62.57	53.00	-13.76	#DID/0!	10.15	66.65	101.00

Source: Annual Report: Various Issues of selected banks

Table 1, 2, 3, 4 shows the various profitability ratios (interest earned as percentage of working capital, interest paid as percentage of working capital, net profit as percentage of total advance and net profit as percentage of total deposit) of both public and private sector banks.

Table 1 indicates that the highest and the lowest interest earned as percentage of working funds was 8.60 percent for UCBL in 1999 and 3.27 percent for NBL in 1995 respectively. The highest average interest earned per Tk.100 of working funds was (6.91 percent) for UCBL followed by NBL (5.78 percent), AB (4.92 percent) and SB (4.95 percent) during the study period. The grand mean position of the selected banks indicates that, compare to grand mean average (5.64 percent) with individual four banks average were lowest for both public banks and highest for both the private banks. CV (%) was stable for SB (7.65 percent) followed by UCBL (13.82 percent), AB (19.19 percent) and it was unstable for NBL (27.27 percent) over the study period. On the basis of average growth rate position of interest earned trend of private banks (NBL=10.04 percent, UCBL= 5.59 percent) was better as compared with public banks (SB= -4.07 percent, AB= 0.62 percent) for the study period.

Table 2 indicates the lowest and the highest interest paid per Tk.100 of working funds were 3.53 for NBL in 1996 and 5.83 for AB in 1999 respectively. The highest average interest paid as percentage of working funds was 4.94 percent for AB followed by SB (4.34 percent), NBL (4.42 percent) and UCBL (3.97 percent) for the study period. The grand mean average position of four banks was (4.42 percent) for the study period. This indicates that, compare to grand mean average with individual average was highest for AB (4.94 percent) and same for NBL (4.42 percent) and lowest for SB (4.34 percent) and UCBL (3.97 percent). AGR was 3.68 percent for AB followed by 3.31 percent for NBL, 0.81 percent for SB and negative for UCBL 0.11 percent. On the basis of average growth rate the interest paid was lower and better for private banks in comparison that of public banks for the study period.

Table 3 indicates net profit as percentage of total advance is an important measure for profitability. The largest net profit per hundred taka was 4.24 for UCBL in 1996 and the worst and negative situation was for AB -22.645 percent in 2004. The average position for NBL and

UCBL were 1.99 percent and 2.33 percent respectively. The average position for SB and AB were 0.21 percent and -2.24 percent respectively. The average growth rate was positive for both the private banks (NBL 12.86 percent and UCBL 62.57 percent) and the same rate was negative for both the public banks (SB -12.64 percent and AB -83833.3 percent). The grand mean average was (0.57 percent) for the study period. This indicates that, compare to grand mean average with individual average were highest for both the private banks and same lowest for SB and negative for AB.

Table 4 indicates net profit as percentage of total deposit which shows the net profit position per hundred taka of deposit. The largest net profit per hundred taka was 3.04 for UCBL in 2004 and the worst and negative situation was for AB -12.72 percent for the same period. The average position for NBL and UCBL were 1.51 percent and 1.58 percent respectively. The average position for SB and AB were 0.14 percent and -1.76 percent respectively. The grand mean average 0.37 percent indicates that, compare to grand mean average with individual average were highest for both the private banks and the same was lowest for SB and negative for AB. The average growth rate was NBL (10.14 percent), UCBL (66.46 percent), and SB (-13.76 percent) for the study period. Net profit on deposit position as per AGR was far better for selected private banks and alarming for both the public banks.

Employee Efficiency

Ratio Analysis Showing the Employee Efficiency (Taka in million)

Year	Table – 5				Grand Mean	Table – 6				Grand Mean
	Deposits per Employee					Advance per Employee				
	SB	AB	NBL	UCBL		SB	AB	NBL	UCBL	
1995	4.23	4.60	7.32	4.13	5.07	2.51	3.37	5.44	2.53	3.46
1996	4.72	4.81	8.58	4.38	5.62	2.90	3.48	5.44	2.48	3.57
1997	5.21	5.41	8.10	4.72	5.86	3.27	3.78	5.61	2.65	3.83
1998	5.72	6.12	8.71	5.60	6.54	4.42	4.20	6.09	2.85	4.39
1999	6.50	6.80	10.43	5.22	7.24	4.74	4.38	9.76	4.56	5.86
2000	7.65	7.30	11.26	6.60	8.20	5.12	5.78	9.16	5.13	6.30
2001	8.23	8.00	11.84	7.65	8.93	5.51	6.13	9.74	6.04	6.85
2002	8.64	8.78	11.90	8.80	9.53	6.19	6.90	9.99	6.50	7.39
2003	9.14	9.20	12.47	9.04	9.96	6.28	7.14	10.19	7.68	7.82
2004	10.11	10.04	13.39	10.96	11.12	6.88	7.86	10.71	8.18	4.95
Avg.	7.01	7.11	10.40	6.71	7.81	4.78	5.30	8.21	4.86	5.44
SD	2.02	1.89	2.09	2.32	1.95	1.51	1.66	2.25	2.19	1.92
CV(%)	28.84	26.57	20.06	34.50	0.25	31.48	31.29	27.39	45.15	1.18
AGR(%)	10.23	09.10	7.19	11.89	9.00	12.19	10.16	09.09	14.99	6.00

Source: Annual Report: Various Issues of selected banks.

Table 5 indicates the deposit per employee position of the selected four banks. The maximum deposit per employee was Tk.13.39 millions for NBL in 2004 and lowest of the same was Tk.4.13 millions for UCBL in 1995. The highest average deposit per employee was Tk.10.40 million for NBL followed by AB Tk. 7.11 million, SB Tk 7.01 million and lowest Tk. 6.71 million for UCBL. The largest variation in deposit per employee was for UCBL (CV=34.50 percent) followed by SB (28.84 percent), AB (26.57 percent) and lowest for NBL (20.06 percent). The grand mean average was (7.81 percent) for the study period. This indicates that, compare to grand mean average with individual average was (10.40 percent) for NBL followed by AB (7.11 percent), and same for SB (7.01 percent) and lowest for UCBL (6.71 percent). The average growth rate of deposit per employee was highest for UCBL (11.89 percent) followed by

SB (10.23 percent), AB (9.10 percent) and lowest for NBL (7.19 percent) during the study period. The deposit per employee was comfortable for all the banks.

Table 6 reveals the total advance per employee. It was highest Tk.10.71 million in 2004 for NBL and the lowest Tk.2.84 million in 1996 for UCBL. The highest average advance per employee was Tk.8.21 million for NBL followed by AB -Tk. 5.30 million, UCBL (Tk.4.86 million) and SB (Tk.4.78 million) during the study period. Coefficient of variation shows that the advance per employee was more stable for NBL (CV.27.39 percent) and more unstable for UCBL (CV.45.15 percent). The AGR was highest for UCBL (14.99 percent) followed by SB (12.19 percent), AB (10.16 percent) and the lowest (09.09 percent) for NBL during the study period. The grand mean average indicates this average only better for NBL and except this bank all of those banks were not better position in the study period.

Ratio Analysis Showing the Employee Efficiency (Taka in million)

Year	Table 7					Table 8				
	Income per Employee				Grand Mean	Profit per Employee				Grand Mean
	SB	AB	NBL	UCBL	-	SB	AB	NBL	UCBL	-
1995	0.29	0.30	0.60	0.39	0.40	0.03	0.00	0.09	0.08	0.05
1996	0.32	0.36	0.69	0.44	0.45	0.01	0.00	0.14	0.11	0.06
1997	0.38	0.43	0.78	0.46	0.51	0.01	0.00	0.15	0.06	0.05
1998	0.42	0.50	0.94	0.51	0.59	0.00	0.00	0.21	0.06	0.07
1999	0.49	0.58	1.38	0.76	0.80	0.01	0.00	0.11	0.06	0.04
2000	0.57	0.67	1.48	0.76	0.87	0.01	0.00	0.17	0.01	0.05
2001	0.62	0.69	1.59	0.95	0.96	0.00	0.00	0.19	0.10	0.07
2002	0.66	0.71	1.54	0.97	0.97	0.01	0.00	0.12	0.09	0.05
2003	0.65	0.75	1.66	1.17	1.06	0.00	0.00	0.15	0.22	0.05
2004	0.64	0.86	1.74	1.36	1.15	0.01	-1.78	0.23	0.33	-0.30
Avg.	0.50	0.59	1.24	0.78	0.78	0.01	-0.18	0.15	0.11	0.02
SD	0.14	0.18	0.44	0.33	0.26	0.01	0.56	0.04	0.09	0.11
CV(%)	28.41	31.35	35.27	43.05	0.33	106.16	31.46	349.46	117.97	4.54
AGR(%)	9.42	12.60	13.28	15.69	13.00	-03.48	-98790.3	17.52	90.15	-33.00

Source: Annual Report: Various Issues of selected banks.

Table 7 indicates that the largest total income per employee was Tk.1.74 million in 2004 for NBL and the smallest Tk.0.29 million in 1995 for SB. The highest average of total income per employee was Tk.1.24 million for NBL followed by UCBL (Tk.0.78 million), AB (Tk.0.59 million) and SB (Tk.0.50 million) during the study period. The total income per employee was more stable for SB (CV.28.41 percent) followed by AB (31.35 percent), NBL (35.27 percent) and unstable for UCBL (CV.43.05 percent) for the period under review. The average growth rate of income per employee was highest for UCBL (15.69 percent) followed by NBL (13.28 percent), AB (12.60 percent) and the lowest for SB (9.42 percent). On the basis of the average growth rate of income per employee the position of private banks were far better than the public banks, indicating that the private banks were used their manpower effectively in comparison to public banks during the period under review.

Table 8 indicates profit per employee position of selected banks for the study period. The profit was highest of Tk.0.33 million for UCBL in 2004 and the worst and negative was Tk.-1.78 million for AB in 2004. The highest average of the ratio was Tk.0.15 million for NBL followed by UCBL (0.11 percent), SB (0.01 percent) and the lowest and negative was Tk.-0.18 million for AB. The average growth rate of profit per employee was (90.15 percent) for UCBL followed by NBL (17.52 percent) and the worst and negative growth rate was (-03.48 percent) for SB and (-

98790.3 percent) for AB during the study period. The AGR of two private banks were positive but it was negative for the two selected public banks for the study period. The grand mean average was (0.02 percent) for the study period. Compare to grand mean average with individual average it is said that both the private banks individual average was rich over both the public banks.

Overall Performance: To evaluate comparative performance of selected NCB's and PCB's there are framed various hypothesis and this are tested on profitability and productivity by Statistical Software (ANOVA: one factor) of selected banks for the study period.

Profitability and Productivity position of selected NCB's and PCB's

	Table – 9				Table – 10			
	Profitability (Operating Profit/Total Assets)				Productivity (Total Income/Total Expen.)			
	SB	AB	NBL	UCBL	SB	AB	NBL	UCBL
1995	0.572	0.015	1.115	1.75	1.104	1.0027	1.183	1.26
1996	0.182	0.013	1.406	2.133	1.03	1.002	1.245	1.316
1997	0.087	0.012	1.59	1.183	1.014	1.0017	1.233	1.157
1998	0.061	0.011	2.061	0.994	1.009	1.0015	1.285	1.139
1999	0.237	0.007	3.249	3.127	1.041	1.0009	1.542	1.406
2000	0.335	0.477	2.954	1.923	1.057	1.0701	1.448	1.279
2001	0.193	0.184	3.22	2.743	1.032	1.0276	1.449	1.411
2002	0.336	0.209	2.577	2.203	1.058	1.0343	1.352	1.347
2003	0.202	0.187	2.65	3.091	1.035	1.029	1.353	1.472
2004	0.326	-0.497	2.969	3.421	1.064	1.077	1.39	1.506
Avg.	0.25	0.06	2.38	2.26	1.04	1.02	1.35	1.33
SD	0.15	0.25	0.78	0.83	0.03	0.03	0.11	0.12
CV(%)	58	400	33	37	2.65	2.83	8.37	9.31
AGR(%)	-0.2	-0.86	20.31	18.72	-0.01	0.71	2.19	3

Source: Annual Report: Various Issues of selected banks

Table 9 shows the profitability position of selected four banks. This ratio is calculated by dividing operating profit by total assets and the quotient is multiplied by one hundred. This ratio indicates how much efficiently the management of a concern has used their total assets to earn profit. The largest return on assets (ROA) was 3.42 percent for UCBL in 2004 and it showed negative and lowest of -0.497 percent for AB in the same year. The highest average of ROA was 2.38 percent for NBL followed by UCBL (2.26 percent), SB (0.25 percent) and AB (0.06 percent) for the study period. The highest variation was found for AB (CV 400 percent) and lowest variation was 33 percent for NBL. The average growth rates were negative for both the public sector banks and positive and highest for both the private banks for the study period.

Table 10 indicates output (total income) and input (total expenditure) productivity. The highest productivity was Tk.1.542 millions for NBL in 1999 and the lowest productivity Tk.1.0009 millions for AB for the same year. The highest average was Tk.1.35 millions for NBL followed by UCBL (Tk.1.33 millions), SB (Tk.1.04 millions) and AB (Tk.1.02 millions) during the study period. CV showed that this productivity was more unstable for UCBL (CV=9.31 percent) and for SB it was more consistent (CV= 2.65 percent) for the study period. The growth rate was highest for UCBL (3.00 percent). On the other hand, the same rate was negative for SB (-0.01 percent). The growth rate was better for the private banks and worst and negative for SB for the study period. The management of the public banks should be more cautious about increasing productivity either increasing income or decreasing expenditure.

Hypothesis Testing

Table 2.5.1 Profitability (Two Public Banks)
ANOVA: Single Factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Group	0.18	1	0.18	4.41	0.05	4.41
Within group	0.75	18	0.04	0.04		
Total	0.93	19				

Table 2.5.2 Productivity (Two Public Banks)
ANOVA: Single Factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Group	0.002	1	0.002	2.419	0.14	4.414
Within group	0.014	18	0.001			
Total	0.016	19				

Table 2.5.1 & Table 2.5.2 show the difference of profitability and productivity of two selected public banks for the study period. There was no significant difference in profitability between two public banks as the both calculated and table value was 4.41 at 5 percent level with 1.19 degrees of freedom. While productivity indicates there was no significance variance in productivity between two public banks. Since the calculated value was lower than table value i.e., $2.419 < 4.414$.

Table 2.5.3 Profitability (Two Private Banks)
ANOVA: Single Factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Group	0.07	1	0.07	0.12	0.74	4.41
Within group	11.70	18	0.65			
Total	11.78	19				

Table 2.5.4 Productivity (Two Private Banks)
ANOVA: Single Factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Group	0.002	1	0.00	0.12	0.73	4.41
Within group	0.253	18	0.01			
Total	0.254	19				

Table 2.5.3 & 2.5.4 display that there was no significant variance in profitability and productivity in private banks and the calculated value of F was 0.12 for both the ratios while the table value of F was 4.41.

Table 2.5.5 Profitability between Public and Private Banks
ANOVA: Single Factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Group	23.34	1	23.34	83.11	0.00	4.41
Within group	5.05	18	0.28			
Total	28.39	19				

Table 2.55 indicates that there was significant variance in profitability between selected public and private banks since the calculated value of F was much higher than table value i.e., $83.11 > 4.41$ at 5 percent level with 1.19 degrees of freedom.

Table 2.5.6 Productivity between Public and Private Banks
ANOVA: Single Factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.46	1	0.46	80.54	0.00	4.41
Within groups	0.10	18	0.01			
Total	0.57	19				

Table 2.5.6 also reveals that there was significant variance in productivity between selected public and private banks. The calculated value of F was 80.57 and the table value was 4.41 at 5 percent level of significance with 1.19 degrees of freedom for the study period.

Table 2.5.7 Correlation of Productivity
ANOVA: Single Factor

Variable	Banks			
	SB	AB	NBL	UCBL
Productivity	1	1	1	1
Deposit per employee	0.05	0.74	0.68	0.72
Advance per employee	-0.02	0.80	0.81	0.83

Table 2.5.7 shows the correlation of productivity with deposit per employee and advance per employee of the selected banks for the study period. Coefficients of correlation between productivity and deposit per employee were positive as well as significance for AB, NBL and UCBL i.e., 0.74, 0.68 and 0.72 respectively. On the other hand, SB showed positive but very negligible correlation (0.05) for the study period. The correlation between productivity and advance per employee were positive as well as significant for AB (0.80), NBL (0.81) and UCBL (0.83). On the other hand, SB had negative and insignificant correlation which was (0.02).

Conclusion

It has been observed in the present study that private commercial banks have been maintaining an encouraging trend of overall performance in the country. Both of the private banks brought under the scope of the study registered rising trend in most of the indicators reflecting performance. High employee efficiency, high profitability and rapid growth of deposit and advance prove evidence of sound financial condition of selected private commercial banks operating in Bangladesh. Overall financial profitability position of the selected private banks was comparatively better and public banks had very poor and alarming. Both the average growth rate of profit as percentage of total deposit, profit as percentage of total income were positive for the private banks but it were negative for the public banks during the study period. Average profit on working capital for SB was nil and AB had negative, average return on equity capital of SB was 0.04 percent and AB had 0.12 percent although the equity capital for AB became negative. But the return on equity capital of NBL and UCBL were 0.23 percent and 0.29 percent respectively. Considering the above measures included in this paper indicate that the profitability performance as well as trend of general business operation and employee efficiency of the selected private banks was far better than the selected public banks for the study period. Deposit per employee and advance per employee had significant positive correlation with productivity except SB. There was significant difference in productivity and profitability between private and public banks for the study period. Finding is encouraging in the sense that it shows efficient management can lead to successful banking business in Bangladesh. It also support the fact that the authority of selected public banks (SB and AB) would be decided to allow positively related to increase and encourage overall performance in their banks.

References

- Bangladesh Bureau of Statistics, (2003-04), Government of the People's Republic of Bangladesh, Statistical Year Book.
- Bangladesh Economic Review, (2004), Economic Adviser's Wing, Finance Division, Ministry of Finance, Government of the People's Republic of Bangladesh.
- Hossain and Bhuiyan, (1990), "Performance Dynamics of the Sonali Bank during the period of 1973-1988." Dhaka University Studies, Part- C, A Journal of Business Studies, Vol. XI, No. 1, June, PP. 163-174.
- Ahmed, F.U., (1990 & 1991), "Nationalized Commercial banks in Bangladesh – An Analysis of their Operational and functional performances." Bank Parikrama, Vol. XV & XVI, PP.77-84.
- Moniruzzaman, M. & Rahman, S. (1990&1991), "Profitability Performance of Denationalized Banks – A Comparative study of Pre and Post Denationalization Periods." Bank Parikrama, Vol. XV & XVI, PP. 85-97.
- Chowdhury, A. Ali, Anwar, A. Nusrat & Masum, A.Mahmud (1998), "Performance of Foreign Banks Vis-A Vis other Commercial banks Operating in Bangladesh." Dhaka University Journal of Business Studies, Vol. 19, No.2, December, PP. 203-213.
- Alam, J., and Riyadh, A.N., (2003), "Measuring Productivity and Profitability of Banking in Bangladesh." The Cost and Management, ICMA, Vol. XXXI, No. 4, July-August, PP. 34-38.
- Forest C., (1989), "Productivity in the Banking Industry in Bangladesh." Bank Parikrama, Vol. XIV, No. , Sept.-Dec., PP.27-34.
- Islam, M. Serajul., Chakma, P.B & Karmakar, S.S. (1995), "Managerial Performance of Grameen Bank: A Critical Review." Dhaka University Journal of Business Studies, Vol. XVI, No. 1, June, PP. 131-145.
- Webster's New collegiate Dictionary, (1975), 8th ed. Springfield, Mass: G & C.merrian, P.958.
- Annual Report: various Issues of Selected Banks in 1995-2004.

Appendices

Appendix - 1

Total Deposits and Total Advances

Year	Total Deposit (Taka in million)				Total Advance (Taka in million)			
	SB	AB	NBL	UCBL	SB	AB	NBL	UCBL
1995	110832.51	63440.38	13082.35	7707.78	65829.90	46499.20	9711.43	4717.43
1996	123834.53	67127.85	15225.11	8497.68	76116.20	48609.00	9658.06	4798.99
1997	136061.74	73008.78	15036.60	9187.15	85451.40	51008.70	10410.30	5152.56
1998	151706.49	82775.08	16688.13	10899.90	117197.60	56779.00	11682.18	5554.16
1999	169372.67	90785.05	19475.74	9806.48	123433.70	58372.20	18239.51	8557.91
2000	199204.02	97194.61	22810.04	12158.07	133280.60	77012.60	18553.66	9443.87
2001	211882.21	104450.38	24546.19	13862.65	141993.30	80015.80	20200.63	10941.98
2002	218034.45	113232.33	25832.24	16001.60	156112.70	88959.80	21677.96	11826.08
2003	225914.64	115095.86	27250.49	16946.75	155197.00	89312.80	22257.15	14396.44
2004	247155.80	122612.63	28558.46	20603.76	168283.00	95920.80	22840.43	15384.69
Avg.	179399.91	92972.30	20850.54	12567.18	122289.54	69248.99	16523.13	9077.41
AGR	0.094051	0.076374	0.092322	0.119876	0.114073	0.08711	0.10977	0.148741

Source: Various issues of Annual Report of selected banks in 1995 – 2004.

Appendix - 2

Total Working Capital and Total Equity Capital

Year	Total Working Capital (Taka in Million)				Total Equity Capital (Taka in Million)			
	SB	AB	NBL	UCBL	SB	AB	NBL	UCBL
1995	125056.13	74131.81	14828.65	8585.28	4775.43	2787.92	609.41	366.90
1996	136516.15	77468.20	17159.28	9538.23	5015.43	2793.32	860.48	444.49
1997	152047.29	86741.30	17298.83	10166.64	5138.50	2798.32	1021.66	495.85
1998	167298.79	91452.67	19452.89	12114.41	5211.00	2803.32	1335.06	531.75
1999	213830.51	99935.26	27808.64	13143.40	5542.20	2808.32	1413.90	564.94
2000	237680.24	123262.93	31281.42	15919.58	5642.20	3253.10	1556.47	578.93
2001	254083.65	131067.47	31661.48	18348.82	5706.20	3325.60	1572.75	692.71
2002	271021.98	144449.73	33777.06	20652.83	5856.20	3404.61	1628.97	785.66
2003	266851.25	141435.68	36253.76	22796.87	5956.20	3403.20	1700.90	1074.54
2004	292181.57	151376.71	35127.30	25058.74	6106.20	-18898.84	1862.32	1242.88
Avg.	211656.76	112132.18	26464.93	15632.48	5494.96	847.89	1356.19	677.87
AGR	0.101178	0.084449	0.107274	0.127313	0.027822	-0.704661	0.139024	0.149075

Source: Various issues of Annual Report of selected banks in 1995 – 2004.

Appendix - 3

Net Profit and Total Employee

Year	Net profit (Taka in Million)				No. of Employee			
	SB	AB	NBL	UCBL	SB	AB	NBL	UCBL
1995	715.68	11.01	165.26	150.19	26218	13789	1786	1866
1996	248.03	10.00	241.21	203.42	26243	13952	1774	1938
1997	132.06	10.00	275.07	120.20	26125	13486	1856	1948
1998	101.90	10.00	400.96	120.40	26518	13530	1917	1947
1999	126.23	7.00	203.59	111.02	26055	13341	1868	1878
2000	132.21	28.60	333.75	22.89	26046	13320	2025	1842
2001	82.33	4.00	400.64	175.03	25753	13058	2073	1812
2002	159.06	25.00	250.32	154.91	25237	12901	2171	1819
2003	106.73	2.50	336.09	416.75	24715	12514	2185	1874
2004	157.52	-21721.10	484.21	626.06	24450	12208	2133	1880
Avg.	196.18	-2161.30	309.11	210.09	25736	13210	1979	1880
AGR	-0.040185	-964.8062	0.201475	0.866598	-0.007666	-0.013334	0.020498	0.001071

Source: Various issues of Annual Report of selected banks from 1995 – 2004.

Appendix - 4

Interest Earned and Interest Paid

Year	Interest Earned (Taka in Million)				Interest Paid (Taka in Million)			
	SB	AB	NBL	UCBL	SB	AB	NBL	UCBL
1995	6012.14	2906.85	485.46	462.58	4497.01	2746.47	586.96	344.68
1996	7117.01	3855.38	669.20	615.65	5712.91	3571.89	605.23	382.69
1997	8168.43	4715.44	722.4	631.42	7129.01	4302.08	756.08	461.11
1998	8922.53	5619.08	940.84	726.28	8124.12	5073.70	898.00	521.34
1999	10390.38	6594.31	1748.65	1129.95	9050.71	5830.81	1085.94	557.84
2000	12210.11	7574.70	2007.26	1094.12	10724.43	6403.33	1356.10	584.55
2001	13044.96	7385.27	2261.5	1360.57	11958.97	6743.07	1486.69	686.44
2002	12226.84	7278.48	2370.82	1397.12	12107.07	6737.74	1623.17	738.67
2003	13381.19	8018.05	2616.83	1713.02	11799.71	6888.99	1801.19	853.81
2004	12189.13	8537.22	2327.11	1964.23	10788.16	7438.96	1749.30	971.68
Avg.	103662.72	62484.78	16150.07	11094.94	91892.10	55737.04	11948.66	6102.81
AGR	0.086051	0.132238	0.21499	0.186	0.108134	0.120698	0.13279	0.123114

Source: Various issues of Annual Report of selected banks from 1995 – 2004.