# AN INTERNSHIP REPORT

## On

# "Financial Performance Evaluation of Agrani Bank Limited''

### *(A case on Syedpur branch, Nilphamari)*

*This Report is Submitted to the Department of Accounting, Faculty of Post Graduate, Hajee Mohammad Danesh Science and Technology University for the Fulfillment of Degree of Master of Business Administration (MBA).*


***SUPERVISED BY:***

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## *Faculty of Post Graduate*

## HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY UNIVERSITY, DINAJPUR.

*July-2016*

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HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY UNIVERSITY, DINAJPUR

*Dedicated To*

*My*

*Beloved*

*Parents*

# *LETTER OF TRANSMITTAL*

27th July, 2016
**Md. Mamunar Rashid**
Internship Supervisor
Associate Professor and Chairman
Faculty of Business Studies
Hajee Mohammad Danesh Science & Technology University, Dinajpur.

**Subject: Submission of Internship Report.**

Dear Sir,

I, **Md. Imranul Islam** was assigned to surface the internship report on "**Financial Performance Evaluation of Agrani Bank Limited (ABL) – A case on Syedpur Branch, Nilphamari"** for the successful completion of my internship. As was assigned, I have prepared the report successfully.

I found this assignment to be useful and practical where the intent was to incorporate the knowledge gathered throughout the period of my post graduation. I have enjoyed every instant while preparing the report. The intriguing part was the data collection period where I came to learn different aspects of commercial bank. I tried to the maximum competence to meet all the dimensions required from this report. However some of the aspects are unintentionally overlooked. It is hoped that you would ignore any discrepancies considering my limitations.

This report has enlarged my level of knowledge and I truly realize the importance of working with this assignment. Any sort of clarifications needed regarding this report will be met right away.

Sincerely yours,

**Md. Imranul Islam**
Student ID: 1505133
MBA, Major in Accounting and Information Systems
Department of Accounting
HSTU, Dinajpur

# *Supervisor's Declaration*

I, hereby declare that the internship report entitled **"Financial Performance Evaluation of Agrani Bank Limited (ABL) – A case on Syedpur Branch, Nilphamari".** is a useful record of the internship work done by **Md. Imranul Islam, Student ID No. 1505133**, MBA, major in Accounting and Information Systems, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200. This report represents an independent and original work prepared on the basis of primary and secondary data collected and analyzed by the candidate. This report has not been accepted for any other degree and is not concurrently submitted in candidature of any other degree.

This entire work has been planned and carried out by the candidate with my supervision and guidance. In my opinion, this report is sufficient in terms of scope and quality for the award of the degree of Master of Business Administration (MBA), major in Accounting and Information Systems from Hajee Mohammad Danesh Science and Technology University, Dinajpur.

I wish his every success in life.

SUPERVISOR<br>
OF THE<br>
Internship Program<br>
**Md. Mamunar Rashid**<br>
Associate Professor and Chairman<br>
Department of Accounting<br>
Faculty of Business Studies<br>
HSTU, Dinajpur

# *Co-Supervisor's Declaration*

I hereby declare that the concerned report entitled **"Financial Performance Evaluation of Agrani Bank Limited (ABL) – A case on Syedpur Branch, Nilphamari"** is an original work made by **Md. Imranul Islam, Student ID No. 1505133**, MBA, major in Accounting and Information Systems, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my co-supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration (MBA), major in Accounting and Information Systems at HSTU Dinajpur.

Therefore, he is directed to submit his report for evaluation. I wish him success at every sphere of his Life.

CO-SUPERVISOR
OF THE
Internship Program
**Saiful Islam**
Assistant Professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur

# *Student's Declaration*

The discussing report is the terminal formalities of the internship program for the degree of Masters of Business Administration (M.B.A), Faculty of Post Graduate Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, which is compact professional progress rather than specialized. This report has prepared as per academic requirement after successfully completing 3 (three) months internship program under the supervision of my honorable supervisor Md. Mamunar Rashid, Associate Professor, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur.

It is my pleasure and great privilege to submit my report titled **"Financial Performance Evaluation of Agrani Bank Limited (ABL) – A case on Syedpur Branch, Nilphamari"**, as the presenter of this report; I have tried my level best to get together as much information as possible to enrich the report. I believe that it was a fascinating experience and it has enriched both my knowledge and experience.

I believe everyone is not beyond of limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these of my further information on those matters.

……………………………
**Md. Imranul Islam**
Student ID: 1505133
MBA, Major in Accounting and Information Systems
Department of Accounting
HSTU, Dinajpur

# *ACKNOWLEDGEMENT*

I would like to take this opportunity to convey my heartfelt appreciation to them whose blessings and co-operation was important to bring this report in light.

Firstly**,** I want to pr ay my gratitude to the **Almighty Allah** for everything.

Secondly, I want to express my thankfulness to my internship supervisor **Md. Mamunar Rashid,** Associate Professor, Department of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, for his direction, constant and spontaneous support, efficient supervision and constructive suggestions, without his help this report would not have been a complete and comprehensive one.

I would like to express my indebtedness to my co-supervisor **Saiful Islam,** Assistant Professor, Department of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, for helping me and giving assistance in preparing the report.

I would cordially thank **Md. Shafiqul Islam,** Manager/SPO, Syedpur Agrani Bank Limited, for this constant support throughout my internship period.

Additionally, it would be left unfinished if I don't convey my earnest gratefulness to all my course teachers and the department for sponsoring such an academic work. I also like to give my special thanks and greets to inmates and MBA students and others for giving me good advice, suggestions, inspirations and support.

Finally, I would like to thank our respected sir **Md. Mamunar Rashid** once more for the opportunity to work with the assigned subject that has given me the exposure to the banking industry.

# List of Contents

# ABSTRACT


Agrani Bank Limited is one of renowned, profitable and modern nationalized banking financial institution of Bangladesh with vision to become a premier financial institution and contribute to the economy. It offers all available second-generation products and services to its target market.

I have completed my three months internship in Agrani Bank Ltd. in Syedpur branch, Nilphamari. This study has been focused on financial statement analysis of Agrani Bank Limited.

The objective of the study is to evaluate the financial performance of Agrani Bank Limited. Mainly secondary data have been used to gather information which is necessary to prepare this study. The performance of ABL during last five years has provided that with strong desire and will power is achieving whatever target he may have. Last year the bank has increased the total operating profit. Liquidity position of the bank is satisfactory. The Bank focused in all key areas like capital adequacy, quality asset growth and strong liquidity thereby ensuring sound revenue.

Finally, at the time of the study I found that current ratio and net working capital of ABL is increasing year by year. On the other hand the liabilities and borrowing are increasing during last couple of years leading decreased the total revenue. ABL should be more efficient using its assets to generate it operating income. It should need to improve its asset quality position by utilizing assets in right way. Cash and bank balance to total deposit is not good because higher liquidity means the greater amount of idle money, which cannot generate the revenue. The financial performance evaluation should be made quicker since competition is very hard in today's business world. The limitations of the study includes as the performance evaluation in the respect of quantitative analysis of ABL are of confidential nature and thus it is difficult to collect the necessary relevant data and information within this short time. The bank officials though helpful in every respect do not have much time to explain the internal procedures.

# *Chapter 1*

# Genesis

## 1.1 Introduction

Commercial banks are the most important functionary of financial system of a country. They play a dynamic role in the economic development of a nation through the mobilization of savings and allocation of credit to productive sectors. All the policies, programs and strategies of a bank must be formulated and implemented to satisfy the needs of the customers in the most efficient manner.

Agrani Bank Limited (ABL) is a scheduled nationalized commercial bank of Bangladesh. The bank was established under the Bank Companies Act 1991 and incorporated as a public limited company under the Companies Act 1991 in Bangladesh with the primary objective to carry on all kinds of banking business in Bangladesh. Agrani Bank Limited (ABL) is a leading and outstanding commercial bank in the arena of banking business.

Performance evaluation of a bank is usually related to how well a bank can use it assets, share holder equity and liability, revenue and expenses. Financial ratio analysis is one of the best tools of performance evaluation of any bank. In order to determine the financial position of the Agrani Bank Limited and to make a judgment of how well the bank efficiency, its operation and management and how well the bank have been able to utilize its assets and earn profit.

We used ratio analysis for easily measurement of liquidity position, asset management condition, profitability and debt coverage situation of the bank for performance evaluation. It determines the greater the coverage of liquid assets to short-term liabilities. It measures bank overall efficiency and performance. It determines of share market condition of bank. It also used to analysis the bank past and present financial performance and trend of financial position.

The purpose of this study is the financial performance evaluation of largest state-owned commercial bank in Bangladesh. We will analysis the financial conditions of Agrani Bank Limited, state-owned commercial bank in Bangladesh.

## 1.2 Background

As a part of MBA (Master of Business Administration) curriculum every student has to complete internship program and prepare a report through theoretical knowledge and practical revelation during the internship period. The perfect coordination between theory and practice are a paramount importance in the context of modern business world as regards to resolve the dichotomy between these two areas.

As an obligatory requirement of MBA program researcher had to gather practical exposure through the internship & researcher has prepared this report on **"Financial Performance Evaluation of Agrani Bank Limited (ABL) - A case on Syedpur branch, Nilphamari"** with the consultation and guidelines of supervisor.

Agrani Bank Limited (ABL) is a scheduled nationalized commercial bank in Bangladesh. The bank is established by Bangladesh government. Agrani Bank Limited (ABL) was established under the Bank Companies Act 1991 and incorporated as a public limited company under the Companies Act 1994 in Bangladesh with the primary objective to carry on all kinds of banking business in Bangladesh. In 26th March, 1972 ABL was first started at Motijheel in Dhaka, its formal operation in banking sector. Since then ABL gained its huge popularity because of its social welfare activities and affordable banking service.

The internship program is done on the purpose of learning banking more thoroughly and applies the learning in the real life situation. The report identifies mainly the Financial Performance Evaluation of Agrani Bank Limited (ABL). Researcher mainly depends on the primary data collected from the customers through questionnaire; however, some information was collected from the secondary sources. To prepare this report researcher have necessary assistance from Agrani Bank Limited (ABL) during the internship period. The major objective of this report is analyzing Financial Performance Evaluation of Agrani Bank Limited (ABL). To prepare this researcher have followed the methodology which contains both primary sources of data & secondary sources of data with questionnaire survey.

## 1.3 Origin of the Report

Now it is the era of Business & Technology. To keep pace with the Education system has become more and more practical and as a result practical knowledge has got priority. To provide professional knowledge and experience to the business students on actual picture of the business industry it requires practical orientation and exposures through internship within a specific period.

The internship program is an integral part of the MBA program that all the students have to undergo. At the end of the program, the internships are required to place the accomplishments and findings of the project through the writing of the internship repot covering the relevant topics. The report entitled "Financial Performance Evaluation of Agrani Bank Limited, A case on Syedpur Branch, Nilphamari", has been prepared as a partial fulfillment of MBA Program.

## 1.4 Objective of the Report

The main objective of this study is to **"Financial Performance Evaluation of Agrani Bank Limited (ABL) - A case on Syedpur branch, Nilphamari".**

The specific objectives of the study are:

- To calculate the financial ratios and identify the areas of concern.
- To identify and assess the present financial performance of ABL.
- To understand the implications in analyzing and interpreting the financial ratios.
- To identify the findings and raise possible recommendations for ABL.
- To observe and study various desk work of the Bank.
- To get a practical experience about the environment and performance trends of the Banking System.
- To present how the bank is operating in online & contributing to our country.
- To describe how the bank is offering and attracting to customers.
- Understanding the environment, functions and management of ABL.
- To fulfill the academic requirement.
- To identify major strengths and weaknesses of ABL in retail products in respect to other banks.

- To recommend for the successful operation of the services offered by ABL.
- To apply theoretical knowledge in the practical filed and dealing with the customers to gather practical knowledge.

## 1.5 Significance of the Report

Education will be most effective when theory and practice blends. Theoretical knowledge gets its perfection with practical application. And the internship is designed to bridge the gap between the theoretical knowledge and real application. We all know that there is no alternative of practical knowledge which is more beneficial than theoretical aspects. The prime reason of this study is to become familiar with the practical business world and to attain practical knowledge about the overall Banking and Corporate world, which is so much essential for each and every student to meet the extreme growing challenges in job market.

## 1.6 Importance of the Report

In order to achieve the customer's satisfaction product must be available in the right form of the right firm in the right place and the number that will allow customer to obtain possession of the product. Marketing is the performance of the business activities that direct the flow of goods and service from producer to customer or user in order to satisfy customer and accomplish the firm objectives.

Bank is a financial institution that maintains the financial stability of a country. It is an institute which is responsible for safeguarding the financial stability of a country. In modern age, the role of Banks is very wide as well as comprehensive. Agrani Bank Limited contributes over all the fields agriculture, small and middle industry, trade and commerce, foreign exchange and foreign trade, poverty alleviation, etc. and so more. So it is very much important to find out the problem and prospects of customer services of Agrani Bank Limited, Syedpur Branch, Nilphamari.

After knowing customer opinion about service and Bank performance of Agrani Bank Limited, Syedpur Branch, Nilphamari, we will be capable to measure customer satisfaction. Which problem we have found out from the SWOT analysis, the corporate branch will take initiative to solve these problems and give guidelines to Syedpur branch to be more profitable to ensure how to solve problems.

This study will be helpful for the students of MBA to gather practical knowledge along with their theoretical knowledge. It will also enrich the existing literature of comparative business.

## 1.7 Limitations of the Report

Observing and analyzing the broad performance of a bank and one of its branches are not that easy. Moreover due to obvious reasons of scrutiny and confidentiality, the bank personnel usually don't want to disclose all the statistical information about their organization. Time is another major limitation. The duration of the program was 90 days only and being a temporary member of the organization, it was not possible on my part to notice or express some of the sensitive issues and other aspects. However the some of the limitations I faced while preparing this report are listed as follows:

- The main obstacle while preparing this report was time. As the tenure of the internship program was only three months, it was not possible to highlight everything deeply.
- Confidentiality of information was another barrier that hindered the study.
- Sufficient records, publications were not available as per researcher requirement.
- Lack of experiences has also acted as constraints in the way of meticulous exploration on the topic.
- Very limited published material is available regarding a bank.
- Lack of current information.
- Web site and home are restricted by password.
- Restriction in bank to deliver information.
- There were some technical problems like data interpretation, transmission & data reservation.

# *Chapter 2*

# Methodology

## 2.1 Introduction

This report is a descriptive type of research which briefly reveals the overall financial performance by Agrani Bank Limited. It has also been administered by collecting secondary data. Annual reports of Agrani Bank Limited were the major secondary data sources in this regard. Ratio analysis and trend analysis have also been used as major tools for the financial performance analysis. The study is performed based on the information extracted from different sources collected by using a specific methodology. This report is analytical in nature.

The methods of completing the report have included some steps which were followed by one by one. First of all I selected the topic of the report then I had to collect information relating to the topic by primary and secondary sources and through daily conversations with officers. After gathering the information I had to determine the procedure of research and sampling plans. After gathering all the information I required, I have come up with an expected result of the report.

## 2.2 Data Collection

For carrying out this report I had to study the actual banking operations of ABL. In order to carry out this study, two sources of data have been used:

**a) Primary sources:**

i. Discussion with the concern Officials of ABL.

ii. Discussion with the customers.

iii. Expert Opinion.

iv. Practical exposure on the different section related to Credit Department.

**b) Secondary Sources:**

i. Annual Report of Agrani Bank Limited.

ii. Statement of Affairs.

iii. Bank’s Memorandum of Association.

iv. Periodicals published in Bangladesh Bank.
v. File Study.
vi. Brochures & Leaflets.
vii. Web site of Agrani Bank Limited.

For the "Financial Performance Evaluation of Agrani Bank Limited" I mainly used secondary data. Besides this I also collected some information by taking expert opinion from the officers and direct observations while I was doing the internship program at the bank.

## 2.3 Location of the Study

The area of my study has been encompassed the operation area of Agrani Bank Limited (ABL), Syedpur branch, Nilphamari.

## *Chapter 3*

## A Brief Overall Study on Agrani Bank Limited

### 3.1 Introduction

Agrani Bank Limited, a leading commercial bank with 921 outlets strategically located in almost all the commercial areas throughout Bangladesh, overseas Exchange Houses and hundreds of overseas Correspondents, came into being as a Public Limited Company on May 17, 2007 with a view to take over the business, assets, liabilities, rights and obligations of the Agrani Bank which emerged as a nationalized commercial bank in 1972 immediately after the emergence of Bangladesh as an independent state. Agrani Bank Limited started functioning as a going concern basis through a Vendors Agreement signed between the ministry of finance, Government of the People's Republic of Bangladesh on behalf of the former Agrani Bank and the Board of Directors of Agrani Bank Limited on November 15, 2007 with retrospective effect from 01 July, 2007.

Agrani Bank Limited is governed by a Board of Directors consisting of 13 (thirteen) members headed by a Chairman. The Bank is headed by the Managing Director & Chief Executive Officer; Managing Director is assisted by Deputy Managing Directors and General Managers. The bank has 11 Circle offices, 29 Divisions in head office, 62 zonal offices and 921 branches including 27 corporate and 40 AD (authorized dealer) branches.

### 3.1.1 Vision

To become the best leading state owned commercial bank of Bangladesh operating at international level of efficiency, quality, sound management, excellent customer service and strong liquidity.

### 3.1.2 Mission

To operate ethically and fairly within the stringent framework set by our regulators and to assimilate ideas and lessons from best practices to improve our business policies and procedures to the benefit of our customers and employees.

### 3.1.3 Motto

To adopt and adapt modern approaches to stand supreme in the banking arena of Bangladesh with global presence.

### 3.1.4 Values

We value in integrity, transparency, accountability, dignity, diversity, growth and professionalism to provide high level of service to all our customers and stakeholders inside and outside the country.

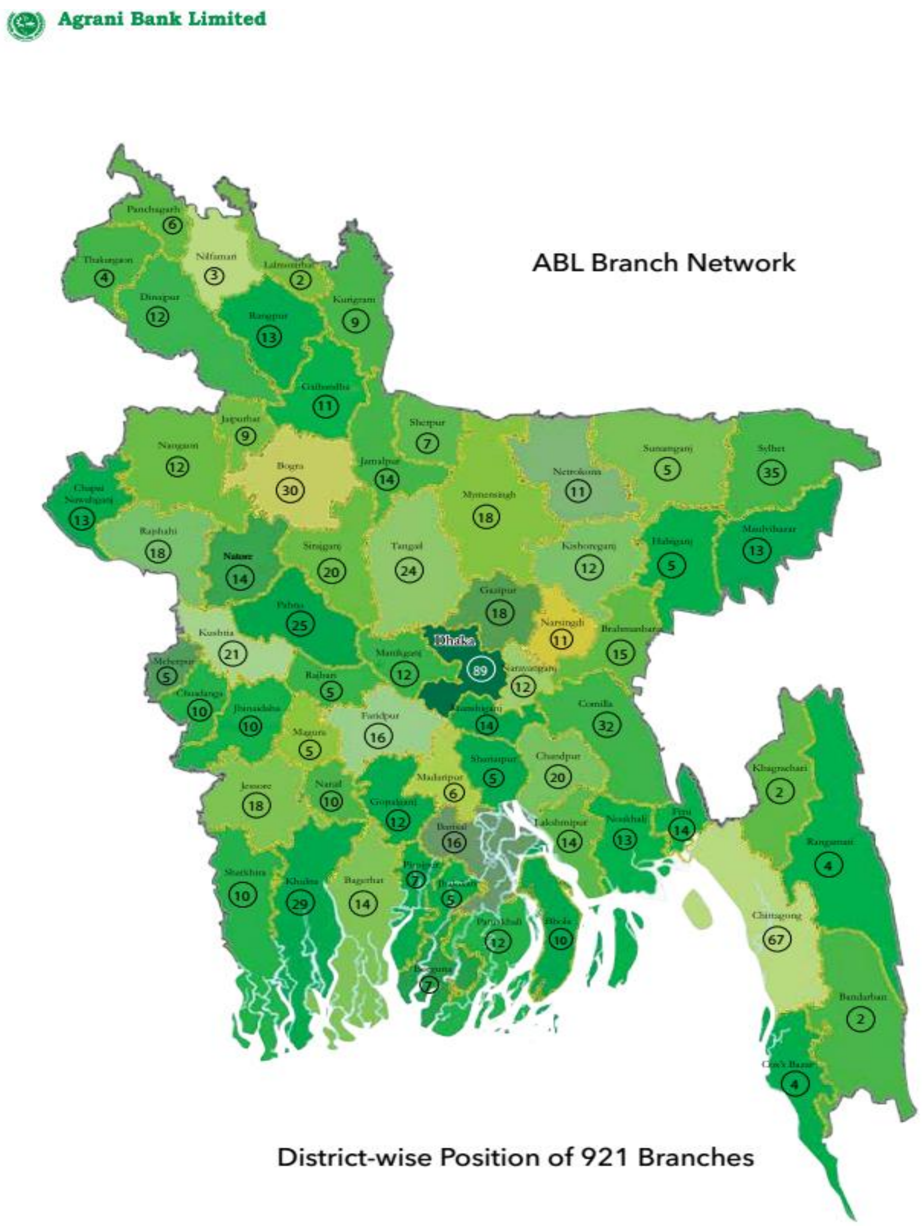
## 3.2 History of Agrani Bank Limited

Agrani bank, in pursuance of Bangladesh banks (nationalization) order 1972 (P.O. No-26 of 1972) came into being in 1971 taking over the assets and liabilities of the east while Habib bank ltd. And commerce bank ltd. Functioning in the then East Pakistan. The bank started operation with 249 branches with its head office in Dhaka. In principle, it changed its motto from class banking to mass banking. As there had been poor banking structure and it failed to build sound banking infrastructure by local entrepreneurs before independence and the newly born independent country was down with enormous economic problem, the new govt. Agrani Bank being one of the largest nationalized commercial bank must shoulder the responsibility of expanding its network in rural area. Presently bank has its 561 branches out of total 921 branches located in rural areas implementing as many as 29 programs targeting rural people. During my internship at Agrani Bank Ltd, I was placed in the Principal Branch under Head office of ABL. I enjoyed my total working with the young, skilled & professional employees and earn my knowledge regarding financial and non-financial performance of Agrani Bank ltd. Bangladesh.

## 3.3 Branches of ABL

On 26th March, 1972ABL was first started at Motijheel in Dhaka. At the age of 44 years it has established a total of 921 branches over the country and made a smooth network inside the country as well as throughout the world. Now it has 921 branches throughout the country.

### 3.3.1 District Wise Branches of ABL




## 3.4 Strategic Objectives of ABL

- Winning at least 6.50 percent share of deposits and 5.50 percent share of loans and advance of Bangladesh market.

- Gaining competitive advantage by lowering overall cost compared to that of competitors.
- Overtaking competitors by proving quality customer service.
- Achieving technological leadership among the peer group.
- Strengthening the Bank's brand recognition.
- Contributing towards the economic well-being of the country by focusing particularly on SME and agricultural Sectors.
- Strengthening research capability for innovative products.

## 3.5 Hierarchy of Agrani Bank Limited

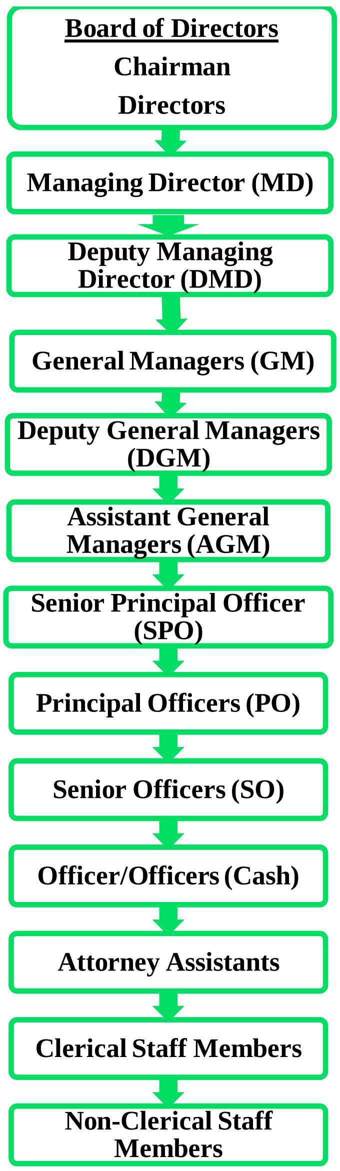



**Figure 3.1: Management Hierarchy of ABL**

## 3.6 Corporate Profile of ABL

**Agrani Bank Limited**

| | | | |
|---|---|---|---|
| Genesis | Agrani Bank Limited (ABL) was incorporated as a State owned. Commercial Bank (SCB) on 17 May 2007 under the Companies Act 1994. Agrani Bank emerged as a Nationalized Commercial Bank (NCB) following the Bangladesh Banks (Nationalization) Order 1972 vide President's Order No. 26 of 1972. On a going concern basis ABL took over the business, assets, liabilities, rights and obligations of Agrani Bank through a vendor's agreement signed on 15 November 2007 between the Ministry of Finance of the People's Republic of Bangladesh& the Board of Directors of ABL with retrospective effect from 1 July 2007. | | |
| Legal Status | Public Limited Company (Governed by the Bank Companies Act 1991) | | |
| Chairman | Zaid Bakht, PhD | | |
| Managing Director & CEO | Syed Abdul Hamid, PhD, FCA | | |
| Company Secretary | Khandaker Sajedul Haque | | |
| Registered Office | 9/D Dilkusha Commercial Area, Dhaka-1000. Bangladesh | | |
| Authorised Capital | Tk. 2500.00 Crore | | |
| Paid up Capital | Tk. 2,072.29 Crore | | |
| Operating Profit | Tk. 1,073.95 Crore | | |
| Credit Rating | By CRISL (Rating Date:31 August, 2014) | Long-Term | Short-Term |
| | Entity Rating 2013 (as Govt. Guaranteed Bank) | AAA | ST-1 |
| | Surveillance Rating 2013 (Stand Alone Basis) | BBB | ST-3 |
| | Surveillance Rating 2012 (Stand Alone Basis) | A+ | ST-2 |
| | Outlook | | Stable |
| Employee | 14,005 (officer 10,458, staff 3,547) | | |
| Branches | 921 | | |
| Branches of Urban Area | 455 | | |
| Branches of Rural Area | 466 | Authorised Dealer Branch | 40 |
| Circle Office | 11 | Circle Office | 11 |
| Authorised Dealer Branch | 40 | Subsidiary Companies | 4 |
| Number of Exchanges | 56 | ATM Booth (12+1138) | 1150 |
| Corporate Branch | 27 | Islami Windows | 5 |
| Zonal Office | 62 | | |
| Online Computerized Branch | 201 | | |
| LAN Based Computerized Branch | 702 | | |
| Number of Exchanges | 56 | | |
| Phone | +88-02-9566153-4, +88-02-9566160-9, +88-02-9566074-5 | | |
| Fax | +88-02-9562346, +88-02-9563662, +88-02-9563658 | | |
| SWIFT Code | AGBKBDDH | | |
| Website | www.agranibank.org | | |
| E-mail | agrani@agranibank.org info@agranibank.org | | |

*Chapter 4*

# Financial Performance Analysis: A Theoretical Aspect

## 4.1 Introduction

Financial performance analysis of a company is very important to get an overall view about an organization. It generally consists of interpretation of balance sheet and interpretation of income statement. By using these two sources one can perform the ratio analysis and trend analysis which are the major tools for analyzing the financial performance of a bank. It is the process of reviewing and evaluating bank's financial statements (such as the balance sheet or profit and loss statement), thereby gaining an understanding of the financial health of the company and enabling more effective decision making. Financial performance record financial data; however, this information must be evaluated through financial performance analysis to become more useful to investors, shareholders, managers and other interested parties.

## 4.2 Ratio Analysis

Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements, so that the strengths and weaknesses of a firm as well as its historical performance and current financial condition can be determined. The basic inputs to ratio analysis are the bank’s income statement and balance sheet.

## 4.3 Cautions about Ratio Analysis

Before discussing specific ratios, we should consider the following cautions:

- A single ratio does not generally provide sufficient information from which to judge the overall performance of the firm.
- Be sure that the dates of the financial statements being compared are the same.
- It is preferable to use audited financial statements for ratio analysis.
- Be certain that the data being compared have all been developed in the same way.

## 4.4 Group of Financial Ratios

Financial ratios can be divided into four basic groups or categories:

i. Liquidity Ratios
ii. Activity Ratios
iii. Leverage/Capital Structure Ratios &
iv. Profitability Ratios

Liquidity, activity, and leverage ratios primarily measure risk, profitability ratios measure return. In the near term, the important categories are liquidity, activity, and profitability, because these provide the information that is critical to the short-run operation of the firm. Debt ratios are useful primarily when the analyst is sure that the firm will successfully weather the short run.

## 4.4.i Analyzing Liquidity Ratios

The liquidity of a business firm is measured by its ability to satisfy its short term obligations as they come due. Liquidity refers to the solvency of the firm's overall financial position. The three basic measures of liquidity are:

**a. Net Working Capital**

Net Working Capital, although not actually a ratio is a common measure of a firm's overall liquidity. The working capital ratio is important to creditors because it shows the liquidity of the company. A measure of liquidity is calculated by subtracting total current liabilities from total current assets.

**Net Working Capital = Total Current Assets – Total Current Liabilities**

**b. Current Ratio**

One of the most general and frequently used of these liquidity ratios is the current ratio. Organizations use current ratio to measure the firm's ability to meet short-term obligations. It shows the bank's ability to cover its current liabilities with its current assets. Current asset includes inventory, trade debtors, advances, deposits and repayment, investment in marketable securities in short term loan, cash and cash equivalents, and current liabilities are comprised short term banks loan, long term loans-current portion, trade creditors liabilities for other finance etc.

**Current Ratio = Current Asset / Current Liabilities**

**c. Quick/Acid Test Ratio**

The quick ratio is a much more exacting measure than current ratio. This ratio shows a firm's ability to meet current liabilities with its most liquid assets. Quick assets are current assets that can be converted to cash within 90 days or in the short-term. Cash, cash equivalents, short-term investments or marketable securities and current accounts receivable are considered quick assets.The Quick Ratio is also called the Acid-test Ratio.

**Quick Ratio = (Cash– Inventories- Prepaid Exp.) / Total Current Liabilities**

**d. Inventory Turnover Ratio**

The inventory turnover ratio measures the number of times on average the inventory was sold during the period .The ratio is calculate the cost of goods sold by divide into average inventory. Inventory turnover ratio is also known as inventory turns ratio and stock turnover ratio.

**Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory**

**e. Accounts Receivable Turnover**

The Accounts receivable turnover is comparison of the size of the company sales and uncollected bills from customers. If any company is difficult to collect money so it has large account receivable and also indicates the low ratio. Instead of, if any company aggressive collection money so it has low receivable and also high ratio. This ratio measure the number of times are collected during the period. Account receivable turnover ratio formula is:

**Accounts Receivable Turnover = Sales / Accounts receivable**

**f. Accounts Payable Turnover**

The accounts payable turnover ratio is compute by account payable to sale. It measures the tendency of a company credit policy whether extend account payable or not. The account payable turnover ratio equation are as follow as;

**Accounts Payable Turnover = Sales / Accounts Payable**

**g. Operating Cost to Income Ratio**

It measures a particular Bank's operating efficiency by measuring the percent of the total operating income that the bank spends to operate its daily activities. It is calculated as follows:

**Cost Income Ratio = Total Operating Expenses / Total Operating Income**

## 4.4.ii Analyzing Activity Ratios

Activity ratios measure the speed with which accounts are converted into sale or cash. With regard to current accounts measures of liquidity are generally inadequate because differences in the composition of a firm's current accounts can significantly affects its true liquidity.

A number of ratios are available for measuring the activity of the important current accounts which includes inventory, accounts receivable, and account payable. The activity (efficiency of utilization) of total assets can also be assessed.

**a. Total Asset Turnover Ratio**

The total asset turnover indicates the efficiency with which the firm is able to use all its assets to generate sales. It considers all assets including property ,plant and equipment, capital working in process, investment –long term, inventories, trade debtors, advances, deposit and prepayment, investment in market securities, short term loan, cash and cash equivalents etc. In these criteria a high ratio means the organization is achieving more profit.
The formula is following as:

**Total Asset Turnover = Sales / Total Asset**

**b. Investment to Deposit Ratio**

Investment to Deposit Ratio shows the operating efficiency of a particular bank in promoting its investment product by measuring the percentage of the total deposit disbursed by the Bank as long & advance or as investment. The ratio is calculated as follows:

**Investment to Deposit Ratio = Total Investments / Total Deposits**

## 4.4.iii Analyzing Leverage/Capital Structure Ratios

The debt position of that indicates the amount of other people's money being used in attempting to generate profits. In general, the more debt a firm uses in relation to its total assets, the greater its financial leverage, a term use to describe the magnification of risk and return introduced through the use of fixed-cost financing such as debt and preferred stock.

**a. Debt-Equity Ratio**

The relationship between borrowed funds and owners capital is a popular measure of the long-term financial solvency of a bank. This relationship is shown by debt-equity ratios. This ratio reflects the relative claims of creditors and shareholders against the assets of the bank. Alternatively, this ratio indicates the relative proportions of debt and equity in financing the assets of a bank. The formula of this ratio is as follow:

**Debt-Equity Ratio = Total Debt / Shareholder's Equity**

**b. Equity Capital Ratio**

The ratio shows the position of the Bank's owner's equity by measuring the portion of total asset financed by the shareholders invested funds and it is calculated as follows:

**Equity Capital Ratio = Total Shareholder's Equity / Total Assets**

**c. Debt to Assets Ratio**

Debt to Assets (DTA) is important tools for measuring the leverage of an organization. The higher portion of DTA, the greater is the degree of risk because creditors must be satisfied before in the bankruptcy. The lower ratio of DTA provides to mitigate of protection for the supplier of debt.

**Debt to Assets Ratio = Total Debt / Total Assets**

**d. Time Interest Earned/ Interest Coverage Ratio**

The interest coverage ratio tells us how easily a company is able to pay interest expenses associated to the debt they currently have. The ratio is designed to understand the amount of interest due as a function of company's earnings before interest and taxes (EBIT). This ratio measures the extent to which operating income can decline before the firm is unable to meet its annual interest cost.

**Time Interest Earned Ratio = EBIT / Interest Charges**

## 4.4.iv Analyzing Profitability Ratios

Profitability ratios compare income statement accounts and categories to show a company's ability to generate profits from its operations. Profitability ratios focus on a company's return on investment in inventory and other assets. These ratios basically show how well companies can achieve profits from its operations. These measures evaluate the company's earnings with respect to a given level of sales, a certain level of assets, the owner's investment, or share value. Without profits, a firm could not attract outside capital. Moreover, present owners and creditors would become concerned about the company's future and attempt to recover their funds. Owners, creditors, and management pay close attention to boosting profits due to the great importance placed on earnings in the market place.

### a. Gross Profit Margin

Gross margin ratio is a profitability ratio that compares the gross margin of a business to the net sales. This ratio measures how profitable a company sells its inventory or merchandise. In other words, the gross profit ratio is essentially the percentage markup on merchandise from its cost. This is the pure profit from the sale of inventory that can go to paying operating expenses. A high operating profit margin is preferred. The gross profit margin is calculated as follows:

**Gross Profit Margin = Gross Profit / Sales*100**

### b. Net profit Margin

The net profit margin ratio, also called the return on sales ratio or gross profit ratio, is a profitability ratio that measures the amount of net income earned with each dollar of sales generated by comparing the net income and net sales of a company. In other words, the profit margin ratio shows what percentage of sales are left over ater all expenses are paid by the business. The higher the net profit margin is better. The net profit margin is calculated as follows:

**Net Profit Margin = Net Profit after Taxes / Sales*100**

**c. Return on Asset (ROA)**

Return on asset (ROA), which is often called the firms return on total assets, measures the overall effectiveness of management in generating profits with its available assets. In other words, the return on asset or ROA ratio measures how efficiently a company can manage its assets to produce profits during a period. The higher ratio is better.

**Return on Asset (ROA) = Net Profit after Taxes / Total Assets**

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

The Return on Equity (ROE) is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each dollar of common stockholder's equity generate. The Return on Equity (ROE) measures the return earned on the owners (both preferred and common stockholders) investment. Generally, the higher this return, the better off the owners.

**Return on Equity (ROE) = Net Profit after Taxes / Shareholders' Equity**

**e. Earnings per share (EPS)**

Earnings per share (EPS) are the company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's value for a market. It measures the profit available to the equity shareholders on a per share basis, that is the amount that they can get on every share held. It is widely used ratio.

**EPS = Net profit available to equity holders / No. of Ordinary shares outstanding**

**f. Price Earnings Ratio (P/E Ratio):**

The Price Earnings ratio (price-to-earnings ratio) of a stock is a measure of the price paid for a share relative to the income or profit earned by the firm per share.

**P/E Ratio = Price per Share / Earnings per Share**

## *Chapter 5*

## Financial Performance of Agrani Bank Limited: Empirical Result

## 5.1 Ratio Analysis:

### 5.1.1 Calculation of Liquidity Ratios:

The basic measures of liquidity of Agrani Bank Limited are:

**1.a. Net Working Capital:**

**Net Working Capital = Total Current Assets – Total Current Liabilities**

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| Total Current Assets | 239995658994 | 240688483957 | 284788337314 |
| Total Current Liabilities | 143590752346 | 137145629227 | 157243725777 |
| Net Working Capital | 96404906648 | 103542854730 | 127544611537 |

**Table 5.1: Calculating Net Working Capital**

**Graphical Presentation:**

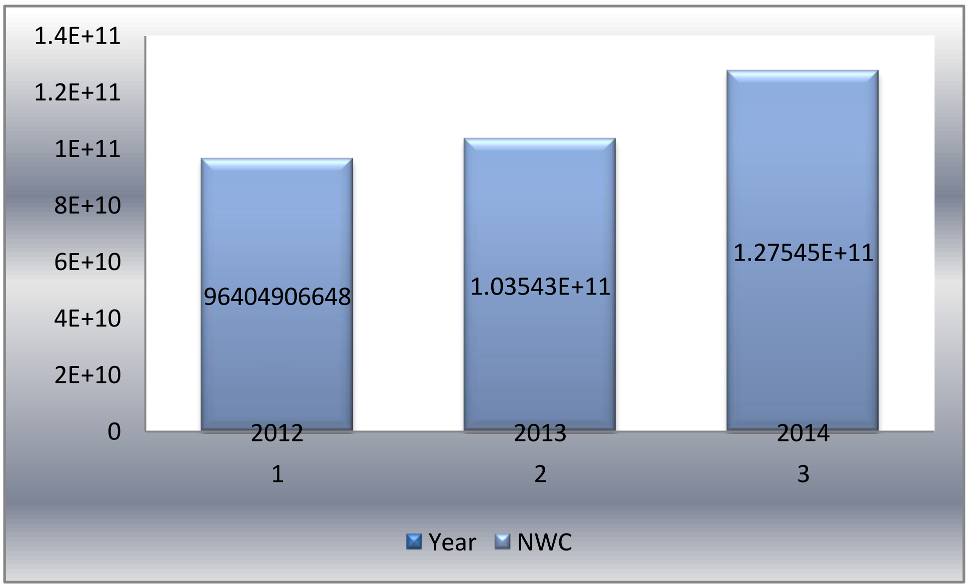



**Figure 5.1: Net Working Capital**

**Interpretation:**

Net working capital of Agrani Bank Limied (ABL) is improving from year 2012 to year 2014 which is very positive sign for the improvement of the bank. So, the bank is performing very well to meet up its current obligations and day to day of business.

**1.b. Current Ratio:**

**Current Ratio = Total Current Assets / Total Current Liabilities**

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Total Current Asset** | **239995658994** | **240688483957** | **284788337314** |
| **Total Current Liabilities** | **143590752346** | **137145629227** | **157243725777** |
| **Current Ratio** | **1.67** | **1.75** | **1.81** |

**Table 5.2: Calculating Current Ratio**

**Graphical Presentation:**

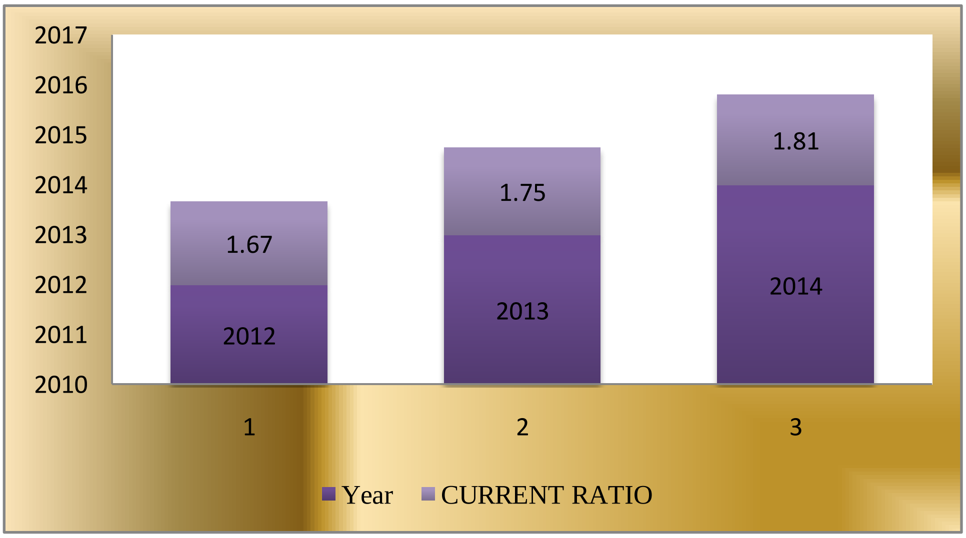



**Figure 5.2: Current Ratio**

**Interpretation:**

In this analysis it has seen that in year 2012 ABL's current ratio was 1.67 and in year 2013 and in year 2014 it was 1.75 and 1.81. Normally banks maintain current ratio 1:1 and we have seen that ABL maintains current ratio more than 1:1 ratios. It indicates that ABL's liquidity position is good.

### 1.c. Quick Ratio or Acid-Test Ratio:

Quick Ratio = (Cash + Government Securities + Receivable) / Total Current Liabilities

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Quick Asset** | **28906190656** | **41064185019** | **50933469426** |
| **Total Current Liabilities** | **143590752346** | **137145629227** | **157243725777** |
| **Quick Ratio** | **0.20** | **0.30** | **0.33** |

**Table 5.3: Calculating Quick Ratio**

**Graphical Presentation:**

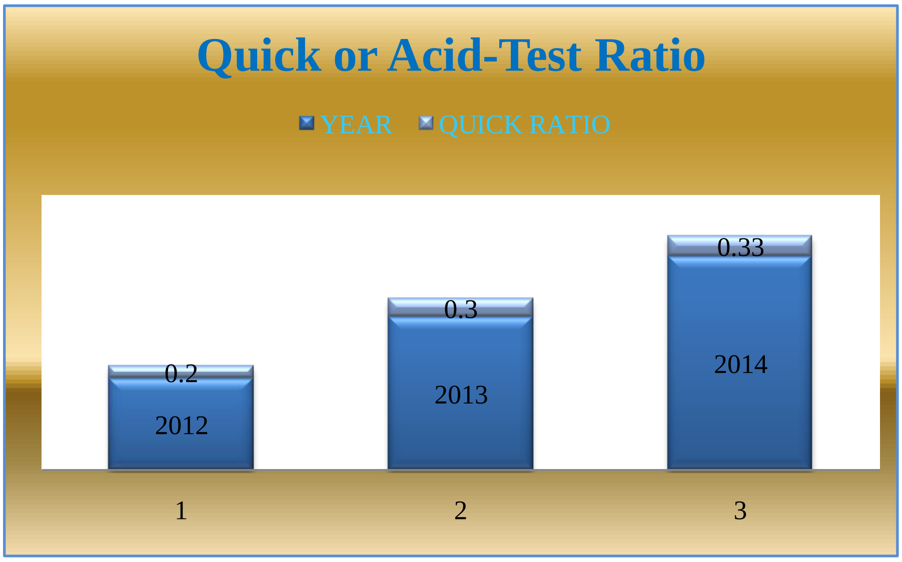



**Figure 5.3: Quick or Acid-Test Ratio**

**Interpretation:**

Quick ratio is a measurement of a firm’s ability to convert its current assets quickly into cash in order to meet its current liabilities. Quick Ratio or Acid-test Ratio of ABL increased from year 2012 to year 2014 at a slow rate. The ratios are not bad.

### 1.d. Operating Cost to Income Ratio:

Cost to Income Ratio = Total Operating Expenses / Total Operating Income*100

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Total Operating Expenses** | **7,318,773,309** | **8,204,969,980** | **9,101,877,919** |
| **Total Operating Income** | **17,416,673,021** | **19,084,886,317** | **20,203,619,392** |
| **Cost to Income Ratio** | **42%** | **43%** | **45%** |

**Table 5.4: Calculating Operating Cost to Income Ratio**

**Graphical Presentation:**

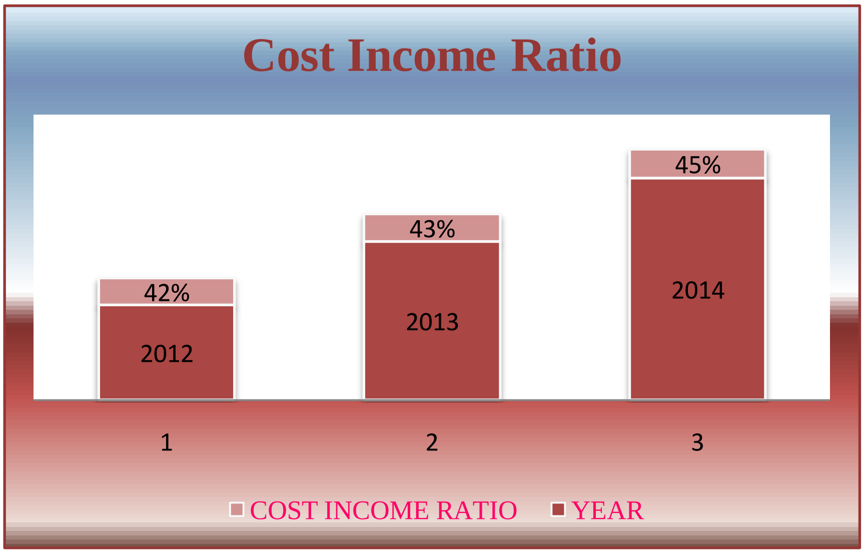



**Figure 5.4: Cost Income Ratio**

**Interpretation:**

We know that this ratio measures the operating efficiency of the bank by measuring the portion if the total operating costs relative to the total operating income of that bank and the higher the ratio, the lower the operating efficiency. In year 2012 the operating cost of ABL was 42% and in year 2013 increases to 43% and it was highest in year 2014 that is 45%. So it can be said that the efficiency of the ABL was able to minimize its operating cost during this time period. Cost to income ratios of ABL is increasing year to year which indicates negative sign.

## 5.1. 2 Calculation of Activity Ratios:

### 2.a. Total Asset Turnover Ratio:

Total Asset Turnover Ratio = Sales / Total Asset

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Sales** | **17,416,673,021** | **19,084,886,317** | **20,203,619,392** |
| **Total Asset** | **378,906,231,980** | **444,506,110,146** | **495,754,217,746** |
| **Total Asset Turnover** | **4.60%** | **4.29%** | **4%** |

**Table 5.5: Calculating Total Asset Turnover Ratio**

**Graphical Presentation:**

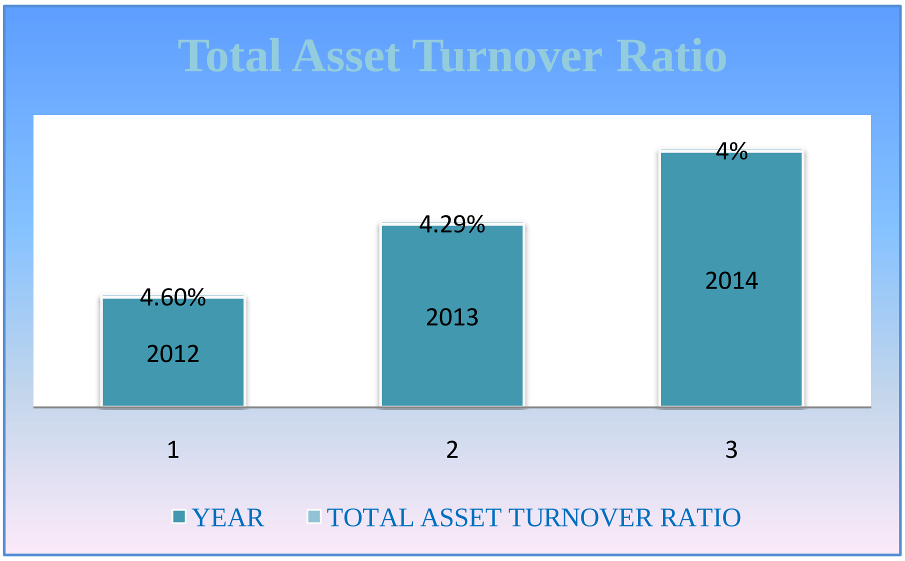



**Figure 5.5: Total Asset Turnover Ratio**

**Interpretation:**

The bank's total asset turnover continuously decreased from 4.60% in year 2012 to 4% in 2014. We know the greater the total asset turnover, it is more efficient. So it can be said that ABL is not performing very well in asset turnover. The bank needs to improve asset turnover ratio.

**2.b. Investment to Deposit Ratio:**

Investment to Deposit Ratio = Total Investments / Total Deposits

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| Total Investments | 96,590,995,943 | 155,974,378,981 | 158,586,411,548 |
| Total Deposits | 286938101469 | 342951352222 | 378124094305 |
| Investment to Deposit Ratio | 33.66% | 45.48% | 41.94% |

**Table 5.6: Calculating Investment to Deposit Ratio**

**Graphical Presentation:**

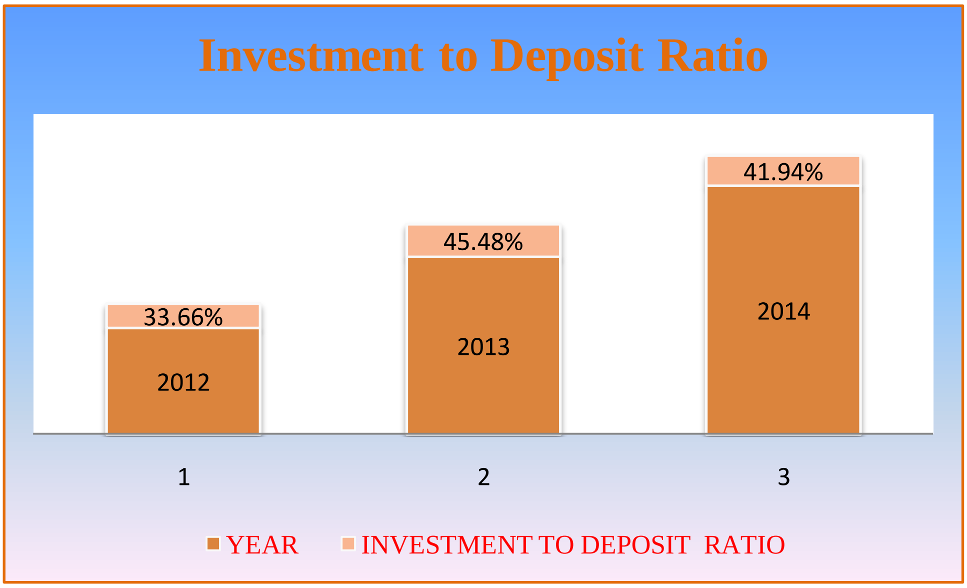



**Figure 5.6: Investment to Deposit Ratio**

**Interpretation:**

Investment to deposit ratio shows that which amount of deposit is used as investment. ABL's investment to deposit ratio was increased in year 2013 at a higher rate than year 2012 that is 33.66% to 45.48% but in year 2014 the ratio decreased to 41.94%. Which conveys negative signal for the bank.

## 5.1. 3 Calculation of Leverage/Capital Structure Ratios:

### 3.a. Debt to Asset Ratio:

Debt to Asset Ratio = Total Liabilities / Total Assets

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| Total Liabilities | 372,084,305,743 | 409,026,693,536 | 456,286,351,171 |
| Total Assets | 378,906,231,980 | 444,506,110,146 | 495,754,217,746 |
| Debt to Asset Ratio | 98.20% | 92% | 92.03% |

**Table 5.7: Calculating Debt to Asset Ratio**

**Graphical Presentation:**

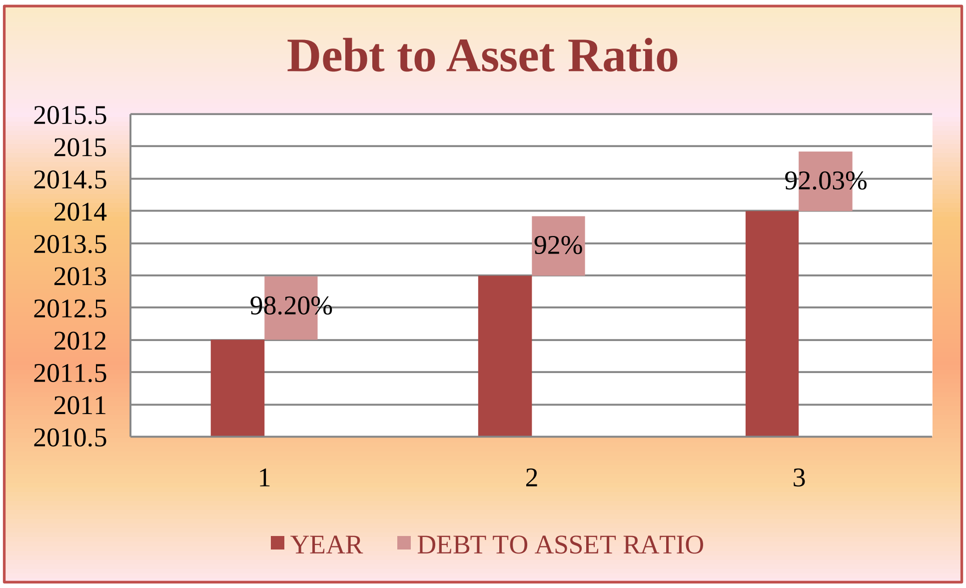



**Figure 5.7: Debt to Asset Ratio**

**Interpretation:**

Debt to asset ratio indicates how much portion of total assets is financed by the debt. When debt capital increases the cost of capital also increases and which decreases the firm's value. In case of decreasing debt capital the situation is vice versa. So every organization should give more emphasize on equity capital than debt capital. So lower the ratio, it is less risky. The debt ratio of ABL is decreasing from 98.20% in year 2012 to 92.03% in year 2014.

### 3.b. Debt/Equity Ratio:

Debt/Equity Ratio = Total Debt / Total Shareholders' Equity

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| Total Debt | 372,084,305,743 | 409,026,693,536 | 456,286,351,171 |
| Total Shareholders' Equity | 39,467,866,575 | 35,479,416,610 | 39,467,866,575 |
| Debt/Equity Ratio | 9.43% | 11.53% | 11.56% |

**Table 5.8: Calculating Debt/Equity Ratio**

**Graphical Presentation:**

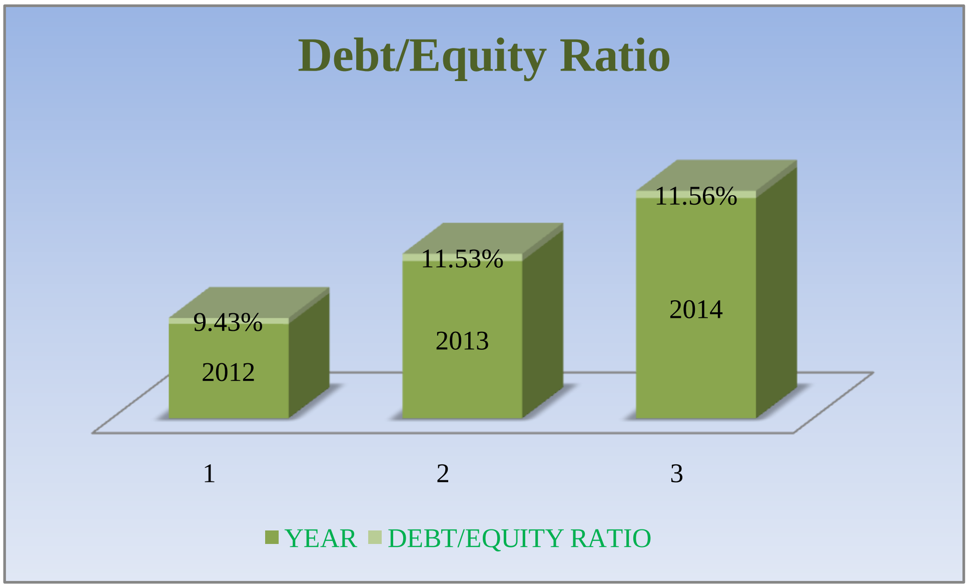



**Figure 5.8: Debt/Equity Ratio**

**Interpretation:**

The relationship between borrowed funds and owners capital is shown by debt/equity ratio. We see that debt/equity ratio of ABL is increasing from 9.43% to 11.56% in year 2012 to the year 2014. So the bank is using higher portion of debt and the current equity capital position of ABL is not satisfactory.

### 3.c. Interest Coverage /Time Interest Earned Ratio:

Interest Coverage Ratio = Earnings before Interest and Taxes (EBIT)/Interest or Fixed interest charges on loans

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **EBIT** | **(18,642,746,176)** | **7,133,559,079** | **1,867,077,672** |
| **Interest** | **19,912,055,753** | **22,397,814,571** | **22,006,811,296** |
| **Interest Coverage Ratio** | **-0.94%** | **0.32%** | **0.08%** |

**Table 5.9: Calculating Interest Coverage Ratio**

**Graphical Presentation:**

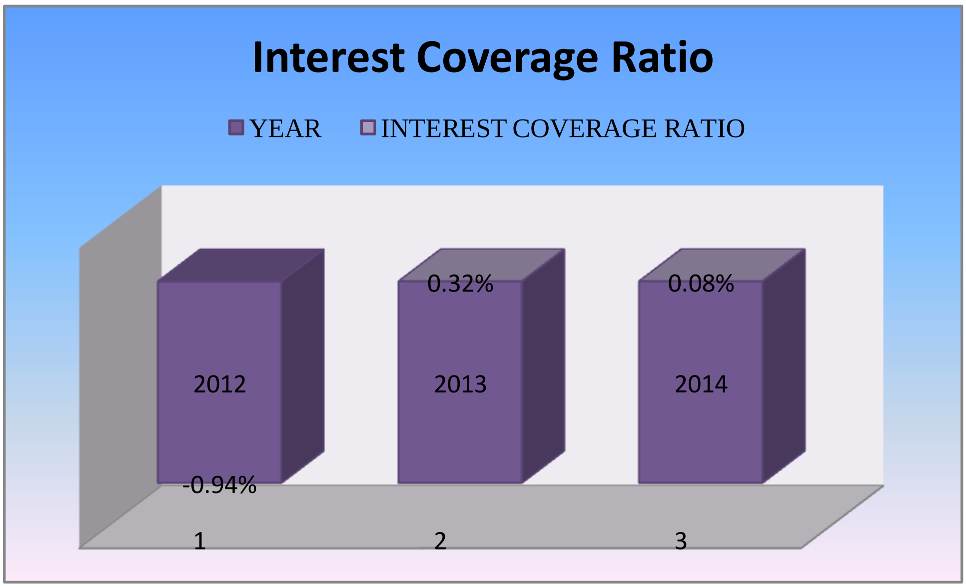



**Figure 5.9: Interest Coverage Ratio**

**Interpretation:**

Interest coverage ratio measures the debt servicing capacity of the firm insofar as fixed interest on long-term loan is concerned. The larger the coverage, the greater is the ability of the firm to handle fixed charge liabilities and the more assured is the payment of interest to the creditor. The interest coverage ratio is not satisfactory for ABL because in year 2012 the bank faced loss of profit which was -0.94% and in year 2013 the ratio increased to 0.32% and in year 2014 the ratio again decreased to 0.08%. This is negative sign for the bank.

## 5.1. 4 Calculation of Profitability Ratios:

### 4.a. Operating Profit Margin:

Operating Profit Margin = Operating Profit / Sales*100

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Operating Profit** | **10,097,899,713** | **10,879,916,337** | **11,101,741,473** |
| **Sales** | **17,416,673,021** | **19,084,886,317** | **20,203,619,392** |
| **Operating Profit Margin** | **57.98%** | **57%** | **54.94%** |

**Table 5.10: Calculating Operating Profit Margin**

**Graphical Presentation:**

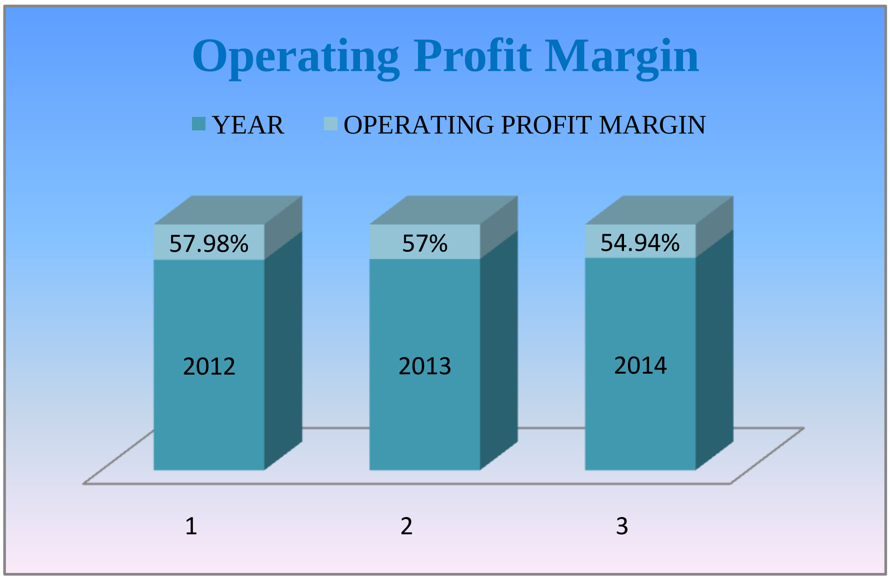



**Figure 5.10: Operating Profit Margin**

**Interpretation:**

In the year 2012 to 2014 ABL's operating profit margin is decreasing year by year which indicates that the bank's operating result is not good. The bank need to be more careful to increase its operating profit margin.

**4.b. Net Profit Margin:**

Net Profit Margin = Net Profit after Taxes / Sales*100

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Net Profit after Taxes** | **(18,620,572,069)** | **9,215,995,245** | **2,064,869,500** |
| **Sales** | **17,416,673,021** | **19,084,886,317** | **20,203,619,392** |
| **Net Profit Margin** | **-108.95%** | **48.29%** | **10.22%** |

**Table 5.11: Calculating Net Profit Margin**

**Graphical Presentation:**

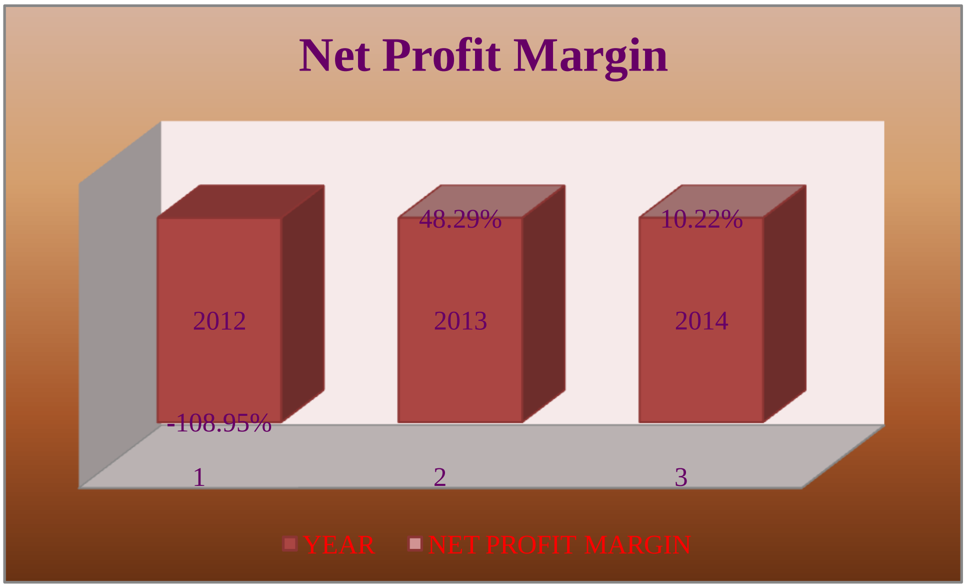



**Figure 5.11: Net Profit Margin**

**Interpretation:**

In the year 2012 ABL's net profit margin was decreased at a greater rate to -108.93%, as a result ABL faced a severe loss of profit year by year which indicates that the bank's operating result is not good. The bank recovered its loss in year 2013 to 48.29% and in year 2014 the ratio again decreased at a higher rate to 10.22%. The higher the ratio, the higher the profit. The banks net profit margin is not satisfactory and it needs to be more careful about making profit.

**4.c. Return on Asset (ROA):**

Return on Asset (ROA) = Net Profit after Taxes / Total Assets*100

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Net Profit after Taxes** | **(18,620,572,069)** | **9,215,995,245** | **2,064,869,500** |
| **Total Assets** | **378,716,418,928** | **444,506,110,146** | **495,754,217,746** |
| **Return on Asset** | **-4.92%** | **2.07%** | **0.42%** |

**Table 5.12: Calculating Return on Asset (ROA)**

**Graphical Presentation:**

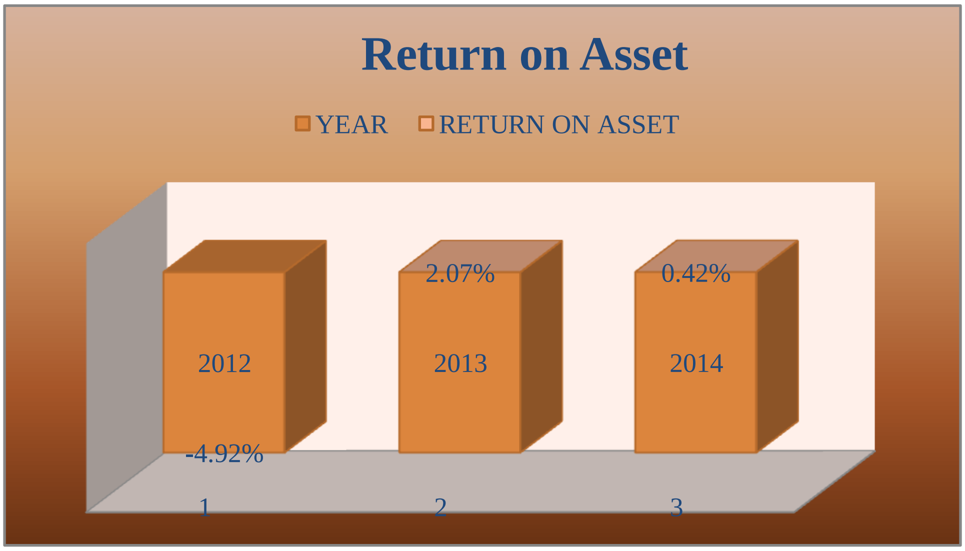



**Figure 5.12: Return on Asset (ROA)**

**Interpretation:**

From the analysis it has seen that ABL's return on asset increased -4.92% to 2.07% from the year 2012 to 2013 but in 2014 it decreased to 0.42%. That means that during year 2012 to 2013 the bank utilized their assets properly compared to the year 2014.

### 4.d. Return on Equity (ROE):

Return on Equity (ROE) = Net Profit after Taxes / Shareholders' Equity*100

| Year | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Net Profit after Taxes** | **(18,620,572,069)** | **9,215,995,245** | **2,064,869,500** |
| **Shareholders' Equity** | **7,163,476,171** | **35,479,416,610** | **39,467,866,575** |
| **Return on Equity** | **-259.94%** | **25.98%** | **5.23%** |

**Table 5.13: Calculating Return on Equity (ROE)**

**Graphical Presentation:**

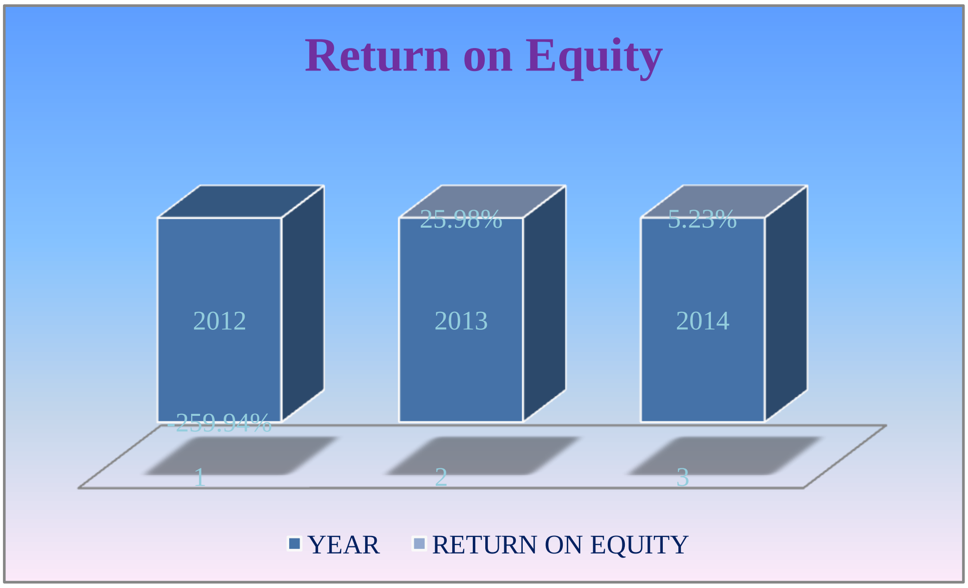



**Figure 5.13: Return on Equity (ROE)**

**Interpretation:**

From the above graph, it is seen that the ROE of ABL increased from -259.94% to 25.98% year 2012 to year 2013 which is good sign but then decreased to 5.29&% in year 2014. This ratio also indicates that the bank is not utilizing its equity capital properly and this also decreases profit of the bank. This is negative sign for ABL.

# Chapter 6

# SWOT Analysis

## 6.1 Introduction:

SWOT Analysis is an important tool for evaluating the company's Strengths (S), Weaknesses (W), Opportunities (O) and Threats (T). It helps the organization to identify how to evaluate its performance and scan the macro environment, which in turn would help the organization to navigate in the turbulent ocean of competition. Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in its whole life cycle. The SOWT analyses of ABL are as follows:

## 6.2 Strengths:

- The banking services are easily accessible and feasible.
- The advances growth of the bank is increasing rapidly.
- The bank is a member of ATM network along with other ten banks which enabled the bank to extend modern banking facility to the customer.
- Pioneer amongst the nationalized banks to introduce online banking.
- Fast, accurate and satisfactory customer service.
- Large number of deposit mix.
- It has Debit card facilities for the client of the bank.
- With the approved policy and guidelines of the management of ABL is able to provide quality service to its client and society.
- ABL has established approved policies covering major risk areas.
- ABL already achieved a good will among the clients.
- ABL has research and training division.

## 6.3 Weaknesses:

- Being a nationalized commercial bank, the numbers of branches are limited.
- Numbers of ATM Booth are also very limited.

- Number of manpower is fewer than the volume of works that create problem for providing efficient service to the client.
- ABL lacks aggressive advertising.
- The procedure of credit facility is to long compare to other banks.

## 6.4 Opportunities:

- Scope to increase number of branches.
- Scope to establish ATM booths.
- ABL can introduce more innovative and modern customer service.
- Many branches can be opened in local remote area as its high demand.
- ABL can recruit experienced, efficient and knowledgeable officers and staffs as it offers good working environment.

## 6.5 Threats:

- Increasing competition from other banks.
- Change of Government rules and regulation.
- ABL might face the challenges of local currency devaluation and inflationary pressure of the economy.
- Inadequate political stability.
- The worldwide trend of mergers and acquisition in financial institutions is causing problems.
- Frequent taka devaluation and foreign exchange rate fluctuation are causing problems.
- Lots of new banks are coming in the scenario with new service.
- Local competitors can capture huge market share by offering similar products.

## *Chapter 7*

## Findings, Recommendations & Conclusion

### 7.1 Findings

**Some major findings are:**

- During analyzing the Net Working Capital of ABL we have seen that the Net Working Capital increased from the year 2012 to 2014 which indicates the bank is expanding its business.

- In the analysis we have seen that in ABL's Current Ratio was increasing 2012 to 2014. Normally banks maintain current ratio 1:1 and we have seen that ABL maintains current ratio more than 1:1 ratios. It indicates that ABL's liquidity position is good.

- During the year 2012 to 2014 Operating Cost to Income Ratio of ABL increases which indicates negative sign. We know that the lowest the ratio, the higher the operating efficiency.

- The greater the Total Asset Turnover Ratio, it is considered for more efficiency. From the analysis it has seen that the Total Asset Turnover Ratio of ABL is continuously decreasing which indicates ABL's bad efficiency.

- ABL's Investment to Deposit Ratios were increasing and than decreasing in years 2012 to 2014 which conveys negative signal for the bank. Which the bank should investigate further.

- From the analysis it has also seen that ABL's Debt to Asset Ratios were continuously decreasing but at a slow rate, which is positive signal for the bank.

- The Debt Equity Ratio which shows the position of the bank's owner's equity by measuring the portion of total asset financed by the shareholders invested funds. We see that Debt Equity Ratio of ABL is increasing continuously from the year 2012 to the year 2014 which the bank should investigate further.

- During the year 2012 to 2014 ABL's Net Profit Margin is decreasing year by year which indicates that the bank's operating result is negative.

- From the analysis it has seen that ABL's Returns on Asset Ratios (ROA)were gradually increasing from 2012 to 2013 that means that year bank utilize their assets properly but in the year 2014 it decreases to 42% which is a warning to the bank.

- The bank's Return on Equity (ROE) first increases during the year 2012 to 2013 and then decreased to 5.23% in year 2014.

## 7.2 Recommendations

It is not unexpected to have problems in any organization. There must be problems to operate an organization. But there must be remedies to follow. The following commendations can be suggested to solve the above mentioned problems:

- As we have seen that Current Ratios of ABL from 2012 to 2014 were satisfactory range so our first recommendation is, ABL should maintain this for smooth operations.

- ABL's Operating Cost to Income Ratio increased from 2012 to 2014 which shows the operating cost is increasing more than the income. So the bank should find a way to minimize their operating costs efficiently for earning profits.

- As, Total Asset Turnover Ratios show the efficiency of the organization, ABL should improve their current progress.

- As Investment to Deposit Ratio shows that which amount of deposit is used as investment ABL should maintain the growth for greater profit.

- Debt to asset ratio indicates how much portion of total assets is financed by the debt. When debt capital increases the cost of capital also increases and which decreases the firm's value. In case of decreasing debt capital the situation is vice versa. So every organization should give more emphasize on equity capital than debt capital. So lower the ratio, it is less risky. The debt ratio of ABL is increasing from 0.889 to 0.914. So the bank needs to emphasize more on equity capital.

- We see that Debt Equity Ratio of ABL is increasing continuously from the year 2012 to the year 2014, in which bank should pay attention.

- The Operating Profit Margin of ABL is decreasing trend and this is alarming. The bank should take many steps to increase their operating efficiency.

- Net Profit Margin is decreasing year by year which indicates that the bank's operating result is negative which is a warning for the bank. Careful investigation should be made.

- From the analysis we have seen that the ROA & ROE of ABL first increased from 2012 to 2013 but then decreased in 2014. They should try improving these.

## 7.3 Conclusion

The Banking sector in any country plays an important role in economic activities. Bangladesh is no exception of that. As because it's financial development and economic development are closely related. That is why the commercial banks are playing significant role in this regard. After all the findings, it is concluded that financial ratios are the basic and most important part of any business. It describes the firm's financial position. Here four groups of parameters have been used to measure liquidity level, profitability level, activity level and capital structure of Agrani Bank Limited. The overall liquidity, profitability, activity and capital structure ratio of Agrani Bank Ltd is better. So, we can say that the Agrani Bank Ltd strategies are clear and concise and the return is attractive compare with any other bank in Bangladesh. If the Agrani Bank Ltd goes this way, one can expect that in future Agrani Bank Ltd may become one of the top performers in the banking sector. From the discussion it can be concluded that Agrani Bank Ltd playing an important role in the economic development of the country and it has a prospect future to have a very good position in the Banking sector. But Agrani Bank Limited have some unrecovered loan that occurs negative impact on their goodwill, liquidity, profitability and leverage level. To recover this problem both bank have to provide loan on the basis on background check of an organization or individual and appropriate security against loan. So, for better performance of ABL need to take corrective action against drawback.

Agrani Bank Limited (ABL) is one of the widely expanded Banks in Bangladesh. Due to the threat of deposit shortage, this bank may minimize its different types of unnecessary expenditure and should maximize profit through launching new schemes and obtain different people's belief.

Finally, it can be said that, the overall financial performance of Agrani Bank Limited (ABL) is satisfactory in the context of Bangladeshi economy.

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