THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Financial Performance Analysis of Selected Private Conventional Commercial Banks of Bangladesh

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***Abstract*:**
This research paper has examined the performance of conventional i.e. .interest based commercial banks of Bangladesh by using secondary data from 2008-2012 and found that the sample six banks are doing better on an average. But when hypothesis was tested to find out whether there is any significant effect of Operating Income-Operating Expense ratio (OI/OE), Total Loan-Total Deposit ratio (TL/TD), Non Performing Loan-Total Loan ratio (NPL/TL), Total Loan-Total Asset ratio (TL/TA) on Return on Asset (ROA) and Return on Equity it was found that there is statistically no significant effect of those variables on ROE and ROA. This work will give insight about the present performance of the selected banks that will lead to achieve better future performance for the banking sector of Bangladesh.

Keywords: *Financial Performance, Private Conventional Commercial Banks, Bangladesh*

1. Introduction

Banks are now-a-days the most promising & established institutions of any economy. Banking is now an essential part of our economic system. Modern trade and commerce would almost be impossible without any availability of banking services (Chowdhury and Ahmed, 2009). As a developing country, Bangladesh is also dependent mostly on the banks for its financial transaction. Now 53 banks are operating in the country with three types of customers i. e. individuals (net suppliers of fund), business organizations (net demanders of fund) & Government Unit (net demander of fund). For managing money these customers are engaged twenty four hours with their banks. Service is now digitalized. People can take service from a bank anytime from anywhere and for any financial purpose with the help of modern services & mechanisms of banks. People trust banks a lot which acts as intermediary between the surplus sector & deficit sector of the economy. So it is a very important question that how these banks are performing? Whether it is getting better or worse position? Financial performance is a subjective measure of how well a bank can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance helps us to measure the results of a firm's policies and operations in monetary terms (Almazari, 2011). Performance evaluation is an important prerequisite for sustainable growth and development of any situation. It is customary in commercial banks to evaluate the pre-determined goals and objectives, with the changes goals and objectives, criterion of revaluation has undergone changes overtime (Sarker, 1999). According to Siddikee et. al. (2013) sound profitability and growth of banks in Bangladesh has a major impact on internal capital generation. And that is why commercial banks are trying to differentiate them by introducing innovative products and services (Parvin and Perveen, 2012). Another research by Rayhan et.al. (2011) tells that evaluation of banks' financial performance is important for all parties like depositors, bank managers, stockholders, creditors, regulators and educationalist. In a competitive market bank performance provides signals to depositors whether to invest or withdraw fund from the bank. Similarly it flashes direction to bank managers whether to improve its deposit or loan service or both to improve its finance. Stockholders and creditors use the performance to evaluate the attractiveness of the bank as an investment by examining it stability to meet its current and expected future financial obligation. Regulator is also interested to know its regulation purpose. Educationalist can also use this for their research. So this study is a demand of time. This study addresses the above mentioned aspects by taking six banks as sample. The findings of this research will help the aforesaid parties.

2. Literature Review

- **Abbas et.al (2012)** in the study "A Comparison of Financial Performance in the Banking Sector: Some Evidence from Pakistani Commercial Banks" have examined the financial performance of top five scheduled banks of Pakistan by using dependent variables as return on assets, return on equity , return on fixed operating assets, growth and average of assets and equity and independent variables as total assets, total equity and total operating fixed assets and revealed that banks having more of independent variables do not mean that banks will have more of dependent variables.

- **Alam and Riyadh (2003)** have done a research in the name of "Measuring Productivity and Profitability of Banking in Bangladesh" and analyzed the financial health along with productivity of each bank, each category of banks and the banking sector as a whole. Here a comparative analysis between the different sectors has been conducted and also the reasons behind good and bad performance of the banks have been identified. The result shows that foreign commercial banks do the best performance due to on line banking, efficient and well paid employees, good handling of client. On the other hand, nationalized commercial banks are lagging behind due to overstaffing, inefficient management and employee, interferences of the trade union.
- **Almazari (2011)** has shown the financial performance of commercial banks in the article of "Financial Performance Evaluation of Some Selected Jordanian Commercial Banks". The researcher has conducted tabulation, analysis of variance, and correlation and regression analysis by using interest income and return on equity as dependent variables and bank size (asset), operational efficiency and utility as independent variables.
- **Banik and Das (2013)** in the research "Comparison of Financial Performance of State Owned Commercial Banks: A Case Study of Bangladesh" have used some ratios to know the performance of the selected banks and to find out the link between the ratios where the dependent variables are return on assets and return on equity and independent variables are credit to deposit ratio, percentage of nonperforming loan, loan to asset ratio, percentage of classified loan. By analyzing correlation, regression and t test they inferred that return on asset has negative correlation with non performing loan, percentage of classified loan whereas positive relationship with loan to asset ratio, loan to deposit ratio. And in case of return on equity, there is positive relation with loan to asset ratio, loan to deposit ratio but negative relation with non performing loan and percentage of classified loan.
- **Biswas and Yeshmin (2010)** have done research work on "Evaluation of Retail Products Performance of Listed Banking and Financing Companies of Bangladesh" and categorized retail activities into three segments (most frequently used as score 1, frequently used as score 2 and less frequently used service as score 3) and it has been found that these three categories of retail activities could explain 74.75% of total variability of corporate retail performance.
- **Choong et.al.(2012)** in the article "Performance of Islamic Commercial Banks in Malaysia: An Empirical Study" have shown that appearance is the most significant factor for bank performance.The regression model that is comprising of dependent variables(Return on Asset and Return on Equity) and the independent variables (liquidity, credit risk, capitaliation, size of the bank, concentration and eocnomic conditions) is showing credit risk as the most influential factor for the performance of local banks in Malaysia whereas liquidity rate and concentration of those banks in the industry have also been found as important.
- **Chowdhury & Ahmed (2009**) in the research paper "Performance Evaluation of Selected Private Commercial Banks in Bangladesh" evaluated the performance of selected private commercial banks of Bangladesh by using statistical measures like growth percentage, trend equation, correlation coefficient & correlation matrix and found that all banks are able to achieve stable growth in the term of branch, employees deposit, loans & advances, net income, earnings per share during the study period of 2002-2006.
- **Chowdhury & Chowdhury (2011**) in the research paper "Performance Evaluation of Agricultural Banks in Bangladesh" have conducted different statistical analysis like growth percentage, trend equation, square of correlation coefficient and correlation matrix to get insight about the performance of agricultural banks of Bangladesh and the analysis has shown these banks are able to achieve a steady growth of number of employees, number of branch, deposit, loans, & advances, and the trends are almost positive for all factors.
- **Devydenko (2011)** in the study "Determinants of Bank Profitability in Ukraine" has examined the profitability status of banks in Ukraine. And in this article bank specific, industry specific and macroeconomic indicators have been related to the overall profitability by using panel data from 2005-2009 and findings reveal that the banks suffer from low liquidity of loans and they do not manage profit that can be extracted from deposit. But the banks manage benefit from exchange rate depreciation. The study is showing evidence for difference in profitability pattern of banks with different types of ownership and these banks can consolidate for getting better benefit from economies of scale.
- **Hassan and Bashir (2003)** have conducted a research on "Determinants of Islamic Banking Profitability" and analyzed how bank characteristics and financial environment can affect the performance of banks. By utilizing bank level data they have found that controlling for macroeconomic environment and structure of financial market have negative effect while taxation creates positive effect on the performance. High capital level, loan to assets ratio make higher profit for the banks.
- **Hidayat & Abduh (2012)** in the research named as "Does Financial Crisis Give Impacts on Bahrain Islamic Banking Performance? A Panel Regression Analysis" has shown the impact of global financial crisis toward the financial performance of Islamic banking industry by using panel regression model that shows Logarithm of total assets, total equity and overhead expenses have significant impact on the performance.
- **Jaffer & Manarvi (2011)** in the research paper "Performance comparison of Islamic and Conventional banks in Pakistan" have identified that the Islamic banks perform better than conventional banks regarding capital processing and liquidity position but conventional banks are better than their counterparts regarding management quality and earnings ability and loan loss ratio. Only for assets quality both banks posses same position.
- **Jha and Hui (2012)** in the article"A Comparison of Financial Performance of Commercial Banks: A Case Study of Nepal" have used eighteen commercial banks of Nepal. In this study multivariate regression analysis has been used to estimate the impact of capital adequacy ratio, non performing loan ratio, interest expense to total loan, net interest margin

ratio and credit to deposit ratio on the profitability named as return on assets and return on equity. It has been found that public sector banks are less efficient than their counterparts, but domestic private banks are as efficient as foreign-owned banks. At last it is concluded that there is significant influence of capital adequacy ratio, interest expense to total loan and net interest margin ratio on return on equity.

- **Mahmud and Islam (2010)** in the article "A Comparative Study on Performance Evaluation of Conventional Banks and Islamic Banks in Bangladesh with Special Reference to Islami Bank Bangladesh Limited" have done analysis such as general business measures, profitability ratios, social profitability measures and revealed both the conventional and Islamic banks have greater contribution to the economy of Bangladesh but Islamic banks are performing better than conventional banks.
- **Olweny and Shipho (2011)** in the work "Effects of Banking Sectoral Factors on The Profitability of Commercial Banks in Kenya" have shown that bank specific factors had a statistically significant impact on profitability of bank but market factors did not have.
- **Rahman and Farah (2012)** in the research entitled" Non Bank Financial Institutions' Profitability Indicators: Evidence from Bangladesh" have used thirty non bank financial institutions and conducted simple regression, multiple regression and F test to find out the impact of five independent variables named as current assets, financial expense, long term liability, interest income and operating revenue on the only dependent variable for profitability named as net profit. This study has revealed that liquidity condition (current assets) and operating efficiency (operating revenue) have considerable relationship with the profitability of these institutions.
- **Rayhan et.al. (2011)** in the article "Performance Evaluation and Competitive Analysis of State Owned Commercial Banks in Bangladesh" have found state owned commercial banks in Bangladesh are not able to achieve a stable growth, net profit, earnings per share, return on equity, return on assets, net asset value per share but they are capable to achieve a stable growth of deposit, loan and advances, equity. These banks have high non performing loan, classified loan with positive trend for deposit, asset and expense while negative trend for number of employees.
- **Sarker (1999**) in the research work "Islamic Banking in Bangladesh: Performance, Problems and Prospects" has shown that Islamic banks cannot operate with their full efficiency if they operate business under conventional framework.
- **Siddique et.al (2013)** in the research paper on "Banking Scenarios in Bangladesh" have found that sound profitability and growth of banks in Bangladesh has a major impact on internal capital generation. The banks' activities are showing the increasing trend and it does not only take deposit but its activities are becoming widespread and contributing to the economic development of the country.
- **Tashfeen and Liton (2010)** in an article named as "Is the Cost of Capital an Important Determinant of Market Performance of Private Commercial Banks in Bangladesh?" have examined the kind of relationship exist between cost of capital and stock market performance and the study has revealed there is strong negative correlation between cost of capital and stock market performance as the capital market of Bangladesh is more vibrant and efficient as well as the returns on the stock can be explained by the variation of the cost of capital.
- **To and Tripe (2002)** in their work titled as "Factors Influencing the Performance of Foreign-Owned Banks in New Zealand" have attempted to find out the factors that affect the performance of foreign-owned banks in New Zealand by using cross sectional time series data and by employing econometrics it has been found that length of time the banks are operating in New Zealand as well as parent's bank return on assets are the most contributing factors towards making good bank performance.
- **Wasiuzzaman & Tarmizi (2010)** have done research on "Profitability of Islamic Banks in Malaysia: An Empirical Analysis and their study have shown that capital and asset qualities have a negative relationship with bank profitability while liquidity and operational efficiency have a positive relationship. Finally, the macroeconomic variables show that both inflation and growth of domestic product have positively influenced the bank profitability.

3. Objectives of the Research

- To evaluate the performance of private conventional commercial banks of Bangladesh as well as to know which factors are affecting the performance of the banks and which are not affecting.
- To make a comparison among banks to know their ranking based on their performance.
- To identify the problems those make barriers for better performance of banks.
- To recommend some suggestions that will help overcome the problems & run the business for sustainable contribution towards the economy.

4. Research Methodology

This research has been conducted based on the secondary data collected from annual reports of the sample six (06) banks named as BRAC bank ltd. (BBL), Southeast bank ltd.(SBL), Mercantile bank ltd.(MBL), Dutch Bangla bank ltd.(DBBL), Trust bank ltd.(TBL). These banks have been chosen due to their large business volume & reputation in the banking world of Bangladesh. Data from the year 2008-2012 have been selected for analyzing the performance. Also relevant articles, books, websites, internet have been used as the important sources of secondary data. The collected data have been analyzed by using tabulation of average growth of banks' different aspects, grand ranking of positive and negative aspects and regression model in SPSS version no.16. Here for running the regression some dependent and independent variables have been used, those are:
Dependent: Return on Equity (ROE) and Return on Asset (ROA).

Independent: Operating Income-Operating Expense ratio (OI/OE), Total Loan-Total Deposit ratio (TL/TD), Non Performing Loan-Total Loan ratio (NPL/TL), Total Loan-Total Asset ratio (TL/TA).To achieve the objective no.01 the following hypothesis have been developed:

- **$H_1$0**=There exists no statistically significant effect of Operating Income-Operating Expense ratio (OI/OE), Total Loan-Total Deposit ratio (TL/TD), Non Performing Loan-Total Loan ratio (NPL/TL), Total Loan-Total Asset ratio (TL/TA) on Return on Equity (ROE).
- **H_1a**=There exists statistically significant effect of Operating Income-Operating Expense ratio (OI/OE), Total Loan-Total Deposit ratio (TL/TD), Non Performing Loan-Total Loan ratio (NPL/TL), Total Loan-Total Asset ratio (TL/TA) on Return on Equity (ROE).
- **$H_2$0**=There exists no statistically significant effect of Operating Income-Operating Expense ratio (OI/OE), Total Loan-Total Deposit ratio (TL/TD), Non Performing Loan-Total Loan ratio (NPL/TL), Total Loan-Total Asset ratio (TL/TA) on Return on Asset (ROA).
- **H_2a**=There exists statistically significant effect of Operating Income-Operating Expense ratio (OI/OE), Total Loan-Total Deposit ratio (TL/TD), Non Performing Loan-Total Loan ratio (NPL/TL), Total Loan-Total Asset ratio (TL/TA) on Return on Asset (ROA).

Also an equation of linear regression has been developed, those are:

$Y_t = a_0 + b_1 x_1 + b_2 x_2 + ...+ b_n x_n$, *Here,* $Y_t = \text{Return on equity } (ROE) \text{ and return on assets} (ROA)$

5. Analysis and Findings

5.1. Average Growth of Different Factors of the Selected Banks (%)

Bank Name	Br	Dep.	Loan	NPAT	OE	OP	TA	TE	NPL
BBL	11.62	23.59	18.64	-1.07	19.28	19.28	24.63	18.28	33.98
SBL	19.97	22.61	20.57	31.11	42.32	24.16	23.95	29.12	24.92
MBL	19.78	27.96	21.55	27.23	22.35	22.81	28.97	34.64	43.58
DBBL	18.52	24.92	22.15	32.365	26.12	25.9	26.73	40.27	26.62
TBL	18.16	36.01	18.91	-9.3225	26.37	4.71	25.81	20.5	39.67

Table 1

Source: Calculated from the annual reports of the banks, 2008-2012

5.2. Grand Ranking of the Selected Banks According to Average Growth of Different Factors (Positive aspect)

Bank Name	Br.	Dep.	Loan	NPAT	OP	TA	TE	Total Score	Mean	Position
BBL	5	4	5	4	4	4	5	31	4.43	1
SBL	1	5	3	2	2	5	3	21	3	3
MBL	2	2	2	3	3	1	2	15	2.142	4
DBBL	3	3	1	1	1	2	1	12	1.714	5
TBL	4	1	4	5	5	3	4	26	3.714	2

Table 2

Source: Calculated from the data of Table no. 01

5.3. Grand Ranking of the Selected Banks According to Average Growth of Different Factors (Negative aspect)

Bank Name	OE	NPL	Total Score	Mean of Ranking	Position
BBL	5	3	8	4	1
SBL	1	5	6	3	3
MBL	4	1	5	2.5	4
DBBL	3	4	7	3.5	2
TBL	2	2	4	2	5

Table 3

Source: Calculated from the data of Table no. 01

(Here, Br..=branch, Dep.=deposit, NPAT=net profit after tax, OP=operating profit, TA=total asset, TE=total equity, NPL = non performing loan, OE =operating expense)

Explanation: The above tables are showing that on an average the growth rate of branches of SBL. is the highest & the lowest one is for BBL. All other banks are holding around 18-19% growth over 2008-2012.
TBL is holding number one position in collecting the deposit from the customers that is a vital source of fund for bank. But SBL is ranking the lowest (number five), MBL is holding second position, DBBL third position & BBL holds fourth position among the five selected banks.
Banks lend & invest their money in different sectors to have return and as a result the deficit sectors of the economy get their needed fund. In this regard, the ranking of the banks are: DBBL ranks number one, MBL second, SBL third, TBL fourth & BBL five.
The overall net profit after tax position of the five banks is not so good. BBL and TBL are showing negative performance for the said years. During the study period of 2008-2012 DBBL has earned the highest growth. It can be due to their huge ATM booth services.
The average operating expenses of BBL was found lowest (19.27%) than the other selected banks during the study period due to their effective management. And the average operating expenses of SBL was found highest & the rate is 42.31%.
Among the selected five banks, the growth of operating profit of DBBL is more stable than others whereas all other banks' growth rate is fluctuating year to year.
From the viewpoint of assets & equity DBBL and MBL are holding almost nearer position. But in case of total assets, SBL is holding the last position and in case of total equity BBL is the last (18.28%).
In case of grand ranking of positive aspects of the banks, BBL is number one, TBL two, SBL three, MBL four and DBBL is four. But for negative aspects, BBL is first, DBL second, SBL third, MBL fourth and TBL is fifth.

5.4. Average of Some Ratios for the Banks

Name of the Ratio	Result (%)
Return on Equity	15.467337
Return on Asset	1.2501015
Operating Income to Operating Expenses	112.67161
Total Loan to Total Assets	66.6232308
Loan to Deposit	80.6737109
Non Performing Loan to Total Loan	3.96870879

Table 4
Source: Calculated from the annual reports of the banks, 2008-2012

Explanation: The average 15.47% ROE shows the better utilization of the shareholders' invested fund and 1.25% average ROA indicates the banking industry is mobilizing the resources. The private banking industry is earning huge profit compared to its expenditure that is a very good sign for the future of the business. But the private banking sector is almost financed by loan taken from different sectors that signals something negative. Rather the banks should try to reduce dependency on external loan. The credit to deposit ratio (CDR) is a major tool to examine the liquidity of a bank and measures the ratio of fund that a bank has utilized in credit out of the deposit total collected. Higher the CDR more the effectiveness of the bank to utilize the fund it collected (Banik, 2013). The Loan to deposit ratio for the private conventional banks is very good. At last it is also a very good sign for the banking sector that is non-performing loan is only 3.968% compared to total loan that means the banks are able to collect all the loans timely.

5.5. Regression Analysis between Return on Equity and (i) Operating Income-Operating Expense ratio, (ii) Total Loan-Total Asset ratio, (iii) Loan-Deposit ratio, (iv) Non Performing Loan-Total Loan ratio

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.560[a]	.314	.176	.06019
a. Predictors: (Constant), Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio				
Source: Calculated from annual reports of the selected banks, 2008-2012				

Table 5

The above table indicates that there remains a correlation between the independent variables(Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio) and the dependent variable(Return on Equity). At 5% significance level the correlation is 56%.The value of Adjusted R Square is .176 that means 17.6% of the dependent variable can be explained by the aforesaid independent variables.

ANOVA Test ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.033	4	.008	2.285	.096[a]
	Residual	.072	20	.004		
	Total	.106	24			
a. Predictors: (Constant), Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio						
b. Dependent Variable: Return on Equity *Source: Calculated from annual reports of the selected banks, 2008-2012*						

Table 6

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.166	.179		.927	.365
	Operating Income-Operating Expense ratio	.051	.027	.411	1.895	.073
	Total Loan-Total Asset ratio	-.101	.623	-.085	-.163	.872
	Loan-Deposit ratio	.094	.461	.104	.204	.840
	Non Performing Loan-Total Loan ratio	-1.822	.949	-.492	-1.919	.069
a. Dependent Variable: Return on Equity *Source: Calculated from annual reports of the selected banks, 2008-2012*						

Table 7: Result of Multivariate Analysis

So the function for ROE is as follows:

$$Y_t = a_0 + b_1 x_1 + b_2 x_2 + ... + b_n x_n$$

ROE=.166+ (.051) Operating Income-Operating Expense ratio + (-.101) Total Loan-Total Asset ratio + (.094) Loan-Deposit ratio+ (-1.822) Non Performing Loan-Total Loan ratio.
From ANOVA test, we are rejecting H_1a i.e. it can be remarked that there is no statistically significant effect of Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio on the dependent variable named as Return on Equity of the selected banks.

5.6 Regression Analysis between Return on Asset and i) Operating Income-Operating Expense ratio,(ii) Total Loan-Total Asset ratio, (iii)Loan-Deposit ratio, (iv)Non Performing Loan -Total Loan ratio:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.274[a]	.075	-.110	.04220
a. Predictors: (Constant), Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio *Source: Calculated from annual reports of the selected banks, 2008-2012*				

Table 8

The above model summary indicates that there remains a correlation between the independent variables(Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio) and the dependent variable(Return on Asset). At 5% significance level the correlation is 27.4%.The value of Adjusted R Square is -.11.

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	4	.001	.407	.802[a]
	Residual	.036	20	.002		
	Total	.039	24			

a. Predictors: (Constant), Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio
b. Dependent Variable: Return on Asset
Source: Calculated from annual reports of the selected banks, 2008-2012

Table 9

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.029	.125		-.234	.817
	Operating Income-Operating Expense ratio	-.009	.019	-.116	-.461	.650
	Total Loan-Total Asset ratio	-.264	.437	-.367	-.606	.552
	Loan-Deposit ratio	.314	.323	.574	.970	.343
	Non Performing Loan-Total Loan ratio	-.402	.665	-.180	-.604	.553

a. Dependent Variable: Return on Asset
Source: Calculated from annual reports of the selected banks, 2008-2012

Table 10: Result of Multivariate Analysis

So the function for ROA is as follows:

$$Y_t = a_0 + b_1 x_1 + b_2 x_2 + ... + b_n x_n$$

ROE= - .029+ (-.0009) Operating Income-Operating Expense ratio + (-.264) Total Loan-Total Asset ratio + (.314) Loan-Deposit ratio+ (-.402) Non Performing Loan-Total Loan ratio.

From ANOVA test we are rejecting H_1b i.e. it can be remarked that there is no statistical significant effect of Non Performing Loan-Total Loan ratio, Loan-Deposit ratio, Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio on the dependent variable Return on Asset of the selected banks.

6. Conclusion and Recommendations

As banking is the most promising financial sector of Bangladesh, its performance evaluation will say many things about its future. This paper is showing the financial ratios of private banking sector of Bangladesh are good with few exceptions. But the regression analysis is not showing any statistically significant effect of Operating Income-Operating Expense ratio, Total Loan-Total Asset ratio, Loan-Deposit ratio, Non Performing Loan-Total Loan ratio on return on equity and return on assets. This paper will give some insights about future plan to the high officials of the banks that will help them taking correct financial plan for the distant future. But to improve the performance of the banks the following suggestions can be undertaken:

- BRAC bank limited should increase its number of branches and investment to provide more services to the customers and to earn more profit.
- Southeast bank limited lags behind in collecting deposit, so it can employ some agents for deposit collection because deposit is a great source of fund for the bank. As well as the bank should try to reduce is operating expenses so that it can generate profit from the collected revenue and increase its assets level.
- BRAC bank limited and Trust bank limited should take some strategy immediately to improve their net profit after tax because their negative trend of this aspect will deteriorate their future.

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