



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

## **FINANCIAL PERFORMANCE OF BANGLADESH KRISHI BANK (BKB): AN ANALYSIS FOR THE PERIOD OF 2006-2015**

**M. Samiul Islam<sup>1</sup>**  
**Md. Rais Uddin Mian<sup>2\*</sup>**  
**Mohammad Yousuf Ali<sup>3</sup>**

### **ABSTRACT**

The study has been designed to diagnose the financial soundness of BKB through the statement of changes in the financial position and ratio analysis for the period of 2006-2015. Keeping in view the objectives, secondary data of last one decade were collected from the Head Office of BKB through proper channel. Tabular and descriptive techniques were used to analyze the data. The study identified both annual interest income and total operating earnings as highly fluctuating. In addition, net profits after and before tax conditions were also unstable over the investigation period. Besides, net interest income and total operating income of BKB were in unsatisfactory situation. Changes in balance sheet items exhibited that all types of assets and liabilities were in unstable condition over the study period. Credit relation of BKB with clients was not satisfactory and operation of current liabilities was inefficient. It was found in some cases that BKB was facing a frustrating situation to finance its fixed assets. Moreover, operating ratio, gross profit margin, and fixed capital ratio were highly fluctuating or unstable over the decade. But, it was stated by fixed asset turnover ratio that BKB's management was more or less efficient in utilization of fixed assets. The current ratio identified that BKB is holding of more current asset and cash than conventional requirement to meet its current liabilities as well. So, it was concluded that the overall performance of the BKB was not entirely satisfactory.

**Key words:** Financial performance, Ratio analysis, BKB.

### **I. INTRODUCTION**

Bangladesh is one of the lower middle income developing countries in the world and agriculture is the most important sector of economy. About 77 percent people live in rural areas that are mostly related with agriculture for their livelihoods (MoF, 2014). As farmers and agri-entrepreneurs lack sufficient capital, institutional financing is inevitable for modern agriculture of the country. Bangladesh Krishi Bank (BKB) and Rajshahi Agricultural Krishi Unnayan Bank (RAKUB) have been financing in agriculture since their establishment in Bangladesh. As agriculture is comparatively risky, strength of lenders side by side the strength of borrowers should be analyzed properly. As a specialized and government credit institution in agriculture, such analysis is of immense importance for BKB in Bangladesh. BKB, the largest specialized bank of the country, started commercial functioning since 1977 with the objective of generating

---

<sup>1</sup> Associate Professor, Department of Economics, Asian University of Bangladesh, Dhaka.

<sup>2</sup> Professor, Department of Agricultural Finance & Banking, Bangladesh Agricultural University, Mymensingh-2202, Bangladesh.

<sup>3</sup> Ex-PhD Fellow, Department of Agribusiness & Marketing, Bangladesh Agricultural University, Mymensingh-2202, Bangladesh.

*\*Corresponding author: Md. Rais Uddin Mian, Professor, Department of Agricultural Finance & Banking, Bangladesh Agricultural University, email: raisagfin@yahoo.com*

more loanable fund from the idle rural and urban savings and investing them for the betterment of the economy (BKB, 2016).

Success of any financial program not only depends on the ability of the borrowers, but also depends on the viability of the lenders. This is especially important when the financing program is a risky one. BKB was established to cater to the special financial need of agriculture sector, which is the riskiest sector of Bangladesh economy. Almost all the clients of BKB in agriculture are highly risk-prone compared to others sectors. Besides conventional crop credit program, BKB introduced agro processing, agro industry and agribusiness credit programs in recent years. It implies, BKB is taking more risks for the development of agrarian economy of Bangladesh. Generally, level of viability of a credit institution must increase as its coverage of activities increases. It is of utmost consideration, when expansion line is directed through the riskiest investments. So, BKB's viability, i.e., financial strength should be judged properly for its successful operation. Statement of changes in financial position and ratio analysis are such techniques of performance analysis by which financial strength and weakness of any organization can be judged quickly. Statements of changes generally reports a company's past financial performance and current financial position (Bernstein and Wild, 2004). On the other hand, the principal tool of financial statement analysis is the ratio analysis (Chandra, 1991) which is a statistical yardstick used as a benchmark for evaluating the financial position and performance of an institution.

Ratio helps to draw conclusion regarding the liquidity position of a firm. It is equally useful for assessing the long-term financial viability of a firm (Khan *et al.*, 2012). Chowdhury and Islam (2007) in a research stated that deposits and loan & advances of specialized banks (SBs) are more sensitive to interest rate changes than other nationalized commercial banks (NCBs) of Bangladesh. So, SBs should not make abrupt change in lending rate and deposit rate by following the NCBs. Ahmad (2011) found a strong negative correlation between return on asset (ROA) and bank size, and a positive correlation between ROA and asset management ratio while assessing financial performance of seven commercial banks in Jordan. In the case of Pakistani private banks, Shah and Jan (2013) observed that bank size and operational efficiency were negatively related with ROA and positively related with asset management ratio. Mahmud *et al.* (2013) worked with RAKUB during the period 2004-2011 and got that total net profit was strongly related with manpower, total deposit, total loan & advance, loan recovery, total income and total expenditure; while total expenditure had a negative association with total net profit. Ferdous (2014) found City Bank's current ratio less than 1 which indicated that the bank loaned or invested maximum of its assets and held less for earning higher income. The net profit margin ratio was higher than 10 and the net profit was satisfactory as it was earned after meeting all the obligations of the bank. Islam (2014) attempted to measure the financial performance of National Bank Limited and concluded that bank's performance was completely dependent on management's ability in formulating and implementing strategic plans. Masud and Haq (2016) worked with some private banks and found that a bank with higher deposit, loans & advances, investments, branches and employees does not always mean that it has better profitability performance. Arafat (2020) in an inductive study found that most of the scheduled banks of Bangladesh suffered from weak economic efficiency, negative added value and underestimated market price per share. Karim *et al.* (2023) examined financial performance of the Bangladeshi listed banks employing generation-based analysis where they discovered that profitability of different banks of different generations varied significantly from one to another. All these indicate that performance analyses are partial, sporadic and scarce in Bangladesh and in the case of BKB, they are almost absent. So, this study was undertaken considering ten-year data of BKB employing statement of changes and ratio techniques which might be helpful for BKB, RAKUB and other financial institutions to operate their business effectively. The study was designed to

achieve the objectives of assessing changes in income statement and balance sheet position of BKB for the period of 2006-2015 and to diagnose the financial conditions of BKB over the last one decade. The study bears importance in effective institutional financing of agriculture, the riskiest sector of Bangladesh economy, as well as in undertaking efficient policy measures for keeping sound financial health of the agricultural financing institutions in home and abroad.

## II. MATERIAL AND METHODS

The study is based on secondary data collected from Head Office of BKB, Dhaka. The data were mainly income statement and balance sheet items for the period of 2006-2015. Descriptive statistics was employed to achieve the objectives of the study and outputs were furnished in tabular form. Techniques used to judge financial performance of BKB are summarized in Table 1 (Barry *et al*, 1983 and Pandey, 2015).

**Table 1: Techniques for judging financial performance**

Technique	Formula	Interpretation
Changes in financial position	$\Delta_i = V_i - V_{i-1}$ Where, $\Delta$ = change $V$ = value (core Tk) $V_i$ = value in current year (core Tk) $V_{i-1}$ = value in just previous year (core Tk) $i$ = year	A positive change usually indicates the increase in value from the preceding year while a negative one implies decrease of value from the same year.
Income statement ratio	$\text{Operating ratio} = \frac{\text{Total operating expenditure}}{\text{Gross income}}$ $\text{Gros profit margin} = \frac{\text{Total operating income}}{\text{Gross income}}$ $\text{Net profit margin} = \frac{\text{Net profit after tax} - \text{Net interest income}}{\text{Gross income}}$	<p>Total operating expenditure is usually the sum total of all variable expenses while gross income is the combination of all incomes earned. Operating ratio generally exhibits managerial efficiency of management.</p> <p>Total operating income is the income before meeting any obligation of the outsiders and gross profit margin is the total profit making ability.</p> <p>Net profit after taxes is the net operating income after meeting all claims of the outsiders. Net profit margin indicates ultimate profit making capacity of an organization.</p>
Balance sheet ratio	$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$ $\text{Acid - test ratio} = \frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$ $\text{Cash ratio} = \frac{\text{Cash}}{\text{Current liabilities}}$	<p>Current assets are convertible into cash and current liabilities are payable within one year. Current ratio generally indicates the liquidity position of an organization.</p> <p>It is ratio between quick current assets (current assets excluding inventory or existing stock) and current liabilities. Acid-test ratio depicts the quick liquidity of an enterprise.</p> <p>Cash ratio reports the value of a company's assets that are cash or can</p>

	Debt – to – equity ratio	$= \frac{\text{Total liabilities}}{\text{Owner's equity}}$	be converted into cash immediately on demand. Total liabilities are the aggregate debt and financial obligations while owners' equity is the differences between total assets and total liabilities. Debt-to-equity ratio represents that how much of the capital is theoretically available for distribution to shareholders.
	Fixed capital ratio	$= \frac{\text{Fixed assets}}{\text{Fixed liabilities}}$	Both fixed assets and liabilities are of longer maturity, more than one year. Fixed capital ratio indicates the long-term financial solvency of the farm.
	Net capital ratio	$= \frac{\text{Total assets}}{\text{Total liabilities}}$	This ratio exhibits the liquidity capacity of an organization in the long-run.
Combined ratio	Return on total assets	$= \frac{\text{Net profit after tax}}{\text{Total assets}}$	This ratio indicates profit generating capacity by using total assets.
	Fixed asset turnover	$= \frac{\text{Net interest income}}{\text{Net fixed assets}}$	Fixed asset turnover measures revenue generating ability from the use of net fixed assets.
	Total assets turnover	$= \frac{\text{Net interest income}}{\text{Net fixed assets}}$	This ratio indicates the ability of a company to use its assets to generate revenue.

### III. RESULTS AND DISCUSSION

#### Statement of changes in income statement items

Income statement shows the profitability of an organization after its operation for a certain period. The income statement lists the firm's revenues and expenses over a period of time (Berk, *et al*, 2014). As income statement deals with the profit earning ability, it is sometimes termed as profit and loss account of the firm. The individual items were examined first, then a comparison was made later among the changes of related items of income statement.

#### Changes in annual interest income

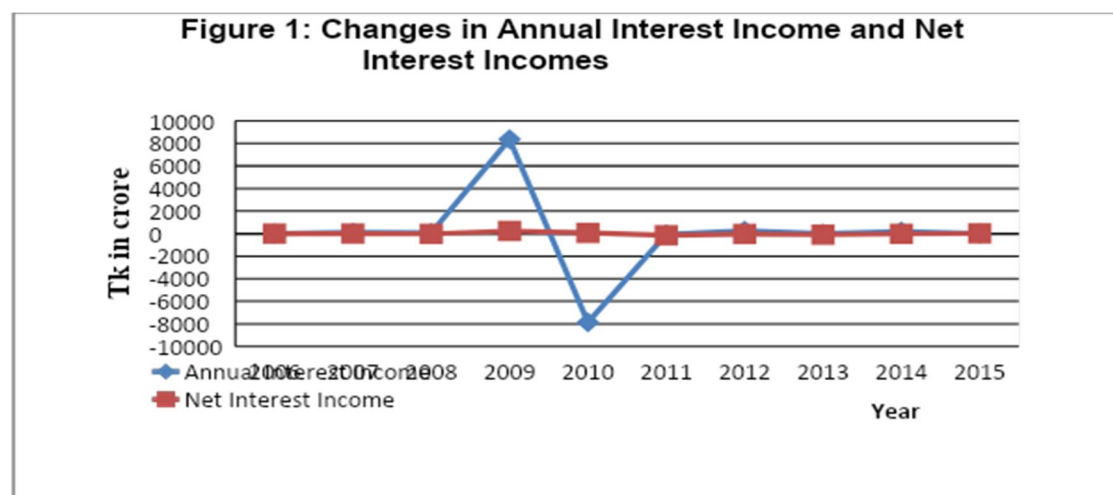
Interest is the main source of income for any credit institution. As a credit institution, BKB renders different types of credit to its borrowers for different purposes. The rate of interest varies among the types of credit and it depends on maturity, security, nature of enterprise, etc. Annual interest income is the gross income that consists of all interest income earned from different types of loan sanctioned in a year by the BKB. It is evident from Table 2 and Figure 1 that BKB experienced the highest positive change in annual interest income in 2009 (Tk 8376.41 crore) during the last one decade. But this change went to the negative maximum of (-) Tk 7876.99 crore just in next year (2010) and it continued up to 2011. Although BKB's annual interest income increased by the second highest amount of Tk 249.93 crore in 2012, it again became negative of (-) Tk 3.06 crore in 2013. BKB relived from this dampening situation in the next year securing a positive and third highest change of Tk 201.97 crore. But this change though remained positively, decreased a lot and became only Tk 8.40 crore in 2015. So, the main source of income of BKB is highly volatile being increase, decrease and even negative randomly. This

type of change is unexpected for a sound financial institution if it wants to be viable.

**Table 2: Changes in income statement items of BKB** (Tk in crore)

Year		Heads of Changes						
		Annual interest income	Net interest income	Total operating income	Total operating expenses	Gross profit	Total profit before tax	Net profit after tax
2006	Actual	408.62	16.09	48.41	225.68	182.94	-177.27	-177.27
	Change	-	-	-	-	-	-	-
2007	Actual	508.73	22.17	99.22	247.99	260.74	-148.7	-148.7
	Change	100.11	6.08	50.81	22.31	77.80	-28.57	28.57
2008	Actual	571.65	0.36	78.76	275.40	296.25	-196.64	-196.64
	Change	62.92	-21.81	-20.46	27.41	35.51	47.94	-47.94
2009	Actual	8948.06	238.58	330.41	317.88	8630.18	-612.52	0
	Change	8376.41	238.22	251.65	42.48	8333.93	-184.12	196.64
2010	Actual	10701.07	301.28	435.79	421.43	-10701.07	-14.36	0
	Change	-7876.99	62.70	105.38	103.55	1649.46	1.84	0
2011	Actual	1011.17	156.96	367.58	521.85	489.32	-154.28	-154.28
	Change	-59.9	-144.32	-68.21	100.42	-9790.32	139.92	-154.28
2012	Actual	1261.1	127.87	352.79	493.21	767.89	-140.41	-140.41
	Change	249.93	-29.09	-14.79	-28.64	278.57	-13.87	13.87
2013	Actual	1258.04	36.98	129.73	518.16	739.88	-389.68	-389.68
	Change	-3.06	-90.89	-223.06	24.95	-28.01	249.27	-1249.27
2014	Actual	1460.01	17.31	123.57	620.31	839.7	-2991.05	-2991.05
	Change	201.97	-19.67	-6.16	102.15	99.82	2601.37	-2601.37
2015	Actual	1468.41	39.23	190.3	638.13	830.28	-214.68	-215.25
	Change	8.40	21.92	66.73	17.82	-9.42	-2776.37	2775.8

Source: BKB (2007-2016)



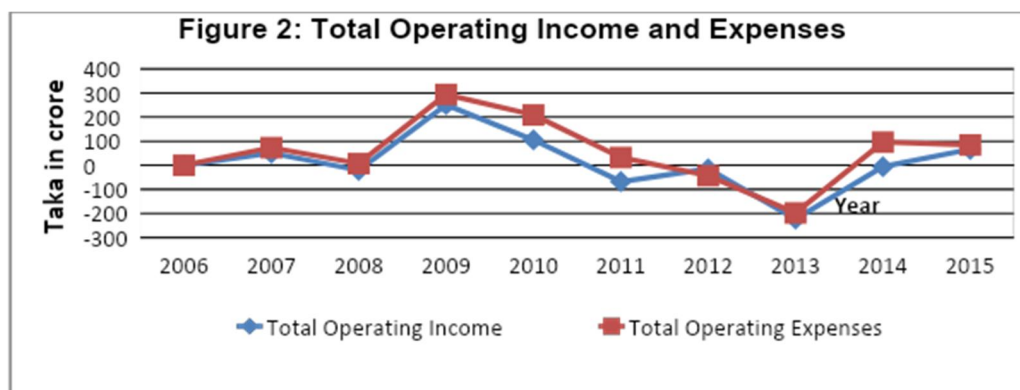
#### *Changes in net interest income*

BKB earns interest from different types of loan disbursed to its borrowers. On the other hand, it also gives interest to the depositors of different types for depositing their many in BKB. The first one is the inflow while second one is the outflow of BKB. The difference between these two flows of BKB is the net interest income. During last 10 years, BKB's net interest income was

changed positively only for 4 years and in rest of the time it was negative (Table 2 and Figure 1). The highest positive change was experienced in 2009 with an amount of Tk 238.22 crore and the subsequent highest positive changes were Tk 105.38 crore in 2010, Tk 66.73 crore in 2015 and Tk 50.81 crore in 2007. After the second highest positive change, BKB gained continuous negative changes during 2011 to 2014. But it tried to reduce the negativity in its net interest income during this period and finally it achieved positive change in 2015. Pattern of change in net interest income implies that BKB's loan disbursement scenario is worse than its deposit collection situation and its borrowers are not enough credit worthy. But BKB is trying to change the situation to be a good one.

#### ***Changes in total operating income***

Operating income is the earning of BKB that is obtained by rendering different types of services to the customers. It includes agency functions, utility functions and other types of daily and routine functions done by the BKB. Size of operating income indicates the scale and diversity of services that a bank is rendering in its jurisdiction in an economy. Both of the Table 2 and Figure 2 shows that total operating income of BKB made a highest positive change of Tk 251.65 crore in 2009 and the subsequent change in this direction were found in 2010, 2015 and 2007. Both the table and figure depict that BKB's total operating income continuously decreased during 2011-2014. It implies that BKB's services are not so attractive to its clients and they have also no stability in their flow.



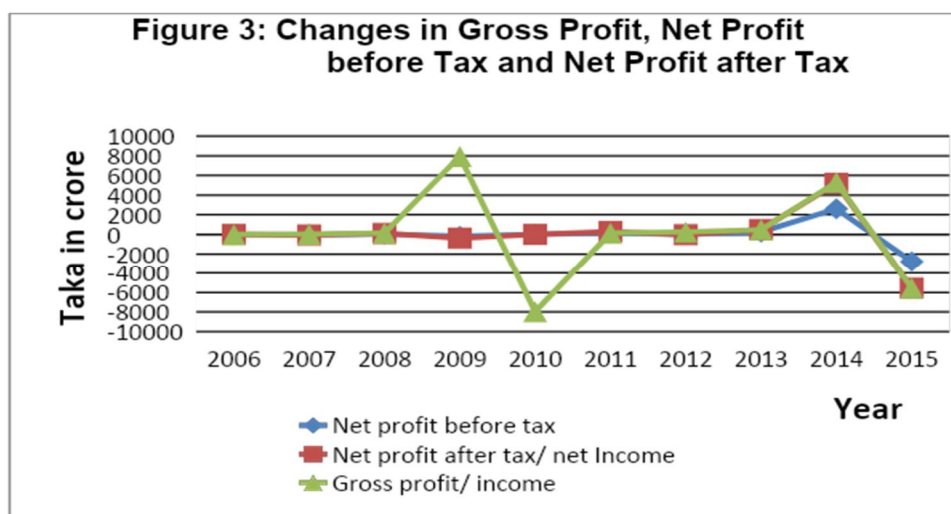
#### ***Changes in total operating expenses***

Total operating expense includes all the expenditures that are required to perform different types of operations of the bank. It incorporates the spending for daily transaction, routine works and other agency and utility functions done by the bank. Usually, size of a bank's operation is positively related with the operating expenses, i.e., the larger the operating the larger the amount of operating expenses and vice versa. It is evident from Table 2 and Figure 2 that total operating expenses, except 2012, changed positively i.e., increased from the previous year. This change culminated to the peak in 2012 (Tk 103.55 crore) being the second highest in 2014 (Tk 102.15 crore) while the third (Tk 100.42 crore) and fourth highest (Tk 42.48 crore) were recorded in 2011 and 2009 respectively. This haphazard nature of change in total operating expenses implies that BKB's size of operation is not uniform and it fails to maintain a stable work plan over its operation period in each year.

#### ***Changes in gross profit***

Gross profit is the differences between gross income and gross cost before deducting some fixed expenditures like depreciation, tax, etc. It indicates the first hand profit making capacity of a financial institution. The change in gross profit situation is shown in Table 2 and Figure 3.

BKB's change in gross profit stood the highest of Tk 8333.93 in 2009. Then being negative in repeatedly two years, it stood as the second highest of Tk 278.57 crore in 2012. Again it became negative following the third highest of Tk 99.82 crore in 2014 which was also followed by a negative change in 2015. So, it can be said that BKB's total profit earning capacity is unstable and fluctuating in a wide range which is not a sign of sound management for a financial institution.



#### ***Changes in net profit before tax***

By deducting some fixed cost like depreciation from gross profit, net profit before tax was determined. It indicates the profit making ability of an institution before considering the tax obligation. The changes in net profit before tax of BKB over the last one decade are shown in Table 2 and Figure 3. During the period of 2006-2015, the highest positive change in net profit before tax of BKB was found to be Tk 2601.37 crore in 2006 and compared to this, the second and third highest positive changes were occurred in 2011 (Tk 139.92 crore) and 2013 (Tk 249.27 crore) respectively. The year 2007, 2009, 2012 and 2015 were the period of negative change and the situation was more aggravated in 2015 being a big negative change of (-) Tk 2776.37 crore. So, it can be said that net profit before tax of BKB changed haphazardly being unstable over the period of investigation.

#### ***Changes in net profit after tax***

After meeting tax claim from the net profit before tax, net profit after tax was determined. It is also referred to as net income because net profit after tax determined after meeting all the claims and obligations of an organization. It is the ultimate income earning capacity or ultimate profit making capacity of an institution. Table 2 and Figure 3 shows that during the last one decade, change in net income was positive in four years, not change in one year and in the residual times it was negative. The highest positive change occurred in 2014 (Tk. 2613.37 crore) and the subsequent changes were found in 2013 (Tk 249.27 crore), 2011 (Tk 154.28 crore) and 2008 (Tk 47.94 crore). The largest decrease in net income was happened in 2015 with a huge negative change of (-) Tk. 2775.50 crore. So, ultimate income earning capacity of BKB is unstable keeping no consistency among the years of occurrence which is not a sign of sound banking principle to be practiced in an economy.



**Comparative changes between related income statement items**

As income statement depicts the inflow and outflow of fund in an organization, it is usual that some of the flows have some implications on others in their occurrence. From this logical view, some of the items of income statement of BKB are compared in this sub section.

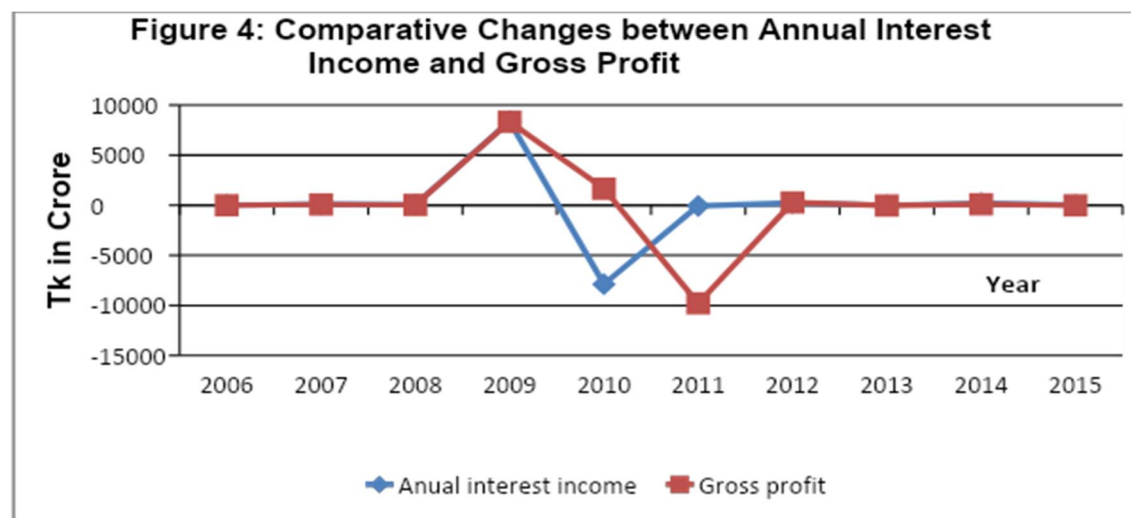
**Table 3: Comparative changes between related income statement items (Tk in crore)**

Year	Changes in		Changes in		Changes in	
	Annual interest income	Gross profit	Net interest income	Net income	Total operating income	Total operating expenditure
2006	-	-	-	-	-	-
2007	100.11	77.80	6.08	(-) 28.57	(-)20.46	27.41
2008	62.92	35.51	(-)21.81	47.94	251.65	42.48
2009	8376.41	8333.93	238.22	(-) 196.94	105.38	103.55
2010	(-)7876.99	1649.46	62.70	0.00	(-)68.21	100.42
2011	(-)59.9	(-)9790.32	(-)144.32	154.28	(-)14.79	-28.64
2012	249.93	278.57	(-)29.09	(-) 13.87	(-)223.06	24.95
2013	(-)3.06	(-)28.01	(-)90.89	249.27	(-)6.16	102.15
2014	201.97	99.82	(-)19.67	1601.37	66.73	17.82
2015	8.40	(-)9.42	21.92	(-) 2775.50	50.81	22.31

Source: BKB (2007-2016)

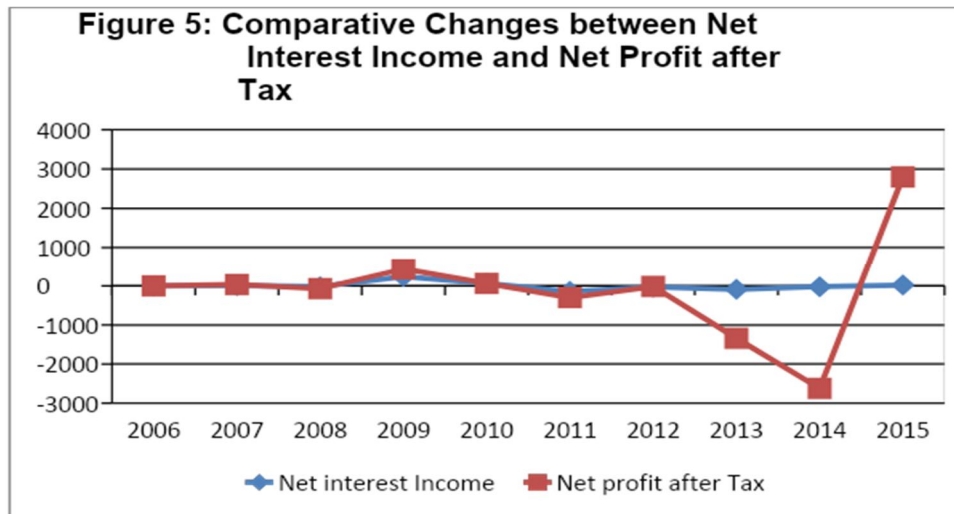
**Comparison between changes in annual interest income and gross profit**

As a credit organization, interest is the main source of income of BKB. So, there should be a positive relationship between annual interest income and gross profit of the organization. It is evident from Table 3 and Figure 4 that changes in the both items holds same order being the positive, negative, highest, lowest and other positions in the same year of investigation. So, annual interests, i.e., profitable investments are the catalyst for amplifying gross profit of BKB and there prevailed a thorough positive relationship between these two items of BKB. Figure 4 also depicts this positive relationship of BKB.



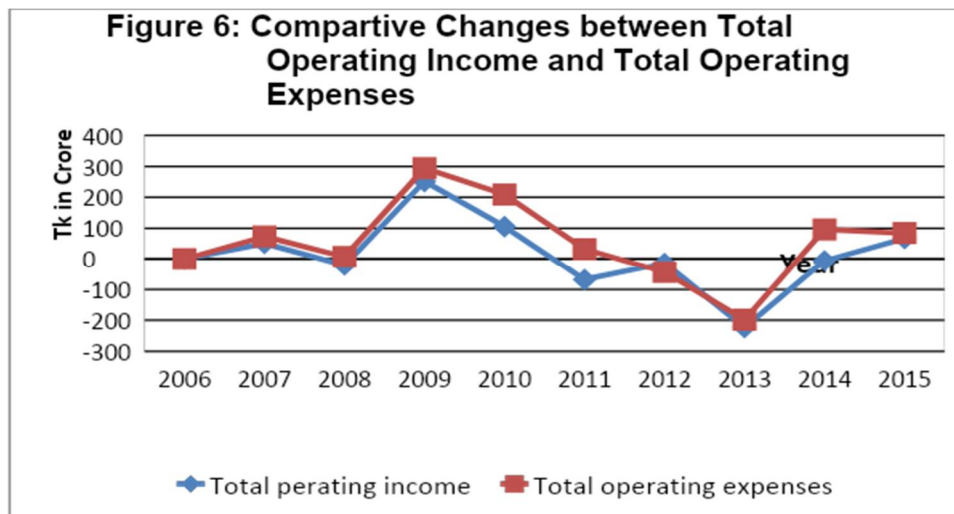
**Comparison between changes in net interest income and net profit after tax**

It is also thought that net interest income would have some bearings on net income or net profit after tax of BKB. But both of Table 3 and Figure 5 show that there existed no clear cut relationship between changes of these two items of income statement. It might be due to that these items were determined by making heavy deductions from the original ones and thus their obvious relationship was diluted during this deduction process.



**Comparison between changes in total operating income and total operating expenses**

As income and expenditure are two opposite items, it is usually assumed that there might have thorough negative relationship between the changes in total operating income and total operating expenses of income statement of BKB. But Table 3 and Figure 6 depict that the relationship is not clear which indicates that all the operating expenditure of BKB are not effective and necessary for earning extra income for the organization.



**Statement of changes in balance sheet items**

Balance sheet lists the firm's assets, liabilities and stockholder equity, providing a snapshot of the firm's financial position of a given point of time (Berk *et al.*, 2010). This chapter deals with

the major items of balance sheet of BKB over the period of 2006-2015 in terms of their changes in current year compared to that of previous year. At first, individual changes are investigated then an endeavor was made to compare the changes in relevant items that occurred during the period considered for the study.

### ***Changes in cash***

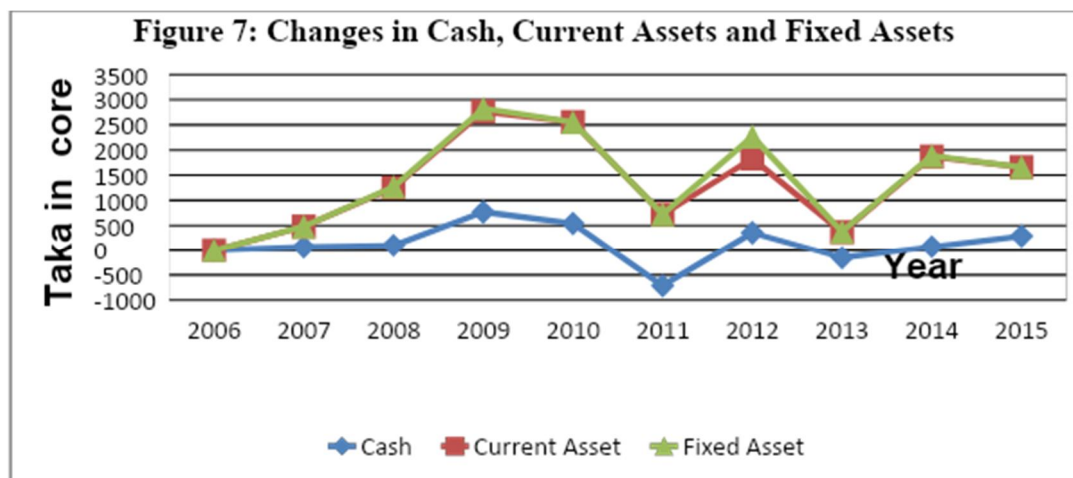
Cash is the most important current asset having 100 percent liquidity. It bears immense significance to meet current obligations of any financial or business entity. In banking institution, it constitutes the legal reserve by which the bank meets the withdrawal requirement of the depositors. Sufficient, but not excess, cash is essential for attracting the depositors. It is also important for acquiring and maintaining the goodwill of the bank. It is evident from Table 4 that BKB's highest changes in cash position was experienced in 2009 (Tk 769.41 crore) which was followed by the position in 2010 (Tk 539.25 crore), 2012 (Tk 353.19 crore) and 2015 (Tk 287.75 crore). Except the year 2011 and 2013, BKB's cash position change was positive and the lowest was in 2007 (Tk 64.44 crore). Table 5.1 also shows that BKB faced a severe shortage of cash in 2009 when its cash position change was (-) Tk. 715.12 crore and the same thing was repeated in 2013 with a changes of (-) Tk 152.59 crore. So, BKB failed to maintain a stable cash position over the last 10 years and sometimes it became critical when the cash position changed to be severely negative. This frustrating cash situation is depicted in Figure 7. Such cash management policy is not congruent with policy of liquidity and policy of goodwill of ideal bank management.

**Table 4: Statement of changes in balance sheet items of BKB (Tk in crore)**

Year		Heads of change												
		Cash	Current asset	Fixed asset	Total asset	Invest ment	Loan & advance	Current. liability	Fixed liability	Total liability	Savings deposit	Fixed deposit	Owners' equity	Net worth
2006	Actual	412.41	8,101.97	97.6	10,239.60	160.82	7,485.00	3,445.49	6,387.12	11,905.55	2,257.26	2,580.50	-1,665.91	-1,665.9
	Change	-	-	-	-	-	-	-	-	-	-	-	-	-
2007	Actual	476.85	8,517.83	98.01	10573.56	160.82	7844.38	3269.69	7162.32	12385.15	2257.26	3174.42	-1811.59	-1811.59
	Change	64.44	415.86	0.41	333.96	0.00	359.38	-175.80	775.20	479.60	0.00	593.92	-145.68	-145.64
2008	Actual	572.95	9672.04	114.84	11782.31	149.16	8914.18	3627.35	8030.85	13723.33	2421.85	3638.74	-1941.02	-1941.02
	Change	96.19	1154.21	16.83	1208.75	-11.66	1069.80	357.66	868.53	1338.18	164.59	464.32	-129.43	-129.43
2009	Actual	1342.36	11667.42	171.30	14081.59	151.19	9830.53	3492.36	9490.88	15420.69	2724.05	4553.12	-1339.11	-1339.11
	Change	769.41	1995.38	56.46	2299.28	2.03	916.35	-134.99	1460.03	1697.36	302.20	914.38	601.91	601.92
2010	Actual	1881.61	13682.36	171.93	15984.71	148.44	11335.44	3294.54	11214.99	17323.82	3112.32	5535.34	-1339.11	-1339.11
	Change	539.25	2014.94	0.63	1903.12	-2.75	1504.91	-197.82	1724.11	1903.13	388.27	892.22	0.00	0.00
2011	Actual	1166.49	15119.56	173.95	17527.63	3.44	13949.07	4111.29	12960.48	19021.01	3523.80	6267.68	-1493.39	-1493.38
	Change	-715.12	1437.20	2.02	1542.92	-145	2613.63	816.75	1745.49	1697.19	411.48	732.34	-154.28	-154.27
2012	Actual	1519.68	16597.13	612.58	19130.26	3.44	14926.96	3893.20	14468.25	20323.28	3690.05	8035.39	-1193.03	-1193.02
	Change	353.19	1477.57	438.63	1602.63	0.00	977.89	-218.09	1507.77	1302.27	166.25	1767.71	300.36	300.36
2013	Actual	1367.09	17116.42	623.58	19456.94	3.44	15421.14	3598.89	15466.21	21039.64	3766.68	9042.60	-1582.71	-1582.70
	Change	-152.59	519.29	11.00	326.68	0.00	494.18	-294.31	977.96	716.36	76.63	1007.21	-389.68	-389.68
2014	Actual	1438.67	18914.36	641.84	21292.26	4.31	17318.2	3275.71	17800.65	25866.04	3954.47	10849.2	-4573.78	-4573.78
	Change	71.58	1797.97	18.26	1835.32	0.87	1897.06	-323.18	2354.44	4826.40	187.79	1806.60	-2991.07	-2991.08
2015	Actual	1726.42	20,286.40	639.50	22,995.99	4.26	17,996.02	3,012.94	19,891.23	27,535.02	4,413.91	12,026.60	-4,539.03	-4,539.0
	Change	287.75	1372.01	-2.34	1703.73	-0.05	677.82	-262.77	2090.58	1668.98	459.44	1177.40	34.75	34.75

Source: BKB (2007-2016)





#### **Changes in current assets**

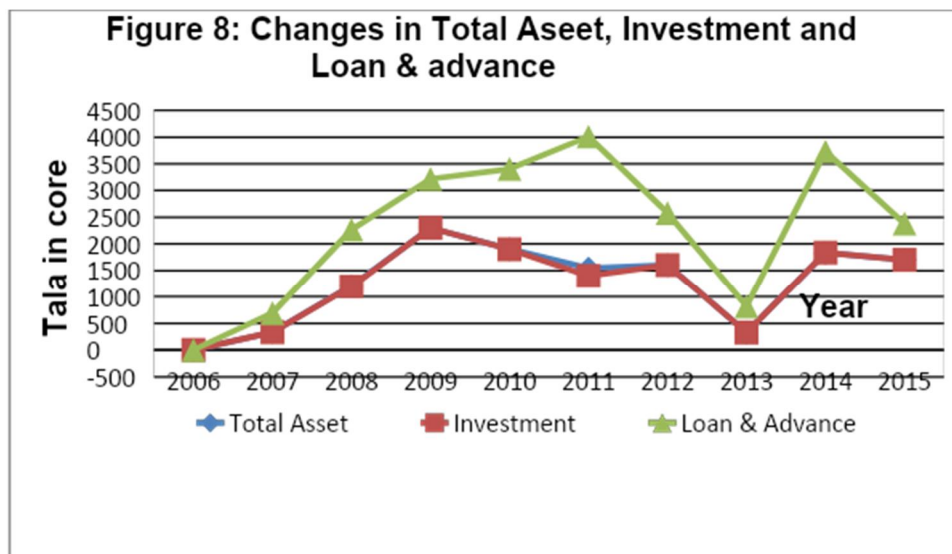
Current asset includes cash (100 percent liquid) and other near cash items which can be converted into cash within the period of one year. To meet current obligation of the bank these assets bear the importance to achieve and maintain the goodwill of the bank. Over the last 10 years BKB holds the highest change in amount of current asset of Tk 2014.94 crore in 2010 that was little bit higher than that of the Tk 1995.38 crore in 2009. The following amounts of changes were Tk 1797.97 (2014), 1447.57 (2012), 1437.20 (2010) and 1372.01(2015). The year 2007 was the year of having minimum change in current asset (Tk 415.86 crore) for BKB. So, like cash, current assets also fluctuates from year to year which is not favorable for maintain a good banking policy to attract clients and enhance goodwill in the money market. The fluctuated current assets position is shown in Figure 7.

#### **Changes in fixed asset**

Some assets, like bond, debenture, etc, which require more than one year to be converted into cash are termed as fixed assets. These assets construct the base of business operation of any organization. They are also the basis of growth, expansion and goodwill of the business entity. During the period of 2006-2015, change in BKB's fixed asset was the largest in 2012 (Tk 438.63 crore) and the smallest in 2015 (-) Tk 2.34 crore. The changes following the largest change were found in 2009 (Tk. 56.46 crore), 2014 (Tk 18.26 crore) and 2008 (Tk 16.83 crore). So, BKB's fixed asset position is unstable and even it became negative in 2015 which is not helpful for smooth expansion and growth of its business operation (Table 4 and Figure 7).

#### **Changes in total asset**

Total asset is sum of all assets like cash, other current assets and fixed asset. It is the claim of BKB whether it is remained with BKB or with others. Amount of total asset determines the size and scale of operation of any organization. During the last one decade, BKB experienced the largest change in total asset of Tk 2299.28 in 2009 and the subsequent changes were Tk 1903.12 crore in 2010, Tk 1825.32 crore in 2014 and Tk 1703.73 in 2015. So, though the changes are positive, they are not stable over the years and it is not a good sign of sound banking policy (Table 4 and Figure 8).



#### ***Changes in investment***

Investment is the long term use of fund from which a series of benefit is expected over years like investment in share, debenture, etc. It largely depends on the environment of business in the economy. Generally, good economic condition favors the investment whereas the bad one frustrates it. Moreover, investment is also a sign of efficiency. If the management is not efficient enough, investment may not be increased in a favorable economic condition. Both of Table 4 and Figure 8 depict that except year 2008, change in investment of BKB during the last decade is quite disappointing. Sometimes, it failed to increase the investment sometime it compelled to contract it. The situation is much miserable in 2011 where the contraction is (-) Tk 145.00 crore. This contraction might be due to lack of suitable investment opportunities or unfavorable business condition in the economy or simple the inefficiency of management to find out and invest in profitable lines of business. Overall, this is not a good sign of a viable credit institution.

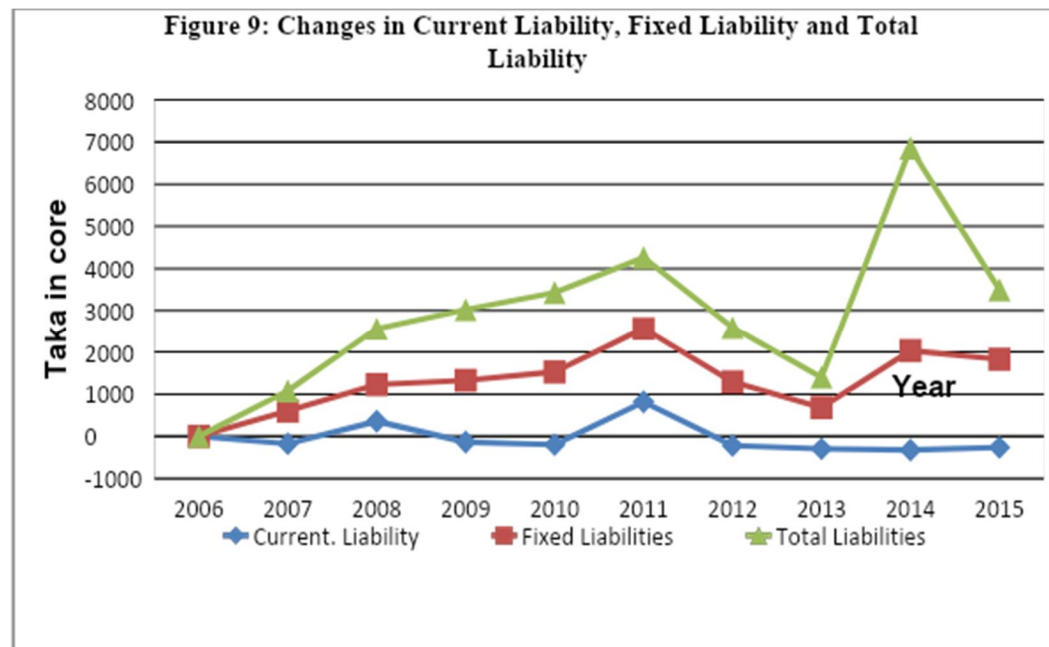
#### ***Changes in loan & advance***

Loan & advance is the credit sanctioned to the borrowers by the credit institutions. It also depends on the business condition of the economy and the efficiency management of the organization has always a positive impact on loan & advance made to the customers. During the period of 2006-2015, change in BKB's loan & advance was the highest in 2011 being Tk 2613.63 crore followed by 2014 being Tk 1897.06 crore, 2010 being Tk 1504.31 crore and 2008 being Tk 1069.80 crore. The lowest change of Tk 359.38 crore was experienced in 2007 (Table 4 and Figure 8). So, BKB holds an unstable credit relation with its borrowers and it varies widely from lower to very larger amount among the customer.

#### ***Changes in current liability***

Current liabilities are those items of debt which should be repaid within one year of time. Items like accounts payable constitute the current liability. Generally operating inputs are financed by current liability. These inputs are essential to meet daily and routine requirements of the organization and also important to maintain the goodwill of the business. It is evident from Table 4 and Figure 9 that except 2008 and 2011, change in current liability was negative and this situation continued for the last 4 years without any exception. It might indicate that BKB became able to do the same level of operation with less amount of operating input or its growth of

operation is higher than the growth of the use of operating inputs. It might be a sign of management efficiency of BKB credit operation.



#### ***Changes in fixed liability***

Fixed liabilities of an institution indicate those debts that possess a repayment period of more than one year. Usually durable assets are financed by fixed liabilities which are the base of firm's growth and goodwill. For the last 10 years, BKB's fixed liability experienced the highest positive change in 2014 which was Tk 2354.44 crore and the following changes were Tk. 2090.38 crore (2015), 1745.49 crore (2011) and 1724.11 crore (2010). The lowest increase of Tk 775.20 crore was found in 2007. Table 3 and Figure 9 depict that BKB's fixed liability steadily increased from 2006 to 2011 but after that it failed to maintain the same pace of change (Figure 9). It indicates that as time passes, BKB is facing a frustrating situation to finance its fixed asset by fixed liability.

#### ***Changes in total liabilities***

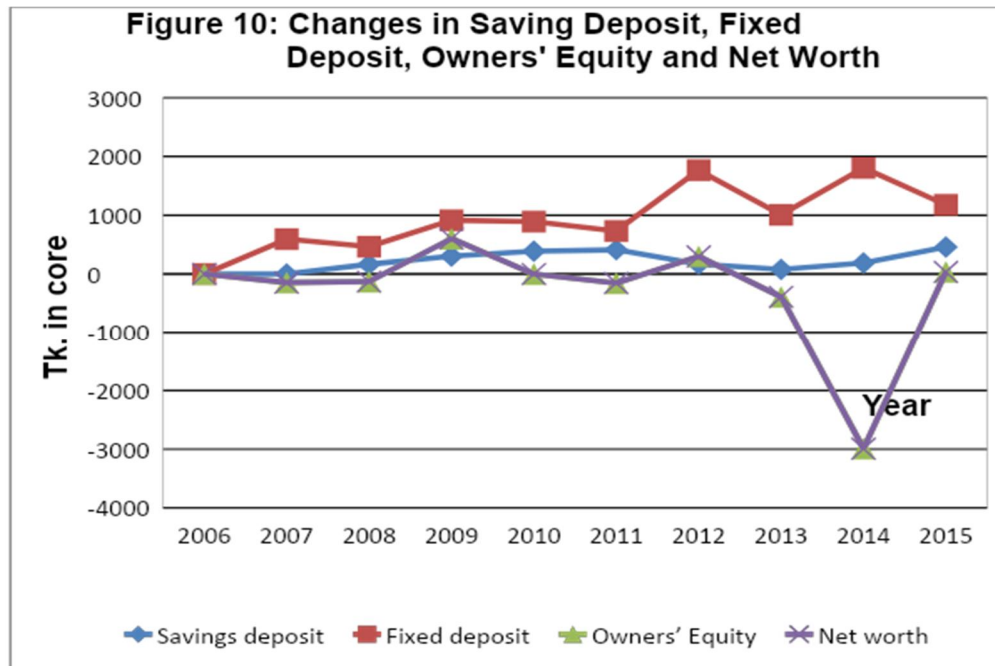
Total liability is the sum of all liabilities over a period of time. It includes both of current and fixed liabilities. It is the total claim of outsiders on bank over a period of time. It also indicates the total capital accumulating power of bank though different ways like accounts, bonds, debentures etc. Both of Table 4 and Figure 9 exhibit that change in total liabilities of BKB over the last 10 years culminated to the peak of Tk 4,826.40 crore in 2014 and the subsequent years were 2010, 2009, 2011 and 2015 being the lowest in 2007. Although total liabilities situation grew at a stable rate during the first five years (2006-2010), it failed maintain the same trend in the subsequent years of operation.

#### ***Change in saving deposit***

Saving deposit is the deposit that has some restricted withdrawal by the depositors and earns some earnings to the deposit owners. It holds the average position in deposits of bank as it stands between two extreme situations- current deposit and fixed deposit. A current deposit earns no income where the fixed deposit has the highest earning capacity. The saving deposit compared



to these two deposits, earns an income that is higher than the earning of current deposit but lower than that of fixed deposit. Number of and amount of money in saving deposit indicates how people accept a bank as a helping organization to increase their financial income. For the last decade, as shown in Table 4, change in the amount of money in saving deposit of BKB culminated to the peak of Tk 459.44 crore during 2015 while the second, third and fourth changes of Tk 411.48, 388.2 and 302.20 crore were found in 2011, 2010, and 2009 respectively. Table 3 clears that saving deposit of BKB increased steadily during the first 6 years, later it stumbled in 2012 and regained the previous stable change during the last 3 years (Figure 10). So, it can be said that with some exceptions, BKB's saving deposit situation is more or less stable.



#### **Changes in fixed deposit**

Fixed deposit is the highest income earning deposit to the depositors with fixed withdrawal period. It also gives higher earning potential to the bank as bank can invest the money of fixed deposit in long term profitable investment. Increase in fixed deposit situation, both in number and value, always bears goodwill to bank and represents long term financial reliability of the depositors on the bank in the operating area. The analysis of fixed deposit for the last 10 years shows that change in fixed deposit increased to the highest of Tk 1, 8060.60 crore in 2014. Subsequently it became to Tk 1767.71 crore in 2012, 1177.40 crore in 2015 and 1007.21 crore in 2013. Both of Table 4 and Figure 10 depict that fixed deposit situation of BKB is unstable and frustrating which is not favorable for being a sustainable financial institution with goodwill and acceptance among the investors as well as in the economy.

#### **Changes in owners' equity**

Owners' equity is the gain of owners of an institution or business entity that is made after meeting all the claims of the outsiders. It indicates the net change in financial welfare that the owners experienced after dealing with a business over a period of time. It is evident in Table 4 and Figure 10 that change in owners' equity was made the highest in 2014 (Tk 2991.07 crore) and the subsequent changes were Tk 389.68 crore, 154.28 crore and 145.68 crore in 2013, 2011,

and 2007 respectively. The owners also experienced no change and even they also had negative equity change in 2009, 2012, and 2015. So, BKB failed to give a stable equity gain to its owners and unstable equity with negative change in some years made the equity less qualitative and attractive to the owners.

#### **Changes in net worth**

Net worth is the difference between total asset and total liabilities of a financial institution. It implies the net addition in asset after meeting the entire obligation to owners. It mentions the relative efficiency and profitability of the organization compared to other organizations in a given business environment. Generally higher net worth is always a good sign of progress of an institution that attracts clients in a larger extent. During the period of 2006-2015, BKB experienced continuous negative change in net worth situation except the year 2009 and 2013 (Table 4 and Figure 10). The year 2014 is the most critical time for BKB when net worth decrease went to the vast minimum of (-) Tk 29910.08 crore. Other years decreases in net worth are also countable in terms of their magnitude. So, analysis of change in net worth situation exhibits that financial position of BKB is not sustainable and it is not a financially reputed enough institution in the money and capital markets in the economy.

#### **Comparative changes between related balance sheet items**

It is logical to think that change in one items of balance sheet would have an influence on the change in other related items. It is especially important when the items are polar cases like current assets and current liabilities. This comparative analysis bears significance to know the financial changes that occur among different items of a financial institution.

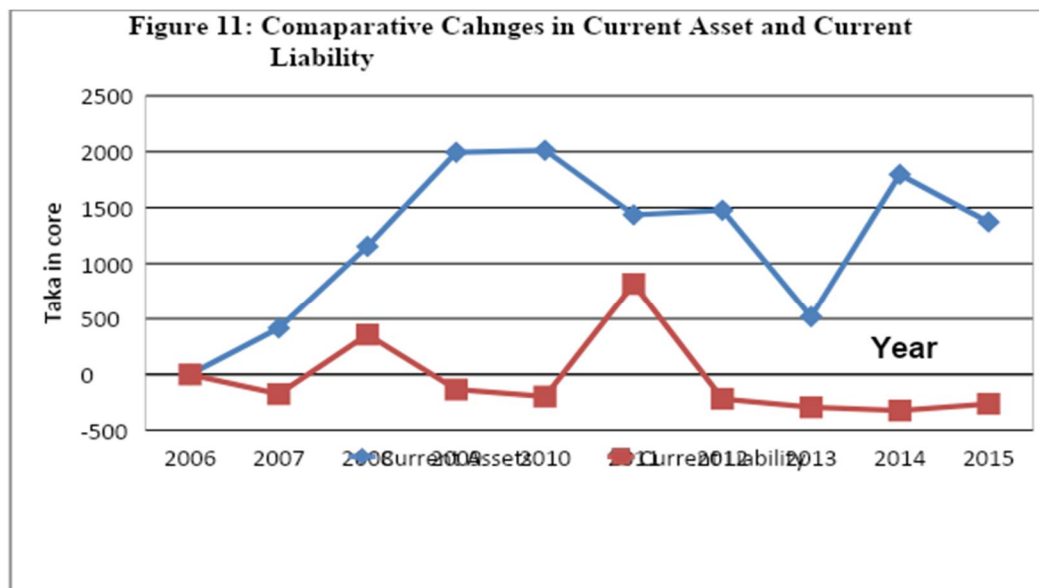
**Table 5: Comparison between changes in related balance sheet items (Tk in crore)**

Year	Changes in		Changes in		Changes in		Changes in	
	Current assets	Current liabilities	Fixed assets	Fixed liabilities	Total assets	Total liabilities	Investment	Fixed deposit
2006	-	-	-	-	-	-	-	-
2007	415.86	(-)175.8	0.41	775.2	333.96	479.6	0	593.92
2008	1154.21	357.66	16.83	868.53	1208.75	1338.18	(-)11.66	464.32
2009	1995.38	(-)134.99	56.46	1460.03	2299.28	1697.36	2.03	914.38
2010	2014.94	(-)197.82	0.63	1724.11	1903.12	1903.13	(-)2.75	892.22
2011	1437.2	816.75	2.02	1745.49	1542.92	1697.19	(-)145	732.34
2012	1477.57	(-)218.09	438.63	1507.77	1602.63	1302.27	0	1767.71
2013	519.29	(-)294.31	11.00	977.96	326.68	716.36	0	1007.21
2014	1797.97	(-)323.18	18.26	2354.44	1835.32	4826.4	0.87	1806.6
2015	1372.01	(-)262.77	-2.34	2090.58	1703.73	1668.98	(-)0.05	1177.4

Source: BKB (2007-2016)

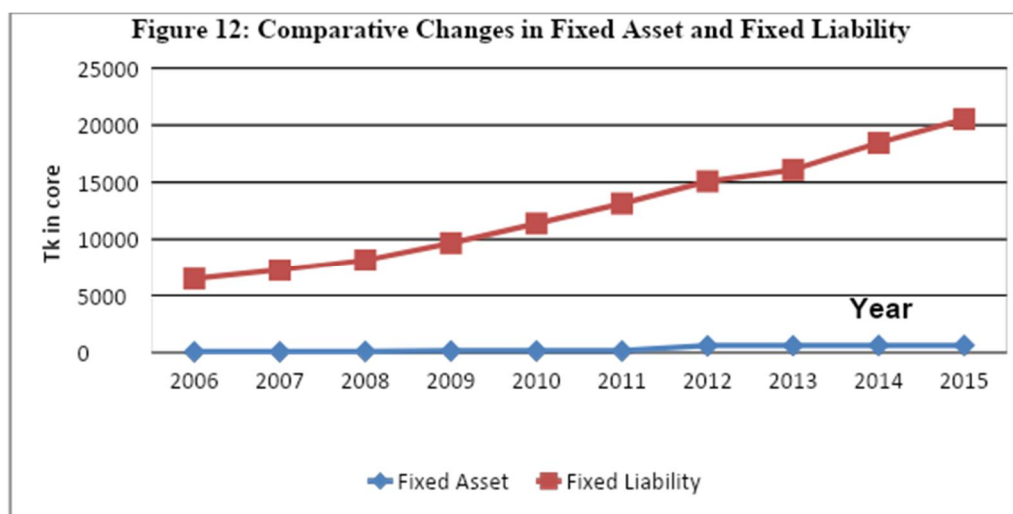
#### **Comparative changes between current asset and current liabilities**

It is evident from Table 5 that change in current assets of BKB was always much higher than that of current liabilities for the last ten years period. Although change in current liabilities became negative in most cases, change in current assets remained positive over the years of investigation. This nature of change is well depicted in Figure 11. Although there found as clear cut relationship between the changes of current assets and current liabilities, much higher position of current assets certainly denotes the satisfactory liquidity position to meet the short term obligation of BKB.



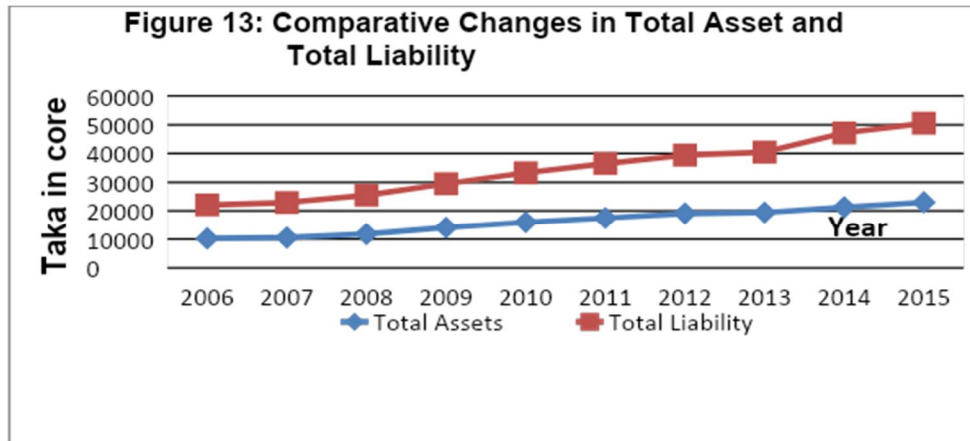
**Comparative changes between fixed assets and fixed liabilities**

Both Table 5 and Figure 12 depict that except the year 2015, change in fixed asset of BKB was positive though in some years it was minimum. Comparatively, change in fixed liabilities was always positive being very large in amount than that of fixed assets. It is not a peaceful situation for BKB because while the change in highest income earning fixed asset is small and even negative, the change in highest charge giving fixed liabilities is large and always positive.



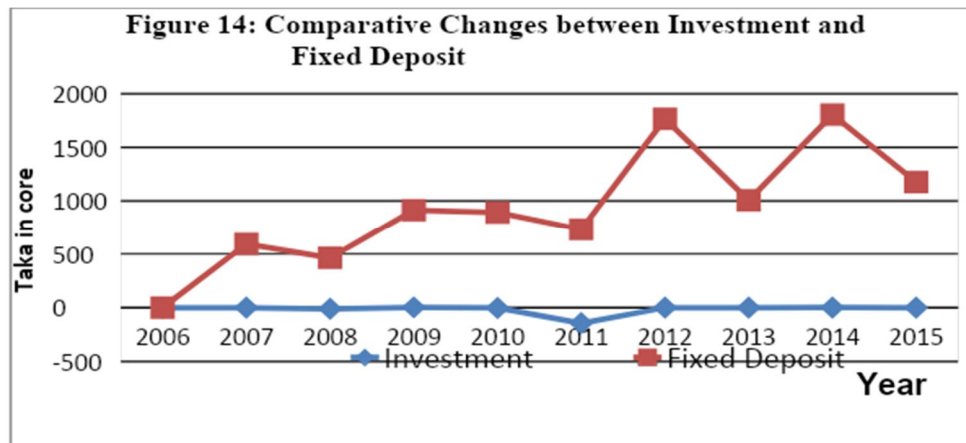
**Comparative changes between total assets and total liabilities**

For the last one decade, BKB's total assets and total liabilities situations got positive change. Sometimes change in total assets exceeded the change in total liabilities while sometimes the situation reversed. In 2010, changes in both the cases came to almost equal (Table 5 and Figure 13). So, it can be said that though changes in total assets and total liabilities are always positive, no clear cut relationship is possible to be drawn between these two balance sheet items of BKB.



#### *Comparative changes between investment and fixed deposit*

Fixed deposits have a longer and specified maturity period which gives extra advantage to the bank to use the fund in longer maturity and higher income earning investment. But change in investment situation of BKB is quite disappointing being always less than that of the fixed deposit. Except 2009 and 2014, it failed to increase its investment completely and in some years, the investment shrank a lot (Table 5 and Figure 14). It indicates that BKB's investment opportunities are restricted or it fails to invest in profitable business due to its internal and external limitations.



#### **Income statement ratios of BKB**

Income statement ratios are those ratios that are determined by using the income statement items solely. Three major income statement ratios were calculated to judge the financial condition of BKB which are shown in Table 6.

#### *Operating ratio*

The operating ratio shows the efficiency of management by comparing operating expense to gross sales or gross income. The smaller is the ratio, the greater the organization's ability to generate profit if revenues decrease. If a company has a higher operating ratio than its peer average it is a robust indication of inefficiency, and vice versa. It is shown in the Table 6 that operating ratio stood the lowest of 0.03 in 2009 and the highest of 1.23 in 2006 and the subsequent figures were 1.06 in 2011, 0.95 in 2007, 0.92 in 2008, 0.76 in 2015 and 0.73 in

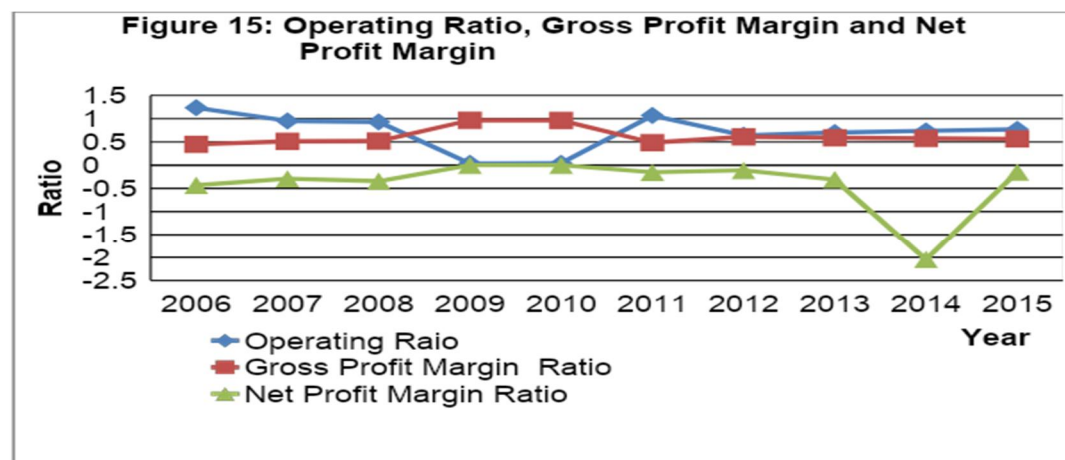
2014. Thus it is clear that in 2006 and 2011 BKB's management were inefficient and in 2009 it was more efficient than other subsequent years. It is also shown that during the first 3 years (2007-2009) except 2006, the management efficiency was slowly increased and during the last 5 years (2010-2015) except 2011 it decreased slowly. The instability of operating ratio of BKB is depicted in Figure 15.

**Table 6: Income statement ratios of BKB**

Year	Operating ratio	Gross profit margin	Net profit margin
2006	1.23	0.4477	(-)0.4338
2007	0.95	0.5125	(-)0.2922
2008	0.92	0.5182	(-)0.3440
2009	0.03	0.9645	0.0000
2010	0.04	0.9601	0.0000
2011	1.06	0.4839	(-)0.1526
2012	0.64	0.6089	(-)0.1113
2013	0.70	0.5881	(-)0.3098
2014	0.73	0.5751	(-)2.0486
2015	0.76	0.5654	(-)0.1465

#### **Gross profit margin**

Gross profit margin reflects the efficiency with which the management can produce each unit of services to its clients. This ratio indicates the average spread between the cost of services sold and the sales revenue of the service. A relatively high profit margin implies that the bank is able to offer its services at relatively lower cost. It is evident from Table 6 that gross profit margin stood the highest of 96.45 percent in 2009 and the subsequent figures were 60.89 percent in 2012, 96.00 percent in 2010, 58.81 percent in 2013 and 57.51 percent in 2014. The lowest ratio of 44.77 percent was experienced in 2006. As the gross profit margin ranges between 44.77 to 96.44 percent, efficiency of BKB in offering its services is satisfactory. But the efficiency is not stable because it had a continuous increase during the first 4 years (2006-2009) while it decreased continuously during the last 4 years (2012-2015). The instability of gross profit margin of BKB is depicted in Figure 15.



**Net profit margin**

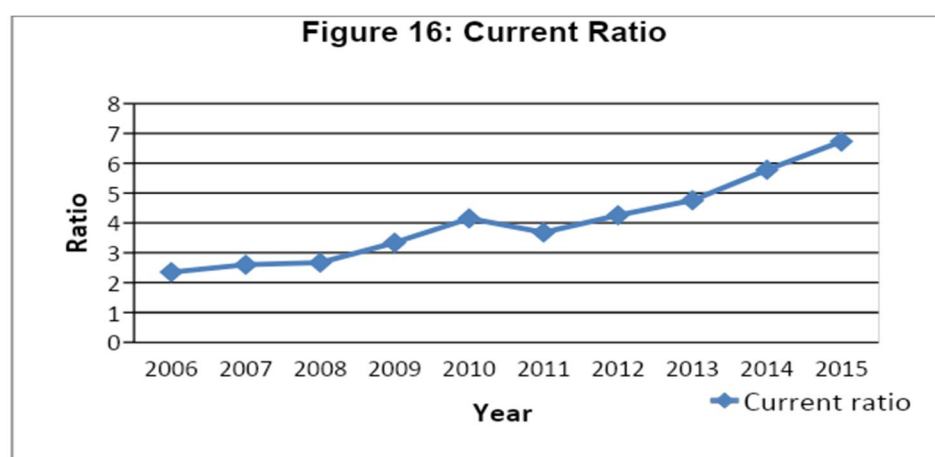
Net profit margin establishes a relationship between net profit and sale of services by an enterprise and indicates management efficiency in producing, administrating and selling the services. The ratio is overall measures of the enterprise's ability to run each Taka sales into net profit. If the net margin is inadequate, the enterprise will fail to achieve satisfactory return on shareholders' funds. It also indicates the enterprise's capacity to withstand adverse economic conditions. An enterprise with a high net margin would be in an advantageous position to survive in the face of falling financial condition. It is seen in Table 6 that net profit margin of BKB is zero in 2009 and 2010 and in other years it is thorough negative. The negative went to highest one in 2014. So, BKB's efficiency in earning net profit is quite unsatisfactory. This situation is also shown in Figure 15.

**Balance sheet ratios**

Balance sheet ratios are financial metrics that determine relationship between different aspects of company's financial position by using balance sheet items only. Six major ratios were calculated from the balance sheet of BKB for the period of 2006-2015 which are discussed below.

**Table 7: Balance sheet ratios of BKB**

Year	Current ratio	Acid-test-ratio	Cash ratio	Fixed capital ratio	Net capital ratio	Debt-to-equity ratio
2006	2.35	2.35	0.12	0.015	0.86	7.14
2007	2.60	2.60	0.15	0.013	0.85	6.83
2008	2.67	2.67	0.16	0.014	0.85	7.07
2009	3.34	3.34	0.38	0.018	0.91	11.51
2010	4.15	4.15	0.57	0.015	0.92	12.93
2011	3.68	3.68	0.28	0.013	0.92	12.73
2012	4.26	4.26	0.39	0.042	0.94	17.03
2013	4.76	4.76	0.38	0.040	0.92	13.29
2014	5.78	5.78	0.44	0.036	0.82	5.65
2015	6.73	6.73	0.57	0.032	0.83	6.06

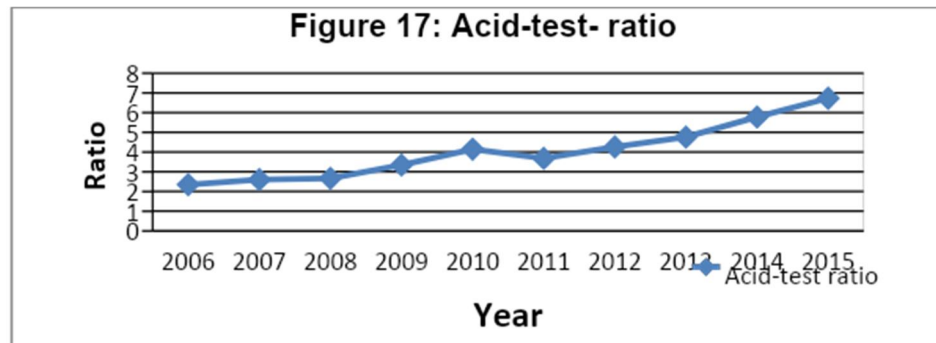
**Current ratio**

Current ratio shows a firm's ability to cover its current liabilities with its current assets (Horne and Wachowicz, 2000). It is the measure of short term solvency which indicates the availability of current assets in Taka for every one Taka of current liability. It also represents the margin of

safety for creditors. The higher the current ratio is, the greater the margin of safety. The large amount of current assets in relation to current liabilities indicates more ability of an enterprise to meet its current obligations. During the last one decade, current ratio of BKB increased gradually being minimum 2.35 in 2006 which reached to the maximum of 6.73 in 2015 (Table 7 and Figure 16). Conventionally, current ratio of 2 to 1 is considered satisfactory (Pauly, 2007). So, BKB is hoarding more current assets than conventional requirement to meet its current liabilities which indicates contraction of its investment and management efficiency.

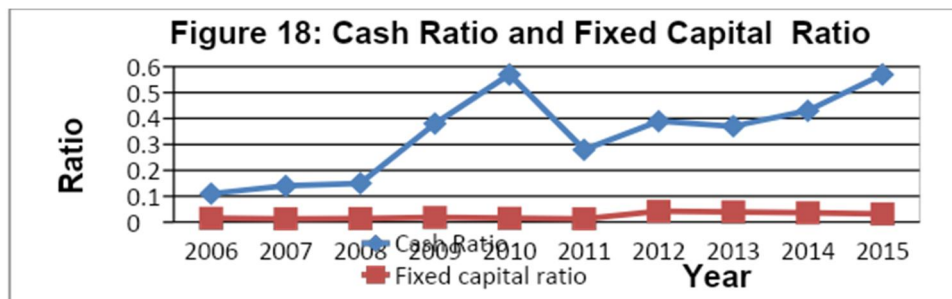
#### **Acid-test-ratio**

Acid-test or quick ratio establishes relationship between quick or highly liquid assets and current liabilities. It shows a firm's ability to meet current liabilities with its most liquid (quick) assets (Barry *et al.*, 1983). A quick asset is a liquid asset that can be converted into cash immediately or reasonably soon without a loss of value. Cash, debtors, bills receivable, marketable securities, etc. are the examples of quick assets. Acid test ratio is the more penetrating test of liquidity than the current ratio. Both of the Table 7 and Figure 17 exhibits the acid-test ratio of BKB was the same as current ratio. It is because in the financial institution like bank there is no inventory item. So, it bears the same explanation as furnished in earlier subsection.



#### **Cash ratio**

The cash ratio is a measure of the degree of current asset liquidity (Bernstein and Wild, 2004). It betokens whether the company can pay off its current liabilities given a year of its operation. It is the most famous ratio for realizing the liquidity position of any company. Sometimes, cash ratio gives better measurement than current ratio and quick ratio. During the last one decade, we can see from the Table 7 and Figure 18 that the cash ratio was the minimum of 11 percent in 2006 and increased few times in year 2006 to 2015. So, it can be said that BKB had less cash reserve compared to current liabilities. In 2010, this ability increased at maximum level (57 percent) and again decreased in the next year. And after the year 2011 the cash reserve ability of BKB increased up to 2015. But it is noted that BKB was holding the cash, which is not good from investor's point of view. So, BKB needs to increase its investment.



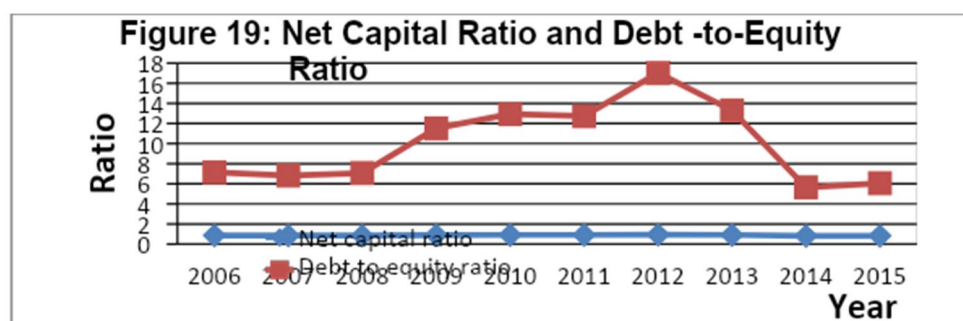


**Fixed capital ratio**

Fixed ratio measures the financial safety of business over a longer period of time. A fixed ratio of 2:1 usually indicates a fair financial position from the stand point of fixed assets. The lower the ratio, generally more debt has to be represented by the long-term obligations. It is shown in the Table 7 that fixed capital ratio stood the lowest 1.3 percent in 2007 and 2011 and highest of 4.2 percent in 2012 and the subsequent figures were 4 percent in 2013, 3.6 percent in 2014, 3.2 percent in 2015, 1.8 percent in 2009 and 1.5 percent in 2006. That is clear that in 2012 and 2013 the financial safety was stronger and 2007 and 2011 were unfavorable financial years. It is also shown that first 7 years (2007-2013) except 2008, the financial soundness eventually increased and last year (2015) again eventually decreased. This nature of ratio of BKB is depicted in Figure 18.

**Net capital ratio**

Net capital ratio deals with the degree of financial safety over a period of time. It indicates the long term liquidity position of the farm business. A net ratio of 2:1 means that, all the assets of the bank would produce sufficient cash to cover all its liabilities during the year. It is seen from the Table 7 that during last one decade the net capital ratio is maximum of 94 percent in 2012 and minimum of 82 percent in 2014. It is also shown that this ratio is lower than general range. It indicates that the portion of total assets provided by creditors is smaller than the portion of obligations. BKB will face creditors' crises for further investment for having greater liability than total assets. It is also shown that first 6 years (2007-2012) except 2006, the long term liquidity of BKB was eventually increased and last year (2015) again eventually decreased. The instability of this ratio of BKB is depicted in Figure 19.

**Debt-to-equity ratio**

Debt-to-equity ratio is a long term solvency ratio that indicates the soundness of long-term financial policies of a company. It shows the relation between the portion of assets financed by creditors and the portion of assets financed by stockholders. As the ratio expresses the relationship between external equity (liabilities) and internal equity (stockholder's equity), it is also known as 'external-internal equity ratio'. A ratio of 1 (or 1: 1) means that creditors and stockholders equally contribute to the assets of the business. A less than 1 ratio indicates that the portion of assets provided by stockholders is greater than the portion of assets provided by creditors and a greater than 1 ratio indicates that the portion of assets provided by creditors is greater than the portion of assets provided by stockholders. Creditors usually like a low debt to equity ratio because a low ratio (less than 1) is the indication of greater protection to their money. But stockholders like to get benefit from the funds provided by the creditors therefore they would like a high debt-to-equity ratio. It is seen from the Table 7 and Figure 19 that during last one decade the debt-to-equity is maximum of 17.03 in 2012 and minimum of 5.65 in 2014. It is shown that this ratio is too much greater than general range. It indicates that the portion of assets



provided by creditors is greater than the portion of assets provided by stockholders. The BKB will face creditors' crises for further investment for having greater liability than equity.

### Combined Ratios of BKB

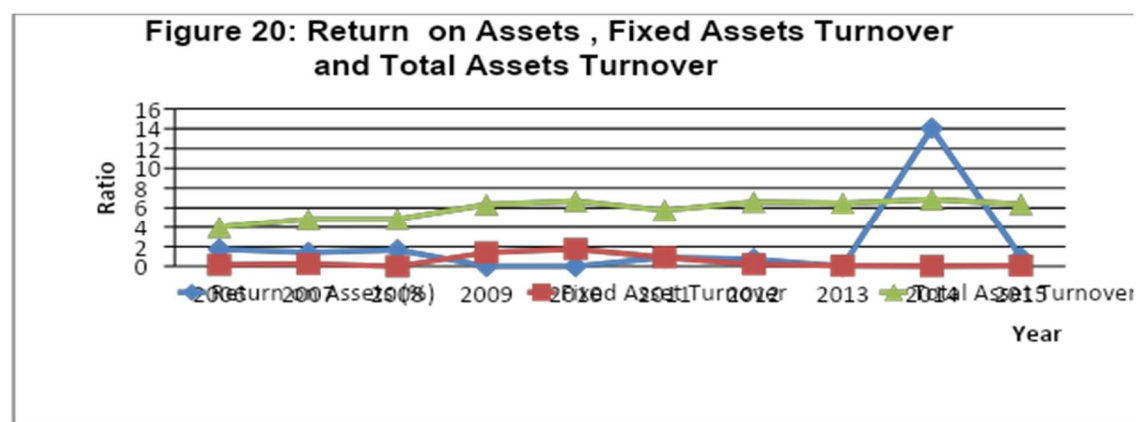
#### Return on asset (ROA)

ROA ratio can be directly computed by dividing net income by average total asset. It finds out the ability of the company to utilize its assets and also measure of efficiency of the company in generating profits.

**Table 8: Combined ratios of BKB**

Combined ratio	Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Return on assets (%)	1.73	1.4	1.66	0	0	0.88	0.73	0	14.04	0.93
Fixed asset turnover	0.164	0.226	0.0031	1.392	1.752	0.902	0.208	0.0593	0.0269	0.0613
Total asset turnover	3.99	4.81	4.85	6.35	6.7	5.76	6.59	6.46	6.85	6.38

The Table 8 and Figure 20 depict that BKB failed to earn any net income from its assets during 2009, 2010 and 2013. Moreover, for the period of first 8 years (2006-2013), the ROA is almost decreasing. Though it earned a reasonable return in 2014, but it failed to maintain it and reduced to 0.93 in the subsequent year. So, profit making capacity of BKB is unsatisfactory and unstable.



#### Fixed asset turnover ratio

Fixed assets turnover also known as sales to fixed assets ratio is a commonly used activity ratio that measures the efficiency with which a company uses its fixed assets to generate its sales revenue. Generally, a high fixed assets turnover ratio indicates better utilization of fixed assets and a low ratio means inefficient or under-utilization of the same. The usefulness of this ratio can be increased by comparing it with the ratio of other companies, industry standards and past years. It is shown in Table 8 and Figure 20 that fixed asset turnover stood the lowest of 0.0038 in 2008 and highest of 1.75 in 2010 and the subsequent figures were 1.39 in 2009, 0.902 in 2011, 0.226 in 2007, 0.164 in 2006 and 0.0613 in 2015. Thus it is clear that in 2010 and 2009, BKB's management were efficient in utilization of fixed assets and in 2008 they were comparatively efficient than other subsequent years. So, fixed assets utilization capacity of BKB is not good to achieve all rounding efficiency.

***Total asset turnover***

The total asset turnover ratio tells us the relative efficiency with which a firm utilizes its total assets to generate sales (Home and Wachowicz, 2000). It considers all assets including property, plant and equipment, capital working in process, long-term investment, cash and cash equivalents, etc. In this criterion a high ratio means the company is achieving more profit. For the last one decade, BKB's total asset turnover ratio gradually increased from 2006 to 2010. But it dampened in 2011 and then remained more or less same in the subsequent years. BKB is profit motive financial organization. For that reasons total asset turnover ratio should be high. The scenario of total asset turnover is shown in Table 8 and Figure 20. It can be said from the results that profit earning capacity of BKB considering all assets is not satisfactory.

Among the above findings, interest income (both total and net) is fluctuating but the fluctuation is much higher in total interest income than the net one. This finding is supported by Chowdhury and Islam (2007) who found similar result in their study with SBs of Bangladesh. The unstable and fluctuating trend of net profit of all kinds indicates lack of level stable management policy of BKB. Similar result was experienced by Mahumud *et al.* (2013) where effective management was strongly suggested for better performance of Rajshahi Krishi Unnayan Bank (RAKUB). Almost all the indicators under this study are fluctuating. Masud and Haq (2016) also found such fluctuation in a group of indicators while studying the performance of some private banks in Bangladesh. The unsatisfactory performance of BKB in terms of ROA is due to its poor management ability. The finding of Ahmad (2011) supports this matter because he found a positive correlation between ROA and asset management while studying performance of some commercial banks in Indonesia.

**IV. CONCLUSION**

Annual interest income, total operating earnings and expenses, net profit before and after tax were highly volatile and in fluctuating position. Net interest income and total operating income were not satisfactory over the last one decade. Cash situation, current assets, fixed assets, total assets, total liabilities and fixed deposit were in unstable condition over study year. BKB held an unstable credit relation with its clients. BKB was not sound to operate its current liabilities. As time passed, BKB was facing a frustrating situation to finance its fixed assets by fixed liabilities. Operating ratio, gross profit margin and fixed capital ratio were highly fluctuating or unstable over the study period. Long-term solvency, profit making capacity and total asset turnover ratio of BKB were found to be unsatisfactory over the last decade. Fixed asset turnover ratio revealed that BKB's management was more or less efficient in utilization of fixed assets. The current ratio told that BKB held more current asset and cash than conventional requirement to meet its current liabilities. All these indicate that the overall performance of the BKB was not up to the satisfactory level. The bank should design attractive loan products and services along with effective marketing policy to sell them to its clients. Research and development initiatives should be undertaken to iron out the current dampening situation. BKB should follow effective loan portfolio all the time. It should be cautious in loan disbursement and strict against loan defaulters. The central bank should pay special attention with effective policy support to BKB considering welfare effects for the society.

## REFERENCES

- Ahmed, A. A. (2011). Financial Performance Evaluation of Some Selected Jordanian Commercial Banks. *International Research Journal of Finance and Economics*, Issue 68.
- Arafat, T. (2020). Analysis of Financial Performance of Banking Sector in Bangladesh- An Empirical Study on Selected Listed Banks. BRAC Business School, BRAC University, Dhaka.
- BKB (2016). BKB web site.
- BKB (2007-2016). Bangladesh Krishi Bank Annual Report, various issues.
- Barry, P.J. Hopkin, J.A. and Baker. C.B. (1983). *Financial Management in Agriculture*, Third Edition, ISBN 0-8134-2291-4, The Interstate Printers and Publishers, Inc.
- Berk, J.B., Demarzo, P.M. and Harford, J.V.T. (2014). *Fundamentals of Corporate Finance*. Pearson Education, Inc.
- Bernstein, L. A. and Wild, J. J. (2004). *Analysis of Financial Statements*. Tata McGraw-Hill Edition.
- Chandra, P. (1991). *Financial Management- Theory and Practice*. Tata McGraw-Hill Edition.
- Chowdhury, H.H. and Islam, M.S. (2007). Interest Rate Sensitivity of deposits and Loan & Advances: a Comparative Study between Nationalized Commercial Banks (NCBs) and Specialized Banks (SBs). *Researchgate*.
- Ferdaus, J. (2014). Financial Ratio Analysis of City Bank Ltd. School of Business, BRAC University, Dhaka, Bangladesh.
- Islam, M. A. (2014). An Analysis of the Financial Performance of National Bank Limited Using Financial Ratio. *Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport*, Vol. 2(5).
- Karim, R., Hasan, M.M., Waaje, A., Yesmin, M.S.H. and Roshid, M.M. (2023). Financial Performance of Bangladeshi Listed Commercial Banks- A Generation-based Analysis. *International Journal of Finance & Banking Studies*, Vol. 12(4).
- Khan, Z., Jawaid, S.T., Arif, I. and Khan, M.N. (2012). Working Capital Management and Firm's Profitability in Pakistan: a Disaggregated Analysis. *African journal of Business Management*, Vol. 6(9).
- MoF (2014). *Bangladesh Economic Review*, Ministry of Finance.
- Mahumud, M. R. A., Hossain, M. G., Sultana, S. Z. N. (2013). An Empirical Analysis of the Impact of Agricultural Banking Industry Profitability in Bangladesh: An Evaluation of Internal Indicators of RAKUB. *International Journal of Science and Research (IJSR)*, Online ISSN: 2319-7064, Vol. 2(1).
- Masud, M.A.K. and Haq, M. M.(2016). Financial Soundness Measurement and Trend Analysis of Commercial Banks in Bangladesh: an observation of Selected Banks. *European Journal of Business and Social Sciences*, Vol. 4(10).
- Pandey, I.M. (2015). *Financial Management*. Vani Educational Books.
- Shah, S.Q. and Jan, R. (2013). Analysis of Financial Performance of Private Banks in Pakistan. *Procedia-Social and Behavioral Sciences*, Vol. 109(8).