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Human Resource Development Programmes in the Financial Intermediaries: A Study of Two Selected Islamic Banks in Bangladesh

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**HUMAN RESOURCE DEVELOPMENT PROGRAMMES
IN THE FINANCIAL INTERMEDIARIES: A STUDY OF
TWO SELECTED ISLAMIC BANKS IN BANGLADESH**



Ph.D. Dissertation

By

Mohammad Zahid Hossain

**Institute of Bangladesh Studies
University of Rajshahi
Rajshahi, Bangladesh**

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Ph.D. Dissertation

By

Mohammad Zahid Hossain

Submitted to

The Institute of Bangladesh Studies, University of Rajshahi
in Partial Fulfilment of the Requirements for the
Degree of

Doctor of Philosophy

in

Finance and Banking

**Institute of Bangladesh Studies
University of Rajshahi
Rajshahi, Bangladesh**

January 2007

Certificate

I have the pleasure to certify that the dissertation entitled **Human Resource Development Programmes in the Financial Intermediaries: A Study of Two Selected Islamic Banks in Bangladesh** is the original work of Mr. Mohammad Zahid Hossain. As far as I know, this is absolutely the candidate's own achievement and is not a conjoint work. He has completed this dissertation under my direct guidance and supervision.

I also certify that I have gone through the draft and final version of the dissertation and found it satisfactory for submission to the Institute of Bangladesh Studies, Rajshahi University, in partial fulfilment of the requirements for the degree of Doctor of Philosophy in Finance and Banking.

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Declaration

I do here by declare that the dissertation entitled **Human Resource Development Programmes in the Financial Intermediaries: A Study of Two Selected Islamic Banks in Bangladesh** submitted to the Institute of Bangladesh Studies, Rajshahi University for the degree of Doctor of Philosophy in Finance and Banking is exclusively my own and original work. No part of this work has been submitted to other university or Institute for any degree, Diploma or for other similar purposes.

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Abstract

Commercial Banks in Bangladesh play a vital role in the economic development of Bangladesh. Islamic banks also play important role in this regard. Now a days there is growing importance of human resources' management (HRM) in any organisation. The banking performance had taken a bad shape due to default culture and non-performing loans. Islami banks undertook different programmes for raising their HRM development activities through establishing separate training institutions and involving a good team of professional bankers, economic experts and others in their training and development activities. This has broadened the areas of success of these banks through prudent participation of the available human resources in the decision making process. The detailed review of different research studies shows that many of the studies have presented the operational performance of the Islamic Banks, their growth and development, role in entrepreneurship development, etc. But, not a single comparative study has yet been done on the effectiveness of Human Resources' Development activities on the performance of the Islamic Banks in Bangladesh. This study would be helpful for our policy makers and decision makers in the banking arena of Bangladesh in understanding the importance of growth and development of human resources, their productivity and operational efficiency. The main objectives of the study are: to assess the financial performance of the two purposively selected Islami Banks (one is performing and the other is not performing well) and evaluate the impact of the growth and development of their human resources on such performance along with their major SWOT mix. The basic hypothesis of the study is that there is a positive correlation between managerial performance of the banks and development of the human resources, variations of the performance between the two banks are also statistically significant.

The methodology used here is mainly documentary analysis or content analyses. The study also reveals that both primary and secondary data were used here. The researcher had series of discussions with some officials of both the banks and with some of their clients. The statistical tools used were Mean Values, SD, DV, Multiple Correlation and Regressions, ANOVA Test etc. Time span of the study covers the period from 1983 to 2004. The major findings of the study show that both the banks have systems for developing their human resources through their central training institutes in Dhaka; financial performance of the two banks in terms of profitability, productivity, cost of fund are more or less satisfactory. HRM development activities appear to be satisfactory since cooperation of human resources progressed due to motivation and collaborative approaches. Opinions of the employees reveal that training and development activities, performance appraisal system, scope for career planning, provisions for rewards, welfare and quality of work life, organisational development, management relation etc. are more or less satisfactory. There is involvement of employees in developing skills and knowledge. Motivation of the employees is also increasing their productivity. Absenteeism factors are negligible and there is good participation of employees in banking decisions. The training institutes were given enough scope for training the employees of the banks. There is also a good package of pay structure and other benefits for the employees. These have developed human resources of the banks. The major strength of the banks is their manpower; opportunity is that there is good demand for their investible funds. The major threat is that sometimes there is the problem of default culture. This enhances the cost of fund, decreases the productivity and profitable uses of funds. Both the banks are highly cost conscious and they perform greater social responsibility through introducing consumers' credit facility and other entrepreneurial financing schemes, old age financing schemes, education loan and financing of the rural poor. However, it is found that there is difference in performance of the two banks. In spite of such differences, it is concluded that HRD activities of both the banks are more or less satisfactory. There is congenial banking environment leading to productive utilisation of the

banks' funds which are increasing the value additions to the economy. Bank authorities need to be more vigilant on default culture and cost of funds.

It is expected that with the use of the provisions of LRA model, the banks will be able to contribute more to the development of their human resources. This will raise the employee morale, motivation, job satisfaction and employees' productivity so that the managerial performance can easily be enhanced. This will also add to the value additions to the economy raising the growth and development activities of the banks with the expansion of information technology. There will be wide participation in on line banking to serve the economy.

The Banks should try to increase the effectiveness of Human Resource Management activities through providing more training, motivation, counselling to the employees and this will increase their productivity and managerial performance. Unless the employees are self motivated to work more, their productivity, growth and development of the banks would remain poor. So, efforts should be made to increase productivity of the employees through better HRD management.

Acronyms and Abbreviation

AGR	Annual Average Growth Rate
ABBBL	AL Baraka Bank Bangladesh Limited
AGR	Average Growth Rate
ARA	Artha-Rin-Adalate
ASTD	American Society for Training and Development
ATM	Automated Teller Machine
AVG	Average
BCD	Banking Control Department
BEP	Break Even Point
BIBM	Bangladesh Institute of Bank Management
CA	Current Assets
CAMEL	Capital Asset Management Earning Liability
CL	Current Liabilities
CR	Company Risk
CRISL	Credit Rating Information and Services Limited
CV	Coefficient of Variation
DD	Demand Draft
EAT	Earning After Tax
EBDIT	Earning before Depreciation Interest and taxes
EBIT	Earning Before Interest and Tax
EBT	Earning Before Tax
FIFO	First In Last Out
FSRP	Financial Sector Reform Programme
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GOB	Government of Bangladesh
HR	Human Resource
HRD	Human Resource Development
HRDP	Human Resource Development Programme
HRM	Human Resource Management
HRDE	Human Resource Development Expenditure

IBBL	Islami Bank Bangladesh Limited
IBTRA	Islamic Bank Training and Research Academy
ICB	Investment Corporation of Bangladesh
IDB	Islamic Development Bank
IR	Industry Risk
IT	Information Technology
KPAs	Key Performance Areas
LIFO	Last In First Out
LRA	Lending Risk Analysis
LSM	Least Square Method
MIS	Management Information System
MT	Mail Transfer
NCBs	Nationalized Commercial Banks
NL	Net Loss
NOI	Net Operating Income
NP	Net Profit
NWC	Net Working Capital
OBL	Oriental Bank Limited
OCF	Operating Cash Flow
OIC	Organization of Islamic Conference
OTJ	“On the Job”/ “Off the Job”
PA	Performance Appraisal
PCBs	Private Commercial Banks
PLS	Profit Loss Sharing System
PO	Payment Order
QWL	Quality of Working Life
SCR	Security Control Risk/ Security Cover Risk
SD	Standard Deviation
STBB	Short Term Bank Borrowing
SWIFT	Society for Worldwide Inter Bank Financial Telecommunication
SWOT	Strengths Weakness Opportunities and Threats
TA	Tangible Assets
TA	Trend Analysis
TC	Traveler’s Cheque
TT	Telegraphic Transfer
WF	Working Fund

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Chapter 1

INTRODUCTION

1.1 Role of Financial Institutions in Economic Development

Economic development is a crafty concept.¹ To some extent it is termed as economic growth as these two terms are used interchangeably. The increasing condition of national income of a country is regarded as "growth" but changing state of the socio-economic structure along with growth is regarded as development.² Meir and Baldwin define economic development as a process whereby the real national income of an economy increases over a long period of time.³

Alpert states that a healthy and stable economy should be dependent on domestic resources of that economy. Influx of foreign capital cannot be treated as the Yardstick of economic development. It, however, is significant, and should only be a supplement to domestic capital. Long lasting improvements in the level of living can be achieved only through the positive increase in productive capacity, which depends mostly on the pace of capital formation.⁴

Adam Smith emphasizes that the role of capital formation is an important factor for economic development.⁵ Arthur Lewis signifies that rapid

¹ R. Banda Padhyay, "Finance and Development: An Integrative Framework", in *Finance and Development*. R. Bandyay Padhyay and D.P. Khankhoje (ed.) (Pune: National Institute of Bank Management, 1985), p. 22.

² Joseph Alois Schumpeter, *The Theory of Economic Development*, R. Opie(tr.) (Cambridge: Harvard University Press, 1934), pp. 78-80, cited in O.S. Srivastava, *Economics of Growth, Development and Planning* (New Delhi: Vikas Publishing House Private Limited, 1996), pp. 154-161.

³ Gerald M. Meir and Robert E. Baldwin, *Economic Development, Theory, History, Policy* (New York: John Wiley and Sons Inc., 1966), p. 2.

⁴ Paul Alpert, *Economic Development* (New York: The Free Press, 1967), p. 132.

⁵ Adam Smith, *An Inquiry into the Nature And Causes of Wealth of Nations*, Edwin Cannan (ed.) (New York: Random House Inc., 1937), p. 7; cited in Narendra S. Bisht and Pamila K. Sharma, *Entrepreneurship: Expectation and Experience* (Bombay: Himalaya Publishing House, 1991), p. 17.

capital accumulation is the core factor of economic development.⁶ It may be argued that other things, such as entrepreneurship and training of employees and workers and administrators are needed for economic development, in addition to capital accumulation. Yet these are rarely achieved without capital formation. Therefore, capital formation may be considered as the main factor by which all other things of growth are made possible.⁷ Emphasizing the importance of capital accumulations, Stiglitz states, "Capital accumulation is often given credit for being the engine of growth Once one identifies the engine of growth, the task is to increase capital accumulation".⁸

Jhingan states that capital formation is the main key to economic growth, which reflects effective demand and creates productive efficiency for future production. Investment in capital goods through capital formation not only raises production but employment opportunities also, and leads to the technological progress. The provision for social and economic expenditures like transport power, education, hospital, etc. in the country is possible through capital formation. Capital formation leads to the exploitation of natural resources, human resources, industrialization and expansion of market: which are essential and prerequisites for economic progress. A rapid rate of capital formation gradually dispenses with the need for external helps. It helps a country to make self-reliant and reduces the burden of foreign debt.⁹

Waqif says that in the absence of a healthy financial superstructure, a major share of people's savings is accumulated in socio-economically unproductive assets. When savings are hoarded privately it does not provide

⁶ W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour", *The Manchester School*, May 1954; quoted in Meir, *Leading Issues in Economic Development* (3rd ed., New York: Oxford University Press, 1976), p. 249.

⁷ United Nations, ECAFE, "Capital Accumulation and Development", *Programmes Techniques for Economic Development*, Report of the First Group of Experts on Programming Techniques, Bangkok, 1960, pp. 8-13; quoted in Meir, *op.cit.*, p. 252.

⁸ Joseph E. Stiglitz, "Some Lessons from the Eastern Asian Miracle", *The World Bank Research Observer*, Vol. XI, No. 2 (August, 1996), p. 153.

⁹ M.L. Jhingan, *The Economics of Development and Planning* (34th edition, New Delhi: Vrinda Publications (P) Ltd., 2001) pp. 320-321.

any contribution to real producer's capital formation. He also advocated that a well-developed financial superstructure in an economy would also facilitate the mobilization and allocation of savings from the international sector thus provide better scope for domestic development.¹⁰

Therefore, the basic need for capital accumulation is the establishment of a well-developed, wide-spread and efficient financial structure that can mobilize small and scattered savings of the people and channel the same for desired investments.¹¹ Moreover, Van Horne states that efficient financial markets are extremely important to ensure sufficient capital formation and economic growth in a modern economy.¹² Nevin observes that the poorer a country is, the greater is the need for financial institutions to collect and invest the savings within its borders. Such institutions will not only welcome small amounts of savings to be handled and invested conveniently but will allow the owners of savings to retain liquidity individually but finance long term investment collectively.¹³

According to a group of authors, "Financial Institutions Serve as an Important Function as Intermediaries between the Saver and the User of Savings – i.e., in translating savings into capital goods".¹⁴ So, Economic development of a country ensures resource mobilization, capital formation and increases the savings tendencies of people. It raises the levels of investment, industrialization and creation of employment in the economy. In

¹⁰ Arif A. Waqif, "A Generalized Model of Financial Intermediation", *The Indian Economic Journal*, Vol. XXVIII, No. 1 (July-September, 1980), pp. 43-50.

¹¹ M. Zainul Abedin, *Commercial Banking in Bangladesh: A Study of Disparities of Regional and Sectoral Growth Trends (1846-1986)* (Dhaka: National Institute of Local Government, 1990), p. 2.

¹² James C. Van Horne, *Financial Market Rates and Flows* (2nd ed, Englewood Cliffs, NJ: Prentice-Hall, Inc., 1984), p. 4.

¹³ Edward Nevin, *Capital Funds in Underdeveloped Countries* (London: Macmillan and Company Limited, 1963), p. 75.

¹⁴ Roland I Robinson, Frank H. Gane, and Loring C. Farewell, *Financial Institutions*, Erwin W. Bockmlerr (ed.) (Rev. ed., Illinois: Richard D. Irwin Inc., 1956), p. 18.

such a state, an efficient financial structure can mobilize small and scattered savings; and channel the same for desired investment purposes.¹⁵ So, efficient financial markets and their components are extremely important for a country's economic development.¹⁶ The Financial Institution, like the Commercial Banks, are serving an important function as intermediaries between the saver and the user of savings.¹⁷

1.2 Role of Commercial Banks in Financial Structure

The Commercial Banks are playing a very important role in the economic development of our country and those are considered as an integral part of our financial system. The volume of business of the commercial banks is very big.¹⁸ It is very difficult to handle the volume of business of the commercial banks.¹⁹ The commercial banks constitute the largest financial intermediaries in the economy, and they perform various functions like collection of deposits, supplying credit, creating money, providing liquidity to the economy, acting as custodian etc. They also deal with foreign exchange business, and extend numerous miscellaneous services.²⁰ The Banks borrow money from those who can spare and lend the money to those who have needs of it.²¹ So, with out banking institution, an economy cannot proceed towards it's development. Since the commercial banks are considered as the largest part of the financial structure of an economy and out of all financial institutions they perform a vital role in a developing economy because of two reasons: first, at the initial stage, they are the lone institutions for financial intermediation and for preparing the

¹⁵ M. Zainul Abedin, *Commercial Banking in Bangladesh* (1992), p. 2.

¹⁶ James C. Van Horne, *op.cit.*, p. 4.

¹⁷ Roland I. Robinson, Frank H, Game and Loring C. Farewell, *op.cit.*, p. 21.

¹⁸ *Ibid.*, pp. 74-75.

¹⁹ M. Zainul Abedin, *Commercial Banking in Bangladesh*, p. 6.

²⁰ Lawrence S. Ritter, William L. Sliber, and Gregory F. Udell, *Principles of Money, Banking, and Financial Markets* (9th ed., Massachusetts: Addison-Wesley Longman, INC., nd.), p. 33.

²¹ Brij Narain, *Money and Banking* (2nd ed., Delhi: S. Chand and Company, 1956), pp. 53-55.

base of future financial development. Secondly, as a by-product of funnelling funds, they create money in the economy.²² Commercial banks are very much familiar financial institutions. They accept deposit, lend money, issue letter of credit, accept and pay drafts and do various other functions. The commercial banks are rendering different services to the citizens of our country.

The vital functions performed by full-service banking institutions are stated by Rose in his book "Commercial Bank Management: Producing and Selling Financial Services". He narrates that a modern bank does: the trust function, the credit function, the investment function, the payment function, the saving function, the cash management function, underwriting function, the brokerage function and insurance function. Hence, the Commercial Banks of our country cannot be kept aloof of this responsibility. The presence of Commercial Banks is treated as the circulation of blood in the financial system of a country.²³

1.2.1 Concepts of a Bank and an Islamic Bank

According to R. S. Sayers "A bank is an institution whose debts are commonly accepted in final settlement of other people's debts". According to A. C. Day "A bank is an organisation whose main function is moving for capital formation". In fine, we can say that bank is a financial institution that receives savings of people and insert these savings to customers in order to make profit and other monetary transactions with interest.

Definition of Islamic Bank: An Islamic Bank is a financial and social institution whose objectives and operations as well as principles and practices must conform to the principles of Islamic Shariah, and which must avoid the use of interest in any of its operations. According to the Council of Foreign Affairs Ministry of Organization of Islamic Conference (OIC) meeting in April

²² M. Zainul Abedin, *Commercial Banking in Bangladesh*, p. 5.

²³ Vasant Desai, *Indian Banking-Nature and Problems* (Bombay: Himalaya Publishing House, 1979), p. 9.

1978 in Senegal, Islamic Bank is a Financial Institution, whose status, rules and procedures expressly state its commitment to the principles of Islamic Shariah and to the banning of the receipt in payment of interest on any of its operations.²⁴ In 1983, The Parliament of Malaysia passed an Act named Islamic Banking Act 1983, in which the definition of it is given in the form that Islamic bank is such a company that is cooperated in Islamic Banking business and Islamic Banking business is such a business that has no factors in its motives and procedures as is not prescribed by Islam. In fine we can say that Islamic Bank stands for an alternative financial system based on Islamic ideas of social justice and fair deals for all.

1.2.2 Historical Background of Islamic Banking

The history of Islamic Banking is very recent. There has always been a desire to establish financial institutions to operate as per the tents of Islamic Shariah. The first attempt in this regard was made in Pakistan during 1950s as a pilot scheme, but unfortunately it didn't succeed. It was followed by a more successful venture in the form of a local Bank in Egypt (Myt Gant Savings Bank, July, 1963).²⁵

In 1969, Islamic Bank was established in Malaysia through passing an Act in parliament which is being conducted successfully even today. In 1970, King Faisal, the Government of KSA, called a meeting to moderate the banking of Muslim countries in accordance with the line of Islamic Shariah. In the light of this purpose, on 18 December 1973, the decision of setting up an international Islamic Bank was taken up in the meeting of the finance ministers of OIC, and on that basis Islamic Development Bank (IDB) started working on 20th October 1975 in Jeddah. In 1977, Faisal Islamic Bank in Sudan, Kuwait Finance Bank House in Kuwait, Faisal Islamic Bank in Egypt

²⁴ *Proceedings and Papers* of International Seminar held in Dhaka Bangladesh on October 27, 1989.

²⁵ *Proceedings and Papers* of International Seminar on Islamic Banking held in Dhaka, Bangladesh on October 27, 1989.

and Jordan Islamic Bank in 1978 were founded. In 1977, International Association of Islamic Bank (IAIB) was founded to create equality among the Islamic Banks of different countries.

1.3 Role of Islamic Bank Bangladesh Limited (IBBL) and Al-Baraka Bank Bangladesh Limited ABBBL(OBL), (later on Oriental Bank Limited) as Commercial Banks

1.3.1 Role of IBBL as a Commercial Bank

Bangladesh's first Islamic Commercial Bank was incorporated on 13th March 1983, but it started limited operations on 30th March of that year, and introduced its full package of banking services in August, 1983. It is a public limited company incorporated under the companies Act 1913. Its registered office is located at Dhaka. It is a joint venture of Bangladesh and overseas capital in the ratio of thirty-six to sixty four. Its overseas capital is owned by Islamic Development Bank (IDB), nine other institutions and three individuals of Arab nationality while the local capital is owned by the Government of Bangladesh (GOB), Investment Corporation of Bangladesh (ICB), four non-profit private institutions and a good number of private individuals. Its shares are quoted in the local stock market. Being in high demand the shares are presently sold at six times higher than the face value.

The bank is completely based on Islamic principles and it follows the rules of Profit Loss Sharing (PLS) system. As an integral part of the country's financial intermediaries, IBBL has been participating in the country's financial as well as economic development activities since its establishment in 1983.

It is high time to know what achievements did it acquire during the long time of it's existence. What were the impacts of it's human resource development programmes on it's performances. As on December 2004, IBBL had 151 branches operating throughout the country, in which 5306 persons (Human Resources) were working at that time.²⁶

²⁶ *Annual Reports of IBBL of 2001.*

The IBBL was established with a view to implement the following broad objectives.

- a) To carry on its entire business in strict compliance with Islamic Shariah.
- b) To eliminate usury interest from its banking activities.
- c) To under-take dealings in the banking sector on the basis of interest free loans and banking services.
- d) To improve means to attract funds and savings and directing them towards halal profits participation in the domain of investment in accordance with the provision of the Shariah.
- e) To make available necessary funds to meet the requirements of various sectors of the economy that are essential for healthy socio-economic growth as per Islamic Shariah.

Keeping these objectives in front, IBBL is doing all the banking functions, various service producing tasks and foreign exchange business and participating directly in the country's economic development activities.

1.3.2 Role of Al Baraka Bank Bangladesh Limited (ABBBL), Later on Oriental Bank Limited (OBL) as a Commercial Bank

Bangladesh's Second Islamic Commercial Bank, Started its operation as a scheduled bank with effect from the 20th May, 1987. This bank was incorporated under the companies Act 1913 with its registered office in Dhaka. It is a Joint venture company. It is tagged with AL Baraka Investment and Development Company of Jeddah, a renowned financial and business house of Saudi Arabia, Islamic Development Bank, a group of eminent Bangladesh entrepreneurs and the Government of Bangladesh. The Bank has a Shariah Council which gives decisions on Shariah issues. The bank is based on Islamic principles and it follows the profit and loss sharing system (PLS). As a financial institution, the bank has been participating in the

country's financial as well as economic development activities from the date of its establishment.

It is high time to know what achievements it acquired during the long time of its existence. What were the impacts of its human resource development programmes on its performance? As on the December 2004 ABBBA had 34 branches operating throughout the country, in which 679 persons were working at that time.²⁷ Of them 514 were officers and 165 were staff.

The AL BBBL was established with a view to implement the following general objectives:

- a) Undertaking dealings in the banking sector on the basis of interest free loans and banking services.
- b) Improving means to attract funds and savings and directing them towards halal profits participation in the domain of investment in accordance with the provisions of Shariah.
- c) Making available necessary funds to meet the requirements of various sectors of the economy that are essential for healthy socio-economic growth as per Islamic Shariah.

Keeping these objectives in front, ABBBL(OBL) is doing various functions like the deposit taking, making investment (following Islamic modes of investment), various service producing tasks and foreign exchange business etc.

1.4 Significance of HRDP in a Bank

The concept of "HRD" was evolved in the United States of America in a classroom discussion at the George Washington University in the year 1968.

²⁷ GoB, *Bank O Arthik Protishthan Somuher Karjaboli, 1999-2000* [Activities of Financial Institutions 1999-2000] (Dhaka: Financial Division, Ministry of Finance, 2000), p. 63.

In 1969, it was used in Miami at the American Society for Training and Development (ASTD) conference.²⁸ At present this concept is a reality in our banking arena. Human resource development as a profession started gathering momentum in the early 1980s.²⁹

For long there were debates on whether it was a changed version of personal management or it was set for new and innovative achievements. However, there has been a very strong feeling that human resource development definitely has something new to offer which could help the institutions in achieving their goals and objectives effectively. Thus, human resource development refers to the development of knowledge, skill, and attitude of human resources deployed in a bank with a view to performing their assigned duties smoothly, efficiently and satisfactorily. "Human resource development functions mainly related to the creation and development of potentials among the personnel of an organisation".³⁰

It is now well recognized that people (Bank's total manpower strength) are the key to success in any banking industry or banking organisation. A bank is a large organisation which has necessary workforce with competence and capability, for innovating not only in the area of product's development and services' sophistications; but also in the area of enhancing the image of the organisation. The markets are growing global, the consumer's expectations are also increasing, with easy exchange of technology and homogenization of products and services. It is only the human element that can possibly make a difference and help the organisation to attain success.

²⁸ Len Nadler, "Defining the Field-Is it HRD or OD", *Training and Development Journal*, Vol. 34, No. 12 (Washington D.C.: ASTD, Dec., 1990), p. 66.

²⁹ B.S. Bhatia, "Notes on HRD Activities: A Case Study of Indian Rayon Industries Ltd." *Studies in Human Resource Development*, Vol. 3 of *HRD Practices: Assimilation and Implications*, B.S Bhatia, H.L. Verma & M.C. Grag (ed.) (New Delhi: Deep & Publication, 1997), p. 204.

³⁰ ATM Abdus Shahid, "Human Resource Development (HRD) for Banks in Bangladesh: Conceptual Framework, Application and Suggestions". *Bank Parkrama*, Vol. 21, Nos. 1 & 2, Mar. & June 1996, p. 104.

So in the organisational context, HRD indicates the development of the functions of all the people serving in the organisation. HRD is a process by which human resources are helped in a continuous and planned way to:

- a) acquire or sharpen the capabilities to perform present and future expected jobs;
- b) develop their general capabilities and to use their talent potentials for their own and organisational purposes;
- c) development of organisational culture and supervisor subordinate relationship and teamwork spirit.³¹

Human resource development can also be defined as the development of total knowledge, skills, creativeness, talents and aptitudes of an organisation's workforce; as well as values, attitudes and beliefs of the individuals involved and assigned to carry forward a specific job.³²

In the economic language human resource development means accumulation or combination of human capital and its effective utilisation for development of a country's economy.³³

As noted by Peter and Waterman in their management classic in search of excellence: "treat people as adults; treat them as partners; treat them with dignity; treat them with respect. Treat them not capital spending and automation as the primary source of productivity gains. These are fundamental lessons from excellent companies' research."³⁴

³¹ T.V. Rao and others, *Recent Experiences in Human Resources Development* (New Delhi: Oxford and IBH Publishing Company, 1986), p. 34.

³² R.C. Kumar, *Human Resource Development in Human Resource Development Practices in Banks*, P.P. Arya & B.B. Tandon (ed.) (3rd rev. ed., New Delhi: Deep & Deep Publication, 1998). p. 32.

³³ B.B. Tandon (ed.), *HRD: Issues before Us* (3rd rev. ed. New Delhi: Deep & Deep Publication, 1998), p. 7.

³⁴ Anil K. Khondelwal (ed.), *Human Resource Development* (New Delhi: Oxford & IBH Publishing Co. Pvt. Ltd., 1988), p. 242.

In other works, if you want productivity and the financial reward that goes with it, you must treat your workers and employees as your most important assets.³⁵

1.5 Statement of the Problem

A bank is a service oriented business organisation, where human resources are deployed exclusively for providing services to the human being (customers/clients) and developing the material resources for its development. Since, the banks provide services to the people with public money, it is the general expectation of customers that the banks services should be of high quality and standard comparable to those of similar other organisations. The banks of our country owe to deliver good quality services to the citizens of our country. But the environment of the entire human resources in the banking sector of our country is not very sound and efficient.³⁶ They are not capable of providing sophisticated services in one hand, and on the other hand, they are behind in achieving their targets/goals.

People are not a liability. They are a potential asset. It is very much important as well as essential to day that the banks in our country should prepare their own human development strategies and reflect those in their annual plans and budget frameworks. But, it is unfortunate that this has not become so real as what is meant for. Human resources constitute the principal assets of an organisation. They consist of the total knowledge, skills, creative abilities, talents of an organisation. They should be given priorities and opportunities to expand their knowledge, so that they may develop themselves and get themselves equipped to handle higher responsibilities. The success or failure of our banking industry fully depends on the quality of it's human resources.

³⁵ M.M. Verma (ed.), *Human Resource Development* (New Delhi: Gitanjali Publishing House, 1988), p. 232.

³⁶ Mohammad Farashuddin, "Bangladesh Bank", *The Bangladesh Observer* (Monday, Oct., 23, 2000), p. 9.

For many years it has been argued that capital is the main bottleneck to a developing industry, including a service industry like a bank. But this may no longer holds true. It is the workforce, and the company's inability to recruit and maintain a good workforce, that appears as the bottleneck to higher production. It is rarely found that any major project backed by good ideas, vigour and enthusiasm, has been stopped due to the shortage of capital. There are the industries, the growth of which have been partly stopped or hampered because they can't maintain efficient and enthusiastic labour forces.³⁷

Habibullah, while narrating the evolution of human resources in USA, Japan and other countries, laments by stating that human resource development in our country is still suffering from disarray, for which the industries of all kinds are in a pitiable condition.³⁸ Human resource development in our banking sector is not up to the mark. There are as many as 100 thousand people, engaged in the banking profession.³⁹ Out of whom as many as 70% (human resource) are of promotee officers.⁴⁰ These people are holding some important positions in the very important areas of banking institutions, where their thoughts, values, conceptions are considered as most important tools for implementing the country's economic development policies. In such cases, had they been of sound qualities personnel, they could have been contributed a lot to the economic development of our country and could save our country from financial burdens (debt burden).

From the above discussion, we can realize the importance of human, resource development activities in our banking institutions and it's impact on

³⁷ Fred K. Fouldes, "The Expanding Role of the Personnel Function", *Harvard Business Review*, March-April, 1975, pp. 71-84.

³⁸ *The Daily Observer*, November 22, Wednesday, 2000, p. 7.

³⁹ GoB, *Bank and Activities of Financial Institutions, 1999-2000* (Dhaka: Ministry of Finance, Finance Division, 2000), pp. 13-188.

⁴⁰ "Bank Reform Committee 1999", Bangladesh Bank, Dhaka.

the bank's performance. Analysis of the evolution of HRD programmes and their impact on the bank's performance is a very important area for studying specially in the two leading Islamic Banks of our country; and it many help to improve performance of these institutions. Hence, the focus of this study is to assess the implementation of HRD activities and their impact on the two bank's performance. Attempts are made to detect the inadequacies or under utilisation of human resources. Why the banks are not able to carry on the approved policies? At what level the present HRD programmes are prevailing? What are the impacts of HRD programmes on the banks performance? How the existing obstacles can be removed for attaining better performance? The researcher attempts to get the answers to these questions and other relevant questions. This study attempts to identify the measures taken by the banks for human resource development and to find their impact on their performance.

1.6 Objectives of the Study

The general objective is to study the relationship between HRD programmes of the banks [IBBL and ABBBL(OBL)] and their performance.

The specific objectives of the study are:

- (1) To analyse the growth trends of the activities of the two purposively selected banks.
- (2) To examine the changing pattern of human resource development programmes of the two banks.
- (3) To measure the levels of performance of the two banks.
- (4) To see the relationship between human resource development and performance of the two banks i.e. correlation between HRD expenditure and profitability of the banks.
- (5) To identify the problems and to suggest measures for improvements.

Hypotheses

Based on the extensive literature review, the following hypotheses are formulated:

- i. There are significant variations in profitability of the selected Islamic Banks.
- ii. There are also significant variations in productivity due to different Human Resource Development activities of the Banks.

1.7 Justifications

As the IBBL, is a special type of banking system, all the clients and other people in general have right to know how well their money is utilised through banking services by the special activities in the banking world in our country or in a foreign country. The profit and profitability of IBBL depends on the degree, to which it's financial health keeps well. Until now there has not been any comprehensive study on the profit and profitability trend of IBBL in Bangladesh. Very few researches have been conducted on this field of IBBL in Bangladesh. Keeping this in mind an attempt has been taken in this study to measure the profit and profitability trend of IBBL and ABBBL(OBL) in Bangladesh during 1983-2004 and 1987-2004 respectively.

The injection of banking services in the economy can be compared as the blood transmission to human body. Any inappropriateness in the quality of banking service would lead to disastrous consequences in the economy. So, the role of the commercial banks in the economic development of Bangladesh is very significant. But, it is argued that the quality of banking services in Bangladesh is deteriorating during the last decade since the introduction of FSRP.⁴¹

⁴¹ Dugadas Bhattacharjee and Saroj Kumar Saha, "An Evaluation of Performance of NCBs in Bangladesh", *Bank Parikrama*, Vol. 14, Nos. 1 & 2 (March & June, 1989), p. 1.

For such declining trend, a number of factors are responsible and out of those a vital one is lack of adequate HRD programmes and its consequences upon the performance of the banks.

From the survey of literature, it was observed that no researcher did initiate such exclusive study neither on any Islamic Bank nor on any private commercial bank earlier. Many of them studied partly on over all human resource development in the banks. They also tried to measure employee's performance in the bank's and "career planning and development of human resources in the banks". But no in-depth study on assessing the relationship between HRD activities and performance of IBBL and ABBBL(OBL) has yet been conducted. A bank is a service oriented business organisation, where human resources are deployed for providing services to human being; since a bank provide superior quality banking services to the citizens. Again, for the bank's survival, among huge competitions in the context of free market economy, the improvement of services is necessary. So, this study is undertaken to investigate into the present conditions of banking services, to relate those with HRDP and to suggest measures for improvement.⁴²

Finally, the research expects that the findings of this study may be of great use to the management of the banks. It may also help the policy makers, teachers, students and the researchers working in the filed.

1.8 Scope and Limitations

The main ingredient of this study is to examine relationship of human resource development activities and performance of IBBL and ABBBL(OBL). Moreover, it analyses the changing pattern of HRD activities, evaluates the impact of it on the banks' users (both depositors and borrowers), finds out the relationship between HRD expenditure and performance. Attempts are made to detect the inappropriateness in utilising the suggested HRD philosophy.

⁴² *Ibid.*

This study also covers the areas of the two selected Islamic Banks, where the growth trends of the activities of the banks are examined. The existing pattern of Human Resources Development Programmes of the selected banks are also studied and examined how do they change over time. The level the performance of the two books is also considered meticulously. This is an in-depth study on the relationship between HRD activities and performance of the banks.

Limitations

This study is not free from limitations. Its scope would be limited to the realm of scheduled commercial banks of Bangladesh alone. The contrail bank, the conventional banks, the Development Finance Institutions (DFI), the specialized banks would remain outside the scope of the study. Although Bangladesh has a long experience of banking of about one and a half centuries, the study covers only two Islamic Banks covering their operation period from 1983 to 2004. Other banks are excluded from this study. The study was conducted on the basis of the available secondary sources of data and a small primary survey is also conducted.

However, resources in terms of time, money and the manpower are considered to be the main constraints for the researcher. In spite of all these, the researcher undertakes this study and completed it in time. Because of the constraints, mentioned above, it was not possible to cover all the aspects of HRDP and their consequences. So, like any other study this one also has some limitations.

1.9 Chapter Layout of the Study

The dissertation is divided into the following 7 chapters

Chapter 1 : Introduction

1.1 Role of Financial Institutions in Economic Development

- 1.2 Role of Commercial Banks in Financial Structure
- 1.3 Role of IBBL and ABBBL(OBL) as Commercial Banks
- 1.4 Significance of Human Resource Development Programme (HRDP) in a Bank
- 1.5 Statement of the Problem
- 1.6 Objectives of the Study
- 1.7 Justifications
- 1.8 Scope and Limitations
- 1.9 Chapter Layout of the Dissertation
- 1.10 Review of Literature
- 1.11 Conclusion

Chapter 2 : Methodology and Conceptual Framework

Chapter 3 : An Analysis of Growth Trends of the Activities of IBBL and ABBBL(OBL)

Chapter 4 : Measuring the Levels of Performance of the two Banks.

Chapter 5 : Relationship between HRD Activities and Performance

Chapter 6 : Limitations of Implementation of HRD Programmes and the Remedial Measures

Chapter 7 : Summary, Conclusions and Recommendations

Bibliography

1.10 Review of Literature

Review of literature is an integral part of conducting a research. This is necessary to find out the knowledge gap in the field of the study. In this field of study, very limited works were conducted earlier. No in depth study was undertaken on the subject by any person. But some relevant studies were accomplished. Some of those studies are reviewed below to find out the knowledge gap.

Rahaman(1996)⁴³ wrote an article entitled "Implementation of Lending Risk Analysis (LRA) in lending operations". He highlighted on various steps comprising of collection of available data from public sources, assessment of the ability and integrity of management people, verification of security, gathering of clear cut impression regarding the companies operation, financial spread sheet consisting of Balance sheet of income statement, and cash flow statement and selected financial ratios were prepared depending on at least 3 years' financial statement of the borrowers. After spread sheet analysed, the projects were classified into 4 risk levels i.e. Good risk, Marginal risk, Acceptable risk, Poor risk. Overall risk matrix is calculated on the basis of business risk and security risk. The limitations of the models are that statistical statement, probability of window dressing and the non-financial changes create difficulty in analysis and interpretation of financial statements. Solving the problems like shortage of competent manpower, lack of knowledge of entrepreneurs, lengthy and critical development of accounting system, establishment of data bank, training of bank personal, motivation of the personnel and research activities are needed to face such difficulties. However, it does not deal with Islamic Banks and their performance.

Ahmad(1988)⁴⁴ made an important study entitled "Lending Risk Analysis Implementation: Problem and Prospects". He discusses on the objectives, problems and prospects of LRA. The objectives of LRA are to assist in bringing changes successfully to the existing lending policies, such as to develop methodology for analysing lending risk, to improve the LRA for all types of decisions, to ensure the proper security and implement the whole mechanisms. LRA becomes effective when proper monitoring is done after sanctioning of any projects. Once the cash flow of the borrower is in consistent with the earlier period, no risk is there but in the reverse case,

⁴³ Saidur Rahaman, "Implementation of Lending Risk Analysis (LRA) in Lending Operation", *Bank Parikrama*, Quarterly Journal of BIBM, Dhaka, Bangladesh, Vol. XXI, Nos. 1 & 2, March-June, 1996, pp. 150-166.

⁴⁴ Ahmad M., "Lending Risk Analysis Implementation: Problems and Prospects", *Bank Parikrama*, BIBM, Vol. XI, Nos. 1-2, 1988, pp. 23-29.

deterioration is found, and early detection is better for early rectification. He analysed the major problems related to LRA. There is lack of homogeneity in LRA manual, lack of industry average, competitors' data, etc. There are also problems in judging integrity and honesty of management. However, though this study helps in conducting the present study, it does not directly deal with Islamic Banks' functions.

Singh and Sinha(1998):⁴⁵ The authors expressed their views jointly in an article titled "Human Resource Development in an Indian Culture Perspective", in which they analysed the new directions of HRD considering the components of western and Indian culture. But the authors in their study did not mention anything about Bangladesh's situation.

Hoque and Ali (1997):⁴⁶ The authors wrote an article titled "Achievement Motivation and Performance of Public Sector Commercial Bank Employees in Bangladesh" and assessed the level of achievement motivation of different categories of employees of PCBs (Public Commercial Banks) in Bangladesh. The results reveal that achievement motivation had significant positive co-relation with performance of employees. While suggesting recommendations, the authors observe that their results of the study may not be true representation of the achievement motivation and performance of employees in the private commercial banks. They did neither make a single bank based study nor a comparative study and also advocated to undertake an in depth study on this issue by taking larger sample size.

Shahid (1996):⁴⁷ Shahid's paper on "Human Resource Development (HRD) for Banks in Bangladesh: Conceptual Frame, Application and

⁴⁵ Sarita Singh and Jai B.P. Sinha, "Human Resource Development in an Indian Culture Perspective", *Journal of the Management and Labour, Studies*, Vol. 23, No. 3 (July: 1998), p. 389.

⁴⁶ M. Ekramul Hoque and M. Hasanat Ali, "Achievement Motivation and Performance of Public Sector Commercial Bank Employees in Bangladesh", *Bank Parkrama*, Vol. 22, Nos. 3 & 4 (September & December, 1997), p. 71.

⁴⁷ Shahid, *op.cit.*, p. 93.

Suggestions” discusses the concepts of human resource development in the banks. Moreover, the author tries to highlight the present position of application of HRD mechanisms in the banks in Bangladesh and puts some suggestions for proper application of it. The author did not consider relationship of the banks’ performance with their HRD activities.

Choudhuri, Shahid and Moral (1995):⁴⁸ The author’s paper titled “Career Planning and Development of Human Resources in Banks” deals particularly with training of human resources in banks; and with preparation of proper career planning as a means to develop the human resources in the banks. But it excluded the other components necessary for the development of Human recourse. The authors did not put attention to make any assessment of relationship of the Bank’s Performance with HRD activities with reference to any private commercial bank including Islamic Bank. So, the undertaking of the present study is justified.

Alam(1993):⁴⁹ In his paper titled “HRD Application-Some Observations” discusses various aspects of HRD as a revolutionary concept to increase employee’s efficiency and managerial effectiveness in business organisations. But the writer did not include the banks as business organisations in his article.

Hettige (1991):⁵⁰ Hettige, in his article titled “Human Resources Development in Srilanka: A Sociological Perspective” focuses on the overall process of HRD in Srilanka from a sociological point of view, and that covers almost all the components as means to develop human resources, except a few. But he did not consider the business of banking organisation. The present researcher considers the banks as business organisations.

⁴⁸ A.H.M. Nurul Islam Choudhuri, A.T.M. Abdus Shahid and M. Liakat Hossain Moral, “Career Planning and Development of Human Resources in Banks”, *Bank Parikrama*, Vol. 20, Nos. 1 & 2 (March & June 1995), p. 54.

⁴⁹ M. Khairul Alam, “HRD Application-Some Observation”, *Journal of Bangladesh Management Development Centre*, Vol. 22, No. 1, 1993, p. 87.

⁵⁰ S.T. Hettige, “Human Resources Development in Sri-Lanka: A Sociological Perspective”, *Journal of Institute of Development Administration*, Sri-Lanka, Vol. 8, No. 1, 1991, p. 79.

Bhattacharjee and Saha (1989):⁵¹ Both the authors in an article named “An Evaluation of Performance of NCBs in Bangladesh” aimed at examining inter-bank dynamics of performance measures over the period from 1973 to 1987 by setting 5 indicators viz., general banking business including net profit, social profitability, employee and branch expansion and commercial profitability. The study solely concentrated on NCBs’ sector. It neither considered the performance of Islamic Banks nor that of private commercial banks. So, the need of the present study remains valid.

Sharif(1999):⁵² He completed a study on “Human Resource Development (HRD): In Theory and Practice”. This study empirically verifies the contributions of the HRD efforts in the growth process of an economy. Prior to the empirical analysis, a solid theoretical exhibition of two popular endogenous versions of the neo-classical growth model has been done to construct a hypothetical growth model. From this paper, the role of HRD has been noticed very strongly.

Akkas(1996)⁵³ has done an empirical study on “Disciplining the Problem Employee: The Case of a Nationalized Commercial Bank in Bangladesh”. This paper highlights a good number of aspects regarding disciplining the problem employee. Discipline is an important aspect of man management, because all employees are not rule-abiders, some are also rule-breakers. It is of paramount importance to discipline rule breakers or problem employees, for the smooth running of an organisation and for the maintenance of industrial peace and progress. Organizations with heterogeneous people cannot work smoothly without discipline. The study indicates that preventive discipline is better than

⁵¹ Durgadas Bhattacharjee and Saroj Kumar Saha, *op.cit.*, p. 1.

⁵² Taimur Reza Sharif, “RT Human Resource Theory and Practice”, *Journal of Business Administration*, Dhaka University, Vol. 25, No. 3 & 4, Jul – Oct 1999, pp. 1-15.

⁵³ M.A Akkas, “Disciplining the Problem Employee: The Case of a Nationalized Commercial Bank in Bangladesh”, *DU Studies*, Part C, Vol. 2, No. 1, Dec. 1996, pp. 7-23.

that of corrective one. The employees express that discipline action must be fair, equitable and consistent in order to reap maximum benefits from it, otherwise it may be counterproductive. The paper also suggests few guidelines to administer a disciplinary action effectively and efficiently. It helps the conducting of present study.

Rahman(1994)⁵⁴ has another article on "Trends of Employees' Productivity in Commercial Banks in Bangladesh". There are three different categories of Commercial banks in Bangladesh viz., Nationalised Commercial Banks (NCBs), Private Commercial Banks (PCBs) and Foreign Banks having different sizes, objectives and functional areas. In this paper an attempt is made to show the trend of employees' productivity of NCBs and PCBs only using the same productivity indicators. Since the commercial banking system in Bangladesh is service oriented and labour intensive, employee is the main input and therefore employees' productivity is the main measure of banking productivity. Employees' productivity has been calculated as output (volume of taka) per unit (employee). It is observed that per employee deposit, advance and expenditure had almost an increasing trend in both NCBs and PCBs but per employee profit and investments showed zigzag trend during the study period. In fact productivity in PCBs was much higher than that in the NCBs. This study also helps the conducting of present research.

Shahid(1996)⁵⁵ conducted a study on "Human Resource Development (HRD) for Banks in Bangladesh: Conceptual Framework, Application and Suggestions". The paper discusses the concepts of Human Resource Development (HRD) and HRD system of management. It seeks to explain HRD philosophy / HRD system of management philosophy and HRD mechanisms through which HRD / HRD system of management can work on the one hand; and climate for application of HRD mechanisms / HRD system

⁵⁴ Matiar Rahman, "Trends of Employees' Productivity in Commercial Banks in Bangladesh", *RU Studies*, Part C, Vol. 2, Dec., 1994, pp. 85-106.

⁵⁵ Shahid, *op.cit.*, pp. 93-100.

of management can be created in the banks on the other. The article also highlights the present position of application of HRD mechanisms / HRD system of management in the banks in Bangladesh and puts forward some suggestions for proper application of HRD mechanisms / HRD system of management in the banks in Bangladesh. This article is useful in conducting the present study.

Saha(1996)⁵⁶ mentioned about profitability and business trends of commercial banks in his study titled “Ancillary Business and Profitability of Banks: Trends and Prospects”. The paper analysed the profitability and ancillary business trends of commercial banks of Bangladesh in the pre-reform period (1985-88) as well as in the post reform period (1989-93). The analysis revealed that all the banks belonging to NCB and PCB groups experienced a declining trend of profitability performance in the post reform period, though the magnitude of decline varied between them. In the light of these findings, the paper hypothesized that in view of the uncertainty of interest earnings on loans, the development of ancillary services would hold the key to the improvement of profitability of the banks in future. Presently, the banks’ involvement in ancillary business is significantly low. Considering the prospects of ancillary services in the coming years, the paper suggested that the banks should expand the base of ancillary services both in terms of character and volume with a view to fulfilling the twin objectives of improving profitability as well as offering the demand based service mix to the customers. This study also helps the present study.

Huq(1996)⁵⁷ in his study, has discussed mainly on the “Islamic Banking in Bangladesh with a brief Overview of Operational Problems”. While analysing the overall performances of the banks which are working (in

⁵⁶ Sujit Ranjan Saha, “Ancillary Business and Profitability of Banks: Trends and Prospects”, *Bank Parikroma*, Vol. 21, No. 1 & 2, May – June 1996, pp. 62-69.

⁵⁷ M. Azizul Huq, “Islamic Banking in Bangladesh with a brief Overview of Operational Problems”, *Bank Parikroma*, Vol. 21, No. 1 & 2, May – June 1996, pp. 41-50.

Bangladesh) on Islamic principles, the author has examined various aspects such as sources of fund, uses of funds, Shariah Principles in investments, collateral policy etc. of the Islamic banks in this paper. The author has particularly emphasized and discussed on a number of operational problems of the Islamic banks and their possible solutions. This study is useful for conducting the present study.

Ara(1999)⁵⁸ presented a report on "Promotion of Women Employment in Bangladesh under Islamic Framework". Proper women education is a sine-qua-non for the promotion of women employment in Bangladesh. Therefore, all possible measures should be undertaken by the Government to promote proper women education in the country. The Government should also take proper steps to promote women education in the country. The Government should also take proper steps to promote women employment under Islamic framework in the country. To this end, Government may take steps for setting up more and more primary and high schools, colleges and other educational institutions separately for women, and separate branches of banks, insurance companies and other financial institutions hospital and other charitable institutions. Moreover, separate departments/divisions/units/branches may be opened for women in the various government, semi-government and other private offices. Above all, proper Islamic environment should be created in the country and for this purpose the government in particular and the people in general should play the proper role. Finally, we can conclude that for promoting women employment in Bangladesh with about 90 percent Muslim population, the country and her Government should take appropriate steps to Islamise the banking, insurance and above all the whole economic system of the country. Besides, proper arrangements should be made so that Muslim women strictly adhere to the 'Pardah System' while they go out of their home. This article gives a new horizon of thoughts.

⁵⁸ Begum Ismat Ara Haque, "Promotion of Women Employment in Bangladesh under Islamic Framework", *Thought on Economics*, Vol. 9, Nos. 1 & 2, Jan – June, 1999, pp. 15-22.

Rahman, Rahman and Hossain (2001)⁵⁹ conducted an empirical study on “Islamic Banking in Bangladesh: The Aspirations and the Realities”. They observe that the concept of Islamic banking is still in its infancy and has a long way to go ahead before it can reach the maturity and sophistication like the centuries old conventional system of banking. Achievement of this goal will, therefore, need a great deal of research and development effort by Muslim scholars, economists, bankers, accountants, and other specialists. As the system grows and develops, new issues and problems come up to the surface. The resolution of these needs conducting of research and development efforts on a continuous basis. Thus it can be predicted with confidence that the coming years will see a substantial increase in the number, size and sophistication of Muslim financial institutions both in the West and in the Muslim world. The drive behind the establishment of Muslim financial institutions stemmed from the desire of Muslims to eliminate 'Riba' from their business activities, as 'Riba' is strictly prohibited in Islam. This study has relevance to the present study.

Khan(2000)⁶⁰ conducted a study on “Towards Identification of the problems of Shariah Based Commercial Banking”. He observes that Shariah based Commercial banking is a relatively new experiment vis-a-vis interest based commercial banking. Like newly born baby, such type of banking is quite natural to face a number of problems. Some problems are global in character while some are domestic in coverage. There are problems relating to the concepts and ideology, methods of operation, problems arising out of age old environment of the country of operation and the like. Besides mechanical problems, there are problems of dynamic nature arising from manning the Shariah based banking with adequate supply of efficient personnel equipped with enough knowledge of Shariah. Problems emanating

⁵⁹ Md. Ataur Rahman, Md. Alinoor Rahman, Shaikh Md. Amir Hossain, “Islamic Banking in Bangladesh: The Aspirations and the Realities”, *Islamic University Studies*, Vol. 4, No. 1, June 2001, pp. 32-47.

⁶⁰ A.R. Khan, “Towards Identification of the problems of Shariah Based Commercial Banking”, *Dhaka University Studies*, Part C, Vol. 5, No. 2, 2000, pp. 37-48.

from age old secular legal structure also cause hindrance in the smooth operation of Shariah based commercial banking. Present paper is a sincere attempt to identify the type of problems that are being faced by the Shariah based commercial banking from time to time. This study also has relevance to present research.

Alam and Misir(1995)⁶¹ conducted a study on “Analysis of Comparative Financial Performance in Banking Sector of Bangladesh: A Study of Interest-Free and Traditional Banks”. The prime objective of the study is to evaluate the comparative financial performance of interest-free and traditional banks in Bangladesh. However, to achieve the main objective, the study covers the following specific points:

(i) to examine and compare the profitability of ABBBL(OBL) and IBBL; (ii) to compare and examine the productivity of the sample banks during the period under study; (iii) to examine and compare the liquidity position of ABBBL(OBL) and IBBL for the period under study; and (iv) to determine and compare the contribution to the National Exchequer by ABBBL(OBL) and IBBL during the period.

The study is both of the empirical and theoretical ones. This study is limited to only ABBBL(OBL) run by traditional banking system and IBBL a bank which is committed to run all of its banking activities on the basis of Islamic Shariah. There are four Islamic banks in Bangladesh: Islamic Bank Bangladesh Limited (1983), Al-Baraka Bank Limited (1987), Social Investment Bank Limited (1995), and Al-Arafah Islami Bank Limited (1995). And there is about a dozen of traditional banks including some foreign banks based on interest. Due to researchers time and resources constraints at their disposal only two sample banks namely Islami Bank Bangladesh Limited and Arab Bangladesh Bank Limited had been Selected and their Comparative performance evaluation in

⁶¹ Muhammad Badiul Alam and Mohammad Abu Misir, “Analysis of Comparative Financial Performance in Banking Sector of Bangladesh: A Study of Interest-Free and Traditional Banks”, *Chittagong University Studies*, Part C, Vol. 10, No. 5, 1995, pp. 36-41.

terms of profitability, productivity and liquidity had been analysed in this study. The study covers a period ranging from 1988 to 1995.

From the foregoing discussion on the analysis of financial performance of traditional and interest-free banks, it can be said that the performance of latter is better than that of the former during the study period. The comparative financial performance of sample banks (ABBBL(OBL) and IBBL) were made in terms of profitability, productively, liquidity and contribution to National Exchequer. Profitability refers to the ability of the enterprises to generate profit. While measuring the profitability of the sample banks, profit before appropriation, percentage of profitability components in terms of volume of working fund, various profitability ratios were used. In this regard IBBL experienced much better position as compared to ABBBL(OBL) during the period. Out of various productivity concepts total productivity and manpower productivity approaches were used in the study. Here also IBBL showed a better performance in terms of productivity than that of ABBBL(OBL). In case of liquidity position, some important ratios such as, cash to total deposit, liquid assets to total deposit, liquid assets to current assets, were calculated. The ratios on an average indicate that IBBL keeps better liquidity reserve as compared to ABBBL(OBL).

As the contribution to the National Exchequer is highly dependent on the volume of profitability and productivity of the banks, the study also tried to evaluate the contribution made by the sample banks in the form of tax and dividend. It was found that ABBBL(OBL) and IBBL contributed Tk. 42.38 million and 63.10 million respectively in the form of tax and Tk. 57.18 million and 64.02 million in the form of dividend respectively during the study period. Therefore, it is clear that the interest-free banking system provides better service to the customers and contribute to the economy as a whole with high steem of morale values than that of traditional banking system operating in our country. However, the profits, profitability, productivity, liquidity and contribution to the National exchequer might be influenced by some factors

like volume of reserve, interest rate, mode of investment, restricted terms and conditions and other external factors, which are still remain outside the scope of this paper. This study is very useful in conducting the present study.

Bakar(1996)⁶² conducted a study on “Motivating the Bank Employees”. He observes that the banks and financial institutions act as catalysts in the economic development of a country. Banks mobilize savings from households, traders and other sectors of the economy and channels them in to productive investments. The banking industry in Bangladesh has undergone a great change since nationalization of the commercial banks in 1972. Due to nationalization, the involvement of these banks in social and economic development programmes has also been increased. The nationalized commercial banks are engaged in not only providing credits and term loans to trade industry but are also engaged in priority sector lending. As such, motivating the employees in banking industry has assumed great importance.

One of the important requirements of an organisation to increase productivity, improve efficiency and to maintain a high corporate image is to create urge in the employees to achieve the corporate goals. This could be done through the work environment and through the programmes for development of human resources. Maslow has defined five levels of hierarchy of needs starting from biological ones to the more complex social ones. They are: (i) Physiological needs: food, water, shelter, rest, exercise; (ii) safety needs; freedom from fear of insecurity; (iii) social needs: the tendency to associate, to belong, to be accepted in the society or environment; (iv) esteem needs: the need for power, achievement and social status; (v) self actualisation needs: this level represents the activation of human needs. It includes need for personal fulfilment or realisation of individual potential and creativity. This article is useful in conducting the present study.

⁶² Md. Abu Bakar, “Motivating the Bank Employees”, *Bank Parikrama*, Vol. 12, No. 6, 1996, pp. 59-66.

Haque and Mohiuddin(1998)⁶³ presented a paper on “The Leadership Process in Islam”. The concept of Leadership in Islam carries genuine socio-political significance and as such suggests great depth and wide range of coverage. Usually, five bases of power are associated with the concept of Islamic Leadership: Legitimate power, Reward Power, Coercive Power, Expert Power, and charismatic Power. A good leader has to progress through four stages of spiritual development: Iman, Islam, Taqwa, and Ihsan. Besides, he has to exercise the following five parameters of Islamic behaviour: Justice, Trust, Righteousness, and the Struggle for Self-improvement, and promise keeping. Above all, a Muslim leader should have some distinct moral qualities such as: honesty, Inspiration, Patience, Knowledge, Eloquence, Enterprise, Leniency, Conviction, and the Willingness to seek consultation. If any one in Islam possesses all the qualities and characteristics as mentioned above, he can be considered and accepted as a successful Muslim leader. The purpose of Leadership in Islam is not to capture power or position, but to ensure fair justice and equity, seeking Allah's guidance through human welfare both here on earth, and in life hereafter. This article also has relevance to present study.

1.11 Conclusion

The detailed review of the aforesaid research studies reveals that many of the studies have been done on motivation of the commercial banks' employees, human resource development, conceptual frame and application, career planning, performance of Nationalized Commercial Banks, Human Resource Development theory and practice, Employees' Productivity, Lending risk analysis, Profitability of the banks, Financial administration in Islam, Interest in modern and Islamic perspective, Shariah based commercial banking and public relation in commercial banks. But no such comparative study has been done on the Islamic Banks in Bangladesh. Keeping that very research gap in mind, the present study is planned and it would be of immense help to the policy makers and other decision makers.

⁶³ Faez Mohammad Serajul Haque and Md. Golam Mohiuddin, “The Leadership Process in Islam”, *Chittagong University Studies*, Part C, Vol. 14, No. 2, 1998, pp. 67-72.

Chapter 2

METHODOLOGY AND CONCEPTUAL FRAMEWORK

2.1 Methodology

Methodology means the way of doing a research systematically. A method involves a process or technique in which various stages or steps of collecting data 'information are explained and the analytical techniques are defined.'¹ Methodology is also defined as a set of methods used in a particular area of activity.² The word 'method' comes from the Greek words 'meta' and 'hodos' meaning 'a way'.³

According to Aminuzzaman "Research methodology is the functional action strategy to carryout the research in the light of the theoretical framework and guiding research questions". So, methodology can be understood as the systematic and logical study of the principles guiding scientific investigations.⁴ Thus methodology implies to the methods used in a particular study. We should also consider the logics behind the use of the methods in the context of a particular study and explain why we are using a particular method or technique.

2.2 Selection of Methods

We know well that the selection of a research method is inevitable for conducting any research work. Though methodology is the prime concern of any research work, the method sometimes differs from one research work to another. From the

¹ M. Zaimul Abedin, *A Hand Book of Research for the Fellows of M.Phil. and Ph.D. Programmes* (Dhaka: Book Syndicate, 1996), p. 52.

² A.S. Hornby, *Oxford Advanced Learner's Dictionary* (5th ed., London: Oxford University Press, 1998), p. 734.

³ William Geddie (ed.), *Chamber's Twentieth Century Dictionary* (London: W. & R Chamber Ltd. 1965), p. 669.

⁴ Julins Gould and William L. Dolb (eds.), *Dictionary of Social Sciences* (London: Tavistack Publications, 1964), p. 425.

beginning the researcher was very keen about selection of an appropriate method for his study. Research “is a careful inquiry or examination to discover new information or relationship and to expand and to verify existing knowledge”.⁵ “Research is a systematic effort of finding the truth”.⁶

With a view to achieving the objectives of this study, the method of documentary analysis is used here. “Documentary research is mainly quantitative in nature and deals with characteristics which can be identified and counted, albeit, qualitative interpretations are also necessary and desirable here”.⁷ This method is used here to draw the inferences from the compilation, classification and analysis of assembled secondary data. Moreover, open discussions were held with some officials of the banks and their clients to have their views on different activities of the banks.

2.3 Selection of the Banks (Sample Banks)

Out of four newly established Islamic Banks operating in Bangladesh, the oldest two IBBL and ABBBL (OBL) were selected for conducting this study. The remaining two Islamic Banks are: Social Investment Bank Limited and Al-Arafah Bank Limited.

The time span for Islami Bank Bangladesh Limited (IBBL) was from 1983 to 2004 and the same for Al-Baraka Bank Bangladesh Limited [ABBBL(OBL)] was from 1987 to 2004.

Sources of Data

This is a documentary research. Secondary data have been used in this study as a main source but observation method is also used. Secondary data have been collected from the banks’ published and unpublished materials, their

⁵ J. Francis Rummel, *An Introduction to Research Procedures in Education* (2nd ed., New York: Harper and Row Publishers, 1964), p. 2.

⁶ Abedin, *A Hand Book of Research for the Fellows of M.Phil. and Ph.D. Programmes*, p. 12.

⁷ *Ibid.*, p. 53.

training academies, annual reports, balance sheet, documents, internal manuals regarding rules, etc. Economic Trends, Resume of the Activities of the Financial Institutions in Bangladesh and Bangladesh Bank's Bulletin were also used as sources of information.

In addition to above, relevant dissertations, books, articles written by eminent scholars were also considered as sources. These sources are available in academic and institutional libraries in Bangladesh and in neighbouring countries like India.

Period of the Study

The period for the study covers 21 years i.e. from 1983 to 2004 for IBBL and for 17 years, i.e. from 1987 to 2004 for ABBBL(OBL).

We know that the major ways of judging the effectiveness of HRM activities in relation to financial performance and managerial performance of the banking sector consist of ratio analysis, techniques in different dimensions based on time series data. In this context, details of the ratio perspectives are highlighted below:

Characteristics of the Ratios Used in This Study

Ratio is a technique of analysis and interpretation of financial statements which is useful in decision –making. It has four broad points.⁸

- (1) **Representative Figures:** The groups of volume are selected from the financial statements which are associated with each other.
- (2) **Calculation of Ratio:** The result of the calculation may be in percentage, times, proposition.
- (3) **Comparison:** The main objectives of this ratio are to establish relationship between related values such as ratio of gross profit to sales or debt equity ratio etc.

⁸ G.K. Varshney, *Top Management Accounting* (Delhi: Top Publications, Chawri Bazar, 1995), p. 111.

- (4) Interpretation: Ratio does not convey any sense if these are not analysed properly.

Objectives of Financial Statement Analysis

The major objectives of financial statement are analysed under the six following areas.⁹

- (1) **The Objectives of Financial Statement Analysis:** Creditors and investors, as well as managers, use financial statement analysis to judge the past performance and current position of a company. In this they use the information on future potential and the risk associated with it. Creditors use the information gained from their analysis to make reliable loans that will be repaid with interest. Investors use the information to make investments that will provide a return that is worth the risk.
- (2) **The Standards for Financial Statement Analysis:** Three commonly used standards for financial statement analysis are: rule-of – thumb measures, past performance of the company, and industry norms. Rule-of-thumb measures are weak because of the lack of evidence that they can be applied widely. The past Performance of a company can offer a guideline for measuring improvement but is not helpful in judging performance relative to other companies. Although the use of industry norms overcomes this last problem, its disadvantage is that firms are not always comparable, even in the same industry.
- (3) **The Sources of Information for Financial Statement Analysis:** The major sources of information about publicly held corporations are company-published reports such as annual reports and interim financial statements, SEC reports, business periodicals and credit and investment advisory services.

⁹ Belverd, E. Needles, J.R. *Financial Accounting* (Chennai: All India Publishers & Distributors, 1997), pp. 680-704.

- (4) **The Issues Related to Evaluating the Quality of A Company's Earnings:** Current and prospective net income is an important component in many ratios net income can be influenced by certain choices made by management. First, management exercises judgment in choosing the accounting methods and estimates used in computing net income. Second, discontinued operations, extraordinary gains or losses, and changes in accounting methods may affect net income positively or negatively.
- (5) **Application of Horizontal Analysis, Trend Analysis and Vertical Analysis to Financial Statements:** Horizontal analysis involves the computation of dollar amount changes and percentage changes from year to year. Trend analysis is an extension of horizontal analysis in the percentage changes is calculated for several years. The changes are usually computed by setting a base year equal to 100 and calculating the results for subsequent years as a percentage of that base year. Vertical analysis uses percentages to show the relationship of the component parts to the total in a single statement, which are expressed entirely in percentages are called common-size statements.
- (6) **Application of Ratio Analysis to Financial Statements in A Comprehensive Analysis of A Company's Financial Situation:** A comprehensive ratio analysis includes the evaluation of a company's liquidity, profitability, long-term solvency, cash flow adequacy, and market ratios.

2.4 Techniques of Analysis

The tools of financial analysis are intended to show relationships and changes. Among the widely used financial analysis techniques, the following three are common.

- Horizontal Analysis
- Vertical Analysis and
- Trend Analysis.

Horizontal Analysis

Generally Accepted Accounting Principles (GAAP) call for the presentation of comparative financial statements that give the current year's and past year's financial information. A common starting point for studying such statement is horizontal analysis which begins with the computation of dollar amount changes and percentage changes from the previous to the current year. The percentage change must be computed to show how the size of the amounts involved. A change of \$1 million in sales is not as drastic as a change of \$1 million in net income, because sales are a larger amount than net income. The percentage change is computed as follows:

$$\text{Percentage change} = 100 \frac{\text{amount of change}}{\text{previous year amount}}$$

Vertical Analysis

In vertical analysis percentages are used to show the relationship of the different parts to the total in a single statement. The accountant sets a total figure in the statement equal to 100 percent and computes each component's percentage of that total. (The figure would be total assets total liabilities and stockholders' equity on the balance sheet and revenues or sales on the income statement). The resulting statement of percentages is called a common-size statement. Vertical analysis is useful for comparing the importance of certain components in the operation of a business. It is also useful for pointing out important changes in the components from one year to the next in comparative common-size statement. The composition of liabilities shows more change. Common-size statements are often used to make comparisons between companies. They allow an analyst to compare the operating and financing characteristics of two companies of different size in the same industry. For example, the analyst may want to compare to other companies in terms of the percentage of total assets financed by debt or the percentage of selling, general and administrative expenses to sales. Common-size statement would show these and other relationships.

Trend Analysis

A variation of horizontal analysis is trend analysis in which percentage changes are calculated for several successive years instead of two years. Trend analysis is important because, with its long-run view, it may point to basic changes in the nature of a business. In addition to comparative financial statements, most companies present a summary of operations and data on other key indicators for five or more years. Domestic and international net sales of operations together with a trend analysis are presented. Trend analysis uses an index number to show changes in related items over a period of time. For index numbers, one year, the base year, is equal to 100 percent. Other years are measured in relation to that amount. For example, the 1993 index of domestic net sales was figured as follows:

$$\text{Index} = 100 \left(\frac{\text{index year amount}}{\text{base year amount}} \right) =$$

Application of ratio analysis to financial statements in a comprehensive analysis of a company's financial situation

Ratio analysis is an important way to state meaningful relationships between two components of a financial statement. To be most useful, the interpretation of ratios must include a study of the underlying data. Ratios are guides or shortcuts that are useful in evaluating a company's financial position and operations and making comparisons with results in previous years or with other companies. The primary purpose of ratios is to point out areas needing further investigation. They should be used in connection with a general understanding of the company and its environment. Ratios for financial analysis were introduced in the chapter on financial reporting and analysis. The following section briefly reviews the ratios covered in that chapter and expands the analysis to cover new ratios.

Importance of Ratio Analysis

The main points of importance are as follows:¹⁰

- (i) **Test of Solvency:** The use of ratio is useful in testing the solvency position of the company. When percentage of gross profit to sales is increasing it shows the efficiency of profitability. Likewise, when ratio of current assets to current liabilities shows upward trend, it means the company has sufficient working capital. Thus, the claim of company upon which management takes decision.
- (ii) **Helpful in Decision-Making:** The main object of financial statement is to tell the financial position of the company upon which management takes decision.
- (iii) **Helpful in Financial Fore-casting and Planning.** The ratios are widely used in financial planning, forecasting and work as a future guide. The ratios are used for drawing conclusions such as while Current ratio is 5:1, it means blocking up of capital since the ideal ratio is 2:1 whereas we have 5:1. Thus, Tk. 3 are unnecessarily blocked.
- (iv) **Useful in Knowing Profitability:** The ratios are useful when comparison is made between companies for profitability. Two types of comparisons of present ratio with past ratio and the second comparison of several previous years are computed with the objective of knowing improvements or downfalls in the financial position.
- (v) **Liquidity Position:** With the use of ratio analysis, the meaningful conclusion regarding the sound liquidity position of the firm can be taken. The liquidity position is sound if it has the ability to pay its debts when these are due for payments.
- (vi) **Helpful in Knowing Operating Efficiency:** The ratios are important from management point of view wherein the management measures the efficiency of the assets. The sale and its percentage to net profit is increasing every year as a test of increase in efficiency.

¹⁰ G.K. Varshney, *op.cit.*, p. 111.

- (vii) **Business Trend:** The ratio analysis speaks of the financial discipline of the firm, with regard to additions and downfalls. When the trend is for downfall, the management can take corrective actions.
- (viii) **Helpful in Cost Control:** Ratios are useful in measuring the performance and the cost control.
- (ix) **Helpful in Analyzing the Financial Health of the Company:** The ratios are very useful in highlighting the Liquidity solvency, profitability and capital gearing. Thus, these are useful tools of analysing financial performance.

2.5 Limitations of Ratio Analysis

No doubt ratios are useful tools, but yet these should be used with utmost care as these suffer from certain drawbacks, which are as follows.¹¹

- (i) **Need of Detailed Knowledge:** The calculation of ratio is not so much difficult as its interpretation. Ratios are tools of quantitative analysis and not of qualitative analysis. Thus, one should have a fair knowledge of qualitative and quantitative analysis.
- (ii) **Lack of Reliable Data:** Ratio can give misleading results if the analyst does not know the reality and correctness of figures for example, if the value 'o' closing stock is over stated, profit will be inflated and this will result in more taxation when actual profits are less than the profits on which tax has been paid.
- (iii) **Different Basis:** There are different methods of valuation of closing stock (a) LIFO (b) FIFO in both profit will differ. Similarly, profit has different meanings. Some one may say profit before tax and interest, while others may take profit after tax and interest. Similarly there are different methods of depreciation and each method will show different amount of profit.

¹¹ *Ibid.*, p. 112.

- (iv) **Different Accounting Policies:** Different firms follow different policies with regard to depreciation; fixed-instalments or Diminishing balance method or stock valuation. LIFO, FIFO, thus profit so calculated will not be comparable unless adjustment for profit is not made.
- (v) **Effects of Price Level Change:** While ratios are calculated, no thought is given to inflationary measures, which is responsible for change in price level. Thus the whole utility of ratio analysis becomes stand still.
- (vi) **Bias Opinion:** Ratios are only tools which depend upon the use how to give them practical shapes. For example: profit has different meanings such as EBIT (Earning before interest and tax). Some says profit is before interest. Thus personal opinion differ from business to business.
- (vii) **Lack of Comparison:** Different firms' adopt different procedures, records, objectives and policies and in such situation comparison will become more complicated.
- (viii) **Evaluation:** There are different tools of ratio analysis. Which tool is to be needed in a particular situation depends upon the skill, training intelligence and expertise of the analyst.

2.6 Statistical Analyses

The selected tools used are as follows:¹²

- Average : (AVG)
- Standard Deviation : (SD)
- Coefficient of Variation : (CV)
- Average Growth Rate : (AGR)
- Annual Average Growth Rate : (AGR)
- Maximum Level : (Max. Lev.)
- Minimum Level : (Min. Lev.)

¹² Gupta L.C., *Financial Ratios for Monitoring Corporate Sickness* (Oxford: University Press Delhi, 1985), p. 9.

Mean/Average

The arithmetic mean is a location measure that describes the values in a data set by equal parts of their total. It is computed as the sum of the individual values divided by their number.¹³

Standard Deviation

The standard deviation (SD) is a measure of the variation in data that is used to determine the percentage of data values that remain within any specified distance from their mean.¹⁴

$$\sigma = \sqrt{\frac{\sum (x - \bar{x})^2}{N}}$$

Coefficient of Variation

The coefficient of variation (CV) is a measure of relative variation. It expresses the standard deviation as a percentage of the arithmetic mean.¹⁵

$$CV = \frac{\sigma}{\bar{x}} \times 100$$

Average Growth Rate (AGR)

Average Growth Rate (AGR) indicates the selected position which is calculated as: last year's position divided by starting year's position multiplied by 100. It has 3 aspects:

- (1) Annual Average Growth Rate (AGR),
- (2) Maximum Level (Max. Lev.),
- (3) Minimum Level (Min. Lev.).

¹³ J.A. Ingram & J.G. Monks, *Statistics for Business and Economics* (Harcourt Brace Jovanovich: Florida Publishers, 1989), p. 32.

¹⁴ *Ibid.*, p. 64.

¹⁵ *Ibid.*, p. 51.

2.7 Important Financial Terms and Concepts Used in this Study

- **Current Liability:** Current liabilities are the sum of short-term Bank loan, BSFIC Current loan, Inter Project Payables, Sundry creditors and Other Finance etc.
- **Equity Capital:** Equity indicates the total of paid up capital, R.R. Grant, Reserves and accumulated profit.

Profitability Ratios

This ratio is also known as gross margin ratio. It measures the percentage of how well the firm's management has cost under control. Higher the ratio, grater is the earning capacity and better is the management efficiency.¹⁶

Activity Ratios

Activity ratios measure how efficiently a firm utilises its resources. These ratios are also indicating the efficiency of the firm, how it's short term resources and used.

Expenses Ratios

These ratios can be worked out for different items of expenses appearing in profit and loss account of a business concern. Expense ratio in respect of an individual item of expense can be worked out as under and usually expressed as a percentage.¹⁷

$$\text{Expenses Ratio} = (\text{Individual items of Expenses} / \text{output}) \times 100$$

Through these ratios, we can assess the importance of individual expense item of Profit and Loss Account in relation to sales.

¹⁶ S.D. Schwartzman & R.E. Ball, *Elements of Financial Analysis* (Van Nostrand Reinhold Company, 1984), p. 33.

¹⁷ *Annual Reports* of BSRS, 2002.

Liquidity Ratios

Liquidity is the ability of a firm to meet its current liabilities or short-term liabilities. The more liquid a firm, the more likely it is able to make payment to its creditors when the liabilities become due. Liquidity position of firm is measured by its liquidity ratios. In other words, Liquidity ratios help in measuring the ability of a firm to meet its current liabilities. Liquidity ratios generally include current ratio, quick ratio and cash to sales ratio, etc.¹⁸

2.8 Technique of Analysis

To measure performance of IBBL during 21 years i.e. from 1983-84 to 2002-03 selected statistical methods are used i.e. mean, standard deviation, coefficient of variation, maximum level and minimum level, AGR, index, incremental changes etc. After obtaining the data from the different sources various statistical tools like average, standard deviation, coefficient of variation, maximum levels, minimum level are used to analyse the data. Different types of ratios are also computed to judge the efficiency of financial planning of the same.

Tabulation/Analysis/Interpretation

After completion of field operation, the process of computation of data started. Tabulation work was executed to classify data and to make them ready for analysis.

Some statistical tools, like simple and multiple correlation, regression analysis, test of hypothesis (t-test, z-test) have been used to analyse the data.

Criteria to Measure the Performance of IBBL and ABBBL(OBL)

Performance of any institution is always a subjective concept. It should be evaluated against some goals, social expectations etc. Again, the effective functioning of any unit of a complex society is not only dependent on its own individual efficiency but also on how the rest of the influencing environment

¹⁸ S.D. Schwartzman & R.E. Ball, *op.cit.*, p. 33.

behaves over a period of time. The term performance has different connotations depending upon the purpose in view. So, in our discussion we must not forget the multiplicity of goals, social objectives and priorities. Ordinarily the banks operate for earning profit. Islami Bank Bangladesh Ltd. and AL Baraka Bank Bangladesh Ltd. are also not far from this objective. In addition to this, a commercial bank does the functions of social and economic development. The researcher also considers these criteria to evaluate the performance of IBBL and ABBBL(OBL).

In the present context "Profitability" and Social banking" are used as twin objectives of the banking institutions. Still, there are considerable differences of opinions about the criteria by which the efficiency and performance of a banking industry can be assessed. Is it volume of deposit they take, volume of investment they lend, number of branches they open, level of capital they use, or simply profits they earn? So, performance measuring is a relative term.

As advocated by many scholars and academicians the following variables are used here to measure the performance of IBBL and ABBBL(OBL).

- A. Growth : i. Rates of growth of deposits/advances, urban and rural.
- B. Profitability : i. Net profit as percentage of total income.
ii. Net profit as percentage of working funds, and
iii. Net profit as percentage of volume of business
- C. Productivity : i. Establishment expenses as percentage of working fund
ii. Establishment expenses per employee and
iii. Working fund per employee
iv. Working fund as percentage of establishment expenses $P = V/M$ ¹⁹

¹⁹ This Framework of analysis has been used by Varsha S Varde and Sampat P. Singh, *Finding Productivity in Banks-Profitability of Commercial Banks* (NIBM, Bombay, India).

All the above information from A to D can be collected from the annual reports of IBBL and ABBBL(OBL). The above techniques are able to measure the efficiency and performance of IBBL and ABBBL(OBL).

Different Concepts Used in This Study

According to Association of Productivity Organization (APO), productivity refers to a comparison between the goods and services produced on the resources employed in the production process.²⁰ Productivity is an index which measures the output per unit of input.²¹ Productivity in the broadest sense is concerned with overall effectiveness and efficiency of getting things done.²² Holzer opines that productivity consists of two sets of relationships. The first is called efficiency and the other effectiveness. Efficiency is the relationship of quantity and content of output to input. Effectiveness is the relationship of output to goods or designed standard of quantity and content of service.²³ Kritner defines productivity as the ratio of an organisation's total out put to total input, adjusted for inflation, for a specific period of time.²⁴ Fabricant opines that productivity is a measure of the efficiency with which resources are converted into the commodities and services that men want.²⁵

²⁰ APO, *Productivity Measurement: An Asian Analysis* (Tokyo: APO, 1979), p. 6.

²¹ V.T. Godes, *Productivity in Bank: Concept and Measurement*, Vol. 35, No. 6 (India: The Banker, August 1987), p. 16.

²² Leboeuf Michael, *The Productivity Challenge* (New York: McGraw Hill, 1982), p. 9.

²³ Marc Holzer, *Productivity in Public Organizations* (New York: The Dunellen Publishing Co. Inc., 1976), p. 177.

²⁴ Krinter, *Management* (Boston: Houton Mifftin Co.) quoted in Haradhan Sarkar, "Productivity Commercial Banks: Concepts and Related Issues", *Bank Parikrama*, Vols. XV & XVI, p. 139.

²⁵ S. Febricant, "Basic Facts in Productivity Change", Occasional Papers, 63, quoted in Helal Uddin Nizami, *Productivity of NCBs in Bangladesh* (Dept. of Actg. Chittagong University, 1995), p. 10.

Altman's²⁶ used the following financial ratios, viz.: Working capital / total assets, retained earnings since inception / total assets, earning before taxes and interest / total assets, market value of equity / book value of total debt, sales / total assets for predicting industrial sickness of any Organization.

Edward Deakin's²⁷ original model included five variables i.e.net income / total assets, gross income / total assets, cash / total assets, current assets / current liabilities, sales / current assets.

Blum's²⁸ model included 12 variables i.e.

(a) Liquidity

Short-run liquidity / flow position = Quick Assets / Current Liabilities.
= Net Quick Assets / Inventory.

(b) Longer run liquidity

Flow position = Cash flow / total liabilities, net worth at fair market value / total liabilities, net worth at book value / total liabilities.

(c) Variability and Trend

Standard deviation of net income over a period, trend "breaks" for net income, slope for net income, standard deviation trends breaks and slope of net quick assets to inventory ratio. None of these are the same as used in **Altman's** model. **Both Deakins** and **Altman's** selection of variable was based on purely on a statistical reaches procedure.

According to **Gupta**²⁹ selected 31 balance sheet ratios are used for testing and experimentation. The selection was based on prior reasoning.

²⁶ F.I. Altman's, "Financial Ratios, Discriminate Analysis and the Perdition of Corporate Bank Repute", *Journal of Finance*, Vol. XXIII, 1968, pp. 589-609.

²⁷ E. Deakin, "A Discriminate Analysis of Predictors of Failure", *Journal of Accounting Research*, Vol. 10, 1972, pp. 167-69.

²⁸ L.C. Gupta, *op.cit.*, p. 9.

²⁹ *Ibid.*, pp. 66-70.

Each ratio measures directly or indirectly, one of the following four characteristics of the enterprise: Strength of equity base, liquidity base, and intensity of assets utilisation base and assets condition base.

Ratios, Which Measure Directly or Indirectly, The Strength of Equity:

- Net Worth / Debt
- Net Worth / (Net Fixed Assets + Holding Of Industrial Securities)
- Net Worth / Sales (Net Of Excise)
- Net Worth / Long Term Debt
- Debt / Tangible Assets
- All Outside Liabilities / Tangible Assets
- Interest / Sales (Net Of Excise)
- Short-Term Bank Borrowing / Sales (Set Of Excise)
- Short-Term Bank Borrowing / (Working Capital Gap + Short-Term Bank Borrowing From Non Banking Sources)
- Short-Term Bank Borrowing / (Working Capital Gap)
- (Short-Term Bank Borrowing – Cash And Bank Balance) + (Inventory + Trade Debtors)
- All Bank Borrowing / Total Assets Etc.

Ratios, Which Measure Liquidity

- Current Assets / Current Liabilities
- Quick Assets / Current Liabilities
- Net Working Capital / Sales (Net Of Excise)
- Net Working Capital / Debt
- Net Working Capital / All Long-Term Funds
- Net Working Capital / (Tangible Assets)
- Current Liabilities / (Tangible Assets)
- Current Liabilities / Sales (Net Of Excise)

- Trade Creditors / Sales, (Trade Creditors + Miscellaneous Current Liabilities) / Sales
- (Trade Debtors – Trade Creditors) / Sales (Net Of Excise) Etc.

Ratios, Which Measure Operating Efficiency in Assets' Utilization

- Current Assets / Sales (Net Of Excise)
- Average Current Assets / Sales (Net Of Excise)
- Average Tangible Assets / Sales (Net Of Excise)
- (Inventory + Advances To Suppliers) / Sales (Net Of Excise)
- Trade Debtors / Sales (Net Of Excise)
- (Trade Debtors + Advances To Suppliers) / Sales (Inclusive Of Excise).

Following parameters have been included / identified to measure the performance, effectiveness, efficiency, activities, business growth and development for manufacturing industries.³⁰

Different ratios can be developed from a set of financial reports but most of them are of little value or simply a different way of expressing the same concept. Although opinions among analysts vary widely as to which are the key ratios, most will agree that only a score or so are really significant. These may be classified as follows:

Ratios	Particulars
General Ratio	show the performance of the whole enterprise, i.e. including use of assets external to the enterprises own operations.
Management Performances Ratios	show the performance of operating management, excluding the effect of external investments
Financial Performance Ratios	show the use of working capital and liquid assets.
Shareholders Ratios	how the enterprise rating as an investment.
Cost Breakdown Ratios	give breakdown of main costs and indicate where control needs strengthening.

³⁰ M.M. Khan, *Advance Accounting*, Vol. 2 (Dhaka: Ideal Library, 1966), pp. 483-491.

The Main Financial Ratios for Evaluating General Performance

General Ratios

- i) Percentage of return of capital = $\frac{\text{Net Profit Before Tax}}{\text{Capital Employed}}$
- ii) Annual turnover of capital = $\frac{\text{Sales}}{\text{Capital Employed}}$.

Management Performance Ratios

Return on Operating Assets = $\frac{\text{Operating Profit}}{\text{Operating Assets}}$,

Return on Operating Assets = $\left(\frac{\text{Operating Profit}}{\text{Sales}}\right) \times \left(\frac{\text{Sales}}{\text{Operating Assets}}\right)$

Value Added per Tk. of Operating Assets = $\frac{\text{Value Added (Value Added I.E. Wages and Salaries+ Contribution + Net Profit)}}{\text{Operating Assets}}$,

Turnover of Stocks = $\frac{\text{Cost Of Sales}}{\text{Stocks}}$,

Utilization of Fixed Assets = $\frac{\text{Value Added}}{\text{Fixed Assets}}$,

Value Added per Employee = $\frac{\text{Value Added}}{\text{Number Of Employees}}$,

Capital Intensive Indicator = $\frac{\text{Fixed Assets}}{\text{Number Of Employees}}$.

Value Added = $\text{Wages and Salary} + \text{Interest} + \text{Contribution} + \text{Net Profit}$

Financial Performance Ratios³¹

Utilization of working capital = $\frac{\text{Sales}}{\text{working capital}}$,

Vulnerability of stocks = $\frac{\text{Stocks}}{\text{working capital}}$,

Collection period = $\frac{\text{Trade debtors}}{\text{average daily sales}}$,

Current ratio = $\frac{\text{Current assets}}{\text{current liabilities}}$,

³¹ *Ibid.*

Liquidity ratio = Liquid assets / current liabilities,

Sales vulnerability = Contribution / operating profit.

Shareholders' Ratios

Financial gearing = Fixed interest capital / capital employed,

Dividend cover = Ordinary earnings / ordinary dividend,

Profitability of shareholders' capital = Net profit after tax / net worth

Service Organizations i.e. Banks and Insurance Companies and other Financial Institutions follow the Selected Ratios for Evaluation of the Financial Health of Business

According to Gupta³² selected ratios are used in the important five areas to measure the profitability of a bank. These are as follows:

Ratios Based On Earnings before Depreciation- Interest and Taxes (i.e. EBDIT)

- EBDIT / WF,
- EBDIT / Total Assets,
- EBDIT / (Total Assets + Accumulated Deprecation),
- EBDIT / Interest + Debt,
- Ratios based on Earnings Before – Interest and Taxes but After Depreciation (i.e. EDIT as the numerator),
- Operating Cash Flow (Operating Cash Flow) / WF,
- Operating Cash Flow / Total Assets,
- Operating Cash Flow / (Total Assets + Accumulated Deprecation),
- Operating Cash Flow / Debt ,
- Operating Cash Flow / Current Liabilities.

Ratios Measuring Profitability of Net Worth

- Profit before tax (EBT) / net worth,
- Profit after tax (EAT) / net worth,

³² L.C. Gupta, *op.cit.*, pp. 66-80.

Profit Retention and Distribution Ratios

- Retained profit / total tangible assets,
- Total dividends / net profit after tax,
- (Retained profit + dep. charge) / debt,
- (Retained profit + dep. charge) / tangible assets + accumulated depreciation)
- (Retained profit + dep. charge) / gross real investment i.e. additions to inventory
- Fixed assets / sales
- (Net of excise), depreciation charge / net fixed assets,
- Depreciation charge / gross fixed assets.

Selected productivity ratios are used in the unpublished Ph. D. thesis completed by Dr. Arabinda Saha. These are given below.³³

Specific earning and profitability ratios are also used to measure the profitability of the banks which are as follows.³⁴ (1) Interest and Discount Earned to Gross Income, (2) Interest and Discount Earned to Working Fund, (3) Gross Income to Total Assets, (4) Gross Income to Working Fund, (5) Spread to Total Deposits, (6) Spread to Gross Income, (7) Spread to Advances, (8) Spread to Working Fund, (9) Burden to Working Fund, (10) Burden to Advances, (11) Burden to Gross Income, (12) Non Interest Income to Working Fund, (13) Gross Income to Total Deposits, (14) Net Profit to Total Deposits, (15) Net Profit to Gross Income, (16) Net Profit to Interest Income, (17) Interest Income to Net Profit, (18) Net Profit to Working Fund, (19) Net Profit to Spread, (20) Net Profit to Establishment Expenditure, (21) Net Profit to Non-Interest Expenditure, and (22) Net Profit to Net Worth.

³³ A. Saha, "Profitability of the Private Commercial Banks in Bangladesh", Unpublished Ph.D, Dept. of Commerce, Kalyani University, India, pp. 210-213.

³⁴ *Ibid.*, pp. 234-244.

Analytical summary of ratios prescribed by Petty and others for the different ratios:³⁵

Ratios	Formulas	Industry Average	Evaluation
A. Liquidity Ratios:			
Current Ratio	CA/CL	2.00 Times	Good
Acid Test Ratio	(CA- Inventories)/ CL	1 : 1	Good
B. Efficiency Ratios:			
Avg. collection period	(Average account receivable / annual credit sales) / 360	63 days	Satisfactory
Inventory Turnover	Cost of goods sold / closing inventory	3.6 times	"
Fixed Assets Turnover	Sales / Fixed Assets	9.8 "	Poor
Total Assets Turnover	Sales / Total Assets	1.4 "	Good
C. Leverage Ratios:			
Debt Ratio	Total Liability / Total Assets	54.90 %	Poor
Long-term Debt ratio	Long – term Debt /Total Capitalization	22.80 %	Poor
Times Interest Earned	Net Operating Income (NOI) / Annual Interest Exp.	2.4 times	Excellent
Cash Flow Overall Coverage Ratio	NOI + Lease Exp. + Dep. / Interest + Lease exp. + Principals Payments / (1- Tax Rate)	Norm was not available	X
D. Profitability Ratios:			
Gross Profit Margin	Gross Profit / Sales	26.70 %	Satisfactory
Op. Profit Margin	NOI / Sales	8.90 %	Satisfactory
Net Profit Margin	Net Profit / Sales	4.14 %	Satisfactory
Operating Income return on Investment	Net Operating Income / Total Assets	12.50 %	Satisfactory
Return On Total Assets	Net Income / Total Assets	5.80 %	Satisfactory
Return on Common Equity	Net Income available to Common / Common Equity	9.32 %	Excellent

³⁵ J. William Petty & Others, *Basic Financial Management*, Prentice Hall, Engle Wood Cliffs, NJ. 07632, 1993, p. 464.

The above summary reveals that the industry average/standard ratios which might be a good lesson for our ratio users like liquidity ratios, efficiency ratios, leverage ratios and profitability ratios would be highly informative and reflecting of the financial health of any business.

Profit and Profitability

Profitability means the ability of a business to earn a satisfactory level of profit. It is measured by net income divided by sales is called profitability.³⁶ Profitability is created by profit. Profit represents difference between operating earning and operating expenditures. Thus profitability is ability of a concern to earn income.³⁷ It is a function of a complex equation of earnings and expenses.³⁸

Measurement of Profitability

The concept of profitability analysis is used to measure the managerial effectiveness of IBBL during 1983-2003. In general profitability can be defined as the ratio of return of investment. For calculating the profitability ratio we consider the selected 3 basic ratios i.e. net profit to deposit, net profit to advance and net profit to investment to measure the profitability of IBBL during 1983-2003.

According to S. Kevin³⁹ the profitability of a company / bank/ institution or any organisation can be measured by the profitability ratios. These are calculated by relating the profit either to sales or to investment or to the equity shares. Thus we have three groups of profitability ratios, besides the overall profitability. These are listed below.

³⁶ Dr. Kazi Feroz Alom, *Dictionary of Accounting Terms* (Dhaka: Sadeq Book Dept.), p. 49.

³⁷ E. Fees Philip and C.R. Nisownger, *Accounting Principals* (Ohio: South Western Publishing Co., 1980), p. 846.

³⁸ Dimitris N. Choorafas, *Bank Profitability* (London: Wellington, Butterworths, 1989), p. 256.

³⁹ S. Kevin, *Management Portfolio* (New Delhi: Prentice Hall of India Private Limited, 2000, pp. 45-46.

(a) Profitability Related to Sales

- (1) Gross profit Ratio = Gross profit / Sales
- (2) Operating Profit Ratio = EBIT/Sales
- (3) Net Profit Ratio = EAT / Sales
- (4) Administrative Expenses Ratio = Administrative Expenses/Sales
- (5) Selling Expenses Ratio = Selling Expenses/Sales
- (6) Operating Expenses Ratio = Administrative Expenses + Selling Expenses / Sales

(b) Profitability Related to Investment

- (1) Return on Assets = Earning After Tax/ Total Assets
- (2) Return on Capital Employed = EBIT / Total Capital Employed
- (3) Return on Equity = EAT / Shareholders Equity

(c) Profitability Related to Equity Shares

- (1) Earning per Share (EPS) = Net profit available to equity shareholders/ No. of Equity Shares
- (2) Earning Yield = EPS / Market price per Share
- (3) Dividend Yield = DPS / Market price per Share
- (4) Dividend Pay out Ratio = DPS / EPS
- (5) Price Earning Ratio = Market price per Share / EPS

(d) Overall Profitability (Earning Power)

$$\text{Return on Investment} = \frac{\text{EAT}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets}}$$

$$\text{Or} = \frac{\text{EAT}}{\text{Total Assets}}$$

The overall profitability is measured by the return on investment, which is the product of net profit ratio and investment turnover. It is a central measure of the earning power or operating efficiency of a company.

Concept of Risk

Risk that is the chances of loss has ever been the ban of human existence. As a financial institution, the Bank has a vital role to lend money to the businessmen for overall economic development of our country. But the banks

have to face risk on lending of their own funds to the businessmen. The banks' profitability mainly depends on the good quality of their assets. So, it is obligatory for a banker to lend money in such a way that repayment of the borrowed money is to be ensured. In the decade of 1980, FSRP was formed by the Government of Bangladesh with the assistance of World Bank with a view to reforming the financial sector in our country. Lending risk analysis is a significant package of activities prescribed by FSRP for minimising risk in fund management of the commercial banks in our country. In early days, the banks emphasized on the value of collateral security mortgaged with the banks to reduce business risks.

Role of the Financial Sector Reform Programme (ESRP): The vital roles of FSRP to reduce risks are as follows.

- (a) To achieve Government objectives, an explicit financing of any subsidies should be made through the financial system.
- (b) To improve supervision of the various elements of the financial system with a view to protect the public and insure sound management of all financial institutions.
- (c) To improve the financial performance of the Government owned banks and the financial discipline of the banking system.

For improvement of this programme, the Government has initiated a broad programme of actions aimed at; (a) Legislation covering the scheduled banks, the Central Bank, loan recovery and tax administration related to financial institutions; (b) A new interest rate policy to increase the flexibility of the commercial banks in achieving viability; (c) A new system of loan classification to insure the banks to cover the cost of potential loan losses; (d) Transparency of subsidies for financing priority sector; (e) Maintenance of capital adequacy and assessment of the loan portfolio; and (f) Recapitalization of nationalised commercial banks to achieve financial viability.

2.9 Conclusion

Basic indicators of profitability, productivity, details of earnings, financial performance ratios, management performance ratios, liquidity ratios, operating efficiency ratios etc. are detailed in this chapter. Methodological aspects have been detailed highlighting the sample mix, and sources of data, and techniques of analysis which are followed to conduct the present study.

Chapter 3

AN ANALYSIS OF GROWTH TRENDS OF THE ACTIVITIES OF IBBL AND ABBBL(OBL)

3.1 Importance of studying the growth trends of the activities of IBBL and ABBBL(OBL) and their HRD Programmes

The importance of studying the growth trends of banking facilities and Human Resources Development Programmes of IBBL and ABBBL(OBL), and to find relationship between their performance and HRDPs can not be ignored. These banks already passed about two decades and took part in the country's economic activities. Analysis of growth of banking facilities and HRD programmes and their impact on the bank's performance, on the customers, clients, shareholders, entrepreneurs and the policy makers is of paramount importance. As such the main aim of the study is to assess the relationship between HRD activities and their impact on the banks' performance. Attempts are made to detect the inadequacies or under utilisation of human resources. The analysis facilitates IBBL and ABBBL(OBL) to get themselves equipped to meet the national goals, to convert themselves into effective and powerful instruments of economic progress. Above all, the desired goal is to extend the "benefits of services of modern commercial banks" to all sections of the society and in all sectors of the economy with a view to ensure the achievement of faster socio-economic progress and development.

HRD Programmes of the Banks

HRD Defined

"Human Resource Development" is defined as the activities and processes undertaken by an organisation to promote the intellectual, moral, psychological, cultural, social and economic capacities of the individuals who work in an organisation for the growth and progress of that organisation.¹

¹ Vasant Desai, *Principles of Bank Management: Principles, Planning and Programming* (New Delhi: Anmol Publication, 1993), p. 325.

It means, all round development of people working in an organisation, so that they can contribute their best to that particular organisation, community, society they belong to and as well as to the nation. HRD looks for systematic and planned development of human resources i.e. Managers, departmental heads, sectional heads, unit heads, organisational heads and all other human beings included in workforce.²

HRD functions mainly relate to the creation and development of a man's potentials. It takes care of the development, utilisation and management of talents or inner faculties of human resources deployed in the banking organisation.³ All the attempts to develop human resources mean to improve a human being. For this the following skills are to be developed in a human being.

- (i) Technical skill = One's ability to understand all papers
- (ii) Human skill = One's ability to write, speak, negotiate, lead and to control; and
- (iii) Conceptual skill = One's ability to take decision, plan, monitor and to identify opportunities for the organisation.⁴

HRD Philosophy

HRD itself believe that individuals in an organisation whether it is, public or private have huge potentials for growth and development and these potentials can be developed and multiplied through systematic and appropriate efforts.⁵

The efforts of developing human resources in the banking organisation of our country are wide ranged. In spite of all attempts, every one in the

² *Ibid.*, p. 96.

³ Shahid, *op.cit.*, p. 104.

⁴ J. Gunglielmino Paul, "Development of Top Level Executives for the 1980's and Beyond", *Training and Development Journal*, April 1979, American Society for Training and Development, ASTD, p. 38.

⁵ D.C. Sanghi, *Encyclopaedia of Commerce and Management*, Vol. 14, Asit K. Gosh & Prem Kumar (eds.) (New Delhi: Anmol Publications, 1990), p. 281.

organisation will have to be self responsible for growth and optimization of one's performance HRD philosophy is based on the premise that people are the source of all strength of an organisation. They provide intelligence and determine organisation's strength and validity.⁶ Since the banks are working on Islamic Principles, they follow the above philosophy as well as Islamic Philosophy.

3.2 An Analysis of Growth Trends of the Activities of IBBL and ABBBL(OBL) and Their HRD Programmes

3.2.1 Genesis, Objectives and Services of IBBL

Islamic Bank Bangladesh Limited was incorporated on 13 March 1983 as a public company with Limited liability under the companies Act, 1913. The Bank obtained permission to commence business from 27 March 1983. IBBL is the first interest free Bank in South-East Asia. The establishment of this Bank has ushered a new era in Bangladesh, the second largest Muslim country in the world. The bank is committed to help the people in Halal earnings and Halal investment. All of its activities are run as per Islamic Shariah. The Islamic Development Bank, some foreign financial institutions of Saudi Arabia, Kuwait, Bahrain, United Arab Emirate and Jordan also came forward to establish this bank.

The total number of branches of the bank as on 31st December 1988 stood at 27. The Bank has taken up an expansion programme to open a large number of branches during the year 1989 in urban and rural areas and it was expected that with the implementation of the expansion programme almost all important commercial places would come under the operational activities of the Bank.⁷

⁶ B. Day, "Human Resource Development in Banks" in, *Studies in HRD*, Vol. 3 of *HRD Practices Assimilation and Implications*, B.S. Bhatia, H.L. Verma & M.C. Garg (ed.) (New Delhi: Deep & Deep Publication, 1997), p. 263.

⁷ *Proceedings and Papers* of International Seminar held in Dhaka Bangladesh on October 27, 1989.

Bangladesh is the second largest Muslim country in the world. Its people are committed to Islamic way of life as enshrined in the Holy Quran and the Sunnah. Naturally, it remains a deep cry in their heart to fashion and design their economic lives in accordance with the precepts of Islam. The establishment of Islamic Bank Bangladesh Limited (IBBL) on March 03, 1983, is the agonizing reflection of this inner urge of its people. This bank is the first of its kind in South-East Asia. It is committed to conduct all banking and investment activities on the basis of interest free profit-loss sharing system. In doing so, it has unveiled a new horizon and ushered in a new silver lining of hope towards materializing a long cherished in a new silver lining of hope towards materializing a long cherished dream of the people of Bangladesh for doing their banking business/ transactions in line with what is prescribed in Islam. With the active co-operation and participation of Islamic Development bank (IDB) and some other Islamic Banks, financial institutions, government bodies and eminent personalities of the Middle East and the Gulf countries, Islamic Bank Bangladesh Limited earned name and fame and the unique position as the first Islamic commercial bank in Bangladesh.

In August 1974, Bangladesh signed the charter of Islamic Development Bank (IDB) and committed itself to reiterate commitment of Bangladesh to establish an Islamic Banking system to reorganise its economic and financial system as per Islamic Shariah. As such Islami Bank Bangladesh Limited (IBBL) was incorporated on the 13th March 1983 and became operative with effect from the 30th March 1983 as the country's first Islamic Bank.

Structure of Ownership and Organisation

It is a joint venture multinational bank with 64% of equity being contributed by IDB and some financial institutions like Al-Raji and Company for currency exchange and commerce, KSA, Kuwait Finance House Corporate, Ministry of Awqaf and Islamic Affairs, Ministry of Justice, Department of Minor Affairs and Public Institution for social security, Kuwait, Dubai Islamic Bank, Bahrain Islamic Bank, Jordan Islamic Bank, Al-Baraka Islamic and Development

Company, K.S.A. Islamic Economics Research Bureau, Bangladesh Islamic Centre, Ibne Sina Trust and Baitus Sharif Foundation Limited Bangladesh and rest 36% is owned by the local and the foreign private individuals such as Fouad Abdul Hameed Al-Khateeb and Ahmed Salah JamJoom. Its head office is located in Dhaka, Bangladesh. It has a 23 Members Board of the Directors, 8 are foreigners and 15 are local. The day to day management of the bank is left in the hands of a 10 members Executive Committee formed by the Board of Directors. Besides, a Management Committee looks after the affairs of the bank. IBBL has also a 10 member Shariah Council consisting of Islamic Scholars, bankers, lawyers and economists. The council gives opinion on different issues conforming the bank on the Shariah-Related matters.⁸

The broad objectives of IBBL are to launch banking business through Islamic mechanisms and contribute to the achievement of socio-economic ideals of Islam.⁹

As a financial institution, the bank has been participating in the country's financial and economic development activities since 1983. Accordingly, the bank has set for itself the following broad objectives for conducting of banking business: (a) to conduct interest free banking; (b) to establish participatory banking instead of banking on debtor-creditor relationship; (c) to invest on profit and risk sharing basis; (d) to accept deposits on profit-loss sharing basis; (e) to establish a welfare oriented banking system; (f) to extent co-operation to the poor, the helpless and the low income group for their economic upliftment; (g) to play a vital role in human development and employment generation; and (h) to perform other activities within the framework of banking laws and Islamic tenets.

⁸ *Islamic Bank Bangladesh Limited, Diary 2001* (Dhaka: IBBL, 2001), p. 16.

⁹ M. Azizul Huq. "Islamic Banking in Bangladesh Manpower Development and Establishment of a Regional Training and Research Institute", in *Islamic Banking & Insurance: Proceedings and Papers of International Seminar held in Dhaka, Bangladesh on October 2, 1989*, Dhaka: Islamic Bank Bangladesh Limited, 1990, pp. 33-34.

Management of IBBL

The management and formulation of policy of the bank are vested in the board of directors, which is comprised of 14 local and 9 foreign directors by virtue of articles of association. A Bangladeshi director is to be elected as the chairman of the company. To assist them there is a high powered committee named executive committee. There are six members in this committee nominated by the board of directors. Besides, there is another committee named management committee consisting of senior most executives of the Bank. There is also a Shariah council consisting of prominent Alims, Economists and Bankers who act as a supervisory body over the day to day activities of the bank from the point of view of Islamic Shariah.¹⁰

Capital and Reserve of IBBL

The authorized capital of the bank is Tk. 50 crores, used capital is Tk. 8 crore and subscribed capital is Tk. 7.95 crore. The reserve fund has increased during the year from 80 crore to Tk. 1.43 crore. In order to strengthen the equity base of the bank commiserating with the deposit liability, the Board of directors very recently has decided to raise the paid-up capital to Tk. 20 crore in two phases- primarily up to Tk. 15 crore and ultimately to Tk. 30 crore. Preparation in this regard was in foot and it was expected that the shares of public subscription would be floated by June, 1989.¹¹

Specific Goals and Objectives of IBBL

The main goals and objectives of Islamic Bank Bangladesh Ltd. are given below.¹² (1) To conduct all activities according to the Islamic Shariah (Islamic Jurisprudence); (2) To invest fund strictly in accordance with the principles of Islamic Shariah; (3) To make financial transaction free from interest; (4) To introduce a welfare banking system; (5) To make investment keeping the socio-economic requirements of the country in view; (6) To introduce a

¹⁰ *Proceedings and Papers* of International Seminar held in Dhaka Bangladesh on October 27, 1989.

¹¹ *Annual Reports* of IBBL during 1983-2004.

¹² *Ibid.*

partnership base relationship between the bankers and the customers; (7) To increase the number of potential investors by making participatory and productive investment; (8) To follow Islamic principle and method in all of its investment functions; (9) To finance various development schemes for poverty alleviation income and employment generation; (10) To invest in the form of goods and commodities rather than give out cash money to the investment clients; (11) To encourage social uplift enterprises; (12) To establish equitable and good judgement in business and economic system; (13) To take initiatives to improve life standard of low earning man; (14) To slam even highly profitable investment in fields forbidden under Islamic Shariah and are harmful for the society; (15) To develop human resource, create employment, and self-employment opportunities; (16) To ensure better banking service cordially; (17) To coordinate economical and social growth; (18) To conduct public welfare activities; (19) To act as a co force for the achievement of Islamic economic system; and (20) To ensure mutual benefits both for the bank and the investment clients by professional appraisal of investment proposals, judicious sanction of investment, close and constant supervision and monitoring thereof.

Functions (Banking Services) of IBBL¹³

Deposit: Current Account: The bank as per Al-Wadiah principle of Islamic Shariah accepts current deposits. Like other commercial banks, the account holders can operate this account as and when required. No profit or dividends are paid for such accounts. Bank allows the account holder to withdraw all of his/her money on demand during banking hour.

Profit and Loss Sharing Deposit Account

Such deposits are accepted by the bank as per Mudaraba principle of Islamic Shariah under this account. After investment of this fund whatever amount of profit is gained a reasonable portion of this is distributed among the depositors. The rest is taken by the bank as Management fees. At present,

¹³ *Ibid.*

IBBL distributes 70% of its investment income among the depositors. Out of the rest, 10% is kept as investment loss offsetting reserve and 20% is incurred as management fees. At present the bank opens the following profits and loss sharing deposit accounts.

(a) PLS Saving Deposit Account

Any person singly or jointly and any institution by tendering initial deposit of Tk. 100 can open an account in IBBL.

- (i) Withdrawal is ordinarily allowed four times in a calendar month up to Tk. 15,000 in one single transaction. For amounts exceeding Tk. 15,000, a notice of 7 days is required, otherwise the depositor loses profit for that month.
- (ii) The profit earned or loss incurred / debited respectively in the account once in a year.
- (iii) Check books are supplied for operating the accounts.

(b) PLS Term Deposit Account

- (i) Deposits are accepted for terms of 6, 12 and 36 months.
- (ii) Tk. 1000 at the minimum and any amount in multiple of Tk. 100 is accepted in this account.
- (iii) In acknowledgement of deposit a receipt signed by the authorized officials of the bank stating the amount, period etc., is issued.
- (iv) The depositor gets no profit if he withdraws his money before six months.

(c) PLS Social Notice Deposit Account

- (i) Any individual institution, government, or semi government institution can open this account with any amount.
- (ii) For withdrawals, 7 days notice is required.
- (iii) Like other PLS account once a year, profit is credited to the account.

It is noted here that there is least possibility of incurring loss by the depositors because the bank must earn an amount of income from its investment.

Payment Orders¹⁴

- (i) The bank receives earnest money and security deposit by issuance of a receipt called payment order.
- (ii) **International Remittance:** The bank helps its clients to remit money from one place to another within the country through DD, TT and MT, Pay Order, Traveller's cheque etc. The bank receives commission at prescribed rate for this, which is treated as Banks income.
- (iii) Foreign Exchange and Foreign Trade Services are also offered by the Bank and for that it earns commission as income.

(iv) Other Banking Services¹⁵

- (i) The bank accepts and issues certificates and shares.
- (ii) It keeps the valued securities in its own safe custody.
- (iii) Rents out vents for clients.
- (iv) Acts as trustee.
- (v) It represents other banks and meets up their dues from clients and vice-versa.
- (vi) It accepts subscription from companies and extends advisory service to its clients.
- (vii) Locker service, collection of various bills, issue of guarantee, consultancy etc.

IBBL also does some welfare and social development activities by its subsidiary Islami Bank Foundation a wing of Islami Bank Bangladesh Limited.

¹⁴ *Ibid.*, 2000.

¹⁵ *Ibid.*

Special Savings Accounts of Islami Bank Bangladesh Limited¹⁶

- **Mudaraba Pilgrims Savings Accounts:** This scheme follows individual account based on Islamic shariah. Monthly instalments can be deposited for a period from one year to twenty five years. This system is suitable for the hajj participants.
- **Mudaraba Special Savings (Pension) Account:** This savings scheme is for five to ten years. Monthly deposit system is followed here. Accumulated amount is given to the Account holder or to his/her nominee after his death. Written instruction is needed regarding the fixation of nominee. This scheme also follows Islamic shariah. Sixty five percent of the earning is distributed to the depositors (Mudaraba). Advance deposit can be made in this account. Profit is distributed on such advance deposit. Tax and duties are deducted as per government laws.
- **Mudaraba Savings Bond:** Any organization like club, Society, Non-trading organization and social institutions can purchase such bond for particular period. Deposits are made as per Islamic shariah and sixty five percent of the derived earning is distributed among the bond holders. Purchase may be made in government account. Nominee can have the proceeds of the bonds as per law.
- **Mudaraba Foreign Currency Deposit (Saving) Account:** In this account initial deposit must be of minimum one thousand dollars (1000). If the balance falls below the aforesaid amount, no profit is allowed. Withdrawal is allowed twice in a month and each withdrawal should not exceed one fourth of his or her credit balance. Minimum sixty five of the gross income derived from investment is distributed among the depositors. The rate of profit is declared on the basis of income earned by such funds.
- **Mudaraba Monthly Profit Based Deposit (Saving) Accounts:** Deposit is made for five years under this scheme. Minimum Tk. one lakh is to be

¹⁶ *Ibid.*

deposited. Sixty five percent of the derived income is distributed. Normally withdrawal is not allowed before the maturity. Monthly profit is given from the next month of the deposit. Excise duty and other charges are shown annually.

Table 3.1 Islami Bank Bangladesh Limited at a Glance¹⁷

1. Established	:	13 th March 1983
2. First Branch Opened	:	30 th March Local Office Dhaka
3. First Officially Opened	:	12 th August 1983
4. Number of Branch	:	151 in the year 2004
5. Zone	:	6
6. Authorized Capital	:	Tk. 3000 Million
7. Paid up Capital	:	Tk. 2304 Million
8. Equity	:	Tk. 6691.12 Million
9. Capital Formation	:	42.12% Domestic
		57.88% Foreign
10. Deposit	:	Tk. 87841.01 Million
11. Investment	:	Tk. 79392.72 Million
12. Foreign Exchange Business	:	Tk. 112624.00 Million
13. Total Employees	:	5306
14. Number of Share holders	:	15892

Some Extra Ordinary Features of Islami Bank Bangladesh Limited¹⁸

(1) It is the first interest free commercial Bank based on Shariah in South-East Asia; (2) It is pioneer of welfare banking; (3) It is a Multi-national Bank. The partnership of this Bank belongs to IDB, The Al-Rezi of Saudi Arabia and many socio-economic organisations, Government and non-Government institutions of Middle East; (4) It possesses the top level among the banks, which conduct foreign trade; (5) It is treated as VIP standard bank because of paying a given amount of tax to the Government of Bangladesh; (6) It was awarded the best bank of Bangladesh prizes in 1999 and 2000 by the famous magazine of UK "Global Finance"; (7) It was one of the top banks among the first 2000 international Banks in the year 2004; (8) It is also one of the best banks among the first five hundred Asian banks; (9) It is one of the top Banks in the rating of CAMEL also; (10) It is using computer SWIFT, web site, e-

¹⁷ *Ibid.*, 2004.

¹⁸ *Ibid.*

mail, and other sophisticated modern technology; (11) It sets up dealing room at the International Division of the main office; and (12) It has also arranged to start ATM in some selected branches recently.¹⁹

Manpower of IBBL

The manpower of the bank is increasing steadily with the expansion of branches and activities of the bank. At the end of 2004, the total manpower of the bank stood at 5306 persons. The bank is trying to ensure optimum utilisation of its manpower by improving the standard of their efficiency and quality of service.

Staffing

Staffing functions primarily involve, the assessment of the manpower needed and selection of the personnel into the organisation structure. The goal of staffing function is to obtain the best available personnel for the organisation and to develop the skills and abilities of those personnel. The components of staffing functions are:

a) Human Resource Planning

Human resource planning is an effect, a systematic approach to ensure that right people will be place at the right place and at the right time. The objectives of this planning are: (i) Optimum use of human resource, (ii) To forecast future skills, (iii) Steps taken for controlling, (iv) Determining recruitment level, (v) To anticipate redundancies, (vi) To determine training levels, (vii) Forecasting lead time, (viii) To prepare executive development programme, and (ix) To research for further development.

b) Training and Motivation

Islamic Bank Training and Research Academy (IBTRA) was established simultaneously with the establishment of the bank in the year 1983 for the

¹⁹ *Islamic Bank Bangladesh Limited Er Karjokrom Manual* (Bengali), Dhaka: 1990.

purpose of imparting training to human resource at all levels and conducting research programmes. To cater to the increasing training and research needs, the Academy has been up-graded in 1994. For ensuring academic exchange, an Academic council has been formed with Reputed Bankers, Prominent Ulema, Eminent Economists, Executive Directors of Bangladesh Bank Training Academy and Director General of Bangladesh Institute of Bank Management (BIBM). These illustrious individuals formulate policies to provide special emphasis on (i) Islamic Economics and Banking and (ii) Practical operations on both conventional and Islamic Banking Systems. The Bank has its own eight storied Training complex at Mohamadpur, Dhaka where the residential training courses are conducted. The following table provides at a glance the various Human Resource Training Initiatives during 1983-2004. Besides the above training, a lot of students Internship Programmes are conducted for the BBA and MBA students of various Public and Private Universities in Bangladesh. These students are awarded by the IBBL also. The following universities joined this programme.

- (1) Department of Accounting, Management, Finance and Banking, Marketing, and others of Dhaka University;
- (2) Department of Accounting, Management, Finance and Banking, Marketing, and others of Rajshahi University;
- (3) Department of Accounting, Management, Finance and Banking, Marketing, and others of Jahangir Nagar University;
- (4) Department of Accounting, Management of Islamic University;
- (5) Department of Accounting, Management, Finance and Banking, Marketing, and others of Open University;
- (6) Departments of Ahasanullah University of Science and Technology;
- (7) Departments of Darul Ahsan University;
- (8) Departments of Quiens University;
- (9) Departments of Open University;
- (10) Departments of Peoples University and
- (11) Departments of International Islamic University, Chittagong.

3.2.2 ABBBL(OBL) (Oriental Bank Limited)

The Oriental Bank Limited has been playing an important role in the economic development of Bangladesh. At once, this bank was named as Al-Baraka Bank Bangladesh Limited, which was started in 1987. The Oriental Bank Limited had the increasing trend in deposits, advances, total investment, net profit, branches and employees etc. So how far the policies of expansion were taken with the profit and profitability trend of this bank is yet to be investigated. The bank has been successful in attaining its targets during the period under study.

The Oriental Bank Limited was established on the 30th April 1987 as a multinational banking company. This bank is the second interest free scheduled bank in South- East Asia. The establishment of this bank has ushered a new era in Bangladesh. This bank is committed to help the people in pursuits of earnings and legal investments as allowed by the Islamic principles.

Genesis and Objectives of ABBBL(OBL)

AL Baraka Bank Bangladesh Limited is a banking company registered under companies Act, 1913 with it's registered office in Dhaka. The bank operated as a scheduled bank under a banking license issued by Bangladesh Bank, the Central Bank of the country. AL Baraka Bank Bangladesh Limited is a Joint-venture enterprise of the AL-BARAKA GROUP- a renowned financial and business house of Saudi Arabia, a group of eminent Bangladeshi entrepreneurs and the Government of Bangladesh. It is the country's second Islami Bank which started functioning with effect from the 20th May, 1987. The Authorized capital of the bank is Tk. 60.00 crore, divided into six lac ordinary shares of Tk. 100 each. The paid-up capital of the bank is Tk. 15.00 crore which is shared by different groups as:

AL Baraka Group	:	70%
Bangladeshi sponsors	:	12.50%
Public issue (Local)	:	12.50%
GOB	:	5%
Total	:	100%

The bank carries on its business according to the dictates of Islamic tenets (sharia). In particular, the bank seeks to work toward eliminating usurious practices in its day to day banking activities and banking operations. The bank has a Shariah Council which gives decisions on Shariah issues. The bank is based on Islamic principles and it follows the profit and loss sharing system (PLS). As a financial institution, the bank has been participating in the country's financial and economic development activities since 1987. Accordingly, the bank has set for itself the following objectives for conducting of banking business: (a) to carry on its business in strict compliance with Islamic Shariah; (b) to eliminate usury or interest from its banking practices; (c) to offer a means of investment based on sharing of profit as Murabaha, Mudaraba, Leasing and Salam; (d) to undertake different banking services; (e) to innovate the means to attract funds and savings and to direct them towards halal profit through participation in the domain of investments in accordance with the provision of the Shariah; (f) to make available necessary funds to meet the requirements of various sectors of the economy that are essential for healthy socio-economic growth as per Islamic Shariah; (g) to pave the way for establishment of an Islamic Trust Funds and Islamic Trade Bonds; (h) to sale and purchase foreign exchange, issue of traveller's cheques, bankers' drafts, make telegraphic transfers in favour of the customers etc.; (i) to open, advise, negotiate and confirm letter of credit, covering exports from and imports into Bangladesh; (j) to draw, accept, endorse negotiable instruments like bills of exchange, promissory notes, cheques, dividend warrants etc.; and (k) to perform other activities within the framework of banking laws and the Islamic tenets.

Mission of OBL: To establish Islamic Banking by translating the Islamic principles into practice, blending the progressive Islamic Thoughts of Banking and to offer the latest financial services and technologies with commitment for maintaining accountability and transparency with all trust in Allah, are the mission of OBL.

Vision of OBL: To be the leading provider of Shariah based financial services.

Goal of OBL: To develop and consolidate a strong client base and ensure all kinds of modern banking facilities by expanding business and service periphery to fulfil the expectations of the shareholders as well as customers strictly based on Islamic Shariah. To equip and prepare the Bank with modern and upto date progressive Islamic banking system, to achieve target to become “The number one Bank” of the country in respect of profitability and services.

Table 3.2 ABBBL(OBL)/The Oriental Bank Ltd. at a Glance²⁰

Milestones of the OBL²¹

Incorporation of the Company	:	April 30, 1987
License Obtained from Bangladesh Bank	:	May 04, 1987
Commercial operation started	:	May 20, 1987
Incorporation as the Oriental Bank Ltd.	:	December 31, 2002
Approval obtained from Bangladesh Bank as the Oriental Bank Ltd.	:	April 13, 2003
Commercial operation started as the Oriental Bank Ltd.	:	April 13, 2003

Floating of Initial Public Offering (IPO) Shares

Publication of Prospectus	:	June 05, 1989
Subscription opened	:	June 20, 1989
Subscription closed	:	June 04, 1989
Lottery was held	:	November 27, 1989
Allotment of shares	:	November 27, 1989
First trading of shares on DSE	:	February 19, 1990
First Right Shares issued	:	July 25, 1992
Second Right Shares issued	:	May 29, 2003

²⁰ *Annual Reports* of the Oriental Bank Limited 2004, p. 10.

²¹ *Ibid.*

Capital and Shareholding Structure of OBL²²

Authorised Capital	:	Tk. 2000.00 Million
Issued Capital	:	Tk. 519.106 Million
Subscribed Capital	:	Tk. 519.106 Million
Called Capital	:	Tk. 519.106 Million

Shareholding

1. Group No. A Sponsor / Shareholders	:	86.375%
2. Group No. A government of Bangladesh and General Public	:	13.63%
		Total :
		100.00%

The deposit base of the Bank continues to register steady growth and stood at Tk. 24,048 million as on December 31, 2004 as against Tk. 20,231 million of the preceding year. The increase is 18.87% . Deposit mix i.e. time deposits and demand deposits of the Bank also improved. The time deposits stood at 92.46 percent and demand deposits stood at 7.54 percent during the year 2004. The cost of fund also came-down from 9.11 percent in 2003 to 8.36 percent in 2004. Being a Problem Bank, this achievement has been possible for the continuous supports of the clients and confidence shown on the Bank as well as the efficiency and commitment of the Management towards the Bank.²³

The Bank has, in the meantime, introduced the following deposit schemes to encourage and mobilize the deposits as well as for the welfare of the people. These deposit schemes have been appreciated by the general people and have received popular responses.

Investment: The total investment of the Bank reached at Tk. 18,247.00 million on 31-12-2004 and a growth of 9.17% in comparison to the

²² *Ibid.*

²³ *Ibid.*, p. 16.

total investment of Tk. 15,797.00 million of preceding year. It is a remarkable progress, which signified the confidence of the clients on the Bank.²⁴

Total classified investment as on 31.12.2004 stands at Tk. 4,209.31 million (24.40% of total investment), which was 24.01% in the preceding year. The management is expecting to reduce the classified investment to a satisfactory level gradually by giving special attention and vigorous efforts to be taken by the Head Office Recovery and Monitoring Task Force and branch management. The recovery activity of the Bank has been accelerated by the Management to reduce the size of classified investment.

Foreign Exchange: The Foreign Exchange and Remittance Business handled by the Bank during the year 2004 rose to Tk. 226.9 million as against Tk. 1.860 million of the previous year showing a growth of 21.99%.²⁵

Information Technology: This is an age of information and communication technology. The Bank has implemented its information and communication technology to offer high standard of automated customer service. The Bank has introduced SWIFT for communicating with its global network quickly and efficiently.²⁶

Human Resources: The Bank always acknowledges the valuable contribution made by its employees for its achievement. The environment is continuously changing and employees are required to meet the new challenges. It is an established fact that efficient, skilled, well-trained and highly motivated personnel are a prerequisite for running Islami Bank in a traditional society like Bangladesh. Keeping this in view, the Bank's Training Institute and other Institutions/ Organizations²⁷ organised training programmes on Banking and motivational aspects.²⁸

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ *Ibid.*

²⁷ *Ibid.*

²⁸ *Ibid.*

Moreover, quite a number of officials have been deputed to attend short and long-term training programmes sponsored by BIBM as well as Training Institute of the Bank in the field of Islamic Banking, Foreign Exchange and General Banking.

The Motto of OBL

The motto of The Oriental Bank Limited is to explore a new horizon of innovative modern banking by creating an automated and computerized environment to the people on the basis of Shariah.²⁹ To attain the desired goal, the Bank has a Board with highly qualified professionals, Industrialists, lawyers and leading business personalities. The Chairman of the Board who had been in diplomatic service and served as Bangladesh's Ambassador in many countries is a renowned person of high reputation, integrity and known widely both nationally and internationally.

Capital

The Oriental Bank Limited (earlier Al-Baraka Bank Bangladesh Limited) was incorporated as the 2nd Shariah based interest-free bank on April 30, 1987 under the Companies Act, 1913. The Authorized Capital has been increased from its existing level of Tk. 259.553 million to Tk. 519.106 million through issuance of right shares.³⁰ The Bank is listed with Dhaka Stock Exchange in the year 1990. In Dhaka Stock Exchange, the shares of The Oriental Bank were traded at Tk. 1,870.00 as against face value of Tk. 1000.00, which was the highest price in 2004.

Reserve: The Total balance of the Reserve Fund of the Bank stood at Tk. 79.88 million as on December 31, 2004.

Correspondent Relationship

In the present scenario of modern banking, the importance of correspondent relationship can hardly be over exaggerated. In this connection The Oriental

²⁹ *Ibid.*

³⁰ *Ibid.*

Bank Limited has networks across the globe and it is strengthened further. At the end of the year 2004 our bank had correspondent relationship with as many as 157 of over 34 banks worldwide.³¹

Outline of Foreign Exchange Business

The Oriental Bank Limited since its commencement of business had a unique view towards globalization. We have a handful number of A.D branches all over the country from where our international and foreign exchange businesses are transacted. During the year Foreign Exchange played a significant role. A substantial amount of income of the Bank has been derived from foreign exchange. By providing prompt services to our branches through effective management of business routed through our Nostro accounts we have been able to attract more customer to route foreign exchange business through our Bank. We added three more Banks in our accounting relationship abroad, which has faculties' greater expansion in foreign trade.³²

Import: The Import business switched by the Bank during 2004 was of Tk. 1150.8 million compared to BDT 1139.1 million in the previous year.³³

Export: The Export business handled by the Bank during 2004 was of Tk. 520.4 million compared to BDT 406.6 million in the previous year.

Foreign Exchange Dealing: The Bank started operation of Foreign Exchange Dealing in 2001. The dealing room is providing necessary services to the customers in connection with the free floating rate policy of the central bank.

SWIFT: The Oriental Bank limited has already become a member of SWIFT (Society for Worldwide Inter Bank Financial Telecommunication) for providing a secured and accurate communication network for financial

³¹ *Ibid.*, p. 21.

³² *Ibid.*, p. 23.

³³ *Ibid.*

transaction including letter of credit, Remittance Business etc. The bank's head office is already in the live operation of SWIFT and 9 branches of the bank have already been connected to the SWIFT network.³⁴

Information and Technology: This is an age of Information and Communication Technology. The Bank has implemented its information and communication technology to offer high standard of automated customer services. The Bank has introduced SWIFT for communicating with its global clients quickly and efficiently.

Further, the Bank is using a multi-user Banking Software called Pc Bank-2000 and BexiBank 5000, with LAN environment in 14 branches of the Bank. It is expected that within a very short time the Bank will be able to provide On-Line Banking services to its customers.

Bank's Vehicles: In order to ensure smooth functioning of day-to-day works of the Bank, frequent movement is required and for which 9 (Nine) vehicles are attached with the Bank's Transport Pool. Out of which 2 vehicles (Micro Bus) are engaged for cash carrying duty and remaining 7 vehicles are used for the meeting of Board of Directors, Industrial Inspection, Business Development of the bank and other meeting like Annual General Meeting/ Extra-ordinary General Meeting of the shareholders of the Bank. An amount of Tk. 11,24,828.00 has been incurred as cost of fuel, repairing and maintenance charges against the above vehicles during the year 2004.³⁵

Activities of Shariah Council

To ensure the implementation of the principles of Islamic Shariah in the Banking activities along with the guidance of Bangladesh Bank a Shariah Council consisting of 10 (Ten) members has been formed. By the grace of Almighty Allah the Shariah Council has played an important role to run all the business activities of the Bank according to Shariah guidelines. The members

³⁴ *Ibid.*

³⁵ *Ibid.*, p. 24.

of the Council held 2 meetings in the year 2004 to discuss the matters placed before them by the Board and management of the Bank to give directives and suggestions in the field of Shariah principles.³⁶

Productivity, Default Culture and the Bank's Services

Commercial Bank comprises a very important component of the banking system of Bangladesh. Commercial banks have a very important role to play in the economic development of Bangladesh like many other developing countries of the world. The open economic system cannot function efficiently without efficient banking system. The dictionary meaning of the term 'productivity' is the rate / efficiency of work. The term 'productivity' is generally used broadly to denote the ratio of output to any or all associated inputs in real terms productivity is a convenient term for summarizing and expressing a relationship between output and input.³⁷ Lchiro Nakayama holds the view that profitability and productivity are the principles of realizing maximum effect with a minimum.³⁸

Lending risk analysis is a significant package of activities, prescribed for minimising and avoiding risks in fund management of the commercial banks in Bangladesh. It is one of the vital financial sector reform measures. Experts in the Banks opine that the main reasons for stuck up advance of the commercial banks are the high risk in disbursing loan. To face the challenging situation of stuck up advances more attention is to be given to the careful appraisal of the projects and proper utilisation of loan. Once status of loan or investment is appraised through using the techniques under LRA (Lending Risk Analysis) package, it would be easier on the part of the part of the banks

³⁶ *Ibid.*

³⁷ E.D. Rosen, "Productivity Concepts and Management", in Mare Holzer and Stuart S. Nagal (ed.), *Productivity and Public Policy* (London: Sage Publication, 1984), p. 183.

³⁸ Lchiro Nakayama, *An Introduction to Productivity* (Tokyo: APO, Asian Productivity Organisation, nd), p. 4.

to monitor the proper uses of funds, control the over dues, enhance the recovery volume and raise the return on working fund through planned investment and avoiding risky investment.

Bangladesh's financial system is smaller and less developed than in most countries in South and East Asia. Despite, recent modest gains in financial depth, the system remains shallow. The sector's contribution to GDP has remained static at two percent for several years. Although major policy reforms have been under taken during the past few years, including deregulation of interest rates, strengthening of standard of loan classification and provisioning, and elimination of Bangladesh Bank's control over most financial transactions, the financial sector continues under developed and inefficient and poor financial later mediation presents a significant disincentive to faster economic growth.³⁹

The banking sector is the main force which keep healthy atmosphere for moving forward the wheels of production, trade and consumption by giving required bank credits in the development process.⁴⁰ The banking system as well as public commercial bank is an important force in the development process of Bangladesh which keep healthy atmosphere for moving forward the wheels of economic development by supplied bank credit. Now, the popular notion is that our banking sector is facing serious problems due to non-performing loan. Especially the public commercial banking sector is suffering from bank loan default problem. Consequently, the most of the public banks are loosing their income as well as growth trend. In many recent discussions and news items, many bankers researches, planners and reporters argue that the non-performing loan is increasing because most of

³⁹ Resume of the Banks & Financial Institutions of Bangladesh during 2004, p. 102.

⁴⁰ *Ibid.*

the bank borrowers have captured the entire banking sector of Bangladesh directly and indirectly with bad intention and attitude to fulfil their aim and goals. In addition, a big amount of government loan increased the total amount of non-performing loan. For these, bank loan defaulted problem is increased which declined the earnings of public commercial banks i.e. (NCBs) growth trend. But to what context it is really declining and how the bank loan default problem effects on our economy and what actions are required to reverse the trend is not clear. So, a modest attempt is made in this study to find out the bank loan default problem and its effects on the growth trend of the banks and as well as on our socio-economic development.

From the productivity trend analysis, it has been observed that the productivity performance was satisfactory during the period from 1983 to 1992. On the basis of existing data, so far analysed, we have the opinion that productivity trend of Private Commercial Banks had been favourable during 1993-1998 due to Financial Sector Reform Project (FSRP) which was imposed by World Bank.

To enhance productivity the following steps need to be taken i.e. to allow the branch managers proper decision making with appropriate authority, developing MIS, developing quality services, organising purpose oriented training programmes, encouraging development of positive and co-operative relationship between management and trade union, introduction of mechanised systems, advanced technology like telex, fax, e-mail, computer etc. The loan default culture of the banks reduces their productivity and efficiency.

The popular notion about default culture is that the main cause of this bad situation is borrowers' repayment tendency, huge amount of government loan, corruption in banking sector and other socio-economic problems. These have negative impact on the performance of the banks. However, ABBBL(OBL) offers the following services to its clients.

The Banking Services of the Oriental Bank Limited is as follows⁴¹

- **Monthly Profit on MTD Scheme:** Minimum Tk. one lakh or its Multiples would be required as initial investment. Time span is three to five years and monthly benefit is given @ Tk. 1000 on deposit of Tk. one lakh. At the maturity of the deposit, original amount is refunded to the depositor.
- **Marriage Saving Scheme:** Monthly instalment varies from Tk. 500 to Tk. 2000. Time span is found from three to fifteen years. Against Tk. 500 as monthly instalment for three years, a total amount of Tk. 21441 is given to the depositors while Tk. 229750 is given after fifteen years. Against the instalment of Tk. 2000, a total amount of Tk. 85764 is given for three years, while Tk. 919000 is given after fifteen years.
- **Higher Education Savings Scheme:** This is similar to marriage savings scheme. Monthly instalment of Tk. 500 to 2000 is deposited. Time spans are three years to ten years. Tk. 21441 is given after three years against Tk. 500 as monthly instalment while Tk. 109500 is given after ten years. For monthly instalment of Tk. 2000, a total amount of Tk. 438000 is given after ten years.
- **Savings Scheme for Children:** Monthly instalment varies from Tk. 100 to Tk. 1000. Five years to twenty years time are involved. Against the monthly instalment of Tk. 100, a total amount of Tk. 7926 is given after five years while Tk. 87380 is given after twenty years.
- **Future Deposit Savings Scheme:** This scheme also runs for five to twenty years. Monthly instalment of Tk. 39630 is given after five years and Tk. 436900 is given after twenty years. For monthly instalment of Tk. 2000, a total amount of Tk. 158522 is given after five years while Tk. 1747600 is given after twenty years.

⁴¹ *Annual Reports* of the Oriental Bank Limited during 2004, p. 22.

- **Hajj Deposit Savings Scheme:** The duration of this particular Scheme varies from one year to twenty five years. Monthly instalment can be from Tk. 175 to 10200. For monthly instalment of Tk. 10200 for one year, Tk. 129950 is given. Similarly for Tk. 175 as monthly instalment for twenty five years, Tk. 278650 is given. This scheme is suitable for hajj participants.
- **Housing Deposit Savings Scheme:** This also runs from five to fifteen years. Monthly instalment is from Tk. 500 to 2000. Against 1000 Tk. as monthly instalment, Tk. 79260 is given after five years and Tk. 459500 is given after fifteen years. This is also a lucrative scheme for the clients.
- **Privileged Citizen Scheme:** This scheme is open to the persons exceeding 57 years of age. One percent more interest is given for such client and one percent reduced interest is charged on given loans. This is more convenient for the old aged people.
- **Double and Triple Increased Scheme:** Under this scheme the deposited amount becomes double within seven years and next to that the accumulated figures become the principal amount and it again becomes double within another seven years. This is also a lucrative scheme for the clients.

Manpower of the Oriental Bank Limited

The manpower of the bank is increasing steadily and proportionately with the expansion of branches and activities of the bank. At the end of 2004, the total manpower of the bank stood at 679 persons. The average manpower of the bank stood at 600 during 1987-2004. The bank is trying to ensure optimum utilisation of its manpower by improving the standard of their efficiency and quality of service.

Table 3.3 List of Manpower of ABBBL(OBL) (The Oriental Bank Limited) during 1987-2004

Year	Total Number of Employees
1987	174
1988	384
1989	592
1990	673
1991	679
1992	618
1993	598
1994	609
1995	637
1996	632
1997	639
1998	636
1999	637
2000	637
2001	638
2002	645
2003	692
2004	679

Source: *Annual Reports of The Oriental Bank Limited during 1987-2004.*

STAFFING of the Oriental Bank Limited

Staffing function primarily involved the assessment of the manpower needed, selection of the personnel into the organisation structure. The goal of staffing function is to obtain the best available personnel for the organisation and to develop the skills and abilities of those personnel. The components of staffing functions are:

- a) Human resource planning: Human resource planning is an effect, a systematic approach to ensure that right people will be selected for right places at the right time. The objectives of this planning are: (1) Optimum use of human resource, (2) To forecast future skills, (3) Steps taken for controlling, (4) Determining recruitment level, (5) To anticipate redundancies, (6) To determine training levels, (7) Forecasting lead-time, (8) To prepare executive development programme, and (9) To undertake research works.

3.2.3 Growth of Deposits of IBBL and ABBBL(OBL)

The Table 3.4 shows the growth trends of deposits of IBBL and ABBBL(OBL). It exhibits that IBBL experienced the highest growth rate of 357% in the year 1984, then 144% in the succeeding year. Then the trend showed a moderate increase during 1986-2001 with some ups and downs. ABBBL(OBL) also attained the highest growth rate of deposits in 1988 and the second highest growth rate of that in 1989. Then it began to achieve relatively lower growth rates of deposits during 1990-1999 with the exception in 1991 when the bank earned negative growth rate of its deposits.

Table 3.4 Growth of Deposits of IBBL and ABBBL(OBL) during 1983-2004 for IBBL and 1987-2004 for ABBBL (OBL)

(Tk. in Crore)

Year	Amount of Deposit of IBBL	Simple growth rate	Year	Amount of Deposit of ABBBL(OBL)	Simple growth rate
1983	14	n.a.	-	-	-
1984	64	357.14%	-	-	-
1985	156	143.75%	-	-	-
1986	223	42.95%	-	-	-
1987	242	8.52%	1987	71	n.a.
1988	284	17.36%	1988	197	177.46%
1989	346	21.83%	1989	350	77.67%
1990	446	28.90%	1990	386	10.29%
1991	567	27.13%	1991	306	-20.73%
1992	670	18.17%	1992	344	12.42%
1993	826	23.28%	1993	382	11.05%
1994	1023	23.85%	1994	474	24.08%
1995	1305	27.57%	1995	475	.21%
1996	1433	9.81%	1996	588	23.79%
1997	1687	17.73%	1997	640	8.84%
1998	2002	18.67%	1998	751	17.34%
1999	2519	25.82%	1999	883	17.58%
2000	3211	27.47%	2000	1074	21.63%
2001	4164	29.68%%	2001	1426	32.77%
2002	5546	45.77%	2002	1584	27.63%
2003	6994	65.00%	2003	2023	25.00%
2004	8784	95.00%	2004	2405	21.00%

Source: Annual Report of Selected Banks during the said period.

Note:

3.2.4 Growth of Advances

Table Number 3.5 exhibits the growth rates of advances of IBBL and ABBBL (OBL). The highest growth rate of 1420.84 % was achieved by IBBL in 1984. Then those gradually declined to negative -3.28 % in 1997 but began to increase moderately from the next year. The growth rates of IBBL's advances were 286.07 % in 2004 and 112.66% in 1985. But ABBBL(OBL) registered the highest growth rate of advances of 247.77% in the year 1988 and the second highest growth rate of 124.47% in 1989. Then it began to attain relatively lower growth rates of advances in the following years with even negative growth rates for the years 1991, 1995 and 1996. Some times the increasing trends show faster growth rates and some times that show relatively slower growth rates. But the overall position of advance is increasing.

Table 3.5 Growth of Advances of IBBL during 1983-2004 and that of ABBBL(OBL) during 1987-2004

(Tk. in Crore)

Year	Amount of Deposits of IBBL	Simple growth rate	Year	Amount of Deposits of ABBBL(OBL)	Simple growth rate
1983	28.21		-	-	-
1984	429.03	1420.84	-	-	-
1985	912.38	112.66	-	-	-
1986	1354.35	48.44	-	-	-
1987	1749.89	29.21	1987	413.90	
1988	2073.13	18.47	1988	1439.40	247.77
1989	2299.19	10.90	1989	3230.90	124.46
1990	3193.22	38.88	1990	3654.30	13.10
1991	4261.96	33.47	1991	3030.20	-17.08
1992	5878.10	37.92	1992	3983.20	31.45
1993	7579.15	28.94	1993	4276.50	7.36
1994	9874.80	30.29	1994	4556.10	6.54
1995	11512.00	16.58	1995	4369.90	-4.09
1996	13519.00	17.43	1996	4277.20	-2.12
1997	13075.00	-3.28	1997	4965.00	16.08
1998	13486.00	3.14	1998	5099.40	2.71
1999	18713.00	38.76	1999	6187.70	21.34
2000	19125.20	2.20	2000	8111.00	31.08
2001	19562.31	2.29	2001	9293.40	14.58
2002	19945.62	1.96	2002	11703.80	25.94
2003	20564.51	3.10	2003	15796.50	34.97
2004	79392.72	286.07	2004	17247.47	9.19

Source: Annual Reports.

Note: '-' means nil. Average Annual change % = 63.38 (IBBL) and 33.11% ABBBL(OBL)

3.2.5 Growth of Income, Expenditure and Net Profit/Net Loss of IBBL and ABBBL(OBL)

Like any other institution, IBBL and ABBBL(OBL) require income for their survival. Income is regarded as the closest meaning of their total output. It represents the reward or return of all banking operations. On the other hand, expenditure is treated as the closest proxy of all the inputs of banking production function. In other words, it represents the cost of all the inputs used for a bank's operation.⁴² The difference between total income and total expenditure represents profit. The balance of profit (net profit) after making necessary provision for tax is divisible among the owners or shareholders. These are very important variables which judge the competencies of a bank.

From the Table 3.6 we see that IBBL was able to achieve a satisfactory simple growth rate with regards to its gross income. The bank registered a high growth rate of 2042.86% of its income in the following year (1984) of its inception. It recorded the second highest simple growth rate of 122.22% of its income in the year 1985. During its past life time, the bank was able to achieve more or less positive simple growth rates of its gross income except the year 1992. In that year, that happened due to some disturbances caused by the bad advances. So in the year 1992, the bank registered a negative growth rate of 2.77%. Apart from this, the bank was successfully able to increase the gross income from 1983 to 2004. The gross expenditure of IBBL was consistently increasing since 1983. In the second year of the bank's operation, it recorded the highest simple growth rate of 640% of its expenditure. In the year 1985, the bank also incurred a high amount of expenditure to manage its overall position. In the year 2000, it experienced the third highest simple growth rates of expenditure.

Finally, while considering net profit/net loss position of IBBL, it is observed from the Table 3.6 that IBBL incurred a loss of Tk. 29 crore in the

⁴² M. Zainul Abedin, Mihir Kumar Roy and Fakhru a Mustafi, "A Preliminary Notes on Measurement of Productivity in the Commercial Banks of Bangladesh", *Bank Parikrama*, Special Issue, Nos. 3 & 4 (Sep. and Dec. 1989), p. 6.

year of its establishment (1983). The bank was able to achieve the highest simple growth rate of 700% of net profit in the year 1987. In the year 1992, the bank stood in a “Break even point” position which expressed neither profit nor loss. Apart from the above, the bank was successfully able to earn net profits in its past life of operation. But it experienced negative simple growth rates of its net profits in six different years and zero profits in two years (1992 and 1993).

Table 3.6 Growth of Gross Income, Gross Expenditure and NP/NL of IBBL during 1983-2004

(Figure Tk in lac.)

Year	Gross Income	Gross Exp.	Net Profit/Net Loss	Simple growth rate		
				G.I.	G.E.	NP/NL
1983	21	50	(29)	00%	00	00
1984	450	370	80	2042.86%	640%	175.86%
1985	1000	910	90	122.22%	145.95%	12.50%
1986	1370	1360	10	37%	49.45%	-88.89%
1987	1810	1730	80	32.12%	27.21%	700%
1988	2330	2020	310	28.73%	16.76%	287.50%
1989	2860	2630	230	22.75%	30.20%	-25.81%
1990	4520	3120	1400	58.04%	18.63%	508.70%
1991	5420	4360	1060	19.91%	39.74%	-24.29%
1992	5270	5270	00	-2.77%	20.87%	00%
1993	6230	5430	800	18.22%	3.04%	00%
1994	8270	6040	2230	32.74%	11.23%	178.75%
1995	10980	7860	3120	32.77%	11.23%	39.91%
1996	12320	7490	2830	12.22%	20.74%	-9.29%
1997	13690	11980	1710	11.12%	26.24%	-39.58%
1998	16290	14810	1480	18.99%	23.62%	-13.45%
1999	19660	17880	1780	20.69%	20.73%	20.27%
2000	32080	28780	3300	63.71%	60.96%	85.39%
2001	42600	36830	5770	32.79%	27.97%	74.85%
2002	52630	42790	9940	137.03%	63.88%	99.08%
2003	65489	57469	8020	65.00%	76.00%	102.00%
2004	89621	71291	18430	112%	85.00%	109.00%

Source: Annual Reports.

Note: Average: Annual change % = 137.03% (G.I.), 63.88% (G.E.) and 99.08% (NP/NL).

Table 3.7 shows the gross income of ABBBL(OBL) for the period from 1987 to 2001. The bank registered the highest growth rate (450%) of its income in the year 1988. But afterwards the simple growth rates of gross income began to decrease in different years with ups and downs. The bank experienced negative growth rates of its gross income. The table exhibits an increasing trend of gross expenditure of ABBBL(OBL) for the period from

1987 to 1991. But the bank registered the highest growth rate of expenditure of 930% in the year 1988. Moreover, it registered negative growth rates of gross expenditure during the years 1992, 1993 and 1995. Apart from this, the trend of gross expenditure was increasing.

The bank incurred series of losses for seven successive years from 1991 to 1997. The bank incurred the highest volume of loss of Tk. 27.30 crore in the year 1996. In this year, the bank experienced a serious situation with falling income and growing expenditure.

The causes of such abnormal losses were unplanned disbursement of advances, ill selection of borrowers, inappropriate planning to deal with all resources of the bank. But afterwards, the bank intensified its efforts to get back from the situation and was successful and started to earn profit from the year 1998 except the year 2001.

Table 3.7 Growth of Gross Income, Gross Expenditure and NP/NL of ABBBL(OBL) during 1987-2004

(Figure Tk. in lac)

Year	Gross Income	Gross Exp.	Net Profit/Net	Simple growth rate		
				Gross Income	Gross Exp.	NP/NL
1987	240	100	140	n.a.	n.a.	n.a.
1988	1320	1030	290	450%	930%	107.14 %
1989	3120	2630	490	136.36%	155.34%	68.97 %
1990	4850	4840	10	55.45%	84.03%	97.96 %
1991	4100	5110	(1010)	-15.46%	3.58%	(10.000) %
1992	3830	4660	(830)	-6.59%	8.81%	17.82 %
1993	3680	4150	(470)	-3.92%	10.94%	43.37 %
1994	2480	4390	(1910)	-32.61%	5.78%	306.37 %
1995	1930	4330	(2400)	-22.18%	1.37%	25.65 %
1996	2040	4770	(2730)	5.70%	10.16%	13.75 %
1997	3680	5300	(1620)	80.39%	11.11%	40.66 %
1998	7290	6530	760	98.10%	23.21%	53.09 %
1999	8410	7840	570	15.63%	20.06%	25.00%
2000	10375	9619	756	23.37%	22.69%	62.63 %
2001	12599	11611	988	56.02%	92.08%	-5.20 %
2002	11330	15231	(4901)	50.26%	68.29%	42.62%
2003	15800	19740	(3940)	43.56%	75.56%	19.46%
2004	31081	33579	(2498)	49.48%	46.49%	41.18%

Source: Annual Reports.

Note: Average Annual change % = 56.02 (G.I.) 92.08% (G.E.) and -5.2 (NP/NL).

3.3 Growth of Manpower of IBBL and ABBBL (OBL)

The Table 3.8 exhibits that IBBL registered the highest simple growth rate of 129.13% of its manpower in the year 1984. The growth pattern shows positive and increasing trend with exceptions in the years 1988, 1990 and 1994 when there were negative growth rates of its manpower.

However, there were ups and downs of the simple annual growth rates of manpower of the IBBL. The number of its working force increased to over three thousand in 2001. The table also exhibits that ABBBL(OBL) experienced the highest simple growth rate of 120.96% of its manpower in the year 1988. There were positive and increasing growth trend of manpower of ABBBL(OBL) during 1989-2000 excepting the years 1991, 1992, 1994, 1997 and 1999 when there were negative growth rates of the same. The bank also experienced zero growth rates of its manpower in the years 1993 and 2001. The total number of its manpower increased from 174 in 1987 to 679 in 2004.

Table 3.8 Growth of Manpower [IBBL: 1983-2004 and ABBBL(OBL)] during 1987-2004

Year	Amount of Manpower of IBBL	Simple growth rate	Year	Amount of Manpower of ABBBL(OBL)	Simple growth rate
1983	127		1983	n.a.	n.a.
1984	291	129.13%	1984	n.a.	n.a.
1985	539	85.22%	1985	n.a.	n.a.
1986	712	32.10%	1986	n.a.	n.a.
1987	720	1.12%	1987	47	n.a.
1988	690	-4.17%	1988	384	120.69%
1989	843	22.17%	1989	592	54.17%
1990	840	-0.36%	1990	673	13.68%
1991	991	17.98%	1991	669	-01.59%
1992	1057	6.66%	1992	618	-7.62%
1993	1169	10.60%	1993	618	0%
1994	1166	-0.26%	1994	598	-3.24%
1995	1350	15.78%	1995	609	1.84%
1996	1778	31.70%	1996	637	4.60%
1997	1903	7.03%	1997	632	-0.78%
1998	2171	14.08%	1998	639	1.11%
1999	2302	6.03%	1999	636	-0.47%
2000	2685	16.64%	2000	637	0.16%
2001	3060	13.97%	2001	638	0%
2002	4249	21.33%	2002	645	12.24%
2003	4673	25.56 %	2003	692	10.11%
2004	5306	49.62%	2004	679	-10.56%

Source: *Annual Reports* of IBBL and ABBBL(OBL) during 1983-2004 and 1987-2004 respectively.

Note: '-' means nil Average Annual change % = 21.33% (IBBL) and 12.24% ABBBL(OBL).

3.4 Growth of Foreign Correspondents of IBBL and ABBBL(OBL)

The Table 3.9 exhibits an increasing growth trend of the number of foreign exchange business correspondents of IBBL during the period from 1987 to 2001. The highest growth rate was achieved in 1989 and the lowest of that was attained in 1988. ABBBL(OBL) also achieved increasing growth trend of its foreign correspondents.

Table 3.9 Growth of Number of Foreign Correspondents of IBBL and ABBBL(OBL)

Year	Number of Foreign Correspondents of IBBL	Simple growth Rate	Year	Number of Foreign Correspondents ABBBL(OBL)	Simple Growth Rate
1983	138	n.a.	1983	n.a.	n.a.
1984	140	1.45%	1984	n.a.	n.a.
1985	201	43.57%	1985	n.a.	n.a.
1986	291	23.38%	1986	n.a.	n.a.
1987	395	17.34%	1987	47	n.a.
1988	436	35.74%	1988	99	110.64%
1989	450	10.38%	1989	107	8.08%
1990	495	3.21%	1990	107	00.00%
1991	525	10.00%	1991	94	-12.15%
1992	610	6.06%	1992	80	-14.89%
1993	650	16.19%	1993	83	3.75%
1994	675	6.56%	1994	90	8.43%
1995	675	3.85%	1995	95	5.56%
1996	775	14.81%	1996	98	3.16%
1997	815	5.16%	1997	110	12.24%
1998	840	10.25%	1998	118	7.27%
1999	720	5.26%	1999	125	5.93%
2000	775	15.16%	2000	125	00.00%
2001	815	16.18%	2001	127	1.60%
2002	830	16.46%	2002	133	2.46%
2003	840	10.46%	2003	154	4.10%
2004	850	10.00%	2004	157	1.16%

Source: *Annual Reports* of IBBL and ABBBL(OBL) during 1983-2004 and 1987-2004 respectively.

Note: Average Annual change% = 10.25 (IBBL) and 9.31% (ABBBL(OBL)).

3.5 A Comparison between the Activities of IBBL and ABBBL (OBL)

3.5.1 Growth of Branches of IBBL and ABBBL(OBL)

This section shows that IBBL has higher average annual growth rate of number of branches than ABBBL(OBL). The total branches of IBBL are almost three times bigger than that of ABBBL(OBL). The branch expansion process of IBBL is always showing a steady and positive growth trend during the whole period of study. On the contrary, ABBBL(OBL) shows a steady growth rate until 1993. The bank also shows negligible or zero growth rates particularly for the years 1994, 1997, 1994, 2000 and 2001.

3.5.2 Growth of Deposits of IBBL and ABBBL(OBL)

This section shows that IBBL has a higher average annual growth rate of 341.14% of deposits in 1984 while ABBBL(OBL) achieved the highest growth rate of 0.86% of the same in the year 2004. Since 1984, IBBL experienced a gradual decreasing growth trend of its deposits with ups and downs.

On the other hand, ABBBL(OBL) registered the highest growth rate of deposits of 0.86% in the year 2004. This bank also showed a slow increase rate of its annual growth rates of deposits throughout the study period from 1987 to 2004.

3.5.3 Growth of Advances of IBBLI and ABBBL(OBL)

This section shows that IBBL has a higher average annual growth rate of 1420.84% of advances in the year 1984 while ABBBL(OBL) achieved the highest growth rate of 247.77% of the same in the year 1988. Since 1984, IBBL experienced a gradual decreasing growth trend of its advances with ups and downs.

On the other hand, ABBBL(OBL) registered the highest growth rate of advances of 247.77% in the year 1988. This bank also showed negative

growth rates of advances in the years 1991, 1995 and 1996. Then onward, it achieved positive growth rates of advances.

3.5.4 Growth of income, expenditure and net profit/net loss of IBBL and ABBBL(OBL)

This section shows that IBBL was able to achieve a satisfactory simple growth rate of its gross income. The bank incurred a loss in the year of its establishment in 1983. The bank also stood in a “Break event point” position in the year 1992. The bank proved itself as a profit making organisation during its past life of operation. On the contrary, ABBBL (OBL) incurred a series of losses for seven successive years from 1991 to 1997. In the year 1996 the bank incurred the highest amount of loss of Tk. 27.30 crore and experienced a serious setback with falling income and increasing expenditure. But afterwards, the bank was able to get back from the situation and began to earn profit from 1988 onward. But its overall performance was not as good as that of IBBL.

3.5.5 Growth of manpower of IBBL and ABBBL(OBL)

This section shows that IBBL registered the highest simple growth rate of 121.13% of its manpower if the year 1984. The number of its working force increased from 127 in 1983 to over three thousand in 2001.

In ABBBL(OBL), the highest simple growth rate of manpower was of 120.96% in the year 1998. The bank did not employ any officer or staff in the years 1993 and 2001. The total manpower of ABBBL(OBL) increased from 174 in 1987 to 637 in 2001. The average annual growth rate of man power for IBBL and ABBBL(OBL) were 21.33% and 12.24% respectively.

3.5.6 Growth of Foreign Correspondents of IBBL and ABBBL (OBL)

This section shows an increasing growth trend of the number of foreign exchange business correspondents of IBBL during the period from 1987 to

1997. It never showed any decreasing trend. The number of foreign correspondents rose from 138 in 1983 to 815 in 1997. Then it went up to 850 in 2004.

But in the case of ABBBL(OBL), the number of foreign correspondents decreased in the years 1991 and 1992. However, the total number of foreign correspondents increased from 47 in 1987 to 127 in 2001 and then 157 in 2004.

3.5.7 Growth of Human Resource Development Programmes of IBBL and ABBBL(OBL)

Both IBBL and ABBBL(OBL) are practicing the techniques of human resource development programmes (HRDP) according to their abilities and financial capacities for enhancing their business performance. The developed human resources are expected to help the acceleration and progress of both the banks of our country.

3.6 Conclusion

From the aforesaid discussion of the basic objectives, mission, vision and broad HRD functions of both IBBL and ABBBL(OBL), it is clear that both the banks have given top most priority on Human Resource Development activities through extensive and in + service training programmes, increasing number of participants, providing more incentives for motivation, participation in decision marking and informal communication channel among the different tires of management. This has strengthened the HRD base of the banks on which ultimate goals of the banks depend. However, in this regard the relative position of IBBL is far better than that of ABBBL (OBL).

Chapter 4

MEASURING THE LEVELS OF PERFORMANCE OF THE TWO BANKS

4.1 Introduction

The level of performance of the two banks has been presented in this chapter by highlighting on the volume of net profit, total deposit mobilization, total advances, investments, number of human resources of the banks, and by measuring the series of profitability ratios, productivity indicators, branch productivity and human resources' productivity. The following sections deal with these vital issues.

4.2 Performance of IBBL

4.2.1 Net Profit of IBBL during 1983-2004: The Table 4.1 shows that the net profit position of IBBL during 1983-2004 was stable and increasing. The average net profit volume of IBBL was Tk. 258.12 million during 1983-2004. But the SD of the same was Tk. 326.92 million while the CV was 126.65 percent during 1983-2004. The maximum level of the same was Tk. 1013.65 million, and minimum level was Tk. (-)5.56 million during the period under the study. It shows the increasing trend of the same during 1983-2004.

Table 4.1 Trend of Net Profit of IBBL during 1983-2004

(Tk. in Million)

Year	Net Profit	AGR*(%)
1983	-5.56	-
1984	7.83	-
1985	8.87	13.28
1986	0.13	-98.53
1987	7.23	5461.54
1988	30.67	324.20
1989	22.59	-26.34
1990	140.55	522.18
1991	105.77	-24.75
1992	80.00	-24.36
1993	223.00	178.75
1994	106.00	-52.47
1995	311.36	193.74
1996	283.52	-8.94
1997	170.75	-39.77
1998	148.39	-13.10
1999	178.31	20.16
2000	330.24	85.21
2001	576.12	74.45
2002	994.05	72.54
2003	945.12	-4.92
2004	1013.65	7.25
Avg.	258.12	305.68
S.D	326.92	1191.77
C.V	126.65	389.87
Max. Lev.	1013.65	5461.54
Min. Lev.	-98.53	-98.53

Source: *Annual Reports of IBBL from 1983 to 2004*

Note: *AGR = Current Yearly - Previous Year/ Previous Year x100

4.2.2 Total Deposits of IBBL during 1983-2004: The Table 4.2 exhibits the total deposits of IBBL during 1983-2004. The average of total deposits volume of IBBL was Tk. 18998.00 million during 1983 - 2004. But the SD of the same was Tk. 23006.02 million while the CV was 121.10 percent during 1983 - 2004. The maximum level of the same was Tk. 87841.01 million, which was shown in the year 2004, and minimum level was Tk. 144.16 million in the year 1983. It shows the increasing trend of the same during 1983-2004.

Table 4.2 Trend of Total Deposit of IBBL during 1983 - 2004

(Tk. in Million)

Year	Total Deposit	AGR*(%)
1983	144.16	
1984	635.95	341.14
1985	1563.85	145.91
1986	2230.58	42.63
1987	2419.71	8.48
1988	2812.76	16.24
1989	3455.53	22.85
1990	4462.71	29.15
1991	5671.61	27.09
1992	8261.00	45.66
1993	10372.00	25.55
1994	10641.00	2.59
1995	13048.81	22.63
1996	14395.07	10.32
1997	17114.00	18.89
1998	20021.69	16.99
1999	25190.65	25.82
2000	32112.81	27.48
2001	41640.94	29.67
2002	55461.62	33.19
2003	58458.56	5.40
2004	87841.01	50.26
Avg.	18998.00	45.14
S.D	23006.02	73.86
C.V	121.10	163.62
Max. Lev.	87841.01	341.14
Min. Lev.	144.16	2.59

Source: *Annual Reports of IBBL from 1983 to 2004.*

If we look at the position of AGR, we find that the average of AGR was 45.14 percent during 1983-2004. The SD of the same was 73.86 percent while the CV was 163.62 percent during 1983-2004. The maximum level of the same was 341.14 percent which was shown in the year 1984 and minimum level was 2.59 percent which was in the year 1994.

4.2.3 Total Advances of IBBL during 1983-2004: The Table 4.3 shows the trend of total advances of IBBL during 1983-2004. The average of total advance volume of IBBL was Tk. 12205.85 during 1983-2004. But the SD of the same was Tk. 16685.36 million while the CV was 136.70 percent during

1983-2004. The maximum level of the same was Tk. 79392.72 million which was shown in the year 2004 and minimum level was Tk. 28.21 million in the year 1983.

Table 4.3 Trend of Total Advances of IBBL during 1983-2004

(Tk. in Million)

Year	Total Advances	AGR*(%)
1983	28.21	
1984	429.03	1420.84
1985	912.38	112.66
1986	1354.35	48.44
1987	1749.89	29.21
1988	2073.13	18.47
1989	2299.19	10.90
1990	3193.22	38.88
1991	4261.96	33.47
1992	5878.10	37.92
1993	7579.15	28.94
1994	9874.80	30.29
1995	11512.00	16.58
1996	13519.00	17.43
1997	13075.00	-3.28
1998	13486.00	3.14
1999	18713.00	38.76
2000	19125.20	2.20
2001	19562.31	2.29
2002	19945.62	1.96
2003	20564.51	3.10
2004	79392.72	286.07
Avg.	12205.85	103.73
S.D	16685.36	308.14
C.V	136.70	297.07
Max. Lev.	79392.72	1420.84
Min. Lev.	28.21	-3.28

Source: *Annual Reports* of IBBL from 1983 to 2004.

If we look at the position of AGR of total advances, we find that the average of AGR of the same was 103.73 percent while the SD of the same was 308.14 percent and the CV was 297.07 percent during the period under the study.

4.2.4 Total Investment of IBBL during 1983-2004: Table 4.4 shows the total investment of IBBL during 1983-2004. The average of total investment of IBBL was Tk. 15927.89 million during 1983-2004. But the SD of the same was Tk. 19855.27 million while the CV was 124.66 percent during 1983-2004. The maximum level of the same was Tk. 75858.56 in the year 2004 and minimum level was Tk. 28.09 million in the year 1983.

Table 4.4 Trend of Total Investment of IBBL during 1983-2004

(Tk. in Million)		
Year	Total Investment	AGR*(%)
1983	28.09	
1984	405.61	1343.97
1985	890.04	119.43
1986	1281.31	43.96
1987	1554.53	21.32
1988	2073.33	33.37
1989	2281.12	10.02
1990	3193.20	39.98
1991	4261.62	33.46
1992	5913.00	38.75
1993	9519.00	60.98
1994	11038.00	15.96
1995	11532.82	4.48
1996	13539.35	17.40
1997	13095.31	-3.28
1998	13434.57	2.59
1999	18255.97	35.89
2000	29563.20	61.94
2001	37648.75	27.35
2002	49185.92	30.64
2003	45860.23	-6.76
2004	75858.56	65.41
Avg.	15927.89	95.09
S.D	19855.27	287.57
C.V	124.66	302.42
Max. Lev.	75858.56	1343.97
Min. Lev.	28.09	-6.76

Source: *Annual Reports* of IBBL from 1983 to 2004.

If we look at the position of AGR of total investment of IBBL, we find that the average of AGR of the same was 95.09 percent during the study period. The maximum AGR of the same of IBBL was 1343.97 percent, which

was in the year 1984 and minimum level was negative (-)6.76 percent in the year 2003. It, however, shows an increasing trend.

4.2.5 No of Employees: The Table 4.5 displays that IBBL has created the job opportunities through its banking activities for 1830 persons per year during 1983-2004. The maximum level was 5308 persons in 2004, while the minimum level was only 127 persons in 1983. At present IBBL is expanding its branches as well as the employees.

Table 4.5 Number of Employees of IBBL during 1983-2004

Year	Number of Employees (persons)
1983	127
1984	291
1985	539
1986	712
1987	720
1988	690
1989	843
1990	859
1991	991
1992	1167
1993	1166
1994	1167
1995	1350
1996	1778
1997	1903
1998	2171
1999	2302
2000	3422
2001	3831
2002	4249
2003	4673
2004	5306
Avg.	1829.86
S.D	1508.56
C.V	82.44
Max. Lev.	5306.00
Min. Lev.	127.00

Source: Source: Annual Reports of IBBL.

4.3 Profitability Ratios reflecting the Managerial Effectiveness of IBBL

Profitability ratios: The main aim of all business enterprises is to earn profit. Moreover, profit is considered essential for business prosperity. The profit is like an engine, which drives the business forever. It also shows the entire business efficiency. Profits are always measured in terms of sales or investment. These ratios are expressed in terms of percentage like Total Income To Total Assets, Net Profit to Total Income, Net Profit to Equity, Net Profit to Total Deposit, Net Profit to Total Advances, and Total Expenditure to Total Assets), and Total Expenditure to Total Income. These ratios are always calculated in percentages.¹ The concept of profitability analysis is used to measure the managerial effectiveness of IBBL during 1983-2004. In general, profitability can be defined as the ratio of output to input. For calculating the profitability ratio we consider the selected 3 basic ratios i.e. net profit to deposit, net profit to advance and net profit to investment to measure the managerial effectiveness of IBBL during 1983-2004.

4.3.1 Net Profit to Total Deposit: From Table 4.6, it is seen that the net profit to total deposit was maximum of 3.15% in the year 1990, and the lowest of the same was negative i.e. (-) 3.86% in 1983, while the average of the same was 1.04 percent during 1983-2004.

¹ G.K. Varshney, *op.cit.*, p. 116.

Table 4.6 Profitability Trend of IBBL during 1983-2004(NP to Deposits)

Year	Net Profit to Total Deposits (%)	Year wise Variation (%)
1983	-3.86	-
1984	1.23	-131.92
1985	0.57	-53.93
1986	0.01	-98.97
1987	0.30	5026.84
1988	1.09	264.93
1989	0.65	-40.05
1990	3.15	381.76
1991	1.86	-40.79
1992	0.97	-48.07
1993	2.15	122.02
1994	1.00	-53.67
1995	2.39	139.53
1996	1.97	-17.46
1997	1.00	-49.34
1998	0.74	-25.72
1999	0.71	-4.49
2000	1.03	45.28
2001	1.38	34.54
2002	1.79	29.55
2003	1.62	-9.80
2004	1.15	-28.62
Avg.	1.04	259.12
S.D	1.31	1099.01
C.V	126.30	424.12
Max. Lev.	3.15	5026.84
Min. Lev.	-3.86	-131.92

Source: *Annual Reports* of IBBL from 1983 to 2004.

4.3.2 Net Profit to Total Advance: From Table 4.7 it is seen that the ratio of net profit to total advances of IBBL was lower in the year 1983 i.e. (-)19.71 percent and the same was the highest of 4.98 percent in 2002. But the average of the same was 1.00 percent during the study period.

Table 4.7 Profitability Trend of IBBL during 1983-2004(NP to Advances)

Year	Net Profit to Total Advances (%)	Year wise Variation (%)
1983	-19.71	-
1984	1.83	-109.26
1985	0.97	-46.73
1986	0.01	-99.01
1987	0.41	4204.42
1988	1.48	258.06
1989	0.98	-33.59
1990	4.40	347.98
1991	2.48	-43.62
1992	1.36	-45.16
1993	2.94	116.19
1994	1.07	-63.52
1995	2.70	151.96
1996	2.10	-22.46
1997	1.31	-37.73
1998	1.10	-15.74
1999	0.95	-13.40
2000	1.73	81.21
2001	2.95	70.56
2002	4.98	69.23
2003	4.60	-7.78
2004	1.28	-72.22
Avg.	1.00	223.30
S.D	4.81	919.55
C.V	482.88	411.79
Max. Lev.	4.98	4204.42
Min. Lev.	-19.71	-109.26

Source: *Annual Reports of IBBL from 1983 to 2004*

4.3.3 Net Profit to total Assets: From Table 4.8 it is observed that the average percentage of net profit to total assets was 2.15 during 1983-2004. Average growth rate was (-)196.18% and the average year wise variation was 259.94% during the same period. Virtually earning power was the heights in 1993 followed by 1995 and after that it had a declining trend up to 2004.

Table 4.8 Profitability Trend of IBBL during 1983-2004(NP to Assets)

Year	Net Profit to Total Assets (%)	Year wise Variation (%)
1983	-2.46	-
1984	0.75	-130.48
1985	0.40	-47.17
1986	0.00	-98.94
1987	0.20	4550.55
1988	0.76	288.73
1989	0.44	-42.75
1990	2.10	383.11
1991	1.13	-46.45
1992	6.22	452.09
1993	12.69	103.96
1994	4.65	-63.37
1995	12.64	171.92
1996	1.08	-91.43
1997	0.64	-41.29
1998	0.48	-24.41
1999	0.46	-5.29
2000	0.67	47.16
2001	0.98	46.51
2002	1.27	29.13
2003	1.17	-7.40
2004	0.99	-15.53
Avg.	2.15	259.94
S.D	3.78	995.41
C.V	176.05	382.94
Max. Lev.	12.69	4550.55
Min. Lev.	-2.46	-130.48

Source: *Annual Reports* of IBBL from 1983 to 2004

4.4 Productivity Measurement IBBL

It is the rate of the incremental income and the incremental expenditure that measures the productivity of a bank. Bank's productivity is defined as percentage change in its earnings in relation to percentage change in its costs. To put it differently, the output responsiveness as measured by proportionate change in income in relation to proportionate change in expenditure, measures the productivity of commercial banks among the different models of productivity, particular model is followed for covering data collection.

$$\text{Symbolically, } P = (\Delta I / I) / (\Delta E / E)$$

Where, P = Productivity or output responsiveness change in inputs.

Δ = Delta.

I = Total income

E = Total Expenditure.

In absence of specific indicator of output and input of a bank, the above measurement of productivity is widely used. Productivity of a bank is inversely related to cost responsiveness, i.e. higher cost responsiveness leads to lower productivity and vice-versa. If the proportionate change in expenditure (E) leads to a less than the proportionate change in income (I), the cost is higher, again, if the proportionate change in (E) expenditure leads to a more than proportionate change in income (I) the cost is lower. In the first case $P < I$ and in the second case $P > I$. If the productivity (P) is greater than (I), it is a sign of good health of the banks.

4.4.1 Productivity Trend of IBBL during 1983-2004: Table 4.9 reveals that the overall productivity of IBBL was satisfactory i.e. (>1) favourable during the study period (1983-2004). In the study period, productivity position of IBBL was (>1) greater than one in different years, which indicates the better productivity of the Bank (except the year 1993).

Table 4.9 Productivity Trend of IBBL during 1983 - 2004

Year	Total Income (I)	Total Exp. (E)	$\Delta I / I$	$\Delta E / E$	Productivity ($\Delta I / I$) / ($\Delta E / E$)	Remarks
1983	2.83	5.39				
1984	44.01	37.17	43.01	36.17	1.19	Fav.
1985	100.23	91.34	99.23	90.34	1.10	Fav.
1986	136.73	136.60	135.73	135.60	1.00	Fav.
1987	180.66	173.44	179.66	172.44	1.04	Fav.
1988	232.88	202.21	231.88	201.21	1.15	Fav.
1989	285.81	263.22	284.81	262.22	1.09	Fav.
1990	452.25	311.70	451.25	310.70	1.45	Fav.
1991	541.80	436.00	540.80	435.00	1.24	Fav.
1992	784.90	543.00	783.90	542.00	1.45	Fav.
1993	810.40	840.00	809.40	839.00	0.96	Unfav.
1994	940.70	834.70	939.70	833.70	1.13	Fav.
1995	1097.61	786.25	1096.61	785.25	1.40	Fav.
1996	1232.35	948.88	1231.35	947.88	1.30	Fav.
1997	1368.77	1198.02	1367.77	1197.02	1.14	Fav.
1998	1629.38	1480.99	1628.38	1479.99	1.10	Fav.
1999	1966.24	1787.93	1965.24	1786.93	1.10	Fav.
2000	3207.81	2877.57	3206.81	2876.57	1.11	Fav.
2001	4259.55	3683.43	4258.55	3682.43	1.16	Fav.
2002	5234.07	4240.02	5233.07	4239.02	1.23	Fav.
2003	4976.52	4785.56	4975.52	4784.56	1.04	Fav.
2004	8262.73	6419.74	8261.73	6418.74	1.29	Fav.

Source: *Annual Reports* of IBBL from 1983 to 2004

4.5 Branch Productivity of IBBL (Table 4.10)

4.5.1 Net Profit per Branch: Practically maximum net profit per branch earned by IBBL was Tk. 7.77 million in the year 2002 while the average of the same was Tk. 2.87 million during 1983-2004. Although IBBL incurred a little loss in the year 1983 i.e. Tk. (-)1.85 per branch, yet this bank was capable to rearrange the profit position from the year 1984 to 2004 due to the special services and activities, skills of the staffs of IBBL. Maximum level was Tk. 7.77 million as against minimum level of Tk. 0.01 million in 1986 SD was 2.23 while CV was 77.61% (Table 4.10).

4.5.2 Deposit per Branch: The IBBL had the increasing rate of deposit mobilisation per branch. The average of the same was Tk. 210.54 million during 1983-2004. The SD and CV positions of the same were found at Tk. 143.43 million and 68.13 percent respectively during the said period (Table 4.10).

4.5.3 Advance per Branch: The maximum amount of advance of IBBL was found in the year 2004 i.e. Tk. 525.78 million and minimum was Tk. 9.40 million in the year 1983 while the average was Tk. 138.54 million during 1983-2004 (Table 4.10).

4.5.4 Income per Branch: While the per branch expenses was Tk. 16.06 million, then the per branch total income was Tk. 18.88 million. This was a favourable sign for IBBL to create the net profit during the study period 1983-2004 (Table 4.10).

4.5.5 Total Expenses per Branch: The IBBL was capable to bear all types of expenses for its branch while the average per branch expenses was Tk. 16.06 million against the average income of Tk. 18.88 million per branch during 1983-2004 (Table 4.10).

4.5.6 Investment per Branch: The investment per branch of IBBL fluctuated from Tk. 9.36 million to 384.27 million, while the average position of the same was Tk. 136.11 million during 1983-2004.

4.5.7 Total Assets (AT) per Branch: Average TA/ Branch of IBBL was Tk. 266.63 million. This was a favourable sign for IBBL (Table 4.10).

4.5.8 Total Fixed Assets (TFA) per Branch: Average TFA/ Branch of IBBL was Tk. 4.61 million. This was a favourable sign for IBBL (Table 4.10).

4.5.9 Equity per Branch: The average equity per branch was Tk. 14.57 million while the maximum level was Tk. 44.37 million and minimum level was Tk. 3.59 million.

4.5.10 Employee per Branch: The average number of employees per branch was 23 persons while the maximum level was 42 persons and the minimum level was 14 persons.

Table 4.10 Branch Productivity of IBBL during 1983-2004

Year	(million Tk.)									
	Total Income Per Branch	Total Exp. per Branch	Net Profit per Branch	Total Deposits per Branch	Total Advances per Branch	Total Assets per Branch	Fixed Assets per Branch	Current Assets per Branch	Equity per Branch	Employee per Branch
	1	2	3	4	5	6	7	8	9	10
1983	0.94	1.80	-1.85	48.05	9.40	75.27	5.59	69.68	22.50	42.33
1984	6.29	5.31	1.12	90.85	61.29	149.03	2.52	146.50	11.02	41.57
1985	7.71	7.03	0.68	120.30	70.18	172.08	1.42	170.66	7.13	41.46
1986	7.60	7.59	0.01	123.92	75.24	171.57	1.09	170.48	5.94	39.56
1987	8.60	8.26	0.34	115.22	83.33	175.86	0.99	174.87	6.14	34.29
1988	8.63	7.49	1.14	104.18	76.78	149.27	0.81	148.46	5.16	25.56
1989	7.15	6.58	0.56	86.39	57.48	129.62	0.65	128.97	3.59	21.08
1990	9.23	6.36	2.87	91.08	65.17	136.27	0.63	135.64	5.15	17.53
1991	8.88	7.15	1.73	92.98	69.87	153.82	0.52	153.30	4.48	16.25
1992	10.33	7.14	1.05	108.70	77.34	16.91	0.53	16.38	5.92	15.36
1993	9.76	10.12	2.69	124.96	91.32	21.17	0.68	20.48	7.78	14.05
1994	11.33	10.06	1.28	128.20	118.97	27.46	0.97	26.50	9.21	14.06
1995	12.20	8.74	3.46	144.99	127.91	27.36	1.19	26.17	10.56	15.00
1996	12.97	9.99	2.98	151.53	142.31	275.30	1.33	273.97	14.84	18.72
1997	13.69	11.98	1.71	171.14	130.75	268.27	1.43	266.83	14.30	19.03
1998	15.52	14.10	1.41	190.68	128.44	293.75	3.46	290.29	14.45	20.68
1999	17.87	16.25	1.62	229.01	170.12	355.76	4.54	351.22	15.08	20.93
2000	27.65	24.81	2.85	276.83	164.87	424.57	10.53	414.04	23.03	29.50
2001	35.20	30.44	4.76	344.14	161.67	484.66	10.55	474.11	24.74	31.66
2002	40.89	33.13	7.77	433.29	155.83	612.19	13.46	598.73	27.66	33.20
2003	35.29	33.94	6.70	414.60	145.85	570.61	13.80	556.82	25.88	33.14
2004	54.72	42.51	6.71	581.73	525.78	676.49	16.91	659.58	44.31	35.14
Avg.	18.88	16.06	2.87	210.54	138.54	266.63	4.61	262.02	14.57	23
S.D	13.84	11.51	2.23	143.43	103.67	212.63	5.63	207.38	10.83	7.71
C.V	73.28	71.70	77.61	68.13	74.83	79.75	122.18	79.15	74.35	33.43
Max. Lev.	54.72	42.51	7.77	581.73	525.78	676.49	16.91	659.58	44.31	42
Min. Lev.	0.94	1.80	(-1.85)	48.05	9.40	16.91	0.52	16.38	3.59	14

Source: Annual Reports of IBBL during 1983 to 2004.

4.6 Employees' Productivity of IBBL: Reflections of HRD Activities (Table 4.11)

4.6.1 Net Profit per Employee: Practically maximum net profit per employee earned by IBBL was Tk. 0.23 million in the year 2002 and 1995 while the average of the same was Tk. 0.10 million during 1983-2004. Although IBBL incurred a little loss in the year 1983 i.e. Tk. (-)1.85 per employee, yet this bank was capable to rearrange the profit position from the year 1984 to 2004 due to its special services and activities and skills of the work force of IBBL (Table 4.11).

4.6.2 Deposit per Employee:The IBBL had the increasing rate of deposit per Employee, while the average of the same was Tk. 7.55 million during 1983-2004. The SD and CV positions of the same were found at Tk. 4.01 million and 53.07 percent respectively during the said period (Table 4.11).

4.6.3 Advance per Employee: The maximum advance per employee of IBBL was in the year 2004 i.e. Tk. 14.96 million and minimum was Tk. 0.22 million in the year 1983, while the average of the same was Tk. 5.16 million during 1983-2004 (Table 4.11).

4.6.4 Income per Employee: While per employee expenses were Tk. 0.56 million, then per employee total income position was Tk. 0.66 million on an averages. This was a favourable sign for IBBL to create the profit (Table 4.11).

4.6.5 Total Expenses per Employee: The IBBL was capable to bear all types of expenses for its employees, while the average per employee expenses was Tk. 0.56 million (Table 4.11).

4.6.6 Current Assets per Employee: The current assets per employee of IBBL fluctuated from Tk. 1.07 million to 18.77 million, while the average position of the same was Tk. 8.91 million during 1983-2004 (Table 4.11).

4.6.7 Total Assets (TA) per Employee: Average TA/employee position of IBBL was Tk. 9.06 million. This was a favourable sign for IBBL to create profit (Table 4.11).

4.6.8 Total Fixed Assets (TFA) per Employee: Average TFA/employee position of IBBL was Tk. 0.14 million. This was also a favourable sign for IBBL to create profit (Table 4.11).

4.6.9 Equity per Employee: The average equity per employee was Tk. 0.54 million during 1983-2004. Its maximum level was of Tk. 1.26 million in 2004 and minimum level was of Tk. 0.15 million in 1986 (Table 4.11).

4.6.10 Foreign Exchange Business (FEB) per Employee (Table 4.11): The average foreign exchange business per employee was of Tk. 7.04 million during 1983-2004; while the maximum limit was Tk. 21.23 million in 2004 and minimum limit was of Tk. 13.54 million in 2001.

Table 4.11 Consolidated Employees' Productivity Trend of IBL during 1983-2004

Year	(million Tk.)									
	Total Income per Employee	Net Profit per Employee	Total Deposits per Employee	Total Advances per Employee	Total Assets per Employee	Fixed Assets per Employee	Current Assets per Employee	Total Exp. per Employee	Equity per Employee	For Ex Business per Employee
	1	2	3	4	5	6	7	8	9	10
1983	0.02	-0.04	1.14	0.22	1.78	0.13	1.65	0.04	0.53	0.00
1984	0.15	0.03	2.19	1.47	3.58	0.06	3.52	0.13	0.26	0.00
1985	0.19	0.02	2.90	1.69	4.15	0.03	4.12	0.17	0.17	0.00
1986	0.19	0.00	3.13	1.90	4.34	0.03	4.31	0.19	0.15	0.00
1987	0.25	0.01	3.36	2.43	5.13	0.03	5.10	0.24	0.18	0.00
1988	0.34	0.04	4.08	3.00	5.84	0.03	5.81	0.29	0.20	0.00
1989	0.34	0.03	4.10	2.73	6.15	0.03	6.12	0.31	0.17	0.00
1990	0.53	0.16	5.20	3.72	7.77	0.04	7.74	0.36	0.29	0.00
1991	0.55	0.11	5.72	4.30	9.47	0.03	9.44	0.44	0.28	0.00
1992	0.67	0.07	7.08	5.04	1.10	0.03	1.07	0.47	0.39	0.00
1993	0.70	0.19	8.90	6.50	1.51	0.05	1.46	0.72	0.55	0.00
1994	0.81	0.09	9.12	8.46	1.95	0.07	1.88	0.72	0.66	0.00
1995	0.81	0.23	9.67	8.53	1.82	0.08	1.74	0.58	0.70	0.00
1996	0.69	0.16	8.10	7.60	14.71	0.07	14.64	0.53	0.79	18.25
1997	0.72	0.09	8.99	6.87	14.10	0.08	14.02	0.63	0.75	19.26
1998	0.75	0.07	9.22	6.21	14.21	0.17	14.04	0.68	0.70	19.11
1999	0.85	0.08	10.94	8.13	17.00	0.22	16.78	0.78	0.72	18.94
2000	0.94	0.10	9.38	5.59	14.39	0.36	14.04	0.84	0.78	14.57
2001	1.11	0.15	10.87	5.11	15.31	0.33	14.97	0.96	0.78	13.54
2002	1.23	0.23	13.05	4.69	18.44	0.41	18.04	1.00	0.83	15.33
2003	1.06	0.20	12.51	4.40	17.22	0.42	16.80	1.02	0.78	14.67
2004	1.56	0.19	16.56	14.96	19.25	0.48	18.77	1.21	1.26	21.23
Avg.	0.66	0.10	7.55	5.16	9.06	0.14	8.91	0.56	0.54	7.04
S.D	0.39	0.08	4.01	3.25	6.40	0.15	6.29	0.33	0.30	8.82
C.V	59.28	79.95	53.07	62.90	70.73	104.93	70.56	58.15	55.21	125.28
Max. Lev.	1.56	0.23	16.56	14.96	19.25	0.48	18.77	1.21	1.26	21.23
Min. Lev.	0.02	-0.04	1.14	0.22	1.10	0.03	1.07	0.04	0.15	13.54

Source: Annual Reports of IBL during 1983 to 2004.

4.7 Human Resources of IBBL and Their Development

4.7.1 Statement of Human Resources of IBBL during 1983-2004: The Table 4.12 depicts that the number of officers were 3327, number of staff and sub-staff were 936 in IBBL in the year 2004. However, in 2004 the total number of employees of IBBL rose to 5308. This indicates the availability of necessary human resources in IBBL, who were collected through the planned approach used in HRD activities of the bank. It is also evident that per branch HR were 35. In fine, the total human resources under IBBL were 5308 in 2004.

Table 4.12 Statement of Human Resources of IBBL during 1983-2004

Year	Number of Officer	Staff	Sub-Staff	RDS & Tep. Staff	Total	No. of Branch	Per Branch HIR
	1	2	3	4	5	6	7
1983	55	10	2	0.00	67	3	22
1984	210	40	2	0	252	7	36
1985	232	65	2	0	299	13	23
1986	265	100	2	0	367	18	20
1987	295	221	2	0	518	21	25
1988	278	227	2	0	507	27	19
1989	352	298	2	0	652	40	16
1990	346	302	2	0	650	49	13
1991	354	413	2	0	769	61	13
1992	850	200	2	0	1052	76	14
1993	940	165	2	0	1107	83	14
1994	945	150	2	0	1097	83	14
1995	1012	2	262	0	1276	90	15
1996	1086	2	278	0	1366	95	15
1997	1494	4	336	0	1834	100	19
1998	1563	2	323	0	1888	105	18
1999	1823	1	478	0	2302	110	21
2000	2186	40	499	737	3462	116	30
2001	2552	6	508	771	3837	121	32
2002	2629	5	605	952	4191	128	33
2003	2924	2	828	921	4675	141	33
2004	3327	2	934	1045	5308	151	35

Source: Annual Reports of IBBL during 1983 to 2004.

4.8 Statement of Human Resource Development

4.8.1 Statement of Human Resource Development of IBBL during 1983-

2004: Table 4.13 reveals the pen picture of HRD activities of IBBL during 1983-2004. Due to non availability of pervious information, there was difficultly in doing trend analysis. But still it is clear that IBBL organised different training programmes for its manpower. Seminars and workshops were also organised by IBBL for training and development of its manpower. Through these, the participants have got the opportunity for broadening their outlooks for increasing their productivity.

Executive development programmes were also held for providing training to the participants. Actually maximum number of training programmes was conducted by BIBM and IBTI. In addition, participation in international training programmes was maximum in 2004.

However, the total cumulative number of trained manpower rose to 16735. But the total employees of IBBL are 5308. So, it appears that each and every employee got training for three times during 1983-2004 ($16735 \div 5308 = 3$). Again, every employee got in service training after joining the bank.

Table 4.13 Statement of Human Resource Development of IBBL during 1983-2004

Year	Academic Training		Workshop		Executive Development Programme		BIBM & IBIT		International Training		Newly Manpower Recruitment (in service training)	TOTAL Manpower Trained (Cumulative)
	No. of Training	No. of People Trained	No. of Training	No. of People Trained	No. of Training	No. of People Trained	No. of Training	No. of People Trained	No. of Training	No. of People Trained		
											1	2
1983	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	127	127
1984	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	164	291
1985	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	248	539
1986	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	173	712
1987	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	8	720
1988	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	(-)30	690
1989	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	153	843
1990	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	16	859
1991	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	151	1010
1992	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	66	1076
1993	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	112	1198
1994	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	(-)31	1167
1995	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	184	1351
1996	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	428	1779
1997	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	125	1904
1998	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	168	2072
1999	44	1180	12	127	0	147	0	31	10	45	131	3733
2000	42	1160	14	126	0	278	0	16	1	5	383	5701
2001	41	971	7	627	0	0	0	35	0	0	115	7449
2002	40	1041	7	174	3	285	55	248	10	48	225	9470
2003	68	1711	21	1858	6	535	32	190	10	70	190	14025
2004	79	1796	2	61	3	190	100	376	11	67	220	16735

Source: Annual Reports of IBBL during 1983 to 2004.

4.9 Total assets of IBBL during the period from 1983 to 2004

4.9.1 Trend of Total Assets of IBBL during 1983–2004: The Table 4.14 exhibits that IBBL has its the highest amount of total assets of Tk. 125776.94 million in the year 2004. The minimum total assets were in the very first year of the bank's operation in 1983. But the bank subsequently experienced a gradual increase in its total assets over the years from 1983 to 2004. By the year 2004, its total assets rose to Tk. 125776.94 million.

Table 4.14 Trend of Total Assets of IBBL during 1983–2004

(Tk. in Million)

Year	Total Assets (With Contra)	AGR*(%)
1983	225.81	-
1984	1043.19	361.98
1985	2237.05	114.44
1986	3088.20	38.05
1987	3693.14	19.59
1988	4030.20	9.13
1989	5184.68	28.65
1990	6677.19	28.79
1991	9382.89	40.52
1992	1285.45	-86.30
1993	1756.85	36.67
1994	2279.57	29.75
1995	2462.43	8.02
1996	26153.42	962.10
1997	26826.60	2.57
1998	30843.90	14.98
1999	39133.40	26.88
2000	49250.36	25.85
2001	58644.46	19.07
2002	78360.74	33.62
2003	80456.52	2.67
2004	125776.94	56.33
Avg.	25399.68	84.45
S.D	33955.58	216.94
C.V	133.69	256.90
Max. Lev.	125776.94	962.10
Min. Lev.	225.81	-86.30

Source: Annual Reports of IBBL during 1983 to 2004

4.10 Trend of Total Fixed Assets of IBBL

4.10.1 Trend of Total Fixed Assets of IBBL during 1983-2004: Table 4.15 reflects that average GR of fixed assets was 31.48% during the period from 1983 to 2004. The bank started working with a total fixed asset of Tk. 16.78 million in 1983, and it went upto Tk. 2552.70 million in 2004.

Table 4.15 Trend of Total Fixed Assets of IBBL during 1983-2004

(Tk. in Million)		
Year	Total Fixed Assets	AGR*(%)
1983	16.78	-
1984	17.66	5.24
1985	18.45	4.47
1986	19.56	6.02
1987	20.82	6.44
1988	21.89	5.14
1989	25.83	18.00
1990	30.95	19.82
1991	31.58	2.04
1992	40.56	28.44
1993	56.85	40.16
1994	80.45	41.51
1995	106.78	32.73
1996	126.30	18.28
1997	143.19	13.37
1998	363.47	153.84
1999	498.90	37.26
2000	1221.15	144.77
2001	1276.89	4.56
2002	1723.43	34.97
2003	1945.26	12.87
2004	2552.70	31.23
Avg.	469.98	31.48
S.D	755.23	41.34
C.V	160.70	131.31
Max. Lev.	2552.70	153.84
Min. Lev.	16.78	2.04

Source: *Annual Reports* of IBBL during 1983 to 2004

4.11 Trend of Total Current Assets of IBBL

4.11.1 Trend of Total Current Assets of IBBL during 1983-2004: The Table 4.16 shows that the AGR of current assets was 86.37% during the period from 1983 to 2004. At beginning in 1983, the bank had current Assets of Tk. 209.03 million and it gradually rose to Tk. 99596.58 million in 2004.

Table 4.16 Trend of Total Current Assets of IBBL during 1983-2004

Year	Total Current Assets	AGR*(%)
1983	209.03	-
1984	1025.53	390.61
1985	2218.60	116.34
1986	3068.64	38.31
1987	3672.32	19.67
1988	4008.31	9.15
1989	5158.85	28.70
1990	6646.24	28.83
1991	9351.31	40.70
1992	1244.89	-86.69
1993	1700.00	36.56
1994	2199.12	29.36
1995	2355.65	7.12
1996	26027.12	1004.88
1997	26683.41	2.52
1998	30480.43	14.23
1999	38634.50	26.75
2000	48029.21	24.32
2001	57367.57	19.44
2002	76637.31	33.59
2003	78511.26	2.45
2004	99596.58	26.86
Avg.	23855.72	86.37
S.D	30129.61	227.82
C.V	126.30	263.78
Max. Lev.	99596.58	1004.88
Min. Lev.	209.03	-86.69

Source: *Annual Reports* of IBBL during 1983 to 2004

4.12 Trend of Equity of IBBL

4.12.1 Trend of Equity of IBBL during 1983-2004: The Table 4.17 exhibits that AGR of the equity of IBBL was 26.64% during the period from 1983 to 2004. This is a good indicator of equity growth which is created out of generation of maximum cash inflow from the productive utilisation of the bank's working fund. The bank started functioning in 1983 with equity of Tk. 67.50 million, and it gradually went upto Tk. 6691.12 million in 2004.

Table 4.17 Trend of Equity of IBBL during 1983-2004

(Tk. in Million)			
Year	Equity	AGR*(%)	
1983	67.50	-	
1984	77.11	14.24	
1985	92.69	20.20	
1986	106.94	15.37	
1987	128.91	20.54	
1988	139.32	8.08	
1989	143.67	3.12	
1990	252.28	75.60	
1991	273.43	8.38	
1992	450.00	64.58	
1993	646.00	43.56	
1994	764.58	18.36	
1995	950.47	24.31	
1996	1410.25	48.37	
1997	1429.86	1.39	
1998	1517.55	6.13	
1999	1659.26	9.34	
2000	2671.06	60.98	
2001	2993.24	12.06	
2002	3540.52	18.28	
2003	3648.48	3.05	
2004	6691.12	83.39	
Avg.	1347.92	26.64	
S.D	1664.23	25.35	
C.V	123.47	95.19	
Max. Lev.	6691.12	83.39	
Min. Lev.	67.50	1.39	

Source: *Annual Reports of IBBL during 1983 to 2004*

4.13 Trend of Book Values of the Shares of IBBL

4.13.1 Information of Book Value of Share of IBBL during 1983-2004:

Table 4.18 expresses that average GR of the banks' book values of the shares was 2.15%. This indicates that there was a stability of the share prices of the bank during the period from 1983 to 2004.

Table 4.18 Information of Book Value of Share of IBBL during 1983-2004

Year	Book Value of Shares(In Taka)	AGR*(%)
1983	2478.00	
1984	2478.00	0.00
1985	3247.00	31.03
1986	3412.00	5.08
1987	3457.00	1.32
1988	3678.00	6.39
1989	3784.00	2.88
1990	3897.00	2.99
1991	3978.00	2.08
1992	4017.00	0.98
1993	4102.00	2.12
1994	4157.00	1.34
1995	4287.00	3.13
1996	4358.00	1.66
1997	4497.00	3.19
1998	4772.00	6.12
1999	5185.00	8.65
2000	4174.00	-19.50
2001	4677.00	12.05
2002	5532.00	18.28
2003	2743.00	-50.42
2004	2904.00	5.87
Avg.	3900.64	2.15
S.D	813.42	15.06
C.V	20.85	698.88
Max. Lev.	5532.00	31.03
Min. Lev.	2478.00	-50.42

Source: *Annual Reports* of IBBL during 1983 to 2004

4.14 Trend of Market Prices of the Shares of IBBL

4.14.1 The Table 4.19 shows that the market price of the shares had average GR of 5.29% during the period from 1983 to 2004. This shows an increasing trend of market prices of the shares of IBBL. It displays a good symptom of high demand of the shares backed by sound net worth of the business of IBBL.

Table 4.19 Information of Market Price of Shares of IBBL during 1983-2004

Year	Market Price of Shares(In Taka)	AGR*(%)
1983	2245.00	
1984	2647.00	17.91
1985	3365.00	27.13
1986	3510.00	4.31
1987	3587.00	2.19
1988	3784.00	5.49
1989	3874.00	2.38
1990	3987.00	2.92
1991	3878.00	-2.73
1992	4017.00	3.58
1993	4102.00	2.12
1994	4157.00	1.34
1995	4287.00	3.13
1996	4385.00	2.29
1997	4469.00	1.92
1998	2695.00	-39.70
1999	2300.00	-14.66
2000	3305.00	43.70
2001	3205.00	-3.03
2002	3956.00	23.43
2003	4548.00	14.96
2004	5110.00	12.36
Avg.	3700.59	5.29
S.D	741.88	16.15
C.V	20.05	305.48
Max. Lev.	5110.00	43.70
Min. Lev.	2245.00	-39.70

Source: *Annual Reports* of IBBL during 1983 to 2004

4.15 Trend of Per Shares Profit of IBBL

4.15.1 Trend of Per Share Profit of IBBL during 1983-2004: Table 4.20 exhibits that average GR of per share profit was 11.61% during the period from 1983 to 2004. It shows a sound base of the shares of the bank. With some ups and downs, the trend of profit per share of IBBL shows a gradual increasing sign.

Table 4.20 Trend of Per Share Profit of IBBL during 1983-2004

Year	Per Share Profit (in Tk.)	AGR*(%)
1983	92.00	
1984	150.00	63.04
1985	185.00	23.33
1986	215.00	16.22
1987	224.00	4.19
1988	238.00	6.25
1989	242.00	1.68
1990	259.00	7.02
1991	266.00	2.70
1992	275.00	3.38
1993	280.00	1.82
1994	296.00	5.71
1995	302.00	2.03
1996	310.00	2.65
1997	322.00	3.87
1998	270.00	-16.15
1999	362.00	34.07
2000	353.00	-2.49
2001	617.00	74.79
2002	932.00	51.05
2003	989.00	6.12
2004	519.00	-47.52
Avg.	349.91	11.61
S.D	226.67	26.52
C.V	64.78	228.45
Max. Lev.	989.00	74.79
Min. Lev.	92.00	-47.52

Source: *Annual Reports* of IBBL during 1983 to 2004.

4.16 Performance of ABBBL (OBL)

4.16.1 Trend of Net Profit of ABBBL(OBL): Table 4.21 shows that the net profit position of The Oriental Bank Limited during 1987-2004 was not very satisfactory. The average of net profit volume of OBL was Tk. (-)108.94 million during 1987-2004. But the SD of the same was Tk. 191.35 million while the CV was (-)175.65 percent during 1987-2004. The maximum level of the same was Tk. 98.80 million, and minimum level was Tk. (-)609.80 million during the period under the study. It implies the decreasing trend of net profit of OBL during 1987-2004.

Table 4.21 Trend of Net Profit of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Net Profit	AGR of NP(%)
1987	13.40	-
1988	29.40	119.40
1989	49.00	66.67
1990	0.90	-98.16
1991	-100.80	-11300.00
1992	-83.40	-17.26
1993	-47.00	-43.65
1994	-191.10	306.60
1995	-249.90	30.77
1996	-273.20	9.32
1997	-162.10	-40.67
1998	75.20	-146.39
1999	57.30	-23.80
2000	75.60	31.94
2001	98.80	30.69
2002	-609.80	-717.21
2003	-393.40	-35.49
2004	-249.80	-36.50
Avg.	-108.94	-697.87
S.D	191.35	2739.51
C.V	-175.65	-392.55
Max. Lev.	98.80	306.60
Min. Lev.	-609.80	-11300.00

Source: *Annual Reports* of ABBBL(OBL) during 1987 to 2004

Note: *AGR = Current Yearly - Previous Year/ Previous Year x 100

4.16.2 Trend of Total Deposits of OBL: The Table 4.22 exhibits that the trend of total deposits of the Oriental Bank Limited was increasing during 1987-2004. The average of total deposits' volume of OBL was Tk. 7980.19 million during 1987-2004. But the SD of the same was Tk. 6571.30 million while the CV was 82.35 percent during 1987-2004. The maximum level of the same was Tk. 24047.60 million, which was shown in the year 2004, and the minimum level was Tk. 708.50 million in the year 1987. It shows an increasing trend for the same during 1987-2004.

Table 4.22 Trend of Total Deposits of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Total Deposits	AGR of TD(%)
1987	708.50	
1988	1966.50	177.56
1989	3500.80	78.02
1990	3857.20	10.18
1991	3058.90	-20.70
1992	3437.30	12.37
1993	3822.10	11.19
1994	4747.50	24.21
1995	4754.90	0.16
1996	5880.60	23.67
1997	6401.80	8.86
1998	7506.40	17.25
1999	8886.30	18.38
2000	10736.40	20.82
2001	14262.80	32.85
2002	15836.50	11.03
2003	20231.38	27.75
2004	24047.60	18.86
Avg.	7980.19	27.79
S.D	6571.30	43.24
C.V	82.35	155.57
Max. Lev.	24047.60	177.56
Min. Lev.	708.50	-20.70

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004.*

4.16.3 Trend of Total Investment of OBL: Table 4.23 shows that the trend of total advance and investment of OBL was increasing during 1987-2004. The average of Total Advance/ Investment volume of OBL was Tk. 6201.99 million during 1987-2004. But the SD of the same was Tk. 4603.31 million while the CV was 74.22 percent during 1987-2004. The maximum level of the same was Tk. 17247.47 million, which was shown in the year 2004, and minimum level was Tk. 413.90 million in the year 1987. The average annual growth rate was 33.13%.

Table 4.23 Trend of Total Investment and Advances of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Total Investment	AGR of TI (%)
1987	413.90	
1988	1439.40	247.77
1989	3230.90	124.46
1990	3654.30	13.10
1991	3030.20	-17.08
1992	3983.20	31.45
1993	4276.50	7.36
1994	4556.10	6.54
1995	4369.90	-4.09
1996	4277.20	-2.12
1997	4965.00	16.08
1998	5099.40	2.71
1999	6187.70	21.34
2000	8111.00	31.08
2001	9293.40	14.58
2002	11703.80	25.94
2003	15796.50	34.97
2004	17247.47	9.19
Avg.	6201.99	33.13
S.D	4603.31	63.08
C.V	74.22	190.38
Max. Lev.	17247.47	247.77
Min. Lev.	413.90	-17.08

Source: *Annual Reports* of ABBBL(OBL) during 1987 to 2004

4.16.4 Trend of Authorised Capital of OBL: The Table 4.24 shows that the Total Authorized Capital of the Oriental Bank Ltd. during 1987-2004 increased from Tk. 600 million to Tk. 2000. The average Total authorized capital of OBL was Tk. 755.56 million during 1987-2004. But the SD of the same was Tk. 452.73 million while the CV was 59.92 percent during 1987-2004. The maximum level of the same was Tk. 2000.00 million in the year 2004, and the minimum level was Tk. 600.00 million in the year 1987. The annual average growth rate was 13.73%. But practically there was a rise from Tk. 600 million in 2002 to Tk. 2000 million in 2003.

Table 4.24 Trend of Total Authorised Capital of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Total Authorised Capital	AGR of AC(%)
1987	600.00	
1988	600.00	0.00
1989	600.00	0.00
1990	600.00	0.00
1991	600.00	0.00
1992	600.00	0.00
1993	600.00	0.00
1994	600.00	0.00
1995	600.00	0.00
1996	600.00	0.00
1997	600.00	0.00
1998	600.00	0.00
1999	600.00	0.00
2000	600.00	0.00
2001	600.00	0.00
2002	600.00	0.00
2003	2000.00	233.33
2004	2000.00	0.00
Avg.	755.56	13.73
S.D	452.73	56.59
C.V	59.92	412.31
Max. Lev.	2000.00	233.33
Min. Lev.	600.00	0.00

Source: Annual Reports of ABBBL(OBL) during 1987 to 2004

4.16.5 Trend of Paid up Capital of OBL: Table 4.25 shows the position of Paid up Capital of The Oriental Bank Ltd. during 1987-2004. It displays that the average of the same was Tk. 248.68 million during the study period. The maximum level of the same was Tk. 519.11 million, which was in the year 2004, and the minimum level was Tk. 149.00 million in the year 1987. The annual average growth rate of the same was 9.62%.

Table 4.25 Trend of Paid up Capital of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Paid Up Capital	AGR of PUC(%)
1987	149.00	
1988	149.00	0.00
1989	149.00	0.00
1990	150.00	0.67
1991	150.00	0.00
1992	151.50	1.00
1993	204.00	34.65
1994	259.50	27.21
1995	259.50	0.00
1996	259.50	0.00
1997	259.50	0.00
1998	259.50	0.00
1999	259.50	0.00
2000	259.50	0.00
2001	259.50	0.00
2002	259.50	0.00
2003	519.11	100.04
2004	519.11	0.00
Avg.	248.68	9.62
S.D	110.62	25.47
C.V	44.48	264.68
Max. Lev.	519.11	100.04
Min. Lev.	149.00	0.00

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004,*

4.16.6: Trend of Total Reserve Fund of OBL: The Table 4.26 shows the Total Reserve position of The Oriental Bank Ltd. during 1987-2004. The average reserve position of OBL was Tk. 36.15 million during 1987-2004. But the SD of the same was Tk. 29.04 million while the CV was 80.33 percent during 1987-2004. The maximum level of the same was Tk. 79.80 in the year 2004, and the minimum level was Tk. 2.00 million in the year 1987. The average annual growth rate of the same was 34.87%.

Table 4.26 Trend of Total Reserve Fund of ABBBL(OBL) during 1987-2004

(Tk. in Million)

Year	Total Reserve Funds	AGR of RF (%)
1987	2.00	
1988	4.20	110.00
1989	15.50	269.05
1990	15.90	2.58
1991	15.90	0.00
1992	15.90	0.00
1993	15.90	0.00
1994	15.90	0.00
1995	15.90	0.00
1996	15.90	0.00
1997	33.40	110.06
1998	44.90	34.43
1999	60.10	33.85
2000	60.10	0.00
2001	79.80	32.78
2002	79.80	0.00
2003	79.80	0.00
2004	79.80	0.00
Avg.	36.15	34.87
S.D	29.04	70.42
C.V	80.33	201.96
Max. Lev.	79.80	269.05
Min. Lev.	2.00	0.00

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004*

4.16.7 Trend of Gross Income of OBL: Table 4.27 shows the trend of gross income of The Oriental Bank Ltd. during 1987-2004. The maximum level of gross income was Tk. 3108.11 million in the year 2004, and the minimum level was Tk. 23.70 million in the year 1987; while the average of the same was Tk. 699.74 million during 1987-2004. But the SD of the same was Tk. 733.92 million, while the CV was 104.88 percent during 1987-2004. The average annual growth rate of the same was 56.19%.

Table 4.27 Trend of Gross Income of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Gross Income	AGR of GI(%)
1987	23.70	
1988	132.20	457.81
1989	311.70	135.78
1990	485.10	55.63
1991	409.70	-15.54
1992	382.70	-6.59
1993	368.20	-3.79
1994	248.10	-32.62
1995	193.10	-22.17
1996	203.50	5.39
1997	368.00	80.84
1998	729.30	98.18
1999	841.20	15.34
2000	1037.50	23.34
2001	1259.90	21.44
2002	913.30	-27.51
2003	1580.00	73.00
2004	3108.11	96.72
Avg.	699.74	56.19
S.D	733.92	115.16
C.V	104.88	204.94
Max. Lev.	3108.11	457.81
Min. Lev.	23.70	-32.62

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004*

4.16.8 Trend of Total Expenditure of OBL: The Table 4.28 shows the total Expenditure position of the Oriental Bank Limited during 1987-2004. The average expenditure of OBL was Tk. 808.09 million during 1987-2004. But the SD of the same was Tk. 800.93 million while the CV was 99.11 percent during 1987-2004. The maximum level of the total expenditure was Tk. 3357.91 million in the year 2004, and the minimum level of the same was Tk. 10.30 million in the year 1987. The average annual growth rate of the same was 80.41%.

Table 4.28 Trend of Total Expenditure of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Total Expenditure	AGR of TE(%)
1987	10.30	
1988	102.80	898.06
1989	262.70	155.54
1990	484.20	84.32
1991	510.50	5.43
1992	466.10	-8.70
1993	415.20	-10.92
1994	439.20	5.78
1995	432.80	-1.46
1996	476.70	10.14
1997	530.10	11.20
1998	653.10	23.20
1999	783.90	20.03
2000	961.90	22.71
2001	1161.10	20.71
2002	1523.10	31.18
2003	1974.00	29.60
2004	3357.91	70.11
Avg.	808.09	80.41
S.D	800.93	214.63
C.V	99.11	266.92
Max. Lev.	3357.91	898.06
Min. Lev.	10.30	-10.92

Source: *Annual Reports* of ABBBL(OBL) during 1987 to 2004

4.16.9 Trend of Foreign Exchange Business of OBL: Table 4.29 shows the trend of total Foreign Exchange Business position of the Oriental Bank Ltd. during 1987-2004. The maximum level of the Foreign Exchange Business was Tk. 18981.00 million in the year 2004 and minimum level of the same was Tk. 279.00 million in the year 1987. The average reserve position of foreign exchange of OBL was Tk. 5268.39 million during 1987-2004. The SD of the same was Tk. 5283.78 million, while the CV of the same was 100.29 percent during 1987-2004. The average annual of growth rate of Foreign Exchange of OBL was 48.93%.

Table 4.29 Trend of Foreign Exchange Business of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Import Business	AGR of Equity (%)
1987	279.00	
1988	1760.58	531.03
1989	2452.00	39.27
1990	2348.26	-4.23
1991	2015.49	-14.17
1992	2248.62	11.57
1993	2486.29	10.57
1994	2548.96	2.52
1995	2642.16	3.66
1996	2731.30	3.37
1997	3481.80	27.48
1998	3418.00	-1.83
1999	4539.90	32.82
2000	7966.00	75.47
2001	8582.10	7.73
2002	9032.20	5.24
2003	17317.36	91.73
2004	18981.00	9.61
Avg.	5268.39	48.93
S.D	5283.78	127.34
C.V	100.29	260.24
Max. Lev.	18981.00	531.03
Min. Lev.	279.00	-14.17

Source: *Annual Reports* of ABBBL(OBL) during 1987 to 2004

4.16.10 Trend of Total Number of Employees of OBL: Table 4.30 shows the trend of total number of employees' position of the Oriental Bank Limited during 1987-2004. The average number of employees' position of OBL was 600 persons during 1987-2004. The SD of the employees' position of OBL was 125 persons, while the CV of the same was 20.86 percent during 1987-2004. The maximum level of the employees' position was 692 persons in the year 2003, and minimum level of the same was 174 persons in the year 1987.

Table 4.30 Trend of Total Number of Employee of ABBBL(OBL) during 1987-2004

Year	Total Number of Employee	AGR of TE (%)
1987	174	
1988	384	120.69
1989	592	54.17
1990	673	13.68
1991	679	0.89
1992	618	-8.98
1993	598	-3.24
1994	609	1.84
1995	637	4.60
1996	632	-0.78
1997	639	1.11
1998	636	-0.47
1999	637	0.16
2000	637	0.00
2001	638	0.16
2002	645	1.10
2003	692	7.29
2004	679	-1.88
Avg.	599.94	11.20
S.D	125.16	31.36
C.V	20.86	280.10
Max. Lev.	692.00	120.69
Min. Lev.	174.00	-8.98

Source: *Annual Reports* of ABBBL(OBL) during 1987 to 2004.

The OBL has created the job opportunities through its banking activities for 600 persons per year during 1987-2004. Initially, OBL was

interested to increase the employment positions but latter on, it was decreased by OBL due to giving more attention to the executive levels (during 1987-2004).

4.16.11 Trend of Expansion of Branches of OBL: Table 4.31 shows the trend of expansion of branch position of the Oriental Bank Ltd. during 1987-2004. The average number of Branch of OBL was 27 during 1987-2004. The SD of the expansion of branch of OBL was 9, while the CV of the same was 33.13 percent during 1987-2004. The maximum level of the expansion of branch of OBL was 34 in the year 2003 and the minimum level of the same was 3 in the year 1987.

Table 4.31 Trend of Expansion of Branch of ABBBL(OBL) during 1987-2004

Year	Total Number of Branch	AGR of TB(%)
1987	3	
1988	10	233.33
1989	18	80.00
1990	22	22.22
1991	23	4.55
1992	26	13.04
1993	28	7.69
1994	28	0.00
1995	32	14.29
1996	33	3.13
1997	33	0.00
1998	33	0.00
1999	34	3.03
2000	34	0.00
2001	34	0.00
2002	34	0.00
2003	34	0.00
2004	31	-8.82
Avg.	27.22	21.91
S.D	9.02	57.95
C.V	33.13	264.50
Max. Lev.	34.00	233.33
Min. Lev.	3.00	-8.82

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004*

4.16.12 Trend of Number of Foreign Correspondence of OBL: Table 4.32 shows the trend of total number of Foreign Correspondence of the Oriental Bank Ltd. during 1987-2004. The average number of Foreign Correspondence of OBL was 113 during 1987-2004. The SD of the number of foreign correspondence of OBL was 25, while the CV was 22 percent during 1987-2004. The maximum level of the number of foreign correspondence of OBL was 157 in the year 2004 and the minimum level of the same was 47 in the year 1987. The average annual growth rate of the same was 9.62%.

Table 4.32 Trend of Number of Foreign correspondence of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Total Number of F. Cores	AGR of FC(%)
1987	47	
1988	99	110.64
1989	107	8.08
1990	95	-11.21
1991	91	-4.21
1992	102	12.09
1993	108	5.88
1994	120	11.11
1995	98	-18.33
1996	110	12.24
1997	118	7.27
1998	125	5.93
1999	125	0.00
2000	125	0.00
2001	126	0.80
2002	133	5.56
2003	154	15.79
2004	157	1.95
Avg.	113.33	9.62
S.D	24.81	27.43
C.V	21.89	285.06
Max. Lev.	157.00	110.64
Min. Lev.	47.00	-18.33

Source: Annual Reports of ABBBL(OBL) during 1987 to 2004

4.16.13 Trend of Total Numbers of Shareholders of OBL: Table 4.33 shows the number of Shareholders of the Oriental Bank Ltd. during 1987-2004. The maximum level of the number of Shareholders of OBL was 7835 in the year 1989 and minimum level of the same was 2166 in the year 1996. The average number of Shareholders of OBL was 3416 during 1987-2004. But the SD of the same was 1689, while the CV of the same was 49.46 percent during 1987-2004. The average annual growth rate of number of Shareholders of OBL was (-)1.94%.

Table 4.33 Trend of Total Number of Shareholders of ABBBL(OBL) during 1987-2004

Year	Number of Shareholder	AGR of SH(%)
1987	5472	
1988	6452	17.91
1989	7835	21.44
1990	5424	-30.77
1991	3337	-38.48
1992	2678	-19.75
1993	2612	-2.46
1994	2534	-2.99
1995	2212	-12.71
1996	2166	-2.08
1997	2166	0.00
1998	2192	1.20
1999	2286	4.29
2000	2427	6.17
2001	2503	3.13
2002	3012	20.34
2003	3109	3.22
2004	3064	-1.45
Avg.	3415.61	-1.94
S.D	1689.45	16.22
C.V	49.46	-835.60
Max. Lev.	7835.00	21.44
Min. Lev.	2166.00	-38.48

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004*

4.16.14 Trend of Total Fixed Assets of OBL: The Table 4.34 shows the trend of total fixed assets of the Oriental Bank Ltd. during 1987-2004. The average fixed assets of OBL were Tk. 2029.75 million during 1987-2004. The SD of the total fixed assets was Tk. 2049.34 million while the CV of the same was 100.97 percent during 1987-2004. The maximum level of the same was Tk. 5785.97 million in the year 2003 and the minimum level of the same was Tk. 125 million in the year 1992. The average annual growth rate of total Fixed Assets of OBL was 47.42%.

Table 4.34 Trend of Total Fixed Assets of ABBBL(OBL) during 1987-2004

(Tk. in Million)

Year	Total Fixed Assets	AGR of TFA(%)
1987	1523.62	
1988	1425.36	-6.45
1989	2365.41	65.95
1990	5412.13	128.80
1991	1425.26	-73.67
1992	125.00	-91.23
1993	451.16	260.93
1994	154.54	-65.75
1995	248.46	60.77
1996	458.46	84.52
1997	956.45	108.62
1998	1101.15	15.13
1999	1145.18	4.00
2000	1284.43	12.16
2001	1435.34	11.75
2002	5593.18	289.68
2003	5785.97	3.45
2004	5644.37	-2.45
Avg.	2029.75	47.42
S.D	2049.34	104.88
C.V	100.97	221.15
Max. Lev.	5785.97	289.68
Min. Lev.	125.00	-91.23

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004*

4.16.15 Trend of Total Assets of OBL: Table 4.35 shows the trend of total Assets of the Oriental Bank Ltd. during 1987-2004. The maximum level of the total Assets was Tk. 24191.58 million in the year 2004 and the minimum level of the same was Tk. 2645.28 million in the year 1987. The average total Assets of OBL was Tk. 7740.69 million during 1987-2004. The SD of the same of OBL was Tk. 6339.02 million, while the CV of the same was 81.89 percent during 1987-2004. The bank experienced a gradual increase in its' total assets over the years from 1987 to 2004. By the year 2004, its total assets rose to Tk. 24191.58 million. The average annual growth rate of the same was 20.20%.

Table 4.35 Trend of Total Assets of ABBBL(OBL) during 1987-2004

(Tk. in Million)		
Year	Total Assets	AGR of TA(%)
1987	2645.28	
1988	2811.95	6.30
1989	5735.40	103.97
1990	6109.98	6.53
1991	5309.30	-13.10
1992	5246.99	-1.17
1993	4276.55	-18.50
1994	4556.10	6.54
1995	4369.98	-4.09
1996	4277.25	-2.12
1997	4965.09	16.08
1998	4578.56	-7.78
1999	4875.15	6.48
2000	5099.44	4.60
2001	14353.40	181.47
2002	15493.60	7.94
2003	20436.76	31.90
2004	24191.58	18.37
Avg.	7740.69	20.20
S.D	6339.02	49.54
C.V	81.89	245.23
Max. Lev.	24191.58	181.47
Min. Lev.	2645.28	-18.50

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004*

4.16.16 Trend of Total Current Assets of OBL: Table 4.36 shows the trend of total Current Assets of the Oriental Bank Ltd. during 1987-2004. The average Total Current Assets (TCA) of OBL was Tk. 5710.94 million during 1987-2004. The SD of TCA of OBL was Tk. 4940.97 million, while the CV of the same was 86.52 percent during 1987-2004. The maximum level of the same was Tk. 18547.21 million in the year 2004, and the minimum level was Tk. 697.85 million in the year 1990. OBL experienced some ups and downs of its CA during the period from 1987 to 2004. The average annual growth rate of CA of OBL was 49.58%.

Table 4.36 Trend of Total Current Assets of ABBBL(OBL) during 1987-2004

(Tk. in Million)

Year	Total Current Assets	AGR of CA(%)
1987	1121.66	
1988	1386.59	23.62
1989	3369.99	143.04
1990	697.85	-79.29
1991	3884.04	456.57
1992	5121.99	31.87
1993	3825.39	-25.31
1994	4401.56	15.06
1995	4121.52	-6.36
1996	3818.79	-7.35
1997	4008.64	4.97
1998	3477.41	-13.25
1999	3729.97	7.26
2000	3815.01	2.28
2001	12918.06	238.61
2002	9900.42	-23.36
2003	14650.79	47.98
2004	18547.21	26.60
Avg.	5710.94	49.58
S.D	4940.97	126.66
C.V	86.52	255.45
Max. Lev.	18547.21	456.57
Min. Lev.	697.85	-79.29

Source: *Annual Reports of ABBBL(OBL) during 1987 to 2004*

4.16.17 Profitability Ratios Reflecting the Managerial Effectiveness of OBL: Profitability ratios: The major objective of all business enterprises is to

earn profit. Moreover, profit is considered as very essential for business prosperity. The profit is like an engine that drives the wheels of business.

Here, the concept of profitability analysis is used to measure the managerial effectiveness of ABBBL(OBL) during 1987-2004. In general, profitability can be defined as the ratio of output to input. For calculating the profitability ratio we consider the selected 3 basic ratios i.e. net profit to deposit, net profit to advance and net profit to investment to measure the managerial effectiveness of ABBBL(OBL) during 1987-2004.

- (i) **Net Profit to Total Deposit:** From Table 4.37 it is seen that the ratio of net profit to total deposit of OBL was lower in the year 1995 i.e. (-)5.26% and the highest of the same was of 1.89% in the year 1987. But the average of the same was (-)1.24% during the study period from 1987 to 2004.

Table 4.37 Profitability Trend of ABBBL (OBL) during 1987-2004 (NP to Deposit)

Year	Net Profit to Total Deposits(%)	Year wise Variation(%)
1987	1.89	
1988	1.50	-20.95
1989	1.40	-6.38
1990	0.02	-98.33
1991	-3.30	-14222.93
1992	-2.43	-26.37
1993	-1.23	-49.32
1994	-4.03	227.34
1995	-5.26	30.57
1996	-4.65	-11.60
1997	-2.53	-45.50
1998	1.00	-139.56
1999	0.64	-35.64
2000	0.70	9.20
2001	0.69	-1.62
2002	-3.85	-655.87
2003	-1.94	-49.50
2004	-1.04	-46.58
Avg.	-1.24	-890.77
S.D	2.33	3439.90
C.V	-187.09	-386.17
Max. Lev.	1.89	227.34
Min. Lev.	-5.26	-14222.93

Source: *Annual Reports* of ABBBL from 1987 to 2004.

- (ii) **Net Profit to Total Assets:** From Table 4.38 it is observed that the average percentage of net profit to total assets was (-)1.31% and average growth rate of the same was (-)808.29% during the study period. The highest ratio of NP to TA of OBL was 1.64% in the year 1998 and the lowest of the same was (-)6.39% in the year 1996.

Table 4.38 Profitability Trend of ABBBL (OBL) during 1987-2004 (NP to Deposit)

Year	Net Profit to Total Assets(%)	Year wise Variation(%)
1987	0.51	
1988	1.05	106.40
1989	0.85	-18.29
1990	0.01	-98.28
1991	-1.90	-12989.04
1992	-1.59	-16.28
1993	-1.10	-30.86
1994	-4.19	281.65
1995	-5.72	36.34
1996	-6.39	11.69
1997	-3.26	-48.89
1998	1.64	-150.31
1999	1.18	-28.44
2000	1.48	26.13
2001	0.69	-53.57
2002	-3.94	-671.79
2003	-1.92	-51.09
2004	-1.03	-46.36
Avg.	-1.31	-808.29
S.D	2.51	3144.41
C.V	-191.19	-389.02
Max. Lev.	1.64	281.65
Min. Lev.	-6.39	-12989.04

Source: *Annual Reports of ABBBL from 1987 to 2004.*

(iii) **Net Profit to Total Advance:** From Table 4.39 it is seen that the ratio of net profit to total advance of OBL was lower in the year 1996 i.e. (-) 6.36% and the highest of the same was 3.24% in the year 1987. The average of the ratio of NP to Total Advance was (-) 1.33% during the study period.

Table 4.39 Profitability Trend of ABBBL (OBL) during 1987-2004 (NP to TA Advance)

Year	Net Profit to Total Advances(%)	Year wise Variation(%)
1987	3.24	
1988	2.04	-36.91
1989	1.52	-25.75
1990	0.02	-98.38
1991	-3.33	-13606.75
1992	-2.09	-37.06
1993	-1.10	-47.51
1994	-4.19	281.64
1995	-5.72	36.34
1996	-6.39	11.69
1997	-3.26	-48.89
1998	1.47	-145.17
1999	0.93	-37.20
2000	0.93	0.65
2001	1.06	14.06
2002	-5.21	-590.09
2003	-2.49	-52.20
2004	-1.45	-41.84
Avg.	-1.33	-848.43
S.D	2.91	3291.85
C.V	-217.98	-387.99
Max. Lev.	3.24	281.64
Min. Lev.	-6.39	-13606.75

Source: *Annual Reports of ABBBL from 1987 to 2004.*

4.16.18 Productivity of Measurement of OBL: It is the proportionate change of the rate of the incremental income and the incremental expenditure that measures the productivity of a bank. Bank's productivity is defined as percentage change in its earnings in relation to percentage change in its costs. To put it differently, the output responsiveness as measured by proportionate change in income in relation to proportionate change in expenditure, measures the productivity of commercial banks.

$$\text{Symbolically, } P = (\Delta I / I) / (\Delta E / E)$$

Where, P = Productivity or output responsiveness to change in inputs.

Δ = Delta.

I = Total income

E = Total Expenditure.

Table 4.40 reveals that the overall productivity of OBL was not satisfactory i.e. unfavourable during the study period from 1987 to 2004. It also reveals that OBL experienced an unfavourable productivity during the period from 1991 to 1997, and again, from 2002 to 2004. However, the bank is trying hard to come from that situation.

Table 4.40 Productivity Trend of OBL from 1987 to 2004

Year	Total Income (I)	Total Exp. (E)	$\Delta I / I$	$\Delta E / E$	Productivity $(\Delta I / I) / (\Delta E / E)$	Remarks
1987	23.70	10.30				
1988	132.20	102.80	131.20	101.80	1.29	Fav.
1989	311.70	262.70	310.70	261.70	1.19	Fav.
1990	485.10	484.20	484.10	483.20	1.00	Fav.
1991	409.70	510.50	408.70	509.50	0.80	Unfav.
1992	382.70	466.10	381.70	465.10	0.82	Unfav.
1993	368.20	415.20	367.20	414.20	0.89	Unfav.
1994	248.10	439.20	247.10	438.20	0.56	Unfav.
1995	193.10	432.80	192.10	431.80	0.44	Unfav.
1996	203.50	476.70	202.50	475.70	0.43	Unfav.
1997	368.00	530.10	367.00	529.10	0.69	Unfav.
1998	729.30	653.10	728.30	652.10	1.12	Fav.
1999	841.20	783.90	840.20	782.90	1.07	Fav.
2000	1037.50	961.90	1036.50	960.90	1.08	Fav.
2001	1259.90	1161.10	1258.90	1160.10	1.09	Fav.
2002	913.30	1523.10	912.30	1522.10	0.60	Unfav.
2003	1580.00	1974.00	1579.00	1973.00	0.80	Unfav.
2004	3108.11	3357.91	3107.11	3356.91	0.93	Unfav.

Source: *Annual Reports of ABBBL(OBL) from 1987 to 2004*

4.16.19 Branch Productivity of OBL (Table 4.41)

- (i) **Net Profit per Branch:** Maximum net profit per branch earned by OBL was Tk. 4.47 million in the year 1987 and the minimum of the same was Tk. (-)17.94 million in the year 2002. The average net loss of OBL was Tk. (-)3.08 million during the study period from 1987 to 2004. The OBL experienced a series of losses from 1991 to 2004, except in the years 1998, 1999, 2000 and 2001.
- (ii) **Deposit per Branch:** The maximum deposit per branch of OBL was Tk. 775.73 million in the year 2004, and the minimum of the same was Tk. 132.20 million in the year 1992. The average deposit per branch of OBL was Tk. 275.30 million during the study period from 1987 to 2004.
- (iii) **Advance per Branch:** The maximum advance of OBL was Tk. 556.37 million in the year 2004, and the minimum of the same was Tk. 129.61 million in the year 1996. The average advance per branch of OBL was Tk. 214.34 million during the study period from 1987 to 2004.
- (iv) **Income per Branch:** OBL experienced its maximum income per branch of Tk. 100.26 million in the year 2004 and minimum of the same was Tk. 6.03 million in the year 1995. The average income per branch was Tk. 23.69 million during the period under study from 1987 to 2004.
- (v) **Total Expenses per Branch:** OBL experienced its maximum expenditures of Tk. 108.32 million in the year 2004, while the minimum of the same was Tk. 3.43 million in the year 1987. The average per branch expenditure was Tk. 26.75 million during the study period from 1987 to 2004.
- (vi) **Total Assets (TA) per Branch:** Average TA per branch of OBL was Tk. 311.97 million. This is a favourable sign for OBL.

(vii) Total Fixed Assets (TFA) per Branch: Average TFA of OBL was Tk. 101.70 million. This is also a favourable sign for OBL.

(viii) Equity per Branch: The average equity per branch of OBL was Tk. 12.47 million, while the maximum level of equity per branch of OBL was Tk. 50.33 million and the minimum level of the same was Tk. 6.44 million during the study period from 1987 to 2004.

(ix) Employee per Branch: The average number of employees per branch of OBL was 25 persons, while the maximum level of employees of OBL was 58 persons and the minimum level of the same was 19 persons during the study from 1987 to 2004 (Table 4.41).

Table 4.41 Branch Productivity Trend of ABBBL during 1987 – 2004

Year	(million Tk.)									
	Total Income per Branch	Total Exp. per Branch	Net Profit per Branch	Total Deposits per Branch	Total Advances per Branch	Total Assets per Branch	Fixed Assets per Branch	Current Assets per Branch	Equity per Branch	Employee per Branch
1987	7.90	3.43	4.47	236.17	137.97	881.76	507.87	6.45	50.33	10
1988	13.22	10.28	2.94	196.65	143.94	281.20	142.54	3.61	15.32	58
1989	17.32	14.59	2.72	194.49	179.49	318.63	131.41	5.69	9.14	38
1990	22.05	22.01	0.04	175.33	166.10	277.73	246.01	1.04	7.54	33
1991	17.81	22.20	-4.38	133.00	131.75	230.84	61.97	5.72	7.21	31
1992	14.72	17.93	-3.21	132.20	153.20	201.81	4.81	8.29	6.44	30
1993	13.15	14.83	-1.68	136.50	152.73	152.73	16.11	6.40	7.85	24
1994	8.86	15.69	-6.83	169.55	162.72	162.72	5.52	7.23	9.84	21
1995	6.03	13.53	-7.81	148.59	136.56	136.56	7.76	6.47	8.61	22
1996	6.17	14.45	-8.28	178.20	129.61	129.61	13.89	6.04	8.35	20
1997	11.15	16.06	-4.91	193.99	150.45	150.46	28.98	6.27	8.88	19
1998	22.10	19.79	2.28	227.47	154.53	138.74	33.37	5.47	9.22	19
1999	24.74	23.06	1.69	261.36	181.99	143.39	33.68	5.86	9.40	19
2000	30.51	28.29	2.22	315.78	238.56	149.98	37.78	5.99	9.40	19
2001	37.06	34.15	2.91	419.49	273.34	422.16	42.22	20.25	9.98	19
2002	26.86	44.80	-17.94	465.78	344.23	455.69	164.51	15.35	9.98	19
2003	46.47	58.06	-11.57	595.04	464.60	601.08	170.18	21.17	17.62	20
2004	100.26	108.32	-8.06	775.73	556.37	780.37	182.08	27.32	19.32	22
Avg.	23.69	26.75	-3.08	275.30	214.34	311.97	101.70	9.14	12.47	25
S.D	22.02	24.09	6.14	178.45	122.20	230.57	125.96	7.01	10.09	10.05
C.V	92.97	90.07	-199.37	64.82	57.01	73.91	123.85	76.65	80.90	40.08
Max. Lev.	100.26	108.32	4.47	775.73	556.37	881.76	507.87	27.32	50.33	58
Min. Lev.	6.03	3.43	-17.94	132.20	129.61	129.61	4.81	1.04	6.44	19

Source: Annual Reports of ABBBL during 1987 to 2004

4.16.20 Employee's Productivity: Reflections of HRD Activities (Table 4.42)

- (i) **Net Profit per Employee:** Maximum net profit per employee earned by OBL was Tk. 0.04 million in the year 2001. The average net profit per employee of OBL was not satisfactory, which was Tk. (-)0.04 million. OBL experienced a series of losses from 1991 to 2004, except in the years 1998, 1999, 2000 and 2001.
- (ii) **Deposit per Employee:** OBL experienced an increasing rate of deposit per employee through the study period from 1987 to 2004. The average deposit per employee of OBL was Tk. 2.89 million. The SD and CV positions of the same were found at Tk. 2.30 million and 79.63 percent respectively during the said period.
- (iii) **Advance per Employee:** The maximum advance per employee of OBL was Tk. 5.63 million in the year 2004 and minimum was Tk. 0.08 million in the year 1987, while the average of the same was Tk. 2.23 million during 1987 - 2004.
- (iv) **Income per Employee:** While per employee expenses was Tk. 0.25 million, then per employee total income position was Tk. 0.04 million on an average. This was absolutely an unfavourable sign for OBL, which enhanced loss of OBL during the study period from 1987 - 2004.
- (v) **Total Expenses per Employee:** OBL was capable to bear all types of expenses for its employees, while the average per employee expenses was Tk. 0.25 million.
- (vi) **Current Assets per Employee:** The current assets per employee of OBL fluctuated from Tk. 0.13 million to Tk. 6.05 million, while the average position of the same was Tk. 2.04 million during 1987 - 2004.

- (vii) Total Assets (TA) per Employee:** Average TA/employee of OBL was Tk. 2.65 million. This was a little bit favourable sign for OBL to create profit, but practically OBL failed to generate profit for the stake holders.
- (viii) Total Fixed Assets (TFA) per Employee:** Average TFA/employee of OBL was Tk. 0.61 million. This was a favourable sign for OBL to create profit.
- (ix) Equity per Employee:** The average equity per employee was Tk. 0.01 million during 1987 - 2004. Its maximum level was Tk. 0.03 million and the minimum of the same was nil.
- (x) Foreign Exchange Business (FEB) per Employee:** The average foreign exchange business per employee was of Tk. 1.86 million during 1987 - 2004; while the maximum limit was Tk. 6.19 million in 2004 and minimum limit was Tk. 0.05 million in 1987.

Table 4.42 Employee Productivity Trend of ABBBL during 1987 – 2004

Year	(million Tk.)									
	Total Income per Employee	Net Profit per Employee	Total Deposits per Employee	Total Advances per Employee	Total Assets per Employee	Fixed Assets per Employee	Current Assets per Employee	Total Exp. per Employee	Equity per Employee	For Ex Business per Employee
	1	2	3	4	5	6	7	8	9	10
1987	0.01	0.00	0.13	0.08	0.48	0.28	0.20	0.00	0.00	0.05
1988	0.02	0.00	0.30	0.22	0.44	0.22	0.21	0.02	0.00	0.27
1989	0.01	0.01	0.45	0.41	0.73	0.30	0.43	0.04	0.00	0.31
1990	0.02	0.00	0.71	0.67	1.13	1.00	0.13	0.09	0.00	0.43
1991	0.03	-0.03	0.92	0.91	1.59	0.43	1.16	0.12	0.00	0.60
1992	0.04	-0.03	1.28	1.49	1.96	0.05	1.91	0.14	0.01	0.84
1993	0.04	-0.02	1.46	1.64	1.64	0.17	1.46	0.14	0.01	0.95
1994	0.05	-0.08	1.87	1.80	1.80	0.06	1.74	0.10	0.01	1.01
1995	0.04	-0.11	2.15	1.98	1.98	0.11	1.86	0.09	0.01	1.19
1996	0.05	-0.13	2.71	1.97	1.97	0.21	1.76	0.09	0.01	1.26
1997	0.05	-0.07	2.96	2.29	2.29	0.44	1.85	0.17	0.02	1.61
1998	0.06	0.03	3.42	2.33	2.09	0.50	1.59	0.33	0.02	1.56
1999	0.05	0.03	3.89	2.71	2.13	0.50	1.63	0.37	0.03	1.99
2000	0.05	0.03	4.42	3.34	2.10	0.53	1.57	0.43	0.02	3.28
2001	0.05	0.04	5.70	3.71	5.73	0.57	5.16	0.50	0.03	3.43
2002	0.04	-0.20	5.26	3.89	5.14	1.86	3.29	0.30	0.03	3.00
2003	0.05	-0.13	6.51	5.08	6.57	1.86	4.71	0.51	0.03	5.57
2004	0.05	-0.08	7.85	5.63	7.90	1.84	6.05	1.01	0.03	6.19
Avg.	0.04	-0.04	2.89	2.23	2.65	0.61	2.04	0.25	0.01	1.86
S.D	0.02	0.07	2.30	1.60	2.16	0.62	1.71	0.25	0.01	1.78
C.V	40.10	-167.96	79.63	71.70	81.65	101.40	83.55	101.24	82.27	95.34
Max. Lev.	0.06	0.04	7.85	5.63	7.90	1.86	6.05	1.01	0.03	6.19
Min. Lev.	0.01	-0.20	0.13	0.08	0.44	0.05	0.13	0.00	0.00	0.05

Source: Annual Reports of ABBBL during 1987 to 2004

4.16.21 Human Resources of OBL and their Development: The Table 4.43 depicts that the number of officers were 679, number of staff and sub-staff were 79 in OBL in the year 2004. However, in 2004 the total number of employees of OBL rose to 758.

It is also evident that per branch HR were 24 in 2004. In fine the total number of human resources of OBL was 758 in 2004. Practically there was no satisfactory growth either in number of employees or in the number of branches of OBL during the study period from 1987 to 2004.

Table 4.43 Statement of Human Resource of ABBBL (OBL) during 1987-2004

Year	Officer	Staff	Sub-Staff	TOTAL	No. of Branch	Per Branch HR
	1	2	3.	4	5	6
1987	174	74	4	174	3	58
1988	384	84	4	384	10	38
1989	592	92	2	592	18	33
1990	673	73	3	673	22	31
1991	679	79	9	679	23	30
1992	618	118	8	618	26	24
1993	598	98	8	598	28	21
1994	609	9	2	609	28	22
1995	637	37	7	637	32	20
1996	632	32	2	632	33	19
1997	639	39	9	639	33	19
1998	636	36	6	636	33	19
1999	637	37	7	637	34	19
2000	637	37	7	637	34	19
2001	638	38	2	638	34	19
2002	645	45	5	645	34	19
2003	692	92	6	692	34	20
2004	679	79		679	31	22
Avg.	599.94	61.06	5.35	599.94	27.22	25.08
S.D	125.16	29.90	2.55	125.16	9.02	10.05
C.V	20.86	48.97	47.60	20.86	33.13	40.08
Max. Lev.	692	118	9	692	34	58
Min. Lev.	174	9	2	174	3	19

Source: Annual Reports of ABBBL during 1987 to 2004

Table 4.44 exhibits the records of human development activities of OBL. It shows that OBL offered only in service training to its employees and no outside training was arranged for them.

Table 4.44 Statement of Human Resource of ABBBL(OBL) during 1987-2004

Year	Newly Manpower Recruitment (in service training)	Total Manpower (trained)
1987	174	174
1988	210	384
1989	208	592
1990	81	673
1991	6	679
1992	0	618
1993	0	598
1994	11	609
1995	28	637
1996	0	632
1997	2	639
1998	0	636

Year	Newly Manpower Recruitment (in service training)	Total Manpower (trained)
1999	1	637
2000	0	637
2001	1	638
2002	8	645
2003	47	692
2004	0	679

Avg.	43	600
S.D	74	125
C.V	172.15	20.86
Max. Lev.	210	692
Min. Lev.	0	174

Source: *Annual Reports* of ABBBL during 1987 to 2004

4.17 Conclusion

The managerial performance of the two Islamic Banks differs in a greater magnitude. IBBL could afford to spend more for training and development of its human resources through utilising its surplus revenue earned during the period under study. The OBL could not attain such earning which limited its training and development activities. The chronic situation of default culture of OBL crippled its financial backbone and this had a rough impact on productivity of the employees of the bank.

Chapter 5

RELATIONSHIP BETWEEN HRD ACTIVITIES AND PERFORMANCE OF THE TWO BANKS

5.1 Introduction

The relationship between human resource development activities and performance of the two Islamic Banks has been judged through assessing the growth of deposits, advances, income and expenditure, net profit and loss, growth of manpower, growth of foreign correspondences (Chapter 4), efforts given for human resource development and components of human resources development programmes which are in sue in the banks. Here manpower expenses have been used as a proxy for HRD activities.

5.2 Efforts for Human Resource Development

The banks are vital financial institutions for running the wheels of Economic Development of our country. In a country like Bangladesh, characterized by low savings rate, rural scattered savings, the paramount importance of banking institutions is well recognised.¹

A bank is a service oriented business organisation, where human resources are deployed exclusively for providing services to the customers, clients and others and for developing material resources for the organisation. Since, the banks provide services to the people with public money, it is the general expectations of customers that the bank's services should be of high quality and standard.

The rapidly changing business conditions are continuously creating new challenges for the financial institutions and similar organisations of our

¹ Abdul Bayes, "Bangladesh Banking: Growth, Structure and Performance", *Bank Parikrama*, Vol. XII, No. 2, June 1987, p. 26.

country. In the wake of ever increasing competitions, many of the established institutions and organisations are craving for their survival. Because of the rising costs and other constraints many financial institutions started to give serious attention to the existing manpower policies. However, the situation is still worse in both the public and private sector banks of our country. It is recognized that the people are the key resources for enhancing unit level performance as they constitute the driving force for national and world development. Human resource being the prime movers for increasing productivity and performance, they should be motivated, developed and employed gainfully to harness their creativity, innovativeness and potentials to optimize benefits from all the resources. However, this urges for long range plans for creating an organisational climate for productivity and performance.²

Human resource management aims at getting competent personnel, retaining them and keeping them motivated. Human resource development aims at helping the human resources to continuously grow and contribute their best to the organisation. The management thinkers and practitioners from the 4th quarter of the 20th century prescribed several alternative approaches to achieve optimum utilisation of all available resources. These alternative approaches and their consequences are stated below:³

No.	Approaches	Consequences	Effect
1	Get results by any means	Organization gains	Short term
2	Get results through the satisfaction of employee's need	Employee gains	Short term
3	Get results through the development of men at work	Both organisation and employee gain	Long term

² S.K. Singh, *Productivity of Industrial Workers* (Elahabad: Vohra Publishers, 1988), p. 6.

³ K.K. Chaudhuri, *HRD: A Total Management Process, Decision*, Vol. 19, No. 1 (Calcutta: Indian Institute of Management, January-March, 1992), p. 45.

Keeping these alternatives in view, successful organisations adopted the third approach, namely Human Resource Development (HRD) in various forms and techniques to maximize the contribution of human resources of the organisation for meeting the organisational goals, and for satisfying the overall needs of the human resources who work in the organisation at all levels.⁴

The importance of HRD is increasingly being appreciated because organisations/institutions realize that human resource is the productive resources of the organisation which can produce a result greater than the sum of it's parts. It is a resource with a capacity to produce, whose upper limits are not known to the person himself or herself.⁵

According to T.V. Rao and D.F. Pereira, HRD is a process by which the employees of an organisation, institution or enterprise are helped in a continuous, planned way to:

- a) acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles;
- b) develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and for organisational development purposes; and
- c) develop an organisational culture in which supervisor – subordinate relationship, team work, and collaboration among sub-units are strong and contribute to the professional well being, motivation and pride of employees.⁶

Human Resources Development system includes the following process of mechanisms/sub-systems/contents through which above objectives are achieved. An attempt is made here to investigate into the presence of these contents in the HRDP of IBBL and ABBBL(OBL).⁷

⁴ *Ibid.*, p. 46.

⁵ M.K. Kolay, *Human Resource, Expense Vs. Assets, Decision*, Vol. 18, No. 4 (Calcutta: Indian Institute of Management, 2000), p. 215.

⁶ T.V. Rao and D.F. Pereira, *op.cit.*, p. 5.

⁷ ATM Abdus Sahid, *op.cit.*

5.3 Components of Human Resource Development Programmes of IBBL and ABBBL(OBL)

Components of Human Resource Development Programmes of IBBL and ABBBL(OBL) are as follows:⁸ (1) Performance appraisal, (2) Inter personal feed back, (3) Counselling, (4) Potential development, (5) Career development planning, (6) Organisational development, (7) Work group, (8) Job enrichment, (9) Human engineering, (10) Training, (11) Rewards, (12) Employee's welfare and quality of work life, (13) Human resource information, (14) Recruitments, (15) Compensation, (16) Deployment, (17) Accountability, and (18) Management.

5.4 Discussion on the Various Components

5.4.1 Performance Appraisal: Performance appraisal is a process of evaluating performance of an employee by his/her supervisor with regard to his/her job requirement.⁹ It is a mechanism for the senior people to watch and understand the weaknesses, difficulties and strengths of their subordinates, and it helps to eliminate the pitfalls. While conducting such appraisals the seniors come to know the drawbacks of the juniors and help them to realize which in turn help the juniors to develop their career by obtaining their superior's advice. Moreover, this system helps the juniors know about their contribution. The key performance areas (KPAs) of the employees are taken into consideration while conducting this plan. Both IBBL and ABBBL(OBL) follow this performance appraisal system.

⁸ Jatindra Nath Shukla, "The present Status of HRD in the State Public Sector Enterprises in Assam" in *Studies in HRD*, Vol. 3 or *HRD Practice: Assimilation and Implication*, B.S. Bhatia, H.L. Verma and MC. Grag (eds.) (New Delhi: Deep & Deep Publication, 1997), p. 275.

⁹ Nargis Akhter, "The practice of HRM in Bangladesh Cable Shilpa Limited: An appraisal and Suggestion", *Business Review* (Khulna University), Vol. I (July 1994- June 1995), p. 89.

5.4.2 Inter Personnel Feedback: We are aware of the fact that when the sender's views and actions are reflected by the receiver, feedback situation takes place. So, in banking institutions, upon receiving the subordinate's working position/progress, the senior people give feedback to the junior about the works done which create endeavour and zeal in the junior's mind and as a whole enrich the environment. This is also practiced by the executives and the staff of both the banks (IBBL and OBL).

5.4.3 Counselling: After observing the activities, strengths and weaknesses of the subordinates, the superiors extend proper counselling which in turn makes the adventure positive and bring a feeling of importance into their minds to become enthusiastic about the organisation's development. This is also followed by the executives and the staff of IBBL and ABBBL(OBL).

5.4.4 Potential Development: This technique is applied periodically after earmarking the employees who possess some explorable potential. The earmarked human resources are taken proper care in such manner that they can extend their capabilities for the over all development of the banking institution. IBBL and ABBBL(OBL) apply this method according to its suitability.

5.4.5 Career Development Planning: Career development planning contains certain career path of the human resources of an organisation following which the human resources can move in the foreseeable future. So, it should be constructed effectively, where the human resources get themselves interested and become aware of their sound future and feel that they will go up in the management. As a result, the human resources develop them in desired manner which means better work and better output. IBBL and ABBBL(OBL) already formulated career development planning for their human resources and both the banks follow it.

5.4.6 Organisational Development: This technique is intended to change the beliefs, values and attitudes of the employees as well as the structure of

the organisation to enable them to cope with the demands of ever changing external environment. The efforts of both the banks aim at achieving this goal (IBBL and OBL).

5.4.7 Work Group: In this stage human resources are grouped under some head and categorized equally and duties and works are delegated. Here joint efforts are made by the people to get the job done. This process no doubt brings development for the organisation. Both the banks under study follow this system (IBBL and OBL).

5.4.8 Job Enrichment: Job enrichment essentially is an extension of job enlargement which may be involved in increasing the autonomy and responsibility of the employees or includes them to a greater extent in the decision making process.¹⁰ The basic contribution of job enrichment, therefore, is to make their work more meaningful and to provide employees with a greater sense of responsibility and a better knowledge of the results of their endeavours. This is also practiced by both the banks (IBBL and OBL).

5.4.9 Training: Training is a systematic process through which development of knowledge, skill, attitude, efficiency and aptitude is taken in inner faculties of employees' minds which help to perform a given task or job more adequately.¹¹ It refers to comprehensive teaching to human resources to increase their skills needed to be employed.¹²

¹⁰ W. Phillip Kraft and Kathleen L. Williams, "Job Redesign Improves Productivity", *Personnel Journal*, Vol. 45, No. 7 (July 1975), pp. 393-397.

¹¹ Michael Armstrong, *A Handbook of Personnel Management Practice*, 2nd rev. ed. (London: Kogan Page Limited, 1994); quoted in Dharma Vira Aggarwala, *Manpower Planning, Selection, Training and Development* (New Delhi: Deep & Deep Publication, 199), p. 207.

¹² Ricky W. Griffin, *Management*, 2nd ed. (Boston: Houghton Miffling Company, 1987), p. 345.

Moreover, it is a systematic instruction for staff at all levels in new attitudes and new skills. Training is an integral part of managerial development.¹³ Lack of proper training is one of the bottlenecks in the developing process of our country's banking industry. The practice of "On the Job" and "Off the Job" training should be ensured in all the banking institutions for all human resources. However, both IBBL and ABBBL(OBL) offer training facilities to their staff and officers though in a limited way. But in this regard the performance and record of IBBL is far better than that of ABBBL(OBL). IBBL has its own training institute but yet OBL has no such facility. The records also show that IBBL offered training to greater number of officers and staff than that of OBL.

5.4.10 Human Engineering: Fitting the machine to the right person should be the object of human resource development. The activities that are concerned with the ways of designing machines, operation and work environments matching human capacities and limitations are referred to by various terms. These terms include human engineering, human factors engineering, ergonomics and engineering psychology.¹⁴ This idea ensures the use of right physical resources by right human resource to attain overall development. Both the banks under study (IBBL and OBL) practice it in limited scale.

5.4.11 Reward: All the human resources are doing good jobs for their institutions which must be appreciated and rewarded. This attempt could be categorised into two parts:

- a) Timely performance reward: As and when it is required after having a human resource judged.

¹³ Vasant Desai, *Principles of Bank Management: Principles, Planning and Programming*, p. 333.

¹⁴ Alphonse Chapanis, *Man Machine Engineering* (California: Wadsworth Publishing Co. Inc., 1965), p. 8.

- b) Annual performance reward: At the end of each year. But such rewarding should be continuous.¹⁵ Both the banks (IBBL and OBL) follow this method at limited scale.

5.4.12 Employees' Welfare and Quality of Work Life: This includes welfare benefit and quality of work life. Welfare benefit includes medical allowance, medical insurance, housing, benevolent fund, gratuity, group term insurance, transport facility, children's education scholarship, family pension, etc.

Quality of work life includes good physical facilities, good furniture, air conditioning, lighting, safety precaution, recreation, aesthetics, participation, job security etc. These components, no doubt help a lot to increase the quality of or develop the human resources.¹⁶ IBBL and ABBBL(OBL) offer many of these benefits to their employees, but at a limited scale.

5.4.13 Human Resource Information: This is a system which incorporates various information about the human resources of a bank, such as one employee's performance appraisal data, potential data, performance feed back, career planning data, training information, rewards achieved, all personal information etc. This system of information helps the organisation a lot while developing its human resources. In this connection preparation of a "Data Bank" pertaining all employees' information is extremely important.¹⁷ While developing the human resource, the "Data Bank" also helps the management to take necessary steps as and when required. Both the banks (IBBL and OBL) practice it at a limited scale.

5.4.14 Recruitment: Particularly recruitment system in the private sector banking in our country is not well planned and organised. So, private sector

¹⁵ M. Wahiduzzaman Manik, "Managing Human Resources for Organisational Productivity: A Diagnostic Approach", *BMDC*, Vol. 13, No. 2, 1984, p. 7.

¹⁶ Hersey Paul and B. H. Renneith, *Management of Organisational Behaviour: Utilizing Human Resources* (New Delhi: Prentice Hall of India, 1988), p. 34.

¹⁷ Sikula Andrew F and Makenna John F. *The Management of Human Resources* (Canada: John Wiley and Sons, 1984), p. 69.

banking institutions are advised to carry forward a systematic recruitment policy to recruit the meritorious people through an open competition in an objective manner to have the best resources for their own organisations. This policy is however, followed by IBBL and ABBBL(OBL).

5.4.15 Compensation: Human resources of private banks are well compensated. But the public sector's human resources are not well paid off as compared to the private one. It is needless to say that a good package can motivate and rather stimulate an employee's endeavour which in turn develops the institution. It actually rewards the merits. So, the employees, officers and executives of the private banks should be well paid. The salary and allowance structures of IBBL and ABBBL(OBL) reasonably take care of this aspect.

5.4.16 Deployment: The right person should be placed to do the right job. The employees should be mobile, so that they can acquire the skills and proficiency in several specialized areas of banking. Such rotation or mobility is also necessary to avoid monotony. Both IBBL and ABBBL(OBL) follow this procedure.

5.4.17 Accountability and Transparency: The employees of a bank suffer acutely from an inadequate system of accountability. In all areas, both credit for good works and responsibility for failures could be stressed well. The development of human resources demands accountability and transparency in the banking sector. Both IBBL and ABBBL(OBL) aim at achieving accountability and transparency. But in this regard the records of OBL show a cloudy picture.

5.4.18 Management: Some dedicated, responsible, competent and efficient personnel are badly in need to handle all these plans to make things better for the development of a bank. In simple, they are responsible for the

management of the organisation. The management is responsible for the management of the organisation. The management contributes to profitability and increases overall performance of the organisation. This is why John D. Rockefeller once said, "I will pay more for the ability to deal with people than for any other ability under the sun."¹⁸

5.5 Regression Analysis (IBBL and OBL) on the Relationship between HRD Programmes and Performances

At this point, it is interesting to note that expenses of the banks on manpower (HRD) have positive impact on their performance. Again, lower level of expenses on manpower (HRD) leads to lower level of performance of a bank. So, in addition to the foregoing financial interpretations of data of both the banks- IBBL and OBL, we examine at this stage, how the profits of both the banks are affected by the expenses on manpower i.e. to simply by the ideas for assessing such impact of expenses on manpower (HRDE) on the profit of the banks we select an equation as under:

$$P = f (y+x_1+x_2+x_3)$$

Here, profit (P) is derived from as follows:

Profit = (Income – exp. on manpower (HRDE) – exp on deposit – other expenses)

It is noted here that income is assumed as dependent variable as Y and expenditure on manpower is denoted as x_1 , expenditure on deposit is meant by x_2 and other expenses are denoted by x_3 .

The position of profit/loss, income, expenses on manpower, expenses on deposit and other expenses of both the banks from 1983 to 2004 for IBBL and from 1987 to 2004 for OBL are pictured here for our above assessment.

¹⁸ K.A. Islam, "Human Resources Management in Bangladesh", *The Bangladesh Observer*, Dhaka, April 6, 1999, p. 5.

Table 5.1 Statement of Profit, Income, Expenditure on Manpower, Expenses on Deposit and Other Expenses of IBBL from 1983-2004

IBBL			Y = Income x1 = Exp. on manpower x2 = Exp. on deposit x3 = Other exp.		
P = f (Y, x1, x2, x3)					
P = Profit					
Year	P	Y	X1	X2	X3
1983	-2558	2830	2188	595	2605
1984	7830	44998	8053	18423	10692
1985	8866	100208	14638	60088	16616
1986	132	136729	32951	82121	21525
1987	7228	180664	36836	113700	22900
1988	30669	232880	38623	139167	24421
1989	22587	285806	50095	173643	39481
1990	140546	452246	59342	207015	45343
1991	105765	541800	84219	297627	54189
1992	0	527050	97473	350800	78777
1993	80000	622890	110306	350453	82131
1994	222580	826560	119214	398342	86424
1995	311360	1097610	137809	537730	110711
1996	283520	1232350	173110	651049	124671
1997	170750	1368770	204348	838726	154946
1998	148390	1629380	246768	1044464	189758
1999	178310	1966240	281549	1295595	210786
2000	330246	3207810	409764	1846893	620907
2001	576119	4259546	492406	2187126	1003895
2002	994051	5234072	565924	2713824	960273
2003	802015	6841295	739686	3570695	1728899
2004	1842995	8262737	995806	4013185	1410751

Source: Annual Reports 1983-2004.

Table 5.2 Statement of Profit, Income, Expenditure on Manpower, Expenses on Deposit and Other Expenses of OBL from 1987-2004

Year		Income	Slalry and allow. x1	Profit on dept. x2	Other x3
1987	6573	23728	4773	6615	5767
1988	29383	132168	17056	66471	19258
1989	49004	311709	34056	191233	37416
1990	899	485108	39775	392205	52229
1991	-100873	410697	44999	419379	47192
1992	-83410	382695	44235	374936	46934
1993	-47078	368170	42913	325431	46904
1994	-191084	248145	43706	346607	48916
1995	239734	193077	44176	341127	47508
1996	-273287	203487	63201	338360	75213
1997	-162128	368005	76658	391893	61582
1998	76284	729335	82359	504509	66183
1999	57391	841200	92639	622467	68703
2000	75646	1037500	126315	754108	81431
2001	98875	1259900	13568	942302	83355
2002	-609831	913300	157359	1121411	244361
2003	-393390	1580000	159524	1650945	162921
2004	-249797	3108110	182356	1864898	1310653

Source: *Annual Reports 1987-2004.*

5.6 Multiple Regression Analysis on the Relationship between the Profit and Expenses on Manpower of IBBL and OBL during 1983 to 2004

To determine the relationship between profit and expenses on manpower of IBBL and OBL i.e., whether is there any impact on profit of IBBL or OBL for any given change in expenses on manpower. We assume that there is a positive impact on profit for the changes of expenses on manpower. In this test, a regression model has been specified as:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

Where, a = a constant

b_1 = the regression co-efficient that measures sensitivity of expenses on manpower.

b_2 = the regression co-efficient that measures the sensitivity of expenses on deposit.

b_3 = the same of other expenses.

The regression model has been fitted by the least square method (LSM) and the significance of the co-efficient of expenses on manpower has been tested by the *t-test* technique using the Microsoft Excel programme.

Table 5.3 Correlation Matrix for IBBL

	P	Y	X1	X2	X3
P	1.000	0.939	0.941	0.914	0.856
Y		1.000	0.995	0.996	0.972
X1			1.000	0.994	0.951
X2				1.000	0.969
X3					1.000

Table 5.4 Regression Statistics for IBBL

Multiple R	0.9209
R square	0.8437
Adjusted R Square	0.8107
Standard Error	190744.3760
Observation	22

Table 5.5 ANOVA for IBBL

	df	SS	MS	F	P valu
Regression	4	3417230524663.91	854307631165.98	23.48069	0.00000
Residual	17	618518088026.68	36383416942.75		
Total	21	4035748612690.59			

	Coefficients	Standard Error	T Stat(17)	P-value	Std. Error of BETA	Std. Error of BETA
Intercept	-36726.8	53803.69	-0.68261	0.504051		
Y	0.075112	0.048079	1.56226	0.136649	0.400505	0.256362
X Variable 1	0.674518	0.405363	1.663986	0.114438	0.405932	0.243952
X Variable 2	0.060092	0.093981	0.6394	0.531085	0.162112	0.253538
X Variable 3	-0.06076	0.18866	-0.32206	0.751333	-0.06916	0.214731

Note :

CR= Critical Ratio for a *t* Test for Slope

P= Probability that sample comes from a population with a slope of zero.

S= Significant at 0.0 level of significance.

The *t* Table value at 17 degree freedom (df) and 0.05 level of significance is 1.740.

Table 5.6 Correlation Matrix for ABBBL(OBL)

	P	Y	X1	X2	X3
P	1.000	-0.314	-0.492	-0.521	-0.337
Y		1.000	0.862	0.931	0.876
X1			1.000	0.943	0.620
X2				1.000	0.735
X3					1.000

Table 5.7 Regression Statistics for OBL

Multiple R	0.8504
R square	0.7232
Adjusted R Square	0.6381
Standard Error	122962.4437
Observation	18

ANOVA for OBL

	df	SS	MS	F	P value
Regression	4	513506475551.57	1283376618887.89	8.49	0.001
Residual	13	19556955024.93	15119765771.15		
Total	17	710063430576.50			

Note: CR= Critical Ratio for a *t* Test for Slope

P= Probability that sample comes from a population with a slope of zero.

S= Significant at 0.05 level of significance. The *t* Table value at 13 degree freedom (df) and 0.05 level of significance is -1.771.

Using the SPSS package, the collected data are analysed to test whether the growth of profit is affected by the increasing expenditure on manpower of IBBL. From the above correlation matrix, it is clear that among the other independent variables, expenditure on manpower is more significantly correlated (0.941) with the profit. The R-Square statistic suggests that about 88.5% of the variation in profit is explained by the expenditure on manpower whereas for multiple correlations, 84% is explained by the all independent variables as a whole.

The growth trend lines of profit of IBBL show the relationship between size of profit (Y) as dependent variable and the expenses on manpower (X_1) expenses on deposit (X_2) and expenses on other (X_3) as independent variables. By the regression analysis, this relationship has been fitted by LSM and by the *t* test technique. The following trend line of the profit is drawn on the basis of regression analysis:

$$Y = -36726.8 + 0.675X_1 + 0.060X_2 - 0.06X_3$$

From the table of IBBL it is found that the independent variable X_1 has an estimated coefficient of 0.675, which suggests that a 1-percent increase in expenses on manpower is associated with a 0.675- percent increase in the profit in the following period. This implies a positive relationship between expenses on manpower and profit. The other independent variables X_2 and X_3 have an estimated coefficients of +0.06 and (-)0.06 respectively, which suggests that a 1 percent increase in the other expenses is associated with 0.06 percent decrease in profit one period later.

Based on the regression results it is evident that the coefficient of expenses on manpower (X_1) is statistically significant at the 5% level of significance while X_2 and X_3 are not like that. It implies that there exists a positive relationship between profit and expenses on manpower of IBBL. Therefore, from the analysis, it can be argued that profit of IBBL is ($Y = a + b_1x_1 + b_2x_2 + b_3x_3$) significantly affected by the expenses on manpower.

By using the same package the collected data of ABBBL(OBL) are analysed in the same direction as is made in case of IBBL. From the correlation matrix table of OBL it is evident that among the other independent variables, expenditure on manpower (HRD expenses) is highly insignificantly correlated (-0.492) with the profit along with other variables.

The growth trend line of ABBBL (OBL) as drawn from the analysed table shows the relationship between size of profit (Y) as dependent variable of OBL and independent variables are x_1 as expenses on manpower, x_2 as expenses on deposits and x_3 as other expenses respectively. With the similar process of analysis as run in case of IBBL, we found following trend line of profit of OBL.

$$Y = .825 + (-0.826x_1) + (-0.821x_2) + (0.825x_3)$$

$$Y = .825 - 0.826x_1 - 0.821x_2 + .825x_3$$

From the table, it is evident that the independent variable x_1 has an estimated coefficient of (-0.826) which suggests that 1% increase in expenses for HRD purposes is associated with a -0.826 percent decrease in the profit position. This implies a negative relationship between expenses on HRD and profit of OBL. The second variable x_2 bearing an estimated coefficient of (-)0.821 also reflects the same understanding as in case of variable x_1 .

Surprisingly the third independent variable x_3 other expenses has an estimated coefficient of .825, which evidences that "other expense" is associated with .82 percent increase in profit of the bank. This expresses a positive correlation between bank's other expenses and profit.

Based on the regression results of OBL it is clear that expenses on manpower (HRD expenses) are not statistically significant at the 5% level of significance. Although x_3 shows different picture. It indicates that there lies negative correlation between profit and expenses of manpower of OBL during the period of study. These finding are dissimilar to that of IBBL. The major reasons of such situation are that unusual stuck-up of advances which have crippled the cost of working fund and expenses on HRD of OBL. This has aggravated the situation of the OBL.

5.7 Conclusion

In fine, this chapter exhibits that the Human Resource Development Programmes of IBBL are more effective than that of ABBBL(OBL). Actually, the increasing default culture of the ABBBL(OBL) has affected the implementation of Human Resource Development activities of the ABBBL(OBL) during the period under study. If such unusual situation would not occur in default culture of the ABBBL(OBL), its Human Resource Development activities would be more elaborated and contributory to the increasing productivity and operational performance of the bank (OBL). The analysis shows that IBBL has far better performance than that of OBL.

Chapter 6

LIMITATIONS OF IMPLEMENTATION OF HRD PROGRAMMES AND THE REMEDIAL MEASURES

6.1 Major Limitations

World Bank introduced Lending Risk Analysis (LRA) for the banking system in Bangladesh to project the poor recovery of loans and advances and to overcome the various risks. LRA is a unique system to select the ideal borrowers with proper analyses of their financial statements. Bankers are found to maintain as a whole the "form of LRA" to select their ideal borrowers. They face different problems at the time of lending risk analysis. These are as follows:

- (1) **Non-availability of accurate financial statement:** Financial statements, which are supplied by potential borrowers, are not accurate. Because of that there exists ingenuities of the figures appeared on those statements.
- (2) **Defective preparation of financial statement:** Those who are interested to take loan, they are usually tempted to window dress the balance sheet. Window dressing means accounts are highly manipulated by the borrowers for the preparation of financial statements.
- (3) **Lack of proper maintenance of accounting principles:** To record the various accounting, concepts like business entity, accounting period, money measurement, going through concern concepts, cost concept, dual aspect concept, accrual basis concept, realization concept and accounting conversions i.e. consistency, conservatism, materiality and disclosures are not properly followed.
- (4) **Lack of proper Valuation of security:** A security valuation system plays a vital role in recovering the loan amount. So, it should not be neglected for the valuation of security.
- (5) **Lack of skilled personnel:** All types of loan should be distributed among the honest, experienced, educated, skilled, trained and modest persons in the society.

- (6) **Malpractice of Management Principles:** All loanees are always interested to avoid the loan amount and interest amount. On the contrary, management principles should properly be introduced to avoid the malpractices of management principles.
- (7) **Economic factors:** To sanction the loan, economic factors should be considered.
- (8) **Industrial sickness:** Many of the industries of our country are sick. So, due to sickness of the industry, there is no favourable climate to sanction the loan.
- (9) **Lack of accounting knowledge of borrowers:** Most of the businessmen have no commercial background. So, they do not know what types of accounting systems should be maintained.
- (10) **Lack of consideration of non-financial change:** Non financial change bears great impact on business loans.
- (11) **Lack of tested borrowers:** It is a critical problem to select the borrower from among the various types of borrowers, many of whom are dishonest.
- (12) **Biased analysis of the lending officer:** It is also difficult to select genuine borrowers due to the biased analysis of the corrupt lending officers.

To minimise these problems and to increase supervision and controlling, privatisation was encouraged and a policy was undertaken with these objectives. (a) To reduce the deficit of the government to meet the continuous loss of the public banks; (b) To improve the operating efficiency of those banks; (c) To improve the overall deposit and advances of commercial banks; (d) To improve the credit allocation among priority sector and various economic classes; (e) To improve the customers services; (f) To reduce high cost corruption etc.; and (g) To ensure greater attention to customers' satisfaction.

6.2 Causes of Defaulting of the Borrowers

The author's consultations with the borrowers and the bankers identify the major causes of defaulting of the borrowers which are as follows: political instability; operational problems of the projects like power failure; non-fair selection of good borrowers; lack of proper use of funds; huge amount of idle fund; Hartal culture; lack of managerial skill; lack of entrepreneurship development; high cost of fund or interest; defective marketing system; lack of good communications; lack of using modern tools and technology; smuggling; unfair trade competition; rapid change of modern tools and technology; diversion of funds; lack of proper and timely supervision; lack of proper project appraisal with analysis of financial statements. There are some of the major reasons for default culture.

6.3 Necessary Measures to Avoid the Default Culture

To avoid the default culture, World Bank suggested our government to constitute a reform project in financial sector. Accordingly government constituted "Financial Sector Reform Project" (FSRP) with the assistance of World Bank in 1989. The objectives of the FSRP are to create an environment in which commercial banks and financial institutions will operate in such a manner as they could avoid the defaulting culture.

Firstly, FSRP introduced classification of loans and advances in 1989. A team surveyed all the PCBs (Private Commercial Banks) and NCBs (Nationalised Commercial Banks) to locate the causes and problems of the assets' management. After analysing the financial statements and observing the loan portfolios, they found that all the PCBs were crediting interest on stuck-up advances in income account, which was not an appropriate method for the calculation of net profit. To overcome these situations, World Bank suggested all the banks to segregate the loan portfolio into performing advances, which was treated as good advances, and non-performing

advances, which was stuck-up. They also modified the loan classification formula vide BCD (Banking Control Department of the Central Bank).¹

There was a provision that out of net profit, a reserve fund should be raised for the non-performing advances. Accordingly all the PCBs reviewed their advance portfolios and classified all the non-performing advances. The new classification formula was as follows:

- (a) Stuck-up advances for a period up to 12 months are called unclassified advances. Provision is not required for this.
- (b) Stuck-up advances for a period of more than 12 months but less than 36 months is called substandard. 10 percent provision for the substandard advance is to be taken out of net profit of the bank.
- (c) Stuck-up advances for a period of more than 36 months but less than 60 months are called doubtful advances. 50 percent provision for doubtful advances is to be kept out of net profit of the bank.
- (d) Stuck-up advances for a period above 60 months are called bad and losses. 100 percent provisions on bad and loss is to be kept out of net profit of the bank.
- (e) Practically all PCBs maintain general reserve @ (1) one percent on all good advances out of net profit.

6.4 Effects of Classification of Advances on the Banks

For applying this loan classification formula, all PCBs were benefited to avoid the liquidity crisis. The PCBs who are very careful to avoid bad advances can earn more profits. But simultaneously this formula on loan classification hampered the profitability radically. Even all the PCBs started crediting interest accrued on the non-performing advances to interest suspense account instead of income account. For these reasons profit volume of the PCBs were reduced during this period.

¹ Circular no. 34, 1989 which was obligatory to introduce by the PCBs.

Besides, all PCBs are bound to make a provision for non-performing advances out of profit. This provision also hampered high profitability but increased the banks liquidity to meet future contingency. In fact loan classification formula facilitates all the PCBs to avoid liquidity crisis. They shall be more capable to write off the stuck-up / classified loan at the end of a certain period. On the contrary all the PCBs have to pay less income tax to the Board of Revenue, fewer dividends to the shareholders and less bonus to the bank employees at the end of the year.

Subsequently classification formulas were amended on the 1st January 1995 in a more cautious way, so that PCBs can avoid default culture. Although, the implementation of new classification formula favoured all the PCBs to reduce the risk of liquidity crisis, but they could not realize all the stuck-up advances in a shortest possible time. For this reason government of Bangladesh constituted Aratha – Rin - Adalate (ARA) in 1991 to gear up the realisation procedure of stuck-up advances of PCBs by taking the legal action in a short period against the defaulters. But practically it was observed that ARA could not perform its vital role to realize the stuck-up advances due to lack of some stimulant clause in civil / criminal code prevalent in our country. In spite of all this, PCBs were getting benefit for ARA to realize their stuck-up advances. Defaulting borrowers are bound to repay their loans and advances with the instruction of ARA phase by phase.

Recently ARA is empowered to auction the mortgaged properties of defaulting borrowers. So, the activities of the judges of ARA have good impact for the realization of stuck-up advances of PCBs. Thus, PCBs were able to reduce their non-performing advances by taking the legal action in ARA which has positive results to avoid the default culture. To discourage the default culture of our country, Bangladesh government promulgated insolvency act in 1997 by adding some new provisions in insolvency Act. Accordingly insolvency court was constituted by the government of Bangladesh. All the PCBs can initiate the legal action against the chronic defaulting borrowers who are always habituated to default the banks' money.

Upon reviewing the PCBs' appeal, insolvency court may declare the defaulting borrowers as an insolvent person in our society where in he will be declared as neglected person, incapable to sign any contract, incapable to cast vote, incapable to be a candidate for any election. Thus, the defaulting borrowers would be helpless. The proper implementation of new clauses of insolvency act has positive impact to avoid the default culture in our banks.

Moreover, to discourage the default culture in our country, World Bank suggested us to implement lending risk analysis (LRA) prior to the sanctioning of the loan and advances. Lending effectively is important for economic success of any financial institution. Defect in the lending process hinders the economic growth of financial institutions. Previously all banks would disburse loan and advances to the borrowers depending on the value of collateral securities and ignored the risk of business enterprises. These defect affected all the commercial banks in defaulting loans and advances. Through implementing the lending risk analysis all the commercial banks were able to assess the business risk properly and decide whether accept or reject the loan proposal.

Lending risk is a risk in which a bank does not fully recover the loan. These are two types i.e. business risk and security risk. Business risk is the risk that the business fails to generate sufficient cash to repay the loan. These are of two types: such as industry risk and company risk. Industry risk is the risk that the company fails for external reasons. It is divided into two: such as supply risk and sales risk. Supply risk is the risk of failure of enterprise due to disruption in the supply of inputs. On the other hand, sales risk is the risk of failure of an enterprise due to disruption to sales.

Company risk is the risk which means that the company fails for internal reasons. These are divided into two i.e. company position risk and company management risk. Company position risk is the risk of failure due to weakness in the company's position in its industry. On the other hand, management risk is the risk of failure due to management not exploiting

effectively the company's position. Again, company's position risk is divided into two categories e.g. company's performance risk and company's resilience risk. Performance risk is the risk that the company's position is so weak that it cannot perform well enough to repay the loan given expected external conditions. On the other hand, company's resilience risk is the risk of failure due to lack of resilience to unexpected external conditions. Company's management risk is again divided into two i.e. company's management competence risk and management integrity risk. Company's management competence risk is the risk of failure due to lack of managements' competence. On the other hand, management integrity risk is the risk of failure due to lack of management integrity. There after arises the security risk. Security risk is the risk that the realized value of security does not cover the exposure. It is divided into two categories e.g. security control risk and security cover risk.

Security control risk is the risk that the bank fails to realise the security; on the other hand, security cover risk is the risk that the realized security value is less than the exposure. World Bank suggests that all the commercial banks should analyse all the above risks of an enterprise to who loan and advances to be sanctioned in a specific LRA format. They also suggest for preparing financial spreadsheet by analysing 3-years' trading, profit and loss account and balance sheet. From the above analysis, it is found that if the business risk is acceptable and if the security cover risk exceeds the exposure, the loan proposal will be considered. On the other hand, if business risk is not acceptable and security cover risk does exceed the exposure the loan proposal will be rejected. It is presumed that through the proper implementation of LRA all the commercial banks may avoid default culture.

However, the banks' executives mention that the major factors for unfavourable productivity of the banks are as follows: (1) considerable stuck-up advances in both Industrial and Rural sectors; (2) increasing cost burden; (3) decreasing revenue earnings; (4) lack of opportunities for profitable

investment; (5) lack of accountability; (6) lack of proper control on deployment of fund; (7) misuse of fund; (8) excess manpower leading to high establishment cost; (9) deterioration in customers' services; (10) heavy competition in a free economy conditions; (11) priority on social profitability of Private Commercial Banks; (12) weak management information systems (MIS); (13) unfavourable business environment; (14) absence of uses of modern information technology in accounting and managerial issues; (15) chronic industrial sickness; (16) lack of good entrepreneurs; and (17) availability of smuggle products is creating unfair competition.

Against the above problems, the banks' executives suggest that to face the challenging situation of productivity, the following measures should be taken: (1) stuck up advance should be recovered as early as possible; (2) cost of fund should be controlled through austerity measures; (3) interest and non-interest earning should be increased; (4) excess manpower should be reduced; (5) performance budgeting should be introduced for increasing accountability; (6) modern methods should be introduced for increasing management information systems, and accounting information systems' activities; and (7) congenial business environment should be ensured for facilitating productive uses of fund etc.

6.5 SWOT Analysis

Credit Rating Information and Services Ltd. (CRISL) and Rating Agency Malaysia Berhad (RAM) jointly identified the selected SWOT analysis which is discussed below.² Both the banks under study (IBBL and OBL) have their strengths, weakness, opportunities and threats.

S = Strengths

- (1) Sources of fund are enough for maximum investment.
- (2) Funds are secured enough through strong financial base.

² *Annual Reports* of IBBL during 2004, p. 37.

- (3) High networking with Private Sectors Banks in Bangladesh.
- (4) Availability of fund shows high liquidity.
- (5) Availability of low cost fund is another main strength of the IBBL.
- (6) Satisfactory profit margin of IBBL is an additional strength.

W = Weakness

- (1) There is shortage of capital due to high default culture specially in ABBBL(OBL)
- (2) Lack of research opportunities – separate research cell for market study is absent.
- (3) Lack of reliable and creative entrepreneur affects productive utilisation of fund.
- (4) Modern technology is yet to be introduced at the branch level except a few occasions.
- (5) Electronic banking needs should be met by adjusting with modern IT facilities.
- (6) Weak performance due to the absence of computerised programmes and related facilities.

O = Opportunity

- (1) Man management relation is very cordial at the head office and branch levels which develops human resource productivity.
- (2) Better image in financial market, facilitates collection of funds at a minimum cost.
- (3) Intensive supervision in loans and advances creates customers' confidence, trust and inclination towards the bank.
- (4) Credit card business is going to be popular day by day due to low cost and savings in time.

- (5) Both the banks have also broadened the opportunities for fund management through better security.
- (6) The ATM business has also ensured a convenient way of transferring fund and ensures protection of the same.
- (7) E-cash business has strengthened the control of cash and good use of cash.
- (8) E-commerce Business is benefiting the customers' services at a competitive cost.
- (9) Better incentives and inspiration for savings lead to better deposit mobilization.
- (10) Appreciation of transactions is made for customers' satisfaction in favour of establishing long term relations.

T = Threats

- (1) Sometimes unfair competition in job market creates difficulty in recruitment of talented manpower.
- (2) Deficit in foreign currency sometimes disrupts development activities.
- (3) Liquidity crisis enhances dependence on call money and creates huge and unwanted pressure in the money market.
- (4) Sometimes skilled manpower is to be procured at a high cost which is beyond the economic feasibility of the banks.
- (5) Continuation of high salary rate is very difficult in the context of chronic default culture.

However, relatively IBBL is in a better position than that of the OBL. The weaknesses and threats of OBL are relatively more vulnerable than those of IBBL.

6.6 Development Activities Undertaken by IBBL are as Follows

Corporate Governance

IBBL is committed to establish good corporate governance in its all operational activities for achieving its business goals. Over the past years, the Bank has developed a sound corporate governance framework. The banks' corporate governance process is based on the following factors.

- (i) An accountable and effective Board of Directors;
- (ii) A clear strategy for business development with appropriate delegation of powers;
- (iii) Sound decision-making mechanism backed by adequate discretionary authority;
- (iv) Prudent accounting principles and increased information disclosure;
- (v) Strategically linked performance evaluation; and
- (vi) Human resources development efforts.

6.7 Staff Welfare Schemes

The bank believes in supporting its employees and offering incentives and motivation for its continued profitability and prosperity. With a view to supporting these objectives, the bank operates a contributory Provident Fund, Social Security Fund, Gratuity Fund and a Benevolent Fund for the employees of the Bank. These funds are managed by separate Board of Trustees.

(i) Contributory Provident Fund

The provident fund is for the regular and confirmed employees who work for a period of minimum 5 (five) years in IBBL. And it came into force with effect

from the 1st March 1986. The fund received contributions @ 10% of the basic pay both from employees and employer. During the year 2003 Tk. 25.54 million was contributed by the Bank to the IBBL Employees Provident Fund. An amount of Tk. 429.88 million was available in the IBBL Employees Provident Fund as on 31.12.2003.

(ii) Social Security Fund

The scheme came into force with effect from the 8th December, 1988. It was formed for financial help to the member of the IBBL Employees Social Security fund and their families in case of death, physical disability of the employee while in service or of any thing of like nature acceptable to the Board of Trustees and retirement from the service.

An amount of Tk. 47.88 million was available in the IBBL Employees Social Security Fund as on 31.12.2003.

(iii) Gratuity Fund

The gratuity fund for the regular employees of IBBL started from 1st day of March, 1986. The employees who serves at least 7 (seven) years in IBBL are normally entitled to get gratuity equivalent to one month's basic salary of the employees for their completed years of services in the Bank. To buildup adequate fund gradually, Tk. 35.00 million has been provided during the year 2003. The fund balance stood at Tk. 183.55 million as on 31.12.2003.

(iv) Benevolent Fund

The benevolent fund for the regular and confirmed employees of Islami Bank Bangladesh Limited was established in the year 1986. This fund is mainly used for scholarship to the meritorious students among the children of IBBL's staff and sub-staff to allow short term quard for the unexpected and certain needs of the staff of IBBL like accident, clinical treatment, marriage ceremony of the staff and their dependents. An amount of Tk. 35.21 million was available in the benevolent fund as on 31st December 2003.

6.8 Social Welfare Activities

With a view to providing financial assistance to the poor and needy people through various income generating programmes, health care, relief and rehabilitation, education, humanitarian, dawa and special programmes, the Islami Bank Foundation was established. It has established the following projects and programmes.

- (1) Five modern Islami Bank Hospitals: (i) Two in Dhaka, (ii) One in Rajshahi, (iii) One in Khulna, and (iv) One in Barisal.
- (2) Three Islami Bank Community Hospitals: (i) Satkhira, (ii) Manikgonj, and (iii) Rangpur.
- (3) Four Service Centres: (i) Noakhali, (ii) Manikgonj, (iii) Feni, and (iv) Saint Martin and several other projects were taken for socio-economic development of the citizens of our country.
- (4) Five Vocational Training Institutes were established. These are Islami Bank Institute of Technology; two in Dhaka; one at Bogra, one at Sylhet and the other at Chittagong.
- (5) Islami Bank Physiotherapy and Disabled Rehabilitation Centre (IBPDRC) was established at Kakrail, Dhaka enabling the physically retarded individuals to be self-reliant through proper Physiotherapy treatment and by imparting special skills.
- (6) Bangladesh Sangskritic Kendra: Two Cultural Centres, one in Dhaka and one in Rajshahi were set up to save the younger generation from derailment and uphold and promote our own culture.
- (7) Distressed Woman Rehabilitation Centre was set up at Mirpur, Dhaka- a facility for shelter, training and rehabilitation of destitute and shelterless widows and divorced women. The Islami Bank Foundation has also extended its activity in the following areas.

- (i) Islami Bank International School and College was set up in Dhaka City for giving stress on values and moral teachings, which is essential for the students to become responsible citizens.
- (ii) Monorom- Islami Bank Crafts and Fashions: a sales centre in Dhaka that plays a significant role for economic upliftment of poor and distressed women through providing sales opportunities of their products.

The Foundation has also drawn up a plan to look after the education, health and Medicare requirements of the people of the area where the Bank has launched Rural Development Scheme. In the meantime Islami Bank Medical College has been established at Rajshahi with the approval of the appropriate authority. Necessary Manpower including one Project Director, one Deputy Project Director, one Principal and one Vice-Principal have been appointed and formal activities of the College have already been started.

The Foundation had spent Taka 106.25 million during the year 2003 for (a) Income Generating Projects, (b) Education, (c) Health and Medicare, (d) Relief and Rehabilitation, and (f) Dawah Activities, etc.

6.9 Operation Profile of the Banks

Despite the overall adverse economic conditions, the banks continued their steady progress in all fields of banking activities including credit, deposits, investment, income and profits. Since their inceptions the banks directed their operational activities keeping in view the broad socio-economic activities of the government in particular and the Islamic Ummah in general. The banks continue to be involved in financing small and medium scale industries in line with the policy of the government for rapid industrialization of the country. The

percentage of their investment in industrial sector is very satisfactory and has received appreciation from the government of Bangladesh.

6.10 Training and Development Activities of the Banks

While judging the perceptions of the banks' employees regarding effectiveness of training and development activities of the Banks, the following comments were available.

- (a) A separate training institute of IBBL performs its jobs to the satisfaction of the employees. But OBL has no training institute of its own.
- (b) Experts in service training facilities are available in both the banks.
- (c) After joining at the bank, good induction programmes are made and these create greater awareness and understanding among the employees.
- (d) After completion of training of the employees, they have greater scope to utilise their expertise and stock of knowledge.
- (e) Training develops technical knowledge and skills.
- (f) Creative ideas are made available through exchange of information, mutual discussions and brain storming in group discussions in the seminars and workshops.
- (g) Training in human relation skills develops leadership skills and there is enough scope for the employees to contribute in management development through participation in managerial decision making.
- (h) Employees always participate in determining their training needs.

6.11 Performance Appraisal Systems

Performance appraisal of the employees is done through good use of segment reporting. Each and every department of the banks is given

departmental targets for achievement. Based on their achievement of targets, their efficiency and performance is measured. This gives an opportunity for reviewing and expressing of their creativity.

Both the top level and lower level management people have good communications for this sort of performance appraisal. Even the developmental needs of the employees are located easily by top management.

The strength and weakness of the employees become clear with this device. Employee potential and scope for development are made clear. This also facilitates the control of employees' behaviour and developing the strategies for job rotation, job enrichment and management development activities.

6.12 Career Planning

On the questions of career planning of the bank executives and employees, it is found that seniors guide juniors to prepare them for future responsibilities. Potential of the employees is utilised in favour of participation indecision making of management. Promotions of employees are always based on performance of the employees without any reservations

Career opportunities are always given to the employees through motivating efforts of top management. Managerial staffs always try to develop their juniors for future growth of leadership skills. In the context of feed back and counselling, it is available that the employees have good feedback regarding their behaviours and it develops effective communication among them and the planning of future activities becomes clearer, which are based on such feedbacks.

The results of documentation of current performance is also helpful for both the employees and the decision makers. Practically weaknesses of the employees are informed in mild ways to convince the employees; and this

encourages them to work more for the interest of the business. Counselling and suggestions given by the senior officials are always helpful for the performance development of the junior employees.

6.13 Rewards, Employee Welfare and Quality of Working Life

Employees are rewarded for the good performance or contribution made by them through providing them with salary increments, cash rewards and wise promotions which are the appropriate mechanisms for rewarding the employees. Training in human skills is developed through human relation competencies and this is done through participation of the employees in understanding their training needs.

6.14 Performance Appraisals

There is good performance appraisal system and it gives opportunity to have understanding about their duties and responsibilities through good feedback. Use of self review and its reflection develops the understanding and awareness of the employees.

There is good use of job analysis, job enlargement, job rotation and it develops good performance of the employees. Supervising officers are always vigilant for appreciating good work and even the working condition is very much congenial. Employees are satisfied with their prevailing working conditions, safety and welfare measures, good social security schemes, handsome salary structure and existence of informal relations among them.

6.15 Organisational Development

In this arena, it is found that team spirit is high among the employees of the bank. Employees are very much loyal to the organisation and they always think the environment as a friendly place. The spirit of cooperation is good enough and there are good chances for making decisions on each of the job.

6.16 Employee Participation

The practice of employee participation in management is highly effective. Before taking any decision there is good consultation among the employees. Joint forums and regular meetings are held to solve any crisis of the banks. Participative approach in bank management develops good sharing of information and there is good commitment of the employees which raises their productivity. There is also good work culture among the employees due to the sincerity of management.

6.17 Man Management Relation

Man management relation of the banks is highly cordial. There is good system of grievance reconciliation and the sincere works are always recognized. There is scope to discuss personal problems with management authorities and the demands of the employees are always considered sympathetically.

6.18 Commitment and Involvement

Employees think their jobs to be highly interesting and they take up that responsibility gladly. There is also good feeling of accomplishment among the employees.

6.19 Skill and Knowledge

Employees believe that they have ample opportunity to develop their skill and knowledge in bank management. There is also scope for personal growth and development in their careers. Initiatives and encouragements are there for developing good internal environment necessary for better employees' performance.

6.20 Motivation Aspects

Motivation mix of the employees is also satisfactory. Employees are satisfied with their given salary, fringe benefits, financial rewards and other non-financial incentives like recognition of work, appreciation and thanks for nice accomplishments.

6.21 Absenteeism Factor

Employees' absenteeism is rare in the banks' due to better and cordial relation among them, and because of this, absenteeism is very much negligible. Good reward system and quality of work life of the employees encourage good attendance of the employees of both the banks.

6.22 Conclusion

In assessing the necessary measures for improving the implementation of Human Resource Development Programme, it is inevitable that controlling of the business risks comprises industry risk, company risk and other elements like sales risk, performance risk, management risk, security risk, competence risk etc. are needed to be monitored in a meticulous way which was prescribed under FSRP. Training and development activities of the banks are highly effective yielding an excellent performance appraisal system, scope for excellent career planning, scope for reward and welfare facilities, organisation development, MBO, cordial managerial relation, employees' commitment and involvement, and developing employees' motivations.

It is argued that difficulties in the implementation of LRA models, excessive default cultures (in particular bank), difficulties in classification of advances, major determinants of profitability, SWOT factors etc. are needed to be faced boldly and implemented with greater attention and due care through which corporate governance along with welfare activities of the banks can be developed. The banks may overcome their difficulties by their own

commitments and strong actions along with the central bank's control, monitoring and supervision.

Chapter 7

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 Preamble and Summary

Banking scenario in Bangladesh has become crippled due to high default culture of the borrowers, industrial sickness, natural calamities, lack of good entrepreneurs, shortage of congenial business environment etc. For the survival of the commercial banks, development of their human resources is a must. The major objectives of the study are to analyse the growth and development trends of the activities of the two purposively selected Islamic Banks. An attempt is made here to examine the changing pattern of human resource development programmes of the banks, and to measure the levels of managerial performance of the two banks and variations thereon along with the governing factors. Further attempts are made to see the interrelationship between human resource development and performance of the banks i.e. correlation between HRD expenditure and profitability of the two banks. It further attempted to focus on the HRD activities in favour of recruitment, training, morale, motivation and job satisfaction of the human resources. We have also collected the opinions and views of the human resources relating to attitude of management and limitations thereon. Lastly attempts were made to identify the SWOT max and to suggest measures for improvements of the human resource development activities as to enhance the managerial performances of the two selected Islamic Banks. Virtually, a lot of research works have been done on different aspects of commercial banks, but no such research work has yet been done on the effectiveness of HRD activities. This study would be of immense value to our policy makers in our banking arena in reducing the knowledge gap in the field of investigation. The major hypotheses developed are:

- a) There are significant variations in profitability of the selected Islamic Banks.
- b) There are also significant variations in productivity due to different Human Resource Development activities of the Banks.

The methodological design of the study adheres to the purposive sample mix covering IBBL and ABBBL(OBL). Both primary and secondary data have been used here. The primary data were collected through two sets of structured questionnaires: one for the banks' executives and the other for the branch officials.

From the basic objectives, mission, vision and broad HRD functions of both the banks, it is clear that both the banks have given top priority on HRD activities through extensive development programmes. Both the IBBL and ABBBL(OBL) have extended their training programmes, increased their number of participants, provided more incentives for motivation and participation in decision making process. But IBBL has better performance in this regard than that of ABBBL(OBL).

So, IBBL has been able to develop Human Resources Development Programmes but OBL failed to replicate it for its own. This replication was not possible due to its increasing default culture without which OBL could elaborate an effective HRD programme and could increase productivity and operational performance during the period from 1987 to 2004.

It is advocated to keep a vigilant eye in giving proper care and attention while implementing LRA models and SWOT factors for both the banks. To implement and to improve HRD programmes, controlling of business risks, performance risk, management risks, security risk, sales risks, competence risks should be monitored meticulously under the proper guidance of the banks' internal regulation and also by Bangladesh Bank's regulations.

From the overall analyses and interpretation of both secondary and primary data of the two banks, it could be concluded that human resource development activities of the banks are satisfactory. This has become possible due to wide participation of the two training institutes of the banks and cordial cooperation of both top management and lower level management. Managerial performance of the Islamic Bank (IBBL) is better than that of Oriental Bank (OBL). This is due to difference in size and volume

of activities, and culture of the two banks. Productivity of the banks is somehow satisfactory although there are variations over the periods.

The operational activities of IBBL during the past 22 years i.e. business growth rates were favourable with regard to profitability and productivity. The newly established IBBL was doing well in terms of deposits, advances, investment, total income, total assets, total employees and expansion of number of branches in the different areas at the district levels. The gradual development and expansions of the bank products of IBBL have been able to win and attract good responses from among the financial circles of Bangladesh about the viability of IBBL as an Islamic Bank. IBBL has created the positive change in business growth and trading growth including import and export earnings. Not only that, it has also changed the traditional banking activities.

The operational activities of Al-Baraka Bank Bangladesh Limited (renamed as The Oriental Bank Limited during the past 18 years i.e. from 1987 to 2004) were not very satisfactory with regard to profitability and productivity. The gradual poor development and poor expansions of the banks' products (of The Oriental Bank Limited) failed to have response from among the financial circles of Bangladesh about the viability of The Oriental Bank Limited as an Islamic Bank. Due to some controllable and uncontrollable factors, poor performance was performed by the OBL during 1987-2004. So, this bank was not capable to fulfil the targeted goals and objectives during the period under study.

The Human Resource Development Programmes of IBBL are more effective than that of ABBBL(OBL). Actually, the increasing default culture of the ABBBL(OBL) has affected the wide implementation of Human Resource Development activities of the ABBBL(OBL) during the period under study. If such unusual situation would not occur in default culture of the ABBBL(OBL), its Human Resource Development activities would be more elaborated and contributory for the increasing productivity and operational performance of the bank.

7.2 Conclusions

Based on testing of the hypotheses and opinion surveys and other research findings finally, we can conclude that the effectiveness of the HRD programmes of the selected banks is satisfactory although there is difference in extent of the same between the two banks. Human resources' productivity, managerial performance, growth and development of the banks, efficacy in fund management of the banks, development programmes like training and development of the employees are increasing day by day with the sincere efforts of the managements engaged in the banks. Prevention of threat and weakness factors of the banks may create better environment for implementation of HRD activities. This also depends on cooperation between trade union, CBA and management authorities of the Head office and branch levels. It is observed from the findings that HRD activities have effects on the performance of both the banks.

7.3 Recommendations

From the aforesaid findings, we can formulate the following recommendations for both the IBBL and OBL for their betterments and benefits.

- (1) IBBL is to be allowed to determine the rate of profit on deposits and advances. If the Bank can rationally utilise this opportunity it may be able to increase productivity.
- (2) The productivity of the banks may be raised by better funds management and portfolio management, improving recycling of funds and developing other income from the business activities of the banks.
- (3) Managerial efficiency should be protected considering the pre-operational costs of the bank.
- (4) Operational cost should be minimized through budgetary control and cost austerity.

- (5) The banks should be allowed to work independently as a commercial bank without any political or outside interventions.
- (6) IBBL should try to improve the deposit investment ratio for higher productivity.
- (7) Better industrial relationship, participatory decision making etc are needed to improve the productivity of the banks.
- (8) An in-depth evaluation of the projects and use of better MIS, AIS and Effective monitoring of investment portfolios are needed to increase the productivity.
- (9) More decentralization of decision making authority of the banks' officials should be at the branch level through using MBO practices.
- (10) Creation of the investment climate to earn profits for the banks is necessary. This requires political stability, incentives for the MNCs and cooperation of entrepreneurs.
- (11) Decentralizing decision making with appropriate authority is the felt need of the time. This will be helpful for solving industrial sickness in various sectors.
- (12) Providing promotion, incentives etc. with productivity of employees are necessary. Motivation and productivity of the employees are positively co-related. So employees' motivation is very important for higher productivity.
- (13) Fixing targets through consultative management is also necessary. This will develop responsibility for improving performance and implementation of budget.
- (14) Developing quality circle is a crucial need of the hour. This will be possible through ensuring TQM and good governance in each and every sphere of activities.

- (15) Organising purpose oriented training programmes are necessary for the banks. Proper training develops effective human resource. So selection of training issues is very significant in the context of employee's requirement and deficiency.
- (16) Encouraging development of positive and co-operative relationship, between management and trade unions is also necessary. Trade unions' co-operation may develop congenial working environment which lead to increasing operational efficiency of the banks.
- (17) Introduction of more mechanized system/advanced technology like telex, fax, e-mail, e-banking, money-gram, SWIFT, on line banking, business card, automation and ATM etc. will improve the banks productivity.

7.4 Suggestions for Further Studies

In view of the limitations of the present study and demand for further studies, the following areas of research are suggested.

- (1) Separate study should be undertaken incorporating broad based samples of other commercial banks.
- (2) Nature and causes of default culture, LRA activities and implementation of FSRP should be studied separately.
- (3) Separate study can be done on employee morale, job satisfaction and motivation mix of the banking sector.
- (4) Detailed study should be done on SWOT mix of the commercial banks and it's relevance to the HRD activities.
- (5) Delegation of authority, decentralization of authority, performance budgeting and good governance of the banking sector can easily be studied.
- (6) Prospects of e-banking, difficulties there on, and relevance to HRD activities may be depicted in a separate study.

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Appendix

Names of banks' employees and Clients whom the researcher consulted

Employees of IBBL

Kazi Main Uddin Khadem
Md. Jashim Uddin
Md. Shahjahan Ali Mollah
Enajuddin Ahmed
Md. Akhter Hossain
Shahid Uddin Ahmed
Md. Mosharraf Hossain
Md. Zakir Hossain
Khan Mosharraf Hossain
Sk. Mohd. Aslam
Mohammad Rokan Uddin
Md. Faizul Kabir

Employees of ABBL (OBL)

Md. Golam Rahman
Syed Salahuddin
Mohammad Yamin
Shaker Ahmed
Md. Nurul Amin Miah
Md. Azfar Hossain
Md. Sarwaruddin Hilali

Clients of IBBL

Md. Sadar Ali

Md. Tahrul Islam

Golam Nabi

Abdur Rouf Khan Chowdhury

Full Mohammad

Alhaji Sahidul Islam

Ashraful Ahsan

Md. Shafiqul Islam

Md. Samsul Alom Sarkar

Md. A.B.S. Bhuiyan

A.M. Shahidul Alam

Md. Abdul Hannan

SK. Kabirul Haider

Md. Shariful Islam

Md. Belal Hossain

Md. Delwar Hossain

Md. Abdus Salam Akond

Md. Saifuddin

Md. Razaul Karim

Md. Monzul Faruk Chowdhury

Md. Abul Hassan

Md. Abul Hossain

Md. Rafiqul Islam

Md. Rafiqul Islam

Md. Abu Taha

Md. Lutfur Rahman

Md. Sarifuddin

Md. Mostafizur Rahman

Md. Serajul Islam

Clients of ABBL (OBL)

Md. Habib Khan

Md. Atiqur Rahman Kalu

Md. Abdus Sattar

Md. Abdus Salam

Md. Abdus Salam

Md. Fazlul Karim Tinku

M. Saidur Rahman

M.A. Khalek

Md. Sirajul Haque

Md. Azizul Haque Sinha

Md. Sirajul Islam Tusar

Md. Badal Ali

Md. Mustafizur Rahman

Md. Amirul Islam

Md. Ehsanul Haque

M. Aminul Islam

Md. Emtiaz Hossain

M. Abu Hena Mostafa Kamal

Md. Ekramul Kabir

Mrs. Esrat Jahan