Fund Management Practices of the Selected Nationalized Commercial Banks in Bangladesh

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Abstract

Fund management of commercial bank is a significant issue for its growth and stability. The unusual difference between cost of fund and return on fund is alarming for the financial health of any commercial bank. The major objective of the study is to know the position of fund management, profitability, growth, stability, and productivity trends of Janata Bank Ltd and Agrani Bank Ltd during the period of 2000-2009 and 2004-2008 respectively. Here the secondary data are used. In fund management practices, the banks are not in a good position due to heavy stuck up advances, low recovery rates, excessive over dues, and outstanding advances. The management of the banks is alert enough to overcome this odd situation. The recent financial reforms introduced by the Ministry of Finance and Bangladesh Bank have improved the situation. The overall profitability, productivity, and stability of the banks are increasingly improving trough the application of modern fund management techniques.

Key Words: Efficiency, stability, liquidity, profitability, productivity, growth rate, fund management.

Introduction

Banking system as a whole plays an important role in the economy of a country irrespective of its level of development. Bangladesh as one of the poorest countries in the world, no exception to this regard, inherited a poor banking system in terms of liquidity, personnel deposits, loan and advances, discipline and banking work at the time of liberation (1971). After the independence of Bangladesh, the development strategy which was followed in pre independence period, underwent a qualitative change. The Government of the People's Republic of Bangladesh adopted economic policies and programs ensuring social control and ownership of banks, major industries and insurance companies, which were privately owned during Pakistan period. Accordingly local as well as Pakistani banks were nationalized and reorganized into distinct new banks incorporated in Bangladesh in terms of the Bangladesh Banks Nationalization order 1972, which was promulgated on the 26th March 1972. During this time 6 nationalized commercial banks were created viz. Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Pubali Bank, and Uttara Bank.

No private commercial bank was allowed by the Government to operate except the foreign banks, which were allowed to function as before. Although some of the objectives of nationalization such as opening of bank branch in rural areas, mobilizing deposits from small borrowers and extension of bank credit to the weaker sections of the society have been achieved to a certain

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extent. The welfare of those sections has not been improved to the extent as expected. Bank credit to the priority sectors increase at a rate but the actual results expected to be achieved as a result of expansion of bank credit had been far from satisfactory because of misuse of credit. Allocation of credit was much below the actual requirements. The effective cost of borrowing in many cases was very high due to high transaction costs and other costs which had to be high by the small borrowers. The projects became unprofitable due to high effective cost of borrowing, which results in failure.

Statement of the Problem

Commercial Banks in Bangladesh have severe problem of stuck up advances in both public and private sectors. The amount of such advances (excluding inter-bank) is about Tk. 2, 64,182.20 cores in 2009-2010 financial year. Most of the public sector industries have become sick. Many of our private sector industries have also become sick due to production and marketing difficulties. In our northern districts in Bangladesh, the industrial projects financed by Sonali Bank Ltd, Agrani Bank Ltd, Janata Bank Ltd, Bangladesh Development Bank Ltd (BDBL, formerly known as BSB and BSRS), Rajshahi Krishi Unnayan Bank (RAKUB) and others have also become sick with some exception. This has raised the cost of fund of the banks. There is low profit and productivity of the banks. In this context, any research work on fund management may be beneficial to the authorities, policy makers, and others.

Need for the Study

Management of fund in Commercial bank is very essential for its sucessful survival. An extereme difference between cost of fund and return on fund is very harmful for the financial base of any Commercial bank. Agrani Bank Ltd and Janata Bank Ltd have severe financial difficulties and due to alarming situation our government has appointed foreign consultant to review their financial performance, World Bank suggests that over staffing should be reduced and even nationalized commercial banks (NCBs) should be denationalized. There is a strong debate about this idea. NCBs have social obligations, which are not followed by the private commercial banks. For our socio-economic development, we need NCBs. If the NCBs are given full autonomy, they can do well. Their performance may be a good guideline for the privatized commercial banks (PCBs). We have read the different research studies done earlier but not a single study has been attached to this fund management of Agrani Bank Ltd and Janata Bank Ltd. This is why we have taken this study that will be helpful for many of us

Objectives of the Study

1. To know the fund management practices of Janata Bank Ltd during last ten (2000-2009) years and Agrani Bank Ltd for last five (2004-2008) years.
2. To analyze the profitability condition of the banks and factors governing the same for the period.
3. To know the productive trends of the banks and the factors for variations during the period.
4. To give suggestions for developing fund management practices in the bank as desired by World Bank (WB), International Monetary Fund (IMF), and Foreign Consultants.

Methodology of the Study

This study is limited to the financial and operational data of the Agrani Bank Ltd and Janata Bank Ltd for said period. The study follows mainly secondary data, which are collected by visiting the banks head offices. The data are analyzed through different ratio indicators to find out the liquidity position, productivity level of the banks. Besides Mean Value, Stardard Deviation (SD), and Coefficint of Variance (CV) are also given to conclude specifically.

Review of Related Literature

Saha, Sujit and M.S. Karim Chowdhury authored an article entitled "Role of Commercial Banks in Development Financing in Bangladesh" in 2000. They regarded commercial banks as the most important functionary of the financial system. They play a dynamic role in the economic development of a nation through mobilization of savings and allocation of credit to productive sectors. However, directed and inefficient credit allocation by the commercial banks of Bangladesh in various economic sectors without adequate credit appraisal and monitoring lead to the widespread loan delinquency, and deteriorating health of the entire financial system. In their noble effort of development financing, commercial banks are facing various problems such as mismatch of sources and usage of funds, extreme dependence on traditional collateral securities, politicization of credit delivery system, absence of sound legal system for recovery of loans, lack of government's extension facilities in the form of data base, investment counseling appropriate technology, infrastructure, marketing of products and services etc. However, they should increasingly involve themselves in development financing in order to gain long-term viability benefiting themselves as well as the economy, but that should not occur at the cost of viability of the total financial intermediation process.

Huda M. Nazrul prepared an article on "Bangladesh's Financial Sector: An Overview" in 1990. According to his opinion the financial sector in Bangladesh is smaller and less developed than that in most countries in South and East Asia. Despite recent modest gain in financial depth, the system remains shallow. While major policy reforms have been undertaken during the last few years including deregulation of interest rates, strengthening standards of loan classification and provisioning, elimination of Bangladesh Bank's control over most financial transactions and adoption of risk-based capital adequacy requirements, the financial sector continues to be severely underdeveloped and inefficient. The poor quality of intermediation of Bangladesh Bank and the underdeveloped debt and equity markets are acting as a drag on economic growth. Indeed, the widespread insolvencies in the banking sector lead to a continual risk of financial crisis in the country. To avoid a painful crisis, a comprehensive and wide-ranging reform is indispensable. Implementation of reforms involves pains and costs. But experiences elsewhere in the world suggest that the longer the delay the greater the pain, sacrifice and costs.

Shah, A.K. **Fazlul H.** and **Md. S.H. Khan** in their study on "Efficiency of Some Selected Commercial Banks in Bangladesh" investigate the efficiency of certain commercial banks operating in the country. It considers twenty commercial banks selected from three groups: nationalized, private (domestic), and private (foreign) banks. A special case of Factor Analysis is adopted to measure the efficiency of those banks based on seven productivity indicators. The

analysis reveals that out of 20 banks, only 7 of them are efficient. Of these 7 efficient ones, 6 are foreign banks and only one is a domestic private bank. None of the nationalized commercial banks is found to be efficient. Thus the study supports the general notion that foreign banks are efficient while nationalized ones are not.

Concept of Fund

The true meaning of fund is variously used depending upon the nature and environment of circumstances. Specifically, there are three concepts of the term funds cash concept, total resources concept and working capital concept. According to **cash concept**, the word fund is synonymous with cash. All cash receipts are regarded as fund inflow and all cash payments as funds outflow. Thus, when the term fund is used in name of cash funds, statement turns into receipts and payments account. According to **total resources concept**, the term funds represent total assets or total resources of the organization. All the changes that result in increase in assets and liabilities or decrease in assets and liabilities are shown in fund flow statement. Here decrease in assets and increase in liabilities constitute sources of funds which are known as fund inflows. But increase in assets and decrease in liabilities are regarded as uses of funds indicating fund outflow. In the funds statement prepared on total resource basis, sources of funds must equate their uses because the balance sheet both assets and liabilities columns of which are equal to each other, is the fundamental basis of preparing such statement. According to **working capital concept** the term funds refer to net working capital. Generally, the working capital is the difference between current assets and current liabilities. Balance sheet of any organization comprises of noncurrent assets and non-current liabilities at the one end but current assets and current liabilities at the other. So, working capital may be calculated thus:

Working Capital = Current assets - Current liabilities.

Here current assets include cash, accounts receivable, and inventory. Current liabilities include accounts payable and accrued liabilities or expenses. So,

Working Capital = Cash + Accounts Receivables + Inventory – Accounts payable – Accrued liabilities.

Fund Management: Now that we have some idea of how a bank operates, let us now look at how a bank manages its assets and liabilities in order to earn the highest possible profit. The bank manager has four primary concerns as follows;

The **First** is to make sure that the bank has enough ready cash to pay its depositors when there is deposit out flows, because depositors make withdrawals and demand payment. To keep enough cash on hand, the bank must engage in liquidity management. The acquisition liquid assets are needed to meet the banks obligations to depositors. **Secondly,** the bank manager must pursue an acceptably low level of risk by acquiring assets that have a low rate of default and by diversifying asset holdings named asset management. The **Third** concern is to acquire bonds at low cost. This stands for liability management. **Finally,** the manager must decide the amount of capital to be maintained and then acquire the needed capital. This is known as the capital adequacy management.

Fund management is the coordinated management of both banks assets and its liabilities to ensure an adequate level of liquidity and other goals. As an effort to effect fund management, today bankers have learned to look at their asset and liability portfolios in an integrated way. This

considers how the banks total portfolio contributes to its broad goals of adequate profitability and acceptable risk. This type of integrated bank decision-making is known as asset liability management. But fund management approach is a much more balanced approach to asset liability management. Fund management attains the following key objectives:

(1) Bank management should exercise as much control as possible over the volume. Managements control over assets must be coordinated with its control over liabilities so that asset and liability management are internally consistent and do not pull against each other.
(2) Since revenues and costs arise from both sides of the bank's balance sheet (i.e. from both assets and liabilities), bank should take policies to maximize returns and minimize costs from supplying services.

Thus, the traditional view that all bank income must come from loans and investments has given way to the notion. That bank sells a bundle of financial services, credit payments, savings, financial advice etc. These should be priced to cover their cost of production. Income from managing the liability side of the balance sheet can help achieve banks profitability goals as much as revenue earned from managing bank loans and other assets. Before dealing with the different phases of fund management let us now look into the statement of changes in financial position, a technique to develop fund management.

Concept of Profit

Difference between total income and total expenditure has been defined as the profit or loss. Profit is the surplus of total income over total expenditure; Gross income is the sub-total of all receipts credited to the profit and loss account of a banking company. There are two approaches of the concept of profit i.e. accounting profit and social profit.

Accounting Profit: Accounting profits are taken to be the figures derived after having matched the cost against revenue in a period of time. The concept of profit was described as the maximum amount that could be distributed as dividends to shareholders during the period without any contraction of resources. Profit refers to accounting profit rather than social profit. There are different measures of accounting profit like gross profit, net profit, operating profit, distributable profits etc.

Social Profit: It is a measure of profit, derived from social responsibility accounting. A business is an integral part of society, and therefore its objective should be not only to earn accounting profit but also to fulfill the social commitment. Social profit is calculated by subtracting the social benefit to social cost. The main difference between accounting and social profit is that accounting profit includes net returns generated by the enterprise from its productive activities. Social profits reflect the net contribution of the enterprise to the society. For example social profit includes taxes; depreciation, interest, value added and all others transfer payments towards the society. From the society's view, these transactions constitute benefits and are not costs.

The social profit is calculated, as social revenue benefit minus social cost. Social benefit is the stream of inflows which are translated into present value having the appropriate social discount rate conversely social cost is the sacrifice of the society to achieve the social return or benefit. Similar to the social benefit, social costs are translated into the prime value using the social

discount rate. And the social profitability is measured by subtracting the stream of the present value of social return and outflow of social cost.

Concept of Profitability

Profitability refers to the ability of a firm to earn profit. Profitability is an important criterion to measure the efficiency or overall performance of any organization. Profitability analysis can be based on financial ratios, absolute figure, and statistical information regarding the financial transactions and the present value of the stream of profit flow.
Profit and profitability are two separate concepts. The first one indicates absolute measurement while the latter indicates relative measurement that is profit in relation to some other variable. In commercial banks the profit is defined as the difference between total income and total expenditure. Income and expenditure sources of the commercial banks may be grouped under two heads: interest and non-interest sources. In the terminology of commercial banking, the difference between interest income and interest expenditure is known as “spread" and the difference between non-interest expenditure and non-interest income is known in “burden”. Alternatively, profit is also defined as the difference between spread and burden. Absolute profit of the commercial banks has been by gross profit and net profit where the latter is gross profits minus tax. Generally, absolute level of profit increases or decreases as the operation of a commercial bank increases or decreases.

For measuring the profitability, that is, for dividing the absolute profit by suitable denomination, one can use various denominators such as total deposits, total credit operating expenses, operating income, total net worth etc. whatever denominator is taken, one must be careful that it is truly reflective of total banking operations. From the above point of view, the volume of working fund(s) of a commercial bank is most appropriate. The volume of working fund is defined as the balance sheet total minus contra entry items i.e. contra entry items are those items which do not involve directly in raising or lending of funds by the commercial banks. For arriving at profitability figures, volume of working funds as denominator is used.

Profitability Ratio

Profitability ratios measures the income or operating success of a company for a given period of time. Income, or the lack of it, affects the company’s ability to obtain debt and equity financing. It also affects the company’s liquidity position and the company’ ability to grow. As a consequence, both creditors and investors are interested in evaluating earning power-profitability. Analysts frequently use profitability as the ultimate test of management’s operating effectiveness. In this regard, we can mention the profit margin ratio. **Profit margin** is a measure of the percentage of each dollar of sales that results in net income. We can compute it by dividing net income by net sales.

Profit margin =Net Income/Net Sales

Results and Discussion

Productivity Analysis

Table No.-1 : Ten Years Comparative Financial and Operational Performance Report / Progress at a Glance of the Janata Bank Ltd during 2000-2009 : Overall position of the Janata Bank Ltd during **2000 to 2009** is shown in the Table No.-1 including authorized capital, paid-up capital, reserve, total deposits, advance, investment, total revenue/income, total expenses, operating profit, provision for loans/assets, net profit, export, import, total number of employees/manpower, (officers, staffs), number of foreign correspondent, total number of branch (in Bangladesh & Foreign).

The average position of authorized capital, paid-up capital, reserve fund, total deposits, loan & advances, & investments position were Tk. 9200 million, Tk. 2834.6 million, 2280.3 million, Tk. 172126 million, Tk. 117847.4 million, and Tk. 36210.1 million respectively during 2000-2009. The SD and CV of the same were shown high fluctuation during the same period under the study. The minimum level & maximum level implies the more variation of these events during the study period. The average position of total income, total expenses, operating profit, provision for loans/assets, net profit/loss, export, import of Janata Bank Ltd during the period were Tk. 14528.5 million, Tk. 11153.1 million, Tk. 3496.2 million, Tk. 5004.3 million, Tk. 11.00 million, Tk. 30,780 million, and Tk. 48,005 million; while the SD and CV of the same were found great fluctuation during the period under the study.

Moreover the Table - 1 represents the position of total manpower (officers & staffs), number of foreign correspondent, total number of branch (in Bangladesh & Foreign). The average position of the same were i.e. total man power 15212.1 persons, 1169.6, total number of branch 860.5 (including 4 foreign commercial branches), respectively during 2000-2009.The SD and CV of the same were shown very poor fluctuation during the same period under the study. The minimum level & maximum level implies the huge variation of these events during the study period.

Table-1: The Performance Report/Progress at a glance of the Janata Bank Ltd. during 2000-2009

(Tk. In million)

Year	Autho-rized Capital	Paid up Capital	Reserve Fund	Deposits	Advance	Investment	Revenue	Cost	Operating Profit	Provisions for loans /Assets
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
2000	8000	2594	540	104,678	80,953	20,560	9,207	9,196	831	820
2001	8000	2594	548	125,066	93,293	20,455	9,703	9,692	402	391
2002	8000	2594	558	183,893	99,748	29,718	10,990	9,750	1,239	1,225
2003	8000	2594	574	138,597	101,461	22,821	11,518	9,397	2,120	2,100
2004	8000	2594	1293	151,036	107,786	28,375	10,934	8,621	2,312	2,180
2005	8000	2594	1296	168,897	124,467	29,168	13,143	9,842	3,301	3,123
2006	8000	2594	1727	182,947	138,493	24,785	16,272	12,059	4,213	10,707
2007	8000	2594	3224	198,636	121,200	55,862	18,522	13,559	4,963	11,698
2008	8000	2594	4183	221,336	144,678	57,824	20,922	13,919	7,003	9,051
2009	**20000**	**5000**	8860	246,175	166,395	72,533	24,074	15,496	8,578	8,748

Avg.	9200	2834.6	2280.3	172,126	117847.4	36210.1	14528.5	11153.1	3496.2	5004.3
SD	3794.73	760.84	2623.83	43724.52	26287.94	18645.19	5153.31	2409.89	2705.84	4481.35
CV	2.424413	3.725599	0.869073	3.936604	4.482946	1.942061	2.819257	4.628053	1.292092	1.116695

Max. Level	20000	5000	8860	246175	166395	72533	24074	15496	8578	11698
Min. Level	8000	2594	540	104678	80953	20455	9207	8621	402	391

(contd.)

Year	Net Profit	Export	Import	Total No. of Employees	No. of Foreign Correspondent	No. of Branches (including 4 Overseas branch)
	11	**12**	**13**	**14**	**15**	**16**
2000	11	30,780	48,005	16,947	1,209	898
2001	11	32,387	54,666	16,692	1,274	900
2002	14	34,454	58,889	16,330	1,062	870
2003	20	42,865	60,475	15,993	1,100	847
2004	23	54,623	74,920	15,705	1,120	847
2005	81.08	58,395	92,912	15,321	1,125	847
2006	-	70,897	128,809	14,772	1,198	848
2007	1,681	71,855	84,065	13,860	1,198	848
2008	3,145	85,418	129,413	13,379	1,202	849
2009	2,982	88,653	118,525	13,122	1,208	851

Average	885.342222	57032.7	85067.9	15212.1	1169.6	860.5
SD	1349.19	21685.34	31185.37	1376.99	64.52	21.44
CV	0.66	2.63	2.73	11.05	18.13	40.13
Max. Level	3145	88653	129413	16947	1,274	900
Min. Level	11	30780	48005	13122	1062	847

Source: Annual Report Janata Bank Ltd. During 2000-2009

Table No.-2 : Highlights of Five Years' Financial Position / Progress at a Glance of the Agrani Bank Ltd during 2004-2008 : Overall position of the Agrani Bank during **2004 to 2008** is shown in the Table No. 2 including authorized capital, paid-up capital, reserve fund, deposits, advances, investment, revenue, cost, operating profit, provision for loans/assets, net profit/loss, export, imports, total man power, (officers & staffs), foreign commercial branch, total number of branch (in Bangladesh & foreign country) net worth & capital employed.

The average position of authorized capital, paid-up capital, reserve fund, deposits, advances, investment were Tk. 8000 million, 2480 million, Tk. 374 million, Tk. 133576 million, tk. 106608 million, & 24944 million respectively during 2004-2008**.** The Standard Deviation (SD) and Co-efficient of variation (CV) of the same (except authorized capital and paid up capital) were shown high fluctuation during the same period under the study. The minimum level & maximum level implies the more variation of these events during the study period.

The average position of total income, total expenses, operating profit, provision for loans/assets, net profit/loss, export, import of Agrani Bank Ltd during the period were Tk. 12122 million, Tk.8810 million, Tk. 3312 million, Tk. 5866 million, Tk.5760 million, Tk. 46,770 million, tk. 85,194 million; while the SD and CV of the same were found having great fluctuation during the

period under the study. Agrani Bank Ltd had the great variation, which shows the minimum level & maximum level position during the study period.

Moreover the table - 2 represents the position of total manpower (officers & staffs), number of foreign correspondent, total number of branch (in Bangladesh & Foreign). The average position of the same were i.e. total man power 11654 persons, 405, total number of branch 867 (including 4 foreign commercial branches), respectively during 2000-2009.The SD and CV of the same were shown very poor fluctuation during the same period under the study. The minimum level & maximum level implies the huge variation of these events during the study period.

Table – 2: The Performance Report/Progress at a glance of the Agrani Bank Ltd. during 2004-2008

(Tk. In million)

Year	Autho-rized Capital	Paid up Capital	Reserve Fund	Deposits	Advance	Investment	Revenue	Cost	Operating Profit	Provi-sions for loans /Assets
	1	2	3	4	5	6	7	8	9	10
2004	8000	2480	340	125,390	95,920	26,850	9,020	9,770	-750	20970
2005	8000	2480	340	130,840	99,400	24,330	10,600	8,460	2,140	3740
2006	8000	2480	290	128,920	105,870	22,310	12,330	8750	3,580	290
2007	8000	2480	160	135,920	118,490	21,900	13,680	8,420	5,260	2,220
2008	8000	2480	740	146,810	113,360	29,330	14,980	8,650	6,330	2,110
Avg.	8000	2480	374	133576	106608	24944	12122	8810	3312	5866
SD	0	0	217.440	8318.770	9400.860	3140.490	2375.799	553.489	2777.061	8531.461
CV	-	-	1.720	16.057	11.340	7.943	5.102	15.917	1.193	0.688
Max. Level	8000	2480	740	146810	118490	29330	14980	9770	6330	20970
Min. Level	8000	2480	160	125390	95920	21900	9020	8420	-750	290

(contd.)

Year	Net Profit	Export	Import	Total No. of Employees	No. of Foreign Correspondent	No. of Branches
	11	12	13	14	15	16
2004	-2172	41970	35,910	12208	399	870
2005	1630	41,710	51,190	11938	410	864
2006	1,940	51,710	115,920	11,793	416	866
2007	3160	48,920	113,430	11345	416	866
2008	2650	49,540	109,520	10988	383	867
Average	1,442	46,770	85,194	11,654	405	867
SD	2106.84	4619.05	38465.24	486.29	14.02	2.19
CV	0.68	10.13	2.21	23.97	28.86	395.55
Max. Level	3160	51710	115920	12208	416	870

Min. Level	-2172	41710	35910	10988	383	864

Source: Annual Report Agrani Bank Ltd during 2004-2008

Table No.-3: Consolidated Information of Employee Productivity Trend of Janata Bank Ltd during 2000-2009: This table shows the overall position of the Janata Bank Ltd compared among the selected productivity indicators like total deposits per employee, total advances per employee, total investment per employee, total revenue/income per employee, total expenditure/cost per employee, total operating profit per employee, provisions for loans/Assets per employee, and net profit per employee, respectively. The average positions of the same indicators were Tk. 8.6427, 5.9363, 1.498, 0.6428, 0.5714, 0.0858, 0.0834, & 0.0009 million respectively during 2000-2009. Both SD and CV indicate the poor fluctuation during the study period. Minimum level to Maximum level implies the minimum variation during the period under study.

Table-3: Consolidated Information of Employee Productivity Trend of Janata Bank during 2000-2009

(Tk. in million)

Year	**Deposits (Per Employee)**	**Advance (Per Employee)**	**Investment (Per Employee)**	**Revenue (Per Employee)**	**Cost (Per Employee)**	**Operating Profit (Per Employee)**	**Provisions for loans /Assets (Per Employee)**	**Net Profit (Per Employee)**
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
2000	6.18	4.78	1.21	0.54	0.54	0.05	0.05	0.0006
2001	7.49	5.59	1.23	0.58	0.58	0.02	0.02	0.0007
2002	11.26	6.11	1.82	0.67	0.60	0.08	0.08	0.0009
2003	8.67	6.34	1.43	0.72	0.59	0.13	0.13	0.0013
2004	9.62	6.86	1.81	0.70	0.55	0.15	0.14	-
2005	11.02	8.12	1.90	0.86	0.64	0.22	0.20	-
2006	12.38	9.38	1.68	1.10	0.82	0.29	0.72	-
2007	14.33	8.74	4.03	1.34	0.98	0.36	0.84	0.1213
2008	16.54	10.81	4.32	1.56	1.04	0.52	0.68	0.2351
2009	18.76	12.68	5.53	1.83	1.18	0.65	0.67	0.2273
Avg.	8.6427	5.9363	1.4984	0.6428	0.5714	0.0858	0.0834	0.0009
SD	1.9500	0.7937	0.2997	0.0766	0.0242	0.0530	0.0506	0.0003
CV	-	-	4.9992	8.3969	23.6355	1.6193	1.6466	3.0366
Max. Level	11.2611	6.8632	1.8198	0.7202	0.5971	0.1472	0.1388	0.0013
Min. Level	6.1768	4.7768	1.2132	0.5433	0.5426	0.0241	0.0234	0.0006

Source: Annual Report Janata Bank Ltd during 2000-2009

Table No.-4: Consolidated Information of Employee Productivity Trend of Agrani Bank Ltd during 2004-2008: This table shows the overall position of the Agrani Bank Ltd compared among the selected productivity indicators like total deposits per employee, total advances per employee, total investment per employee, total income/revenue per employee, total expenditure/cost per employee, total operating profit per employee, provisions for loans/Assets

per employee, net profit per employee, respectively. The average positions of the same indicators were Tk.11.5009, 9.1844, 2.1458, 1.0483, 0.7561, 0.2922, 0.4887, 0.1286 million respectively during 2004-2008. Both SD and CV indicate the poor fluctuation during the study period. Minimum level to Maximum level implies the minimum variation during the period under study.

Table-4: Consolidated Information of Employee Productivity Trend of Agrani Bank during 2004-2008

(Tk. in million)

Year	Deposits (Per Employee)	Advance (Per Employee)	Investment (Per Employee)	Revenue (Per Employee)	Total Expenditure/Cost (Per Employee)	Operating Profit (Per Employee)	Provisions for loans /Assets (Per Employee)	Net Profit (Per Employee)
	1	2	3	4	5	6	7	8
2004	10.27	7.86	2.20	0.74	0.80	-0.06	1.72	-0.18
2005	10.96	8.33	2.04	0.89	0.71	0.18	0.31	0.14
2006	10.93	8.98	1.89	1.05	0.74	0.30	0.02	0.16
2007	11.98	10.44	1.93	1.21	0.74	0.46	0.20	0.28
2008	13.36	10.32	2.67	1.36	0.79	0.58	0.19	0.24
Avg.	11.5009	9.1844	2.1458	1.0483	0.7561	0.2922	0.4887	0.1286
SD	1.2061	1.1630	0.3160	0.2478	0.0373	0.2490	0.6947	0.1806
CV	-	-	6.7903	4.2312	20.2686	1.1738	0.7034	0.7119
Max. Level	13.3609	10.4442	2.6693	1.3633	0.8003	0.5761	1.7177	0.2785
Min. Level	10.2711	7.8571	1.8918	0.7389	0.7087	-0.0614	0.0246	-0.1779

Source: Annual Report Agrani Bank Ltd during 2004-2008

Conclusion & Recommendations

Conclusion: Fund management practices of the selected commercial banks are not satisfactory due to heavy stuck up advances, low recovery rates, excessive over dues, and outstanding advances. Bank management authorities are serious enough to face this odd situation. The recent financial sector reforms introduced by the ministry of finance and Bangladesh Bank have improved the situation. The overall profitability, productivity of the bank are improving day by day through the application of modern fund management techniques like Credit Risk Grading System (CRGS), Investment Management Portfolio, etc reducing cost of fund curtailing excess man power, reducing burden of the bank and increasing the spread activities of the bank.

Recommendations: The following suggestions are given to develop the fund management practices of the banks:

(a) Excess or idle fund of the bank may be invested in security market. Now nationalized commercial banks (NBCs) and some other institutions are investing more in security market to make the market stable according to the instructions of regulatory authority.
(b) Cost of fund should be analyzed through costing system.
(c) Computerized accounting system should be introduced.
(d) MIS activities should be modernized through modern technology.
(e) Management development activities should be undertaken.
(f) Effective industrial financing should be undertaken.
(g) Employee morale, motivation and job satisfaction should be raised to increase their

productivity.

(h) Financial reporting practices of the bank should be improved through compliance to International Accounting Standards (IAS), $IFRS_s$ audit standards and guidelines.

(i) Ethical codes, good governance, total quality management (TQM), should be ensured.

(j) Management audit, social auto value added performance should be looked at carefully.

(k) Management by Objectives (MBO), management by exception, social responsibility accounting and reporting should be developed.

(1) Research and development activities should be undertaken to improve customer's satisfaction.

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