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Measurement of Financial Performance of a Commercial Bank from Varied Perspectives: A Case Study of Islami Bank Bangladesh Limited

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Abstract

Purpose: *The study aims to measure the financial performance of Islami Bank Bangladesh Limited (IBBL) from three different perspectives, such as the bank management perspective, market perspective, and shareholder perspective.*

Design/Methodology/Approach: *A range of financial ratios/indicators are used, include activity ratios, short-term solvency ratios, asset quality ratios, and management capability ratios, to illustrate the performance of the bank in several operational areas. Subsequently, accounting return-based, market-based, and value-based performance measures are used to assess the financial performance of the bank. All data are collected from the publicly available annual reports of the bank over the period 2012-2017.*

Findings: *The study finds that the bank has not faced liquidity problem and it has enhanced its efficiency throughout the study period. However, it has experienced poor management capability in the collection of deposits. Overall, the study finds that the financial performance of the bank from all perspectives is satisfactory with a little variation throughout the study period.*

Research Limitations: *The results, however, are subject to several limitations, such as it uses short-term performance measures and fails to assess the causal relationship between financial performance and other financial factors.*

Originality/Value: *Unlike prior studies, the study assesses the financial performance of IBBL using market-based and value-based performance measures along with accounting return-based performance measures. The outcomes of the study are important for different stakeholders of the bank, particularly employees, depositors, and shareholders. The current bank management also requires the same outcomes, as they require improving the management capability area to achieve its vision.*

Keywords: Financial Performance Measurement, Bank Management Perspective, Market Perspective, Shareholder Perspective, and Islami Bank Bangladesh Ltd.

Introduction

Bangladesh has been experiencing a catastrophe in the banking sector for a decade. In recent times, the country has experienced a number of scandals in this sector, particularly in a number of state-owned banks (e.g., Sonali Bank, Janata Bank, BASIC Bank, Agrani Bank), and private banks (e.g., Oriental Bank, Farmers' Bank) (Hossain, 2018). These scandals are the result of poor risk diversification, poor loan or investment appraisal, pervasive corruption and deceitful measures, and a lack of accountability and transparency of banks (ibid.). Even with this challenging environment, the Islamic banking sector has achieved a significant market share in the entire banking sector in Bangladesh (Uddin, 2015), and the sector has optimistically contributed to the country's economy. According to Akhtaruzzaman *et al.* (2016), "Islamic banking has been thriving in the vibrantly growing Bangladesh economy with the avid participation of the Islamic banks in the financial inclusion campaign".

Statistics of the Bangladesh Bank (2016), the Central Bank of the country, reveal that the share of total deposits, total credit, remittance collection, and credit in the agriculture sector of the Islamic banking sector are 21.92%, 23.53%, 36.86%, and 21.78%, respectively, as at the end of July-September 2016 quarter. The statistics also show that deposits, investments, and the surplus liquidity of the Islamic banking industry grow by 1.47%, 1.42%, and 7.57%, respectively. These results indicate that "Islamic Banking Industry in Bangladesh has been highly contributing to spur economic growth and generate employment in the country to fulfill the vision of the government to reach the country at a Middle Income Level by the year 2021" (Akhtaruzzaman *et al.*, 2016). An empirical study conducted by Abduh and Chowdhury (2012) also supports the positive contribution of the Islamic banking sector

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towards the country's economic development. Using quarterly time-series data of economic growth, total financing and total deposits of Islamic banking from Q1:2004 to Q2:2011, they examine the long-run relationship between Islamic banking development and economic growth by applying co integration and Granger's causality method. They find a significant positive relationship between Islamic banking development and economic growth of Bangladesh in the long-run and short-run.

Islami Bank Bangladesh Ltd. (IBBL) is a full-fledged leading private Islamic bank in Bangladesh. In the financial year 2017, the bank has brought a major change in its policy-making positions, appointing a new Chairman of the Board. Among other major changes, Vice-Chairmen, CEO, Executive Committee, Audit Committee and Risk Management Committee of the bank have been reformed (The Daily Star, 2017; The Independent, 2017; The Dhaka Tribune, 2017; The Prothom Alo, 2018). Most of the stakeholders believe that the reorganization of the top management has been carried out under the control of the government (The Dhaka Tribune, 2017). The government, in effect, instigates a boardroom coup at the bank only because of political reasons, as the newly appointed top management are well known as a government-backed personality.

The change has apparently posed a fidelity crisis among different stakeholders, such as employees, depositors, investors, and economists. They apprehend that the changes may affect negatively the country's largest private bank, as well as the whole economy of the country. Moreover, they believe that changes have been made to establish government control over the bank. Consequently, the performance of the bank may be affected negatively; hence the interests of stakeholders may not be protected or prioritized. This perspective, therefore, leads the study to measure the financial performance of the bank in order to know whether shareholders' interests are being truly protected or not. So far, many prior studies have been conducted that evaluate or measure the financial performance of IBBL from the single perspective i.e., the perspective of the bank management. Measuring financial performance from the bank management perspective is inevitable for future planning and control purposes (Banerjee, 2005).Also, it is important to measure the financial performance on a regular basis, as the bank management requires improving overall bank performance to achieve its vision[4].

Unlike prior studies, the current study measures the financial performance of the bank from two more perspectives along with the bank management perspective. They are market perspective, and shareholders' or investors' perspective. The market perspective of financial performance can be termed as the market-based performance that measures shareholder value from the market point of view while shareholders' or investors' perspective can be termed as the value-based performance, which measures shareholder value from the true economic point of view. Specifically, these two perspectives of performance unveil whether IBBL is being performed to achieve its vision set before.

This paper, therefore, aims to measure the financial performance of IBBL from three varied perspectives. In order to do this, the following objectives are formulated.

1. To calculate a range of financial ratios/indicators illustrating the operational performance of IBBL in four areas, such as short-term solvency, asset quality, efficiency, and management capability for the period 2012-2017.
2. To analyses the trend of the operational performance of the bank for the study period.
3. To assess the financial performance from three different perspectives, such as the bank management, market, and shareholder perspectives of the bank for the study period.

The rest of the paper is structured as follows: a brief history of IBBL with its contribution to the country's economy is presented in section 2; section 3 contains literature review while data and methodology are presented in section 4. Section 5 presents empirical results with analysis while concluding remarks are presented in section 6.

[4]The vision of IBBL is "to always strive to achieve superior financial performance, be considered a leading Islami Bank by reputation and performance" (IBBL, 2017).

A Brief History of IBBL and its Contribution to the Country's Economy

Islami Bank Bangladesh Ltd. (IBBL) is the pioneer Islamic bank in Bangladesh. It became incorporated on 13 March 1983 as a public limited company under the Companies Act 1913, and immediately after incorporation, the bank obtained permission to commence its banking operations. At that time, it was the first Islami Bank in the Southeast Asia region (Abduh and Chowdhury, 2012). The emergence of this bank in Bangladesh is the results of a series of events, initiatives of businessmen, government, and Islamic scholars, as well as the cooperation of other Muslim countries.

In the late seventies and early eighties, Muslim countries were awoken about interest-free banking facilities that led to the concept of the emergence of Islami Bank. The establishment of the "Mitghamar Local Savings Bank" in 1963 is said to be a milestone for the modern Islami Banking system (Sultana, 2010). In 1974, Bangladesh signed the Charter of Islamic Development Bank (IDB) and committed itself to reorganize its economic and financial system as per Islamic Shariah. In 1978, Bangladesh recommended at the Islamic Foreign Minister Conference held in Senegal towards systematic efforts to Islamic Banking. In 1980, the then Foreign Minister of Bangladesh proposed at the Foreign Minister Conference held in Pakistan for taking steps to establish an Islamic banking system in Bangladesh. Later, Bangladesh Bank sent a representative body abroad to study the Islamic banking system. In 1981, President of the People's Republic of Bangladesh addressed in the 3rdIslamic Summit Conference held at Makkah and Taif, where he emphasized on a separate banking system among the Muslim countries in order to facilitate their trade and commerce. In 1982, a representative body from the IDB visited Bangladesh for a feasibility study of the Islamic banking market in the country. They mobilized seminars, public opinion through symposia and workshop in collaboration with the local representative body. Finally, in 1983, the bank came out with the name Islami Bank Bangladesh Limited (IBBL) to take the challenge of commencing banking business according to the Shariah principles.

IBBL is the largest bank among the private conventional and Islamic banks in Bangladesh and its contribution to the country's economic growth and development is significant. The bank has a substantial contribution in different economic sectors, such as employment generation, remittance collection, rural economic development, ecology and green environment, small and medium-sized industrialization, foreign trade (import-export), housing sector, entrepreneur development, and women empowerment (Rahman and McDonald, 2012; Akhtaruzzaman *et al.*, 2016). Statistics of IBBL (2016) reveal that the bank holds about 8% of the country's total bank deposit and the average deposit growth is 21%.The market share of IBBL in investment in the garments and textile sector stands at 21%, and it disburses 9% of the total investment/credit of the entire banking system of the country. The growth in investments of IBBL in the last 5 years was 17%. The contribution to the SME sector was 25% of the national target in 2016. More than 17% of jute goods are produced from factories financed by IBBL. The bank contributes to the entrepreneur development, employment generation, and women empowerment by employing more than 2.5 million unemployed persons of the country through financing in the mills and factories. Among the private sector banks, the market share of IBBL in the country's total housing finance is about 13% and in the transportation sector is around 32.49%. Also, the bank collected remittance through its channel about 27% of total country remittance. It was recognized as the highest taxpayer in the banking sector in the tax year 2016-2017 by the National Board of Revenue of Bangladesh (IBBL, 2017).

Empirical results of different studies, though there is a rarity of empirical studies, also provide evidence of the contribution of IBBL to the economic growth and development of the country. For example, Rahaman and Rafiq (2016) find that IBBL plays a significant role in the export and import sector, which made it a top export-import bank in Bangladesh. Similarly, Islam (2016) finds a positive contribution of IBBL in rural development. In contrast, Hassan *et al.* (2017) find a poor contribution of microfinance provided by the IBBL towards the welfare of rural women.

Literature Review

Simply, performance refers to the extent of the achievement of goals. That is, how effectively a bank meets the objectives of shareholders, employees, depositors, borrowers, creditors, and other stakeholders is referred to the performance of a bank (Ibrahim *et al.,* 2014). While financial performance denotes the economic results of the

policies adopted and activities performed by a bank to meet the objectives of its stakeholders. By and large, good financial performance of a bank indicates satisfactory achievement in several areas of its operations, such as deposit collection, loans and advances, investments, and thereby increasing net asset value, earnings per share, return on equity, return on assets, earning before tax, and so on (ibid).

The insiders (bank management) and the outsiders (investors/shareholders) stakeholders, however, do not recognize the financial performance of a bank in the same manner. The bank management emphasizes the accounting return-based performance, i.e., banks' Net Profit, ROE, ROA, EBT, and so on. These performance indicators/measures highlight narrow or short-termism view of the success of a bank. A number of prior studies assessed the financial performance of IBBL using several accounting return-based measures. For example, using ROA, ROE, and Net Profit measures, Chakraborty *et al.* (2015) found that the financial performance of IBBL was satisfactory for the period 2011-2015. Later, Hossain (2017) provided support the results of Chakraborty *et al.* (2015) using the same measures for the period 2006-2010. Earlier, employing Price Earning (P/E) ratio, Dividend Payout ratio, and Earning per Share (EPS) measures, Ibrahim *et al.* (2014) revealed that IBBL performed consistently better compared to other Islamic Banks in Bangladesh. Recently, Mawla and Khanam (2018) measured the financial performance of the same bank using Net Profit margin, Total Income, and Working Capital Fund. They found that the profitability was satisfactory during the study period 2006-2016. Similarly, Sarker *et al.* (2017) analyzed the financial performance of Al-Arafah Islamic Bank Limited (AIBL) using ROE and ROA indicators for the period 2010-2014.

The accounting return-based performance measures, however, are subject to some severe criticisms. For example, they are transaction oriented, thus overlook economic value or value creation; they ignore the opportunity cost of equity capital; financial data used in measuring performance by using the accounting return-based measures can be manipulated by means of different accounting policies and estimates. Given the fact, investors or shareholders do not rely only on the accounting return-based performance indicators rather they focus on market-based performance indicators along with them. The market-based performance, which basically is the market value of a firm, can be measured by two common measures, namely Market Value per Share (MVPS) and Tobin's Q (TQ). The MVPS is the price at which an equity share traded in the stock market. It is determined by many factors, for example, reported accounting income and cash flow, presence of share buyback programme, investors' attitude towards firms and the state of the country's economy. While the TQ is a hybrid performance measure (Ntim, 2009), which, theoretically, is the ratio of the market value of a firm's tangible assets to their replacement costs (Sang, 1998). Generally, TQ ratio measures the effectiveness with which a bank's management is able to use its assets to generate value for shareholders.

These two market-based measures have, however, been criticized for their poor representation of a firm's financial performance. This is because, firstly, MVPS and TQ are operationalized by market value that may be driven by investors' attitudes, speculation, and rumor-mongering, which are aimed to meet their short-term financial benefits (Henwood, 1997). For example, the share prices of several companies listed on the Dhaka Stock Exchange were driven by speculative investors in 1996 and 2010-11. Similarly, the recent global financial crisis is caused by some financial companies' irrational high share prices that are 'alleged' to have been driven down by investors' speculation (Turner Review, 2009). Secondly, and as stated earlier, market price of shares is influenced by the accounting profit, which can also be manipulated. Finally, TQ contains some measurement errors and there is an unavailability of data relative to the replacement costs of tangible assets (Ntim, 2009) that leads to the failure of measuring performance truly.

Given the reasons, prudent shareholders or investors do not rely solely on the accounting return-based or market-based performance indicators. Rather, they rely on the value-based performance indicators, e.g., economic value added (EVA), along with others. EVA is a performance metric that determines true shareholder value created by the management over a period (BPP, 2016). Unlike accounting return-based and market-based performance indicators, EVA considers the opportunity cost of equity capital, which others do not, and it excludes all the accounting figures that can be manipulated from its calculation to compute the true shareholder value (ibid). There is, however, a rarity of empirical studies relative to the performance measurement of IBBL using the market-based indicators (e.g., MVPS, TQ) and value-based indicators (e.g., EVA), indicating a research gap.

Almost all prior studies used a number of financial ratios/indicators to illustrate banks' operating performance, particularly (a) liquidity performance, (2) activity performance, (3) asset quality, and (4) management quality that cause financial performance of them.

Liquidity performance refers to maintaining an adequate level of liquidity, which is an essential part of a bank's management. A bank is considered to have enough liquidity if it is able to pay money off to the depositors once they demand and also able to pay reasonable costs immediately. While activity performance refers to the efficiency of a bank in utilizing its assets and liabilities internally to generate income. It is basically a comparison between the input and output of a bank. Measuring banks' efficiency is, however, difficult because there is no satisfactory definition of bank output (Vittas, 1991). Asset quality is another important facet that contributes to the financial performance of a bank. Credit or general investments risk involves with judging asset (investment) quality and the likely risk of loss resulting from an investee's failure to reimburse investment money or meet contractual obligations. Measuring asset quality is useful in judging the effectiveness of the investment functions, monitoring the impact of investment policies, uncovering problems, and recognizing successes. The assets which cease to earn income are termed as non-performing assets (NPAs) and a bank has to keep a provision for its probable loss. More NPAs indicate a high volume of sub-standard, doubtful, and loss assets, which are threats for the future of a bank. Finally, management capability is typically a non-quantitative and can be understood through the subjective evaluation of management systems, organization culture, control mechanisms, and so on. However, the management capability of a bank can also be measured with the help of a number of ratios of off-site evaluation of a bank.

Data and Methodology

The study used a range of financial data collected from the publicly available annual reports of IBBL for the period 2012-2017. Several ratios and financial indicators were analyzed to measure the financial performance of IBBL for the study period. Measuring firms' performance using financial ratios, which involve comparing various financial data with each other, have been common. This approach is widely used in evaluating the performance of banks as banks that produce better results of financial ratios are likely to attract a larger number of depositors (Teker *et al.*, 2011). Moreover, a ratio is a powerful tool for decision-makers, including creditors, investors, and financial managers (Delen *et al.*, 2013).

The study, firstly, analyzed 21 ratios to examine the performance of different areas of operations of the bank, such as short-term solvency, asset quality, activity performance, and management capability performance. Secondly, the study used 8 more ratios and economic indicators to assess the financial performance of IBBL from three different perspectives, such as bank management, market, and shareholder perspectives. The description of all ratios and their modes of measurement are presented below.

Short-term Solvency Status: The study measured the short-term solvency status of IBBL using five ratios. They included (a) Net General Investments (known as net loans and advances in conventional banks) to Total Assets (NGITA) ratio, calculated by dividing net general investments by total assets. The higher the ratio, the less liquid the bank is. (b) Current Assets (CA) ratio, the percentage of current assets to current liabilities. The higher the ratio, the higher the liquid the bank is. The study also used three regulatory ratios, such as (a) Cash Reserve Ratio (CRR), percentage of total deposits require to maintain in the form of cash reserve with the Bangladesh Bank; (b) Statutory Liquidity Ratio (SLR), percentage of deposits that IBBL requires to maintain in the form of gold, cash or other approved securities; and (c) Investment Deposit Ratio (IDR), calculated by dividing total general investments by total deposits. The results of these ratios were compared to the standards set by the Bangladesh Bank. The Bangladesh Bank sets the standard rate for CRR is 6.5%, SLR is 5.5%, and IDR is <90% (IBBL, 2017).

Asset Quality: Four ratios were analyzed to examine the asset quality or the extent of investment risk of IBBL. These included (a) Non-performing General Investments (known as non-performing loans and advances in conventional banks) to Total Assets (NPITA) ratio, calculated by dividing non-performing general investments by total assets; (b) Capital Adequacy Ratio (CAR), calculated by dividing Tier 1 capital plus Tier 2 capital by risk-weighted assets; (c) Equity Multiplier Ratio (EMR), calculated by dividing total assets value by total net equities; and (d) Provision for Investment Losses to Total Investments (PILTI) ratio, calculated by dividing provision for general investments and off-balance sheet exposures by total general investments.

Activity Performance: The study used six financial ratios to measure the efficiency of IBBL. They were (a) Deposit Turnover to Employee (DTE), calculated as a ratio of total deposits to number of employees; (b) Investment Turnover to Employee (ITE), calculated by dividing total investments by number of employees; (c) Revenue Turnover to Number of Employees (RTE), calculated as a ratio of total income to number of employees; (d) Employment Efficiency Rate (EER), calculated by dividing total assets by number of employees; (e) Return on Capital Employed (ROCE), calculated by dividing operating profit by capital employed (total assets - current liabilities); and (f) Operational Efficiency Rate (OER), calculated by dividing total income to total expenses.

Management Capability: The study analyzed six ratios to assess the management capability of the bank. These included (a) Growth of Deposits (GD); (b) Growth of General Investments (GGI); (c) Growth of Income from General Investments (GIGI); (d) Growth of Non-general Investments (GNI); (e) Growth of Income from Non-general Investments (GINI); and (f) Growth of Employees (GE).

Financial Performance from the Bank Management Perspective: Financial performance from the bank management perspective was assessed using five accounting return-based ratios/indicators. These included (1) Earnings before Tax margin (EBT), which is the percentage of pre-tax earnings to bank's total revenues; (2) Return on Assets (ROA), the ratio of net profit after tax to total assets; (3) Return on Equity (ROE), calculated by dividing net profit after tax by total shareholders' equity; (4) Yield on Earning Assets (YEA), calculated by dividing profit on earning assets (investment incomes plus incomes from shares and securities) by average value of profit earning assets; and (5) Earnings per Share (EPS), calculated by dividing net profit after paying off dividend of preferred shares by average outstanding equity shares. Financial performance is said to be good as the ratios generate positive and incremental results.

Financial performance from the market perspective: The study analyzed two economic indicators to measure the financial performance of IBBL from the market perspective. These were (1) Market Value per Share (MVPS), the price that a share can be readily bought or sold in the current fair market; (2) Tobin's Q (TQ) ratio, the ratio of the bank's total market value plus its total debt to its total assets (Haniffa and Hudiab, 2006). If TQ is greater than 1.0, then the market value of shareholder is greater than the value of the bank recorded (Ntim, 2009).

***Financial Performance from the Shareholder Perspective*:** The bank's financial performance from the shareholder perspective was assessed using the Economic Value Added (EVA) indicator. It is calculated by deducting the average cost of shareholders' equity from the profit after tax plus provision for general investments of each financial year being examined (IBBL, 2017). Positive EVA indicates the creation of shareholder value as their investment value increases truly.

Results and Analysis

Short-Term Solvency Status: Table 1 shows that Net General Investments to Total Assets (NGITA) and Investment Deposit Ratio (IDR) were 3.97% and 1.39%, respectively, higher in 2017 compared to that of 2012. Year-wise data show that they decreased in 2013, and again increased gradually in the subsequent years. The average NGITA during the study period was 69.08% with a standard deviation of 3.06, indicating a consistently increased utilization of assets for general investments year-on-year. While the average IDR was 84.74% with a standard deviation of 1.92, indicating a higher rate of employment of total deposits to lock into investment assets during the period under the study. Average Current Asset (CA) ratio was 0.16% and the bank maintained it <0.50% throughout the study period. These results apparently suggest that short-term solvency of the bank became weak year-on-year. Particularly, the CA ratio result apparently indicates an extreme poor liquidity status as the bank maintained a very low level of current assets to mitigate its current liabilities. Low level of current assets, however, does not pose a concern about the bank's ability to cover its short-term liabilities because of a number of reasons. Firstly, banks typically have a high level of short-term payable compared to a few short-term receivables. Secondly, there is usually a very tight control of cash, to fund investment in different sectors. Finally, banks every working day receive a huge amount of cash from deposits, which enables banks maintaining a high volume of cash. Moreover, the scenario was not alarming because the bank maintained its

Table 1: Results of Short-Term Solvency Ratios

Ratios/Years	2017	2016	2015	2014	2013	2012	Mean	Std. Dev.
NGITA (%)	73.80	71.96	67.29	66.13	65.48	69.83	69.08	3.06
CRR (%)	9.20	8.38	7.12	7.81	7.24	7.09	7.81	0.77
SLR (%)	9.24	12.59	18.20	19.61	23.51	14.98	16.36	4.69
IDR (%)	87.80	86.43	83.59	83.10	82.35	85.18	84.74	1.92
CA (%)	0.206	0.189	0.161	0.140	0.125	0.121	0.16	0.03
Note: Variables are defined as follows: NGITA= net general investments to total assets ratio; CRR= cash reserve ratio; SLR= statutory liquidity ratio; and IDR= investment deposit ratio; and finally, CA= current asset ratio.								

Liquidity within several regulatory limits (as stated before, the standard parameters of the Bangladesh Bank are for CRR is 6.5%, SLR is 5.5%, and IDR is <90%). For example, during the study period, the bank's Cash Reserve Ratio (CRR) stayed within 7.09%-9.20%, the ranges of Statutory Liquidity Ratio (SLR) and Investment Deposit Ratio (IDR) were 9.24%-23.51% and 82.35%-87.80%, respectively. The CA ratio result apparently indicates an extreme poor liquidity status as the bank maintained a very low level of current assets to mitigate its current liabilities.

Asset Quality Performance: Year-wise data presented in Table 2 show that the Non-Performing Investments to Total Assets (NPITA) rate fluctuated trivially during the study period except with high volatility in 2015. The mean value of NPITA was 22.65% along with standard deviation of 3.22, suggesting the bank had a high volume of non-performing investments against its total assets all through the study period. The Provision for Investment Losses to Total Investments (PILTI) ratio also fluctuated along with NPITA. Consequently, and according to the mean value and standard deviation of PILTI, the provision for investment losses to total investments also behaved in the same manner. Similarly, the results of the Capital Adequacy Ratio (CAR) also provide evidence of a sporadic trend. However, the year- wise data and

Table 2: Results of Asset Quality Ratios

Ratios/Years	2017	2016	2015	2014	2013	2012	Mean	Std. Dev.
NPITA (%)	20.22	21.83	29.36	22.35	22.74	19.38	22.65	3.22
PILTI (%)	0.68	0.71	1.09	1.07	0.83	1.03	0.90	0.17
CAR (%)	11.30	10.82	11.66	12.83	14.26	13.49	12.39	1.23
EMR (times)	17.88	16.37	15.29	13.99	12.59	12.13	14.71	2.03
Note: Variables are defined as follows: NPITA= non-performing investments to total assets ratio; PILTI= provision for investment losses to total investments ratio; CAR= capital adequacy ratio; and finally, EMR= equity multiplier ratio.								

the mean value of CAR with the lower standard deviation indicates that IBBL maintained a higher rate of capital adequacy consistently well above the norm of Basell II and Basell III (the suggested minimum capital adequacy ratios are 8% and 10.5% as per Basel II and Basel III guidelines, respectively) throughout the study period. The results suggest that IBBL was considered to be safer and it was unlikely to become insolvent if unexpected losses occurred, because there was good protection of depositors' assets. While year-wise data on the Equity Multiplier Ratio (EMR) shows a steady upward trend during the study period. This ratio increased gradually year after year, 12.13 times in the year 2012 and 17.88 times in the year 2017. The average of the five years also is good, 14.71 times with standard deviation of 2.03. This result supports that of NPITA and suggests an increasing ability of IBBL to use its capital to make loans or investments or selling off its most leveraged or risky assets, hence the bank would be able to stand in good stead during times of crisis.

Activity Performance: Table 3 shows that the Deposit Turnover to Employees (DTE), Investments Turnover to Employees (ITE) ratios, and Employment Efficiency Rate (EER) increased significantly in 2017 compared to those of 2012. The mean values with high standard deviations of these indicators indicate a high improvement in efficiency in those areas. While Revenue Turnover to Employee (RTE) ratio remained nearly the same during the period 2012-2015; however, it started to enhance from 2016. The average RTE was 4.38% with low standard deviation of 0.25, suggesting a consistent efficiency of employees in enhancing the revenue base of the bank throughout the study period. In contrast, Return on Capital Employed (ROCE) was 22.45% lower in 2017 than that

of 2012 with the mean and standard deviation of 11.39% and 8.35, respectively. These results indicate a significant downfall of the bank in the efficiency of utilizing its capital to generate profit during the study period.

Table 3: Results of Activity Ratios

Ratios/Years	2017	2016	2015	2014	2013	2012	Mean	Std. Dev.
DTE (%)	54.87	50.21	45.17	41.31	36.45	34.45	43.74	7.22
ITE (%)	51.65	45.43	38.92	34.14	31.34	30.75	38.71	7.65
RTE (%)	4.86	4.54	4.15	4.28	4.32	4.12	4.38	0.25
EER (%)	65.40	58.79	53.28	48.06	42.44	39.79	51.29	8.95
ROCE (%)	6.99	5.68	5.91	8.28	12.06	29.44	11.39	8.35
OER (%)	0.75	0.76	0.75	0.74	0.75	0.76	0.75	0.01

Note: Variables are defined as follows: DTE= deposit turnover to employees; ITE= investments turnover to employees; RTE= revenue turnover to employees; EER= employment efficiency rate; ROCE= return on capital employed; and finally, OER= operational efficiency rate.

On the other hand, the mean and standard deviation of the Operational Efficiency Ratio (OER) were 0.75% and 0.01, respectively, suggesting a consistent efficiency of the bank in controlling the amount of the revenue spend on the operating expenses throughout the study period.

Management Capability: Table 4 shows the average Growth of Deposits (DG) collection was 14.21% with standard deviation of 4.61. Year-wise data shows that the deposits growth in 2012 was 22.23% that plummeted to 10.81% in 2017 (nearly 11.42% downfall). These results indicate an outsized collapse of management capability in the collection of deposits subsequent to the year 2012. Similarly, the General Investments Growth (GGI) rate was also 6.70% lower in 2017 compared to that of 2012. Year-wise data shows that general investments drastically fell down from 21.93% in 2012 to 8.12% in 2013; however, it started to increase from 2014. These results indicate a severe downfall of management capability in general investments, particularly in 2013; however, their capability enhanced during the study period 2014-2017.

Year-wise data shows that the Growth of Income from General Investments (GIGI) also decreased significantly; particularly, in 2014 and 2015. The rate is about 26.30% lower in 2017 compared to that of 2012, indicating a devastating reduction in income from general investments. The average growth rate in this area during the study period was only 10.68% with standard deviation of 11.46, suggesting an extreme inconsistent flow of income from general investments. The reason for this farthest inconsistency in this area may be slower growth in general investments during the period 2014-2017. The management may have been trying to improve the level of general investments by offering at a low rate of profit sharing and also there may have higher operating costs incurred in this regards.

Table 4: Results of Management Capability Ratios

Ratios/Years	2017	2016	2015	2014	2013	2012	Mean	Std. Dev.
DG (%)	10.81	10.72	9.74	18.51	13.23	22.23	14.21	4.61
GGI (%)	15.30	16.26	14.40	14.95	8.12	21.93	15.16	4.03
GIGI (%)	7.26	10.40	-3.05	3.05	12.84	33.58	10.68	11.46
GNI (%)	-37.11	-39.33	-1.40	42.41	162.20	59.52	31.05	69.27
GINI (%)	4.73	16.03	-23.09	-19.96	30.75	129.15	22.94	51.12
GE (%)	1.41	-0.39	0.35	4.58	6.50	6.31	3.13	2.79

Note: Variables are defined as follows: GD= growth of deposits; GGI= growth of general investments; GIGI= growth of income from general investments; GNI= growth of non-general investments; GINI= growth of income from non-general investments; and finally, GE= growth of employees.

As with general investments, the Growth of Non-general Investments (GNI) also plummeted to approximately 96.63% in 2017 compared to that of 2012, indicating cataclysmic management incapability. The average growth of GNI was 31.05% with standard deviation of 69.27, indicating a high degree of volatility in the growth of non-general investments throughout the study period. As a result, income from those investments also decreased significantly in 2017 compared to 2012. The mean value with high standard deviation suggests that the growth of income from non-general investments was extremely unpredictable during the study period. Data related to

employees show that IBBL increased its volume of employees every study year except in 2016, despite the management competency was heartbreaking. Overall, the results related to the management capability of IBBL suggest a poor capability of the bank management as they failed to deploy its resources effectively and efficiently to maximize income from investments and non-investment sectors aggressively and utilize the facilities of the bank productively.

Financial Performance from the Bank Management Perspective: Table 5 below shows that Earnings margin before Tax (EBT) and Earnings per Share (EPS) were 5.65% and 1.51, respectively, lower in 2017 than that of 2012. Particularly, EBT and EPS were 23.75%, and 4.42in 2102, respectively, which gradually fell to 16.12%and 2.04, respectively, in 2015; however, they began to increase from 2016. The average EBT and EPS of the study period is 18.76% and 2.95, respectively, with standard deviation of 2.51 and 0.74, respectively. These results indicate reasonably consistent earnings from the banking operations and against of shares, particularly during the period 2013-2017.Further analysis reveals that Returns on Assets (ROA) was significantly lower (0.72%) in 2017 compared to that of 2012. More elaborately, ROA was 1.27% in 2012 that plummeted to 0.44% in 2015, and again, it increased in 2016 and also decreased in 2017, suggesting a fluctuating trend throughout the study period.

Table 5: Results of Financial Performance from the Bank Management Perspective

Ratios/Years	2017	2016	2015	2014	2013	2012	Mean	Std. Dev.
EBT (%)	18.10	16.73	16.12	18.14	19.74	23.75	18.76	2.51
ROA (%)	0.55	0.59	0.44	0.67	0.96	1.27	0.75	0.28
ROE (%)	9.63	9.28	7.00	8.85	11.36	13.42	10	2.02
YEA (%)	8.08	8.69	9.55	10.07	11.34	11.79	9.92	1.33
EPS	2.91	2.77	2.04	2.48	3.07	4.42	2.95	0.74
Note: Variables are defined as follows: EBT= earnings margin before tax; ROA= returns on assets; ROE= returns on equity; YEA= yield on earning assets; EPS= earnings per share; and finally, Std. Dev.= Standard Deviation.								

The mean value and standard deviation of ROA was 0.75% and 0.28, respectively, indicating a bit of inconsistency in earnings from its assets utilization throughout the study period. Further analysis shows that Return on Equity (ROE) was 3.79% lower in 2017 than that of 2012. Specifically, it was 13.42% in 2012, which gradually went down to 7% in 2015, and again, it started to improve from 2016. As with ROA, the result relative to ROE indicates volatile return against shares during the study period. The Yield on Earning Assets (YEA) figures show a shattering trend as it was constantly declining all through the study period. Overall, the financial performance of IBBL from the bank management perspective was depressed to some extent during the period 2013-2017 compared to the year 2012.

Financial Performance from the Market Perspective: Table 6 shows that the Market Value per Share (MVPS) was BDT 9.0 lower in 2017 than that of 2012. Year-wise data shows that MVPS was BDT 42.80 in 2012 plummeted to BDT 27.80 in 2015; however, it began to go up from 2016. The average MVPS for the study period was BDT 32.02 with standard deviation of 6.10. These results indicate that average market value of each equity share increased by BDT 22.02[5] though there was moderate volatility of the market price of shares. While Tobin's Q (TQ) remained relatively constant during the study period as the

Table 6: Results of Financial Performance from the Market Perspective

Ratios/Years	2017	2016	2015	2014	2013	2012	Mean	Std. Dev.
MVPS (BDT)	33.80	29.70	27.80	23.40	34.60	42.80	32.02	6.10
TQ	1.0045	1.0008	0.9966	0.9863	1.0124	1.0285	1.00	0.01
Note: Variables are defined as follows: MVPS= market value per share; TQ= Tobin's Q; and finally, Std. Dev.= Standard Deviation.								

Mean value of it was 1.0 with standard deviation of 0.01 for the study period. However, TQ ratio shows a low value (<1) in the years 2014 and 2015, indicating that the replacement costs of IBBL's assets were greater than the value

[5] The face value of each equity share of IBBL is BDT 10.00; accordingly, average market price increased by BDT 22.02 (32.02-10.00).

of its shares; consequently, share price was undervalued. Conversely, a high TQ (>1) in different financial years suggests that IBBL's share was higher-priced than its replacement costs of assets; implying the share was overvalued. The TQ results substantiate that of MPVS, as both indicators indicate a downfall in the market value of shareholder investments in the years 2014 and 2015.

Financial Performance from the Shareholder Perspective: Table 7 shows that Economic Value Added (EVA) was BDT 4444 million higher in 2017 compared to that of 2012. The average EVA for the study period was BDT 5,635 million with standard deviation of 1867.30. Year-wise data shows no negative value of EVA throughout the study period. These results indicate that the bank successfully created value-based shareholder value at a volatile rate during the study period.

Table 7: Results of Financial Performance from the Shareholder Perspective

Ratios/Years	2017	2016	2015	2014	2013	2012	Mean	Std. Dev.
EVA (BDT in millions)	9,298	6,408	3,625	5,481	4,141	4,854	5,635	1867.30

Note: Variables are defined as follows: EVA= economic value added; and BDT= Bangladeshi Taka, the official currency name of Bangladesh.

Conclusion

The study is an attempt to measure the financial performance of IBBL from three different perspectives, such as the bank management perspective, market perspective, and shareholder perspective for the period 2012-2017. The study found that the bank experienced a downfall of performance during the period 2013-2015 compared to the year 2012; however, the situation began to improve from 2016. Despite the downfall of performance in several study years, the overall financial performance of the bank from all perspectives was satisfactory with a little variation throughout the period under the study. From the consistency point of view, the financial performance of the bank from all perspectives was moderately stable.

The downfall of financial performance during the period 2013-2015 may be related to the poor management capability of the bank. The ratios related to the management capability indicate that there was a high inconsistency in management capability in the collection of deposits, which led to an inconsistent volume of general investments during the period under the study. Consequently, a devastating collapse in income from general investments was noticed. Also, income from non-general investments was found to be extremely volatile during the study period. The study finds that the trends of almost all activity ratios being examined are upward, suggesting a gradual improvement in efficiency of the bank throughout the years under the study. This result, however, contrasts with that of management capability ratios, indicating an interesting trend. This is because "a more efficient bank–which, presumably, earns more, relative to some measure of its assets or liabilities ought to have the greater wherewithal for expansion and ought actually to grow faster……." (Khusro *et al.*, 1971). Short-term solvency ratios suggest that the bank did not experience liquidity problems during the study period, while asset quality ratios suggest there was good protection of depositors' money. The results related to short-term solvency and asset quality imply that the bank was less likely to become insolvent and it would have been able to tackle the crisis during the bank-run situation. Satisfactory asset quality, adequate short-term solvency, and activity performance seemed to have compensated poor performance in the areas of management capability. Consequently, and on the whole, the study provides evidence of the fair financial performance of the bank from all perspectives.

The outcomes of the study are important for different stakeholders of the bank, particularly employees, depositors, and shareholders because they are in a panic about the prospect of the bank due to the recent management change. The study suggests there is nothing to be panic. The current bank management also requires the same outcomes, as they require improving management capability areas to achieve its vision.

The results, however, are subject to several limitations. The study employs a range of financial ratios, which are considered to be short-term performance measures, to measure the bank's performance. Moreover, the study did not assess the causal relationship between financial performance and other financial factors. Therefore, for measuring

long-term and sustainable financial performance, the future study may incorporate relevant non-financial data (e.g., customer satisfaction, ease of availability of service, quality of service, etc.) into the study. Also, econometric methods (e.g., multiple regression analysis) may be applied in the future study to determine the causal effect of different financial factors on financial performance.

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