

## Comparative Analysis on Financial Performance of Selected Commercial Banks: A Study on Bangladesh Banking Sector

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### ABSTRACT

*One of the major sectors of Bangladesh economy is the Banking Industry. The financial performance of banks plays a crucial role to any country's GDP and determines the growth of a nation. Considering the importance of the fact, this study has undergone a comparative analysis on the financial performance of 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> generation banks of Bangladesh from 2008 to 2019. A total of 21 banks have been selected randomly to support the analysis of seven banks from each generation. To assess the financial performance of these banks, three measures are used, i.e. Profitability ratios, liquidity ratios and capital adequacy ratio. This research also examines the mean differences on profitability ratios among the three generation banks by analysis of variance (ANOVA) test. The result of the hypothesis suggests that there are no major variations in profitability ratios among the three-generation banks. All the three generation banks exhibit a standard positive result in the area of profitability ratios, liquidity ratios and capital adequacy ratio, thus reflecting the financial soundness of all the three generation banks.*

**Keywords:** Bank Generations, Capital Adequacy Ratio, Financial performance, Liquidity Ratio, Profitability Ratio.

### 1. INTRODUCTION

The economic performance of Banking sector has a substantial impact on the financial growth of Bangladesh (Islam et al., 2019). Banks assist the Government with raising capital, promoting industrial prosperity and navigating opportunities. It is interlinked with every other sector as well in managing their resources, i.e. the monetary transactions. Therefore, the proficient performance of this industry is very vital for the prosperity of the Bangladesh economy since, it affects development of trade and other sectors like agriculture, service, pharmaceuticals etc.

As of now, four types of banks operate in Bangladesh to support economic growth i.e. state-owned bank, private commercial banks, development financial institutions and foreign commercial banks. In total, Bangladesh has 59 scheduled banks of which 41 banks are Private Commercial Banks. Out of 41 only 31 banks are public listed company whose financial data are available in the market. Based on the year of establishment and its distinct characteristics Bangladesh Bank has divided this private commercial bank into four generations. Banks that have started their operation in the period 1971-1990 are considered as first-generation banks. Banks established within 1991-2000 are second generation banks and third generation banks are those that were established between the years 2000 and 2010. The banks getting license from 2011 to till date, are considered as fourth generation bank (Bangladesh Bank, n.d.). As of today, only one bank from fourth generation has been listed as public limited company in DSE (DSE, 2021). It has been observed that several researches have already been conducted to compare the performance of

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the private commercial banks based on their category- Hossain & Islam (2017) evaluated the performance of Conventional Banks and Islamic Banks; Banik & Das (2013) compared the performance of state owned banks. However, a minimal quantity of research is there conducted in Bangladesh that compared private commercial banks financial performance based on generations. In this study financial performance of three generation banks will be analyzed through profitability ratios, capital adequacy ratio and liquidity ratio as well as hypothesis will be tested to find out whether any mean differences on profitability exist among three generation banks.

This study not only measured the financial performance of the banks based on profitability ratios, capital adequacy ratio and liquidity ratios but also tested the hypothesis whether there is any mean differences of ROA, ROE and NIM among the three generation banks of Bangladesh using ANOVA which make this research unique from other researches.

## **2. LITERATURE REVIEW**

Financial performance is an organization's capacity to oversee, and control its resources (Fatihudin et al., 2018). Considering the context of banks, resources refers to the deposits that the banks are receiving from the customers, and ensuring efficient management and investment of these resources (money), will assist these banks in generating profit to prosper. Performance can be described when the endeavors reached out to accomplish the targets- that involves the integrated use of human, financial and natural resources, productively and viably (Albans, 1978). Positive financial performance of the Banks is crucial in the development of country's economy growth. However, it is quite of a challenge to figure out the performance of these banks, and analyze accordingly. To this date, several researchers have already worked on measuring the performance of Banks. They followed various methodologies and approaches such as ratio analysis, camel ratios, ANOVA testing, t-test, Multivariate Discriminate Analysis (MDA), trend analysis, and so forth to conduct those researches. In the accompanying passage, we have summarized some of the works of few researchers in this field.

Ally (2013) compared the financial performance using profitability, liquidity ratios and ANOVA testing to measure the performance of the Tanzania commercial banks. It concluded that Tanzania's banking sector remained in a sound position because these banks are capitalized sufficiently, were resilient and adaptive to economic changes, and it productively performed in different economic periods. In addition, it was observed that, no significant method contrast of profitability in ROA ratio among peer banks' groups. Conversely, significant differences existed among peer banks' groups in terms of ROE and NIM. Ally (2017) used ratio analysis and ANOVA testing to compare the financial performance of domestic and foreign banks of Tanzania. The outcome indicated that domestic banks profitability are higher than foreign banks. Md. Rouf Biswas (2017) compared state-owned banks and private commercial banks financial performance through using ratio analysis, and descriptive statistical analysis. He inferred that financial performance of private commercial banks are better than state-owned banks.

Islam, Hussain & Karim (2014) measured the performance of banking sector in Bangladesh by using CAMEL ratios and concluded that Foreign Commercial Banks and Private Commercial Banks showed positive signal of well-functioning, whereas State Owned Banks showed an improving performance trend. Majumder & Rahman (2017) used a CAMEL model and ANOVA test to measure the performance of selected Bangladesh Commercial Banks which concluded that there is a significant difference between the Banks performance. Doğan (2013) compared the financial performance of Turkish domestic and foreign banks where he compared the banks performance based on profitability, liquidity, capital adequacy, asset quality, riskiness, management effectiveness and size. Result concluded that asset quality, management effectiveness, management effectiveness, return on equities, and total assets are higher for

domestic banks than foreign banks. Conversely, domestic banks have a lower capital adequacy ratio than foreign banks. Olson & Zoubi (2008) distinguished between conventional and Islamic banks in the Gulf Cooperation Council (GCC) region on the basis of monetary characteristics alone. They found that the means of several ratios are similar between the two categories of banks, and non-linear classification techniques are able to correctly distinguish Islamic from conventional banks in out-of-sample tests at about a 92% success rate. Hassan & Adam (2014) investigated the financial performance of Erbil Bank for Investment and Finance, Kurdistan Region of Iraq during the period of 2009-2013. They used ratio analysis and found that overall financial performance of Erbil Bank is improving in terms of liquidity ratios, assets quality ratios or credit performance, profitability ratios (NPM, ROA, ROE). Qamruzzaman (2014) analyzed the performance and financial soundness of 20 listed Banks, where he applied various financial ratios and statistical tools. He concluded that changing of overall industry profitability and liquidity position essentially influenced monetary adequacy. Pinto (2017) assessed the financial performance of commercial banks in Bahrain. 10 years' data from 2005 to 2015 were used to facilitate the Regression, correlation analysis & t-tests in determining the relationship between different financial parameters. Akber & Dey (2020) evaluated the performance of Islamic banks and

Traditional private commercial banks in Bangladesh with a term from 2015 to 2019. They applied CAMEL test and reached to the conclusion that traditional private commercial banks perform better, but in terms of capital adequacy and liquidity position, Islamic banks perform better in Bangladesh. Munir, Iqbal & Ahmad (2012) assessed the financial performance of Pakistani public sector banks. The variables such as total assets, advance, deposit, investment, profit before tax and return on assets was selected to conduct the study. They found that national bank of Pakistan leads in all respect i.e. total assets, advances, deposits, return on assets, and profit before tax and investment. Hoque & Hossain (2019) measured the financial performance of selected Islamic and conventional banks of Bangladesh. They found that the performance of conventional banks is better than the Islamic banking stream in terms of profitability, liquidity and solvency. Mengistu (2015) evaluated the financial performance of banking sectors in Ethiopia. The study revealed that the financial performance of the bank has continued improving, if not fluctuating over time. Besides, the bank has performed efficiently in profit earning and managing its assets for generating revenue. Although there is a need for development in its much reliance on outside financing, and the high proportion of non-performing loans. Haque (2013) measured the financial performance of some selected private commercial banks in Bangladesh using four dimensions: profitability, liquidity, credit risk and efficiency.

This study uncovered that there is no specific relationship between the generation of banks and its performance. The performances of banks are dependent more on the management's ability in formulating strategic plans and the efficient implementation of its strategies. Ahsan (2016) analyzed the financial performance of three selected Islamic Banks (Islami Bank Bangladesh Limited, Export Import Bank of Bangladesh Limited, Shahjalal Islami Bank Limited). Using CAMEL, and Rating Analysis approach, it has been found that all the selected Islamic Banks are in strong position on their composite rating system with a stability in almost every respect i.e. capital adequacy, asset quality, management quality, earning capacity and liquidity conditions. Usman & Khan (2012) evaluated the comparative financial performance of Islamic and conventional banks. The result revealed that Islamic banks have high growth rate, profitability, and liquidity power over the conventional banks. Ajlouni & Omari (2013) examined and analyzed the advancement in relative competency of Jordanian Islamic banks performance over time. The study uses two unique methodologies: (1) Malmquist Data Envelopment Analysis and (2) Financial Ratio Analysis. The results revealed that Jordanian Islamic banks were constantly efficient during the study period, in terms of their inputs producing actual outputs, using both approaches. However, the variation between the sample banks is not significant. Furthermore, there is no significant evidence on the relationship among DEA and FRA bank rankings. Ahsan, Haque & Uddin (2017) examined and compared the performance of Islamic and Conventional banks in Bangladesh during 2010 to 2014 by analyzing CAMEL tests standard factors, i.e. the

capital adequacy, asset quality, management quality, earning ability and liquidity position. Authors inferred that measurably there is no significant distinction between Islamic banks and Conventional banks, except management qualities. To conclude, in terms of management qualities and asset qualities, Conventional banks are better off. Whereas considering, Capital adequacy and liquidity position, Islamic banks are better than that of Conventional banks.

After reviewing the literature, it has been observed that a lot of researches has been led to analyze the financial performance of the banks functionally. However, generation-wise financial performance analysis and its productivity measurement of Bangladesh commercial banks is rare. In this study, financial performance analysis of three generation banks will be conducted, where the significance of each of the generation's banks profitability will be tested. This study will help the policy makers, academicians, bankers and researchers to understand the financial position of each generation banks and in what areas they are performing differently and where the banks need to focus. From the literature, we can comprehend that- (a) In comparing financial performances of the banks, ratio analysis is the most commonly used methodology; (b) For comparison among the bank groups, profitability ratios such as ROA, ROE and NIM are the most effective ratios; (c) For liquidity ratios, average cash due from balances held at other depository institutions to total assets, and average cash assets & government securities to total asset are acceptable measures; (d) To test the significance differences of profitability means among peer banks groups, Analysis of Variance (ANOVA) is popularly used.

### 3.0 METHODOLOGY

#### 3.1 Research Design

To analyze the financial performance of the private commercial banks of Bangladesh quantitative approach is followed. A quantitative approach is relevant because it employs statistics, which is a comparative methodological discipline that uses mathematical ideas for descriptive data analysis, point inference, and hypothesis testing (Creswell, 2008).

#### 3.2 Sample Design & Data Source

For the purpose of the study 7 private commercial banks from each generation is chosen which are enlisted in Dhaka stock exchange. Total 21 DSE listed Commercial banks are employed to facilitate the study (see table 1), Banks that started their operation before 2008 are selected as sample in this study. Data are collected from secondary sources. All of the data is collected from DSE and Banks Websites.

**Table 1** Private Commercial Banks for All Generations

Bank	Number of Banks (Started before 2008) and listed as Public listed company	Selected Banks
1 <sup>st</sup> Generation	7	AB, IFIC, National, The City, UCBL, IBBL, Pubali
2 <sup>nd</sup> Generation	7	DBBL, Dhaka, NCC, EBL, Prime, Al-Arafah, One
3 <sup>rd</sup> Generation	7	Brac, Mercantile, MTBL, Premier, Bank Asia, Jamuna, Shahjalal Islami
Total	21	

### 3.3 Research Method

Descriptive financial analysis is used to measure, describe and analyze the financial performance of these three generation banks of Bangladesh during the period of 2008 to 2019. In addition, this study also examines whether there is any statistical differences among the peer bank groups in their profitability performance. Ally (2017) tested hypothesis on mean differences of ROA, ROE and NIM between domestic and foreign as well as (Ally, 2013) tested hypothesis on mean differences of ROA, ROE and NIM among Large, medium and small banks using one-way ANOVA. In this study following hypothesis is developed to be tested based on the references from previous researches.

$H_{01}$  = There is no significant difference are there between the means on ROA among 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Generation Banks of Bangladesh.

$H_{02}$  = There is no significant difference are there between the means on ROE among 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Generation Banks of Bangladesh.

$H_{03}$  = There is no significant difference are there between the means on NIM among 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Generation Banks of Bangladesh.

To figure out whether there is any difference in the mean of profitability among these three generation Banks this study considers P value (significance) as the decision criterion. If P value is less than 0.05 we will reject null hypothesis and accept the alternate hypothesis, If P-value > 0.05, do not reject the null hypothesis and reject the alternate hypothesis.

### 3.4 Research Variables

#### 3.4.1 Profitability Performance

Profitability refers to how well a company is employing their resources to generate profit. It assists companies to strengthen their capital through the investment of retained earnings. In this study three profitability ratios are used. They are given below:

**ROA:** Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment" (Gitman, 2012).

**ROE:** Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Gitman, 2012).

**NIM:** Net interest margin (NIM) is a performance metric that examines how successful a firm's investment decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because interest expenses were greater than the amount of returns generated by investments (Choudhury, 2018).

#### 3.4.2 Liquidity Performance

The liquidity of a firm is measured by its ability to satisfy its short-term obligations as they come due (Gitman, 2012). Banks should have enough liquid resources which is easily convertible to cash to meet the short-term obligations. Duttweiler (2009) highlights that "the liquidity expresses the degree to which a bank is capable of fulfilling its respective obligations". Loan to deposit ratio was used by Shiri et al. (2015) in the research named determinants of bank profitability to measure the liquidity performance. In this study loan to deposit ratio will be used as an indicator of liquidity performance.

### 3.4.3 Capital Adequacy Ratio

Capital adequacy ratio measures the amount total capital/equity a Bank possesses compared to its risk weighted assets (Ali & Al-Khalaf, 2017). Risk weighted assets refers to the minimum amount of assets that a bank must hold in order to minimize the risk of insolvency. It is a vital ratio to measure the financial soundness of the banks. Capital adequacy ratio adopts the level of capital is adjusted in an ad hoc manner with the time when an increase in each of the total operating expenses is expected, along with the withdrawal needs (Abusharba et al., 2013).

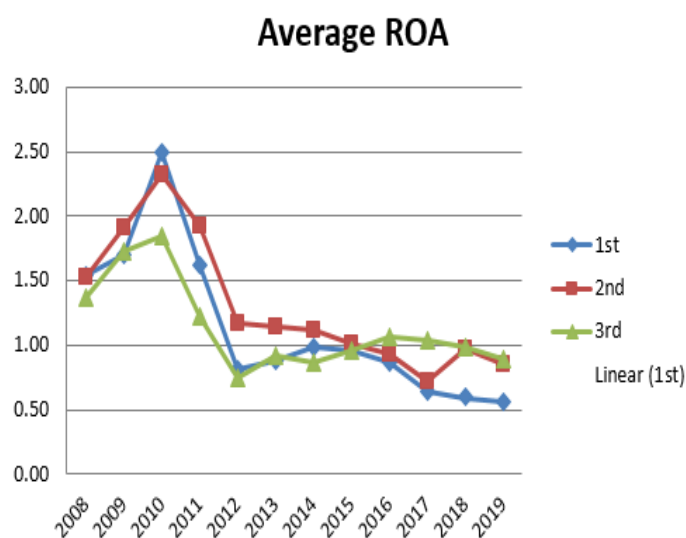
## 4.0 RESULTS AND DISCUSSION

### 4.1 Performance on ROA

The profitability performance on average ROA of three generation banks are given below:

**Table 2** Average ROA of Banks

Year	1st	2nd	3rd
2008	1.54	1.53	1.36
2009	1.70	1.91	1.73
2010	2.50	2.32	1.85
2011	1.62	1.93	1.22
2012	0.81	1.17	0.74
2013	0.88	1.14	0.92
2014	0.99	1.11	0.87
2015	0.96	1.01	0.96
2016	0.87	0.93	1.06
2017	0.64	0.72	1.04
2018	0.59	0.97	0.99
2019	0.56	0.86	0.89
Mean	1.14	1.30	1.14
S.D	0.58	0.51	0.35



**Figure 1:** Average ROA of Banks

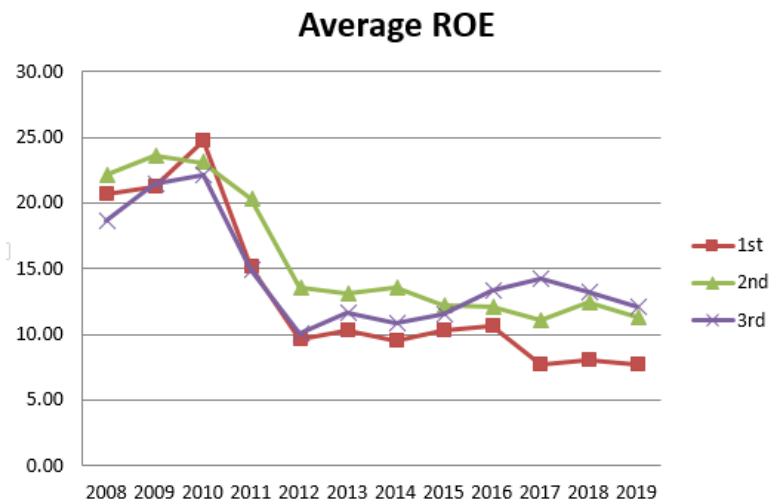
Profitability performance on ROA shown on table 2 and figure 1 demonstrates that 2<sup>nd</sup> generation banks had the highest mean on ROA of 1.30% with a standard deviation of 0.51% than other two generation banks. However, the mean on ROA of 1<sup>st</sup> and 3<sup>rd</sup> generation banks are 1.14% and 1.14% with standard deviation of 0.58% and 0.35% respectively. In this category 2<sup>nd</sup> generation banks performed somewhat better than other two generation banks that means 2<sup>nd</sup> generation banks are handling their asset more effectively than other two generation banks.

### 4.2 Performance on ROE

The profitability performance on ROE of three generation banks are given below:

**Table 3** Average ROE of Banks

Year	1st	2nd	3rd
2008	20.65	22.12	18.69
2009	21.24	23.66	21.46
2010	24.77	23.11	22.10
2011	15.19	20.35	14.98
2012	9.64	13.53	10.11
2013	10.30	13.18	11.67
2014	9.54	13.59	10.87
2015	10.32	12.28	11.50
2016	10.62	12.12	13.40
2017	7.68	11.16	14.31
2018	8.06	12.41	13.26
2019	7.72	11.29	12.12
Mean	12.98	15.73	14.54
S.D	5.98	4.97	4.07



**Figure 2:** Average ROE of Banks

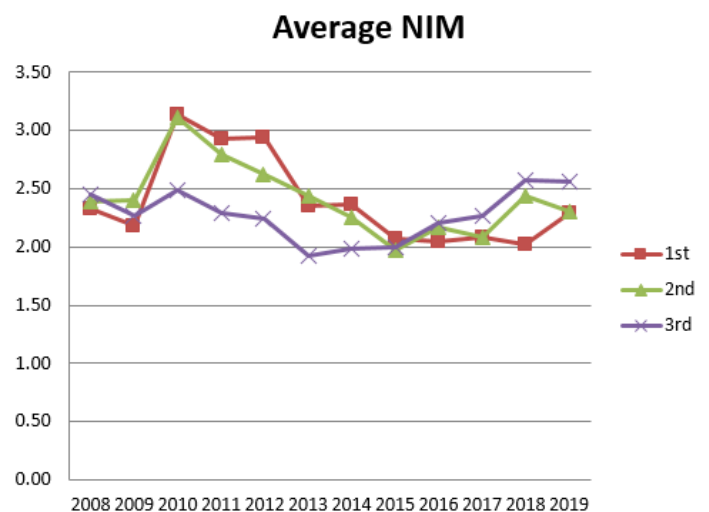
Profitability performance on ROE shown on table 3 and figure 2 demonstrates that 2<sup>nd</sup> generation banks had the highest mean on ROE of 15.73% with a standard deviation of 4.97% than other two generation banks. Whereas the mean on ROE of 1<sup>st</sup> and 3<sup>rd</sup> generations banks are 12.98% and 14.54% with standard deviation of 5.98% and 4.07% respectively. In this category 2<sup>nd</sup> generation banks performed slightly better than other two generation banks that means 2<sup>nd</sup> generation banks are using their equity more effectively than other two generation banks.

### 4.3 Performance on NIM

The profitability performance on average NIM of three generation banks are given below:

**Table 4** Average NIM of Banks

Year	1st	2nd	3rd
2008	2.33	2.39	2.45
2009	2.18	2.40	2.26
2010	3.13	3.11	2.49
2011	2.93	2.79	2.29
2012	2.95	2.62	2.24
2013	2.35	2.44	1.92
2014	2.36	2.26	1.99
2015	2.07	1.97	2.00
2016	2.05	2.17	2.21
2017	2.08	2.08	2.26
2018	2.02	2.44	2.57
2019	2.29	2.31	2.56
Mean	2.40	2.42	2.27
S.D	0.39	0.31	0.22



**Figure 3:** Average NIM of Banks

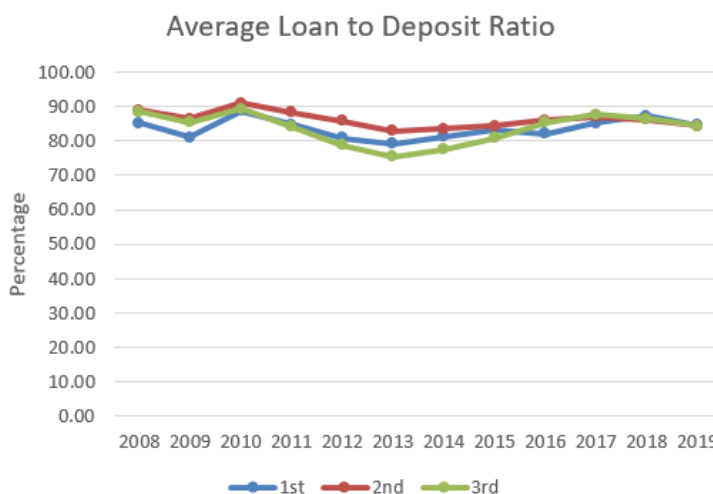
Profitability performance on NIM shown on table 4 and figure 3 demonstrates that 2<sup>nd</sup> generation banks had the highest mean on NIM of 2.42% with a standard deviation of 0.31% than other two generation banks. While the mean on NIM of 1<sup>st</sup> and 3<sup>rd</sup> generations banks are 2.40% and 2.27% with standard deviation of 0.39% and 0.22% respectively. In this category 2<sup>nd</sup> generation banks performed marginally better than other two generation banks that means 2<sup>nd</sup> generation banks are managing their assets more effectively in case of lending than other two generation banks.

#### 4.4 Liquidity Performance

The liquidity performance on Loan to deposit ratio (LDR) of three generation banks are given below:

**Table 5** Average LDR of Banks

Year	1st	2nd	3rd
2008	85.29	89.02	88.64
2009	81.06	86.58	85.54
2010	88.79	91.18	89.45
2011	84.85	88.45	84.18
2012	80.87	85.82	78.90
2013	79.27	83.09	75.54
2014	81.43	83.62	77.68
2015	83.50	84.48	80.95
2016	82.12	86.13	85.52
2017	85.24	87.25	87.71
2018	87.33	86.26	86.57
2019	84.58	84.53	84.52
Mean	83.69	86.37	83.77
S.D	2.83	2.35	4.50



**Figure 4:** Average LDR of Banks

Liquidity performance on LDR shown on table 5 and figure 4 demonstrates that 2<sup>nd</sup> generation banks had the highest mean on LDR of 86.37% with a standard deviation of 2.35% than other two generation banks. Whereas the mean on LDR of 1<sup>st</sup> and 3<sup>rd</sup> generations banks are 83.69% and 83.77% with standard deviation of 2.35% and 4.5% respectively. In this category 2<sup>nd</sup> generation performed slightly better than other two generation banks. The trend shows that the LDR remained within 80% to 90% on an average from 2008 to 2019.

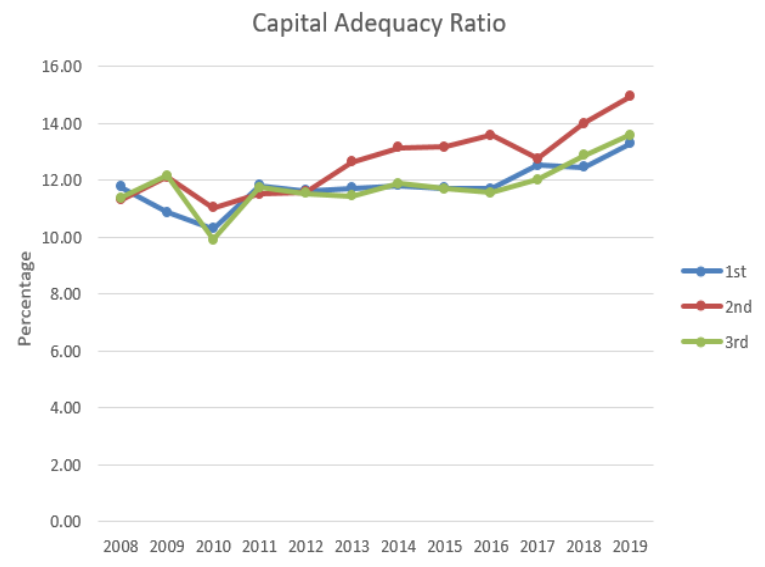
#### 4.5 Capital Adequacy Ratio

The capital risk performance on Capital Adequacy Ratio (CAR) of three generation banks are given below:



**Table 6** Average CAR of Banks

Year	1st	2nd	3rd
2008	11.77	11.31	11.38
2009	10.86	12.10	12.15
2010	10.29	11.04	9.90
2011	11.80	11.50	11.75
2012	11.62	11.59	11.54
2013	11.71	12.64	11.44
2014	11.81	13.13	11.89
2015	11.73	13.16	11.69
2016	11.69	13.58	11.56
2017	12.51	12.74	12.01
2018	12.45	13.98	12.86
2019	13.28	14.94	13.57
Mean	11.79	12.64	11.81
S.D	0.76	1.19	0.88



**Figure 5:** Average CAR of Banks

Table 6 and figure 5 indicates that the mean on CAR is slightly higher for 2<sup>nd</sup> generation banks which is 12.62% with a standard deviation of 1.19%. It refers that 2<sup>nd</sup> generation banks are more solvent than the other two generation banks. Though 1<sup>st</sup> and 3<sup>rd</sup> generation banks mean CAR are 11.79% and 11.81% respectively which is a little lower than 2<sup>nd</sup> generation banks CAR. The trend for all three generation banks are showing an upward trend from 2011 to 2019.

#### 4.6 Hypothesis Testing

In this section null hypothesis will be tested using ANOVA along with F statistic to check whether there is any significant differences on means of (ROA, ROE, NIM) among the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Generation Banks. Hypothesis are below:

H<sub>01</sub> = There is no significant difference between the means on ROA among 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Generation Banks

H<sub>02</sub> = There is no significant difference between the means on ROE among 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Generation Banks

H<sub>03</sub> = There is no significant difference between the means on NIM among 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Generation Banks

The results from ANOVA on means of ROA, ROE and NIM are demonstrated below:

**Table 7a** ANOVA result on means of ROA

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	.212	2	.106	.445	.644
Within Groups	7.869	33	.238		
Total	8.082	35			

**Table 7b** ANOVA result on means of ROE

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	45.838	2	22.919	.892	.419
Within Groups	847.604	33	25.685		
Total	893.442	35			

**Table 7c** ANOVA result on means of NIM

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	.148	2	.074	0.748	.481
Within Groups	3.271	33	.099		
Total	3.419	35			

According to the table: (7a, 7b, and 7c) the p-value in all three cases (ROA, ROE & NIM) is greater than 0.05 which refers that null hypothesis is accepted. Thus, there is no significant difference between the means on ROA, ROE and NIM among the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> generation banks of Bangladesh.

From the above analysis on ratios it is seen that all three generation banks are maintaining a positive return in the category of ROA, ROE and NIM in the period 2008 to 2019. Based on the above result it can be said that 2<sup>nd</sup> generation banks profitability trend is somewhat better than other two generation banks in terms of means of ROA, ROE and NIM. In case of liquidity performance and capital adequacy ratio all three generation banks maintained the minimum requirement prescribed by Bangladesh Bank. The result also revealed that there is no significant difference between the means on profitability performance (ROA, ROE and NIM) among three generation banks, Trends in LDR and CAR illustrates that 2<sup>nd</sup> generation banks performance is marginally better than 1<sup>st</sup> and 3<sup>rd</sup> generation banks which very insignificant. The reason behind the marginal better performance of 2<sup>nd</sup> generation banks are their good corporate governance, financial strength, more customer orientation and more technological investment. Nevertheless 3<sup>rd</sup> generation banks are also performing well. Their trend in ROA, ROE, NIM, LDR and CAR show an upward positive growth and it will eventually outperform other two generation banks by their customer focus strategy, innovation and use of new financial technology. Considering the time of establishment 1<sup>st</sup> generation banks should have performed better. They need to focus on their corporate governance, internal control and compliance, financial inclusion activities to compete with other two generation banks. All the banks should focus on lowering their cost by investing in financial technology, recovering non-performing loans, investing in promising sectors to increase net interest margin and net profit which will definitely help for their financial growth.

## 5.0 CONCLUSION

Bangladesh is classified among the next eleven emerging market middle income economy. Since Banks are associated with different sectors of a country, a sound financial performance of the Banks is mandatory to meet the goals. This study will provide valuable information regarding the financial performance of First, Second and Third generation banks of Bangladesh. Study reveals that the mean performance on profitability ratios is within 1.1% to 1.3% on Return on Asset ratio, 13% to 15% on Return on Equity ratio, and 2.2% to 2.4% on Net Interest Margin ratio. Even the banks maintained required amount of average loan to deposit ratio as per Bangladesh Bank policy which is within 83% to 85%. In addition, they sustained a good average capital adequacy ratio in between 11% to 13% which is more than the required CAR according to Bangladesh Bank. This

study also found that there is no significant difference among the means on profitability ratios among first, second and third generation Banks of Bangladesh. It is suggested that all the banks strive on maximizing the interest spread, investing in new financial technology to minimize the cost, financing in promising sectors, and recovering non-performing loans. This study was intended only to compare the financial performance of the first, second and third generation banks of Bangladesh. Fourth generation banks will also be considered for financial performance review in the future.

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