

Report On

The Impact of Macroeconomic factors on Mercantile Bank PLC

By

Kazi Mahera Hoque

19304062

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School

BRAC University

May, 2024

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Kazi Mahera Hoque
ID: 19304062

Supervisor's Full Name & Signature:

Noshin Anjum Chaiti
Lecturer, BRAC Business School (BBS)
BRAC University

Letter of Transmittal

Noshin Anjum Chaiti
Lecturer,
BRAC Business School
BRAC University
KHA 224, Progati Sarani, Merul Badda, Dhaka- 1212
Subject: Submission of Internship Report

Dear Madam,

It is a great pleasure to submit my BBA internship report on The Impact of Macroeconomic Factors on Bangladesh's Commercial Banks with great satisfaction. This report details my internship at Mercantile Bank and the skills and knowledge I learned.

My report explained what I learned and how I might help that company. I'm available to discuss the report or answer questions. I appreciate your help and wise counsel. Please let me know any areas for improvement.

Regards,

Kazi Mahera Hoque
Student ID: 19304062
BRAC Business School
BRAC University
Date: May 26th, 2024

Non-Disclosure Agreement

The undersigned student, Kazi Mahera Hoque of BRAC University, and Mercantile Bank have made and entered into this agreement. In connection with Kazi Mahera Hoque's internship project with Mercantile Bank, the "Organization" and the "Intern" have entered into this non-disclosure agreement (the "Agreement"). The undersigned student understands that any technical or non-technical data disclosed to the Receiving Party by the Disclosing Party is considered Confidential Information under the terms of this Agreement. Information that was obtained lawfully, publicly known, discovered, or created by the Receiving Party before disclosure, or that was disclosed with the Disclosing Party's prior written consent, is not subject to the Receiving Party's obligations under this Agreement. The most significant parts of this Agreement are the sections on nondisclosure, relationships, severability, integration, waiver, and notice of immunity. This Agreement's nondisclosure clauses will still apply even after it is terminated, and the Receiving Party will be responsible for protecting the confidentiality of Confidential Information until it can no longer be considered a trade secret or until the Disclosing Party gives the Receiving Party written release.

Acknowledgment

I would like to thank Mercantile Bank Ltd. for the opportunity to participate in an internship program with them. It was an excellent learning experience, and I am grateful for the knowledge and skills that I gained during my internship.

Thanks to my supervisor, Mirza Yahia Uddin Ahmed (FVP & MOB, Mercantile Bank Ltd.), for his advice and assistance during my internship. His advice and support have helped me improve professionally and personally. I also want to thank the Mercantile Bank staff for their kind welcome and wonderful internship. The team's help in completing my internship project is also appreciated.

However, I am grateful to my adviser, Noshin Anjum Chaiti (Lecturer, BRAC University), for her help with my internship report. Her advice, insights, and support throughout my internship were appreciated.

Finally, thanks to everyone who assisted me with my internship and report writing. I'm forever grateful for my lifelong talents, knowledge, and experience.

Thank you once again for this amazing chance.

Sincerely,

Kazi Mahera Hoque

Executive Summary

Mercantile Bank's internship program gave me general banking experience. I was responsible for updating forms, starting accounts, developing schemes, processing pay orders, dispatching, taking cash payments, sanctioning loans, dealing with credit card difficulties, opening LCs, IDBP, and more throughout my internship. This program allowed me to see and participate in the bank's daily operations, which helped me comprehend industry standards. I also practiced problem-solving, communication, and time management. I analyzed macroeconomic aspects affecting Bangladesh's banking industry for my internship. This endeavor allowed me to apply my academic theory. The internship was a valuable learning experience, and I'm grateful to work with Mercantile Bank Limited's supportive team.

Keywords: Internship; Mercantile Bank; General Banking; Loan sanction; Credit card issue; Macroeconomic factors; Banking sectors; Industry practices; Communication skills

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List of Acronyms

MBL	Mercantile Bank Limited
FDR	Fixed Deposit Receipt
DPS	Deposit Pension Scheme
HOB	Head of Branch
RTGS	Real Time Gross Settlement
FVP	First Vice President
MSS	Monthly Savings Scheme
SEO	Senior Executive Officer
EO	Executive Officer
LC	Letter of Credit
SOD	Secured Overdraft
CD	Certificate of Deposit
IDBP	Inland Documentary Bill Purchased

Chapter 1: Overview of Internship

1.1 Student Information

Name: Kazi Mahera Hoque

ID: 19304062

Program: Bachelor of Business Administration

Major: Finance

1.2 Internship Information

1.2.1 Company Details

Period: 1st January- 31st March,2024

Company Name: Mercantile Bank PLC (MBLPLC)

Department: General Division

Address: Plot No. 22, Gareeb-e-Newaz Avenue, Sector 13, Uttara, Dhaka 1230

1.2.2. Internship Company Supervisor's Information

Name: Mirza Yahia Uddin Ahmed

Position: First Vice President & Head of Branch

Email Address: hob_gnb@mblbd.com

1.2.3. Job Description /Duties/Responsibilities

I was given the opportunity to complete my internship at Mercantile Bank PLC (MBLPLC), a public limited company incorporated in Bangladesh. Being a part of this organization's culture has tremendously benefited me, and I had a great time while I was an intern there. As an Intern I was told that there are primarily Three departments that I would need to know about which are- General Banking (Customer Care), Cash, and lastly Credit. As an intern, I worked in customer care the most. I had to fill up Customer opening forms, had to call customers, etc. I also issued checkbooks and debit cards, processed deposits and withdrawals, and issued debit cards. I had to verify the customer's NIDs. Also, I helped customers to do BFTN and RTGS.

After that, I also dealt with regular-day vouchers and organized them. Moreover, I had to write letters to the customers about their account situation. Then, I had to deal with the customers every day at the Front desk. I learned so many things about how banks are operating and so on.

1.3 Internship Outcomes

1.3.1 Student's Contribution to the Company

Throughout my internship at Mercantile Bank, I tried to offer as much as I could as an intern. One individual was given an additional burden, so I assumed some duties like managing and doing most of the work of filling out the customer's account opening forms and dealing with the checkbooks of the customers. And helping the customers when there is no one at the front desk. I asked what work I do to help them and my Operation Manager liked my approach and enthusiasm, So, much that so they gave me the responsibility of handling their customers' internal information and also let me use their internal websites to learn I more work. Therefore, I think I did contribute in some way to the business. Although there is no significant contribution of mine to the Bank, I gave my full contribution in the Chapter where I showed my findings of mine.

1.3.2 Benefits to the Student

I was able to observe and experience how a business and its various departments operate after working at Mercantile Bank for three months. I felt like I belonged and was competent when I was assigned responsibilities to complete some necessary tasks. I learned how to interact and communicate professionally with others while keeping a professional posture and making firm eye contact. I also gained an understanding of the true nature of teamwork and the potential rewards. Interacting with them helped me improve my communication abilities because Mercantile Bank has a diverse community of people. Additionally, being a part of such a sizable and diverse group has helped me develop my empathy and compassion. It helped me better control my patience. I had never given such patience management much consideration before working as an intern at a bank because of how unfavorably the clients that the bank deals with are almost always treated. I feel like my interpersonal skills are developing and the experience I gathered in the bank will open new doors in the future for me in other Organizations.

1.3.3 Problems/Difficulties (faced during the internship period)

First of all, I have to say that I enjoyed working there as an Intern But, I have to add that I was only an intern working there for the first month of working there. I was lonely as there was no one similar to my age. However, the Officers working there tried to compensate for the situation by talking to me and cooking food for me so that we could bond over food. Additionally, I thought there wasn't enough healthy competition, which marginally reduced my output. Another problem for me was that I couldn't see how all the divisions interacted, so I didn't learn enough about each one. With a very busy schedule, the Officers could not teach me so many things about banks and so on.

1.3.4 Recommendations

I will always cherish the time I spent in Mercantile Bank and never forget the learnings for the rest of my life. I think that there should be certain Intern training sessions for the interns also so that they can learn better about how banks work and the internal issues. Mercantile Bank must recruit more interns as it helps the interns to be in a competitive friendly workplace and make friends. It is really important for everyone to feel entertained. As bank work sometimes can be monotonous there should be a certain time when every employee takes a break and communicates, eats, or maybe rests. In my working days, I saw officers taking lunch breaks whenever they were free but I think there should be one time when they can enjoy their time together as a team and sit together to relax. Lastly, I want to say that interns should use the time they are working together because I think they can learn a lot if they want from the banking sector.

Chapter 2: Organization Part

2.1 Introduction

Mercantile Bank Limited is a public limited commercial bank in Bangladesh. It was founded on May 20, 1999. The bank's operations began on June 2, 1999. Since its inception, Mercantile Bank has offered its customers a diverse range of banking services, including retail banking, corporate banking, SME banking, and a variety of other financial products and services. MBPLC.'s transformational strategy, dynamic leadership, and decisive management interventions have created a robust platform for capturing emerging opportunities. We deliver customer-centric services with evolving technology through a team of professionals, driving innovation in need-based banking products and services.

At MBPLC, we recognize that public confidence is vital to the growth of the banking industry in Bangladesh. Hence, we strive to promote good corporate governance, ensuring greater efficiency, accountability, and transparency in all business decisions. We align our attitudes, beliefs, and culture with the needs of our human resources, clients, stakeholders, and the overall financial system of Bangladesh. Our commitment to excellence and delivering superior customer experiences has positioned us as a leading banking institution in Bangladesh, further strengthening our position in the market.



2.2 Overview of the Company

A simple activity is being tolerated by Mercantile Bank while improving small and medium enterprises. Mercantile Bank Limited has many Bangladeshi branches. The latest data shows 152 Mercantile Bank PLC branches, including Islamic banking branches. With TK. 155143.746 million, Mercantile Bank PLC runs 153 ATM booths in 42 Bangladeshi districts and has expanded services in corporate/business, retail/individual, SME banking, and exchange.

Overall new plans for Bangladesh's aces. Multiple credit plans have been given to the genius. Old news, vestments, smaller scale credit, improvement, and others contributed to the Bank's absolute advances and advances of BDT 93,610.87mn on December 31, 2012. Buyer Credit Scheme: Mercantile Bank advances medium and low-pay societies. Customers are well familiar with this method.

MBL represents "Profitability is our quality" with a "Banglar Bank" exchange logo. To accommodate consumer demand, Mercantile Bank has opened many branches and ATM booths around Bangladesh. Internet, smartphone, and other digital banking methods are also available from the bank to improve service.



Mercantile Bank Ltd.'s "Mycash" mobile banking solution serves the unbanked. Mycash, an early innovator, has a network with every telecom administration in the country. Mycash intends to land at every entrance of the nation with its large range of money-related gaming plans due to PDA openness. Mycash is massively communicating to build brand loyalty and combat rising trotted burdens.

Mycash, a supportive financial partner of Bangladesh Bank, offers a variety of PDA services to Bangladeshis, including Cash in, Cash Out, Send Money, MY Top Up, MY DpS, MY bank store, and Merchant Payment. Mycash has recently become a Complete Mobile Financial Service (MFS) Provider for Savings, Payments, Purchases, and Cash Transfers nationwide. To "Make Life Ease" (Head of flexible monetary division of commerce bank), Mycash offers reliable and tie-down relationships.

2.2.1 Mission and Vision

Vision of MBL:

Would make finest corporate citizen

Mission of MBL:

Will become most caring, focused on equitable growth based on diversified deployment of resources, and nevertheless would remain a healthy and gainfully profitable bank.

2.2.2 Core Values of MBL

- **Customer Delight**

Customer satisfaction drives everything we do. We understand customer happiness is crucial

- **Innovation**

- Promoting corporate growth through innovation. Change management for excellence and the belief that change is continuous.

- **Ethical Values**

Keep thinking and acting ethically, honestly, and transparently.

- **Caring for Human Resources**

Human Resources Management policies and practices should recognize employees' potential, respect their dignity, and prioritize career advancement and wellbeing.

- **Commitment**

Prioritize commitment to depositors as trustworthy custodians and maintain the same spirit for all stakeholders.

- **Socially Responsible**

Always act socially responsibly with society and our country in mind. Protection of the environment.

- **Shareholders Value**

Value creation and maximization for shareholders

2.2.3 Organizational Structure of MBL

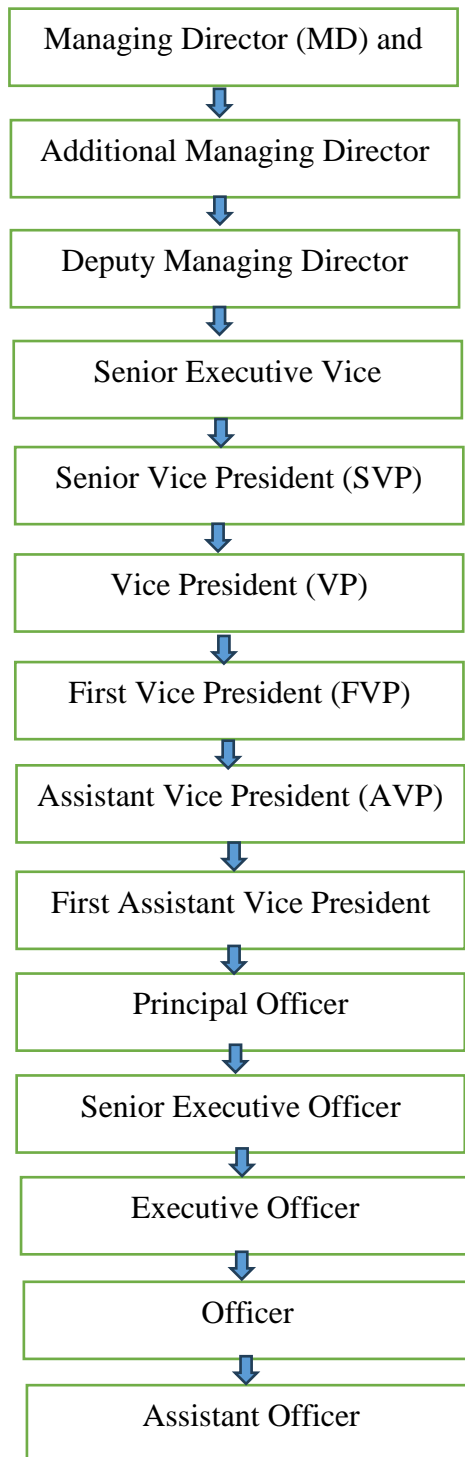


Figure 1

2.3 Management Practices

Participative leadership at Mercantile Bank emphasizes teamwork and managerial participation. This strategy encourages organization-wide decision-making by gathering opinions from all levels. To improve results and employee engagement, the bank wants to involve workers' different viewpoints and experiences in decision-making. Human resources at Mercantile Bank are recruited and selected methodically. This guarantees that the bank recruits and hires qualified candidates with the skills, knowledge, and morals to succeed. The employment process may include reference checks, job assessments, ads, screening, and interviews. The bank offers competitive wages to attract and retain talented workers. Offering market-based pay and benefits helps employees feel valued and motivated. Performance-based awards and incentives may be included in the compensation plan to recognize and reward outstanding work. Mercantile Bank values personnel training and development. The bank funds staff training and career promotion programs. These programs may include workshops, seminars, mentorship, on-the-job and off-the-job training, and other development. The bank empowers and advances workers through continuous learning and development. Performance appraisals at the bank promote employee growth. This framework helps evaluate worker performance, define goals, and provide timely feedback. The appraisal system may include goal-setting, performance evaluations, and personal development plans. Mercantile Bank seeks to foster personal growth and continual progress by integrating staff development and performance management.

2.3.1 Leadership Style

Participative leadership, which goes beyond staff participation in decision-making, works for Mercantile Bank. It values team members' unique abilities, viewpoints, and experiences. By letting employees make decisions, Mercantile Bank fosters an inclusive and cooperative workplace. Makgomo and Laka-Mathebula (2004) say this strategy improves teamwork and job satisfaction by encouraging open communication and trust between management and staff. It also lets you examine more ideas and perspectives, improving organizational decisions and outcomes. Mercantile Bank's participative leadership style emphasizes employee comments and proposals since they might inspire new solutions. Employees feel ownership and belonging at Mercantile Bank since they can make suggestions and help the company succeed. They become more enthusiastic and committed to the business. Participatory leadership fosters a culture of change and experimentation to promote continual progress. Workers are more

willing to attempt new things when they feel empowered to advocate for new ideas and techniques (Yang & Lew, 2020). Innovative and productive work habits may result. Finally, Mercantile Bank's interactive leadership style shows the value of cooperation and inclusivity. Employee input and an innovative culture can help the organization make better decisions, motivate and engage employees, and succeed (Vermeeren, 2014).

2.3.2 Human Resource Planning Process

Mercantile Bank Limited's thorough and organized human resource planning process demonstrates its dedication to its workers. To attract and retain the best talent in the industry, the bank values its employees and invests in their training, development, recruitment, selection, and performance evaluation systems. The bank's recruiting and selection process aims to ensure that only the most competent and deserving candidates are selected for the role. By using this process, the bank ensures that the communities it serves are represented by its workforce, which is inclusive and diverse (Wright & Gardner, n.d.). The competitive pay structure of the bank is designed to attract and retain top talent for the company. The bank provides a range of benefits, such as flexible work schedules, health insurance, and retirement plans, to help employees achieve a work-life balance that supports their overall well-being. The bank provides ample opportunities for the professional growth of its employees through its training and development programs. The goal of the bank's training programs is to enhance employees' skills and knowledge so they can succeed in their current positions and prepare for leadership roles in the future. The bank's performance review system also ensures regular performance feedback, giving staff the guidance and motivation they need to succeed. The method also helps the bank identify areas where employees need more training and development, allowing it to deliver specialized staff development. Overall, Mercantile Bank Limited's HR strategy displays its commitment to employees. The bank invests in its staff since it knows their devotion and hard work have helped it succeed. Methodical and comprehensive human resource management helps the bank attract and retain top industry expertise. This strategy also gives them the assistance they need to flourish in the company.

2.3.2.1 Recruitment and Selection Process

Mercantile Bank has a rigorous recruiting and selection procedure to attract the top candidates and hire the best. The bank invests in top talent to develop and succeed since its workers are its greatest asset. The bank advertises employment positions on job portals, social media, and newspapers. This ensures different applicants and widespread job postings. A preliminary

resume screening is the initial stage in hiring to find the best prospects. The bank's hiring managers then tested and interviewed individuals to assess their suitability and knowledge. These tests and interviews may involve behavioral, technical, and aptitude exams to identify the candidate's fit for the role and bank culture. Mercantile Bank values recruiting transparency and fairness. The bank assures that no applicant is treated differently based on gender, color, age, religion, or other factors. The recruiting team uses a set of predefined criteria to assess candidates and make hiring decisions, which guarantees an objective and unbiased process. In addition, the bank maintains a database of eligible applicants, which enables it to locate possible candidates for forthcoming positions. In order to support its continued success and growth, the bank can ensure a consistent flow of talent by fostering relationships with candidates over time. However, Mercantile Bank's meticulous hiring and selection process demonstrates its commitment to choosing the best workers for the business. By maintaining an equitable and transparent hiring process, the bank ensures that it attracts a large pool of candidates and hires individuals who have the skills, knowledge, and potential to support the bank's continued growth and success.

2.3.2.2 Compensation System Mercantile

Bank understands that offering competitive pay is essential to luring and keeping top talent. As a result, the bank offers a comprehensive compensation plan that honors employees' contributions and rewards excellence. The bank has a well-designed pay structure based on position grades that takes into account the responsibilities of employees, industry norms, and market trends. For fairness and competitiveness, the pay scale is evaluated and adjusted regularly. Performance and experience are considered when appraising personnel and adjusting pay. This strategy ensures credit for contributions and internal promotions. Many of Mercantile Bank's pay packages help employees and their families. The bank provides full health insurance to guarantee employees have access to high-quality treatment. The bank offers provident funds and gratuities to help employees save for retirement and other financial goals. The bank realizes how important career growth and promotion are to retain and attract top people. Employees can rise in the bank and learn new skills through a variety of training and development programs. Work rotations and secondments help bank workers to get experience in different departments and improve their skills. Employee motivation and a positive work environment are Mercantile Bank's compensation goals. The bank's approach ensures fair remuneration and transparency. The method promotes employee well-being by offering professional

development and rewards. This creates a motivated, engaged workforce that supports the bank's success.

2.3.2.3 Training and Development Initiatives

Mercantile Bank values staff development and promotion for the company and its workers. Thus, the bank prioritizes offering a variety of training and development opportunities to staff to improve their skills and knowledge. To meet employee learning needs, the bank offers classroom, on-the-job, and online training. These training programs address customer service, banking rules, leadership, technical expertise, and system and software training. The bank tailors training to each employee's position, obligations, and goals. Mercantile Bank offers internal and external training programs as part of its training and development efforts. These programs teach staff about industry trends and best practices, giving them new ideas for the bank. The bank encourages staff to attend relevant seminars, conferences, and workshops to expand their knowledge and stay current. The bank also offers coaching and mentorship programs to help employees develop by connecting them with top executives and coworkers. The bank's senior staff coaches and mentors employees to achieve professional goals. Training and development at Mercantile Bank promote a culture of continual learning. The bank boosts staff skills, job happiness, and motivation by sponsoring training and development. This increases staff dedication to bank success and retains critical workers.

2.3.2.4 Performance Appraisal System

Mercantile Bank acknowledges the necessity of a reliable review system to assess staff performance and highest productivity. Also, the bank operates a performance appraisal system to objectively evaluate employer performance, deliver feedback, and identify development areas. In the bank performance evaluation system, organized reviews are undertaken once or twice a year. Managers and supervisors evaluate employees using established performance criteria that match bank aims and objectives. These metrics examine quantitative and qualitative criteria like sales targets, customer happiness, teamwork, and leadership. Performance reviews at Mercantile Bank aim for fairness, transparency, and objectivity. To evaluate employee performance from many angles, the bank uses peer, supervisor, and self-assessment. Employees can also submit comments on their work to manage their professional development and discover growth areas. The bank evaluates employee performance via growth opportunities and feedback. After the performance assessment, managers and employees create an individual development plan that identifies areas for improvement and establishes

performance targets (Hollenbeck et al., 2004). Mercantile Bank rewards and honors workers for their achievements as part of its performance evaluation process. To reward and retain top workers, the bank gives bonuses, promotions, and exclusive events. In order to foster excellence and continual improvement within Mercantile Bank, its performance evaluation system is crucial. By giving staff frequent feedback, recognizing areas for improvement, and showing thanks, the bank is building a driven, involved, and devoted team.

2.4 Marketing Practices

Every country has a strong banking industry that is essential to the overall economy. Plans for market leaders are marketing tactics used by banks that control a significant portion of the market and have established certain people as industry leaders (Gëzim, 2020). Banks often prioritize customer retention, explore marketing partnerships, target specificity, digital marketing, email marketing, mobile marketing, and other strategies.

2.4.1 Target Market Selection & Segmentation

Being a commercial bank in Bangladesh, all sorts of people are their primary customers, including small, medium, and large organizations, individuals, and corporate entities.

Mercantile Bank PLC has launched "MBL Rainbow," a campaign that targets all demographic groups interested in digital mobile banking services. The phrase "online banking" is progressively evolving into the more widely accepted idea of "digital banking" these days. The banking sector will inevitably become digital due to technology advancements, which will allow customers to obtain required services without physically visiting a bank branch. As part of its ongoing efforts to stay current with technological advancements, Mercantile Bank PLC unveiled the "MBL Rainbow" digital banking platform, which will make it easier for clients to meet their banking requirements. Consumers may use smartphones, laptops, and PCs to conduct transactions, make payments, make purchases online, transfer money, top up mobile devices, and more from anywhere at any time. A single umbrella for all of our segmented customers has been created in this digital banking platform. Core banking customers, agent banking customers, MyCash customers, and even our card customers are all core banking customers, as well as agent banking customers, agent banking customers, and even our card customers.

2.4.2 Positioning Strategy

The mission of Mercantile Bank PLC is to establish a distinct and compelling presence in the minds of its clients, thereby strategically positioning itself within the banking sector. Mercantile Bank's customer-centric approach is one of the primary elements of its positioning strategy. The financial institution emphasizes individualized assistance, swift response times, and specialized financial solutions to meet the diverse requirements of its customers. The customer experience is what Mercantile Bank aims to build strong relationships and foster loyalty among its customers.

Mercantile Bank PLC not only prioritizes client support, it also champions technological advancements. The financial institution employs cutting-edge digital banking technologies, safe online platforms, and user-friendly mobile banking apps to enhance customer accessibility and ease of use. By staying at the forefront of technology, Mercantile Bank shows its dedication to providing modern and efficient banking services that align with the evolving needs of today's consumers.

Mercantile Bank is also a socially responsible institution that actively engages in corporate social responsibility initiatives. Community development, environmental sustainability, and social welfare are some of the initiatives the bank supports. Mercantile Bank aims to make a difference in the world while also promoting its reputation as a responsible business entity.

Moreover, Mercantile Bank PLC uses product innovation and uniqueness to set itself apart in the market. The bank provides a wide range of financial services and products, including tailored options for different clientele groups. Mercantile Bank remains competitive and recent in a market that is continuously evolving by consistently creating and launching new products. The adjustment strategy for Mercantile Bank PLC is a mix of customer-centricity, technological modernization, corporate social liability, and product demarcation. Moreover, the bank always aims to develop a distinctive and powerful presence in the marketplace. As well as unflagging value to its clients and partners by strategically coordinating these fundamentals.

2.4.3 Marketing Channel

Mercantile Bank merges conventional and digital marketing channels so that it can achieve its target market and promote its banking services and products. There are several marketing channels that the bank can use as given below:

- **Branches and Physical Visit:** Mercantile Bank can use branches and physical sites for networking and promoting its services. In the branch, those who are working can easily communicate face-to-face with customers, solve their problems, give information about banking products, and help them to open accounts.
- **ATM Networks:** Mercantile Bank promotes its services. For instance, transfers, card issues, withdrawals, and balance checks by using an ATM network. Additionally, through ATM displays, it can be used for promoting new goods.
- **Digital Marketing:** To reach a larger online audience and appeal to tech-savvy consumers, Mercantile Bank is probably going to engage in digital marketing channels.

Mercantile Bank PLC may successfully reach its target audience, increase brand recognition, and foster customer interaction by utilizing a combination of traditional and digital marketing channels to accomplish its marketing goals.

2.4.4. Products

1. **Special Deposit Product Schemes of Mercantile Bank PLC which they provide their customers**
 - **MBL Kotipoti Monthly Savings Scheme:** “MBL Kotipoti Monthly Savings Scheme” is a long-term monthly installment-based deposit scheme with a competitive interest rate.
 - **MBL Nari Sanchay Prokolpo (MNSP)**
The "MBL Nari Sanchaya Prokolpo" is a monthly installment-based savings deposit product exclusively designed for women to empower them in their journey towards financial independence.
 - **Masik Sanchaya Prokolpo (MSP)**
Build up the savings habit, attract small savers and save for rainy days.
 - **Fixed Deposit Account**
Unlike CD, SND, and SB accounts, the Branch shall accept deposits of fixed amounts of money from the customers for a fixed period with interest under the term plan from time to time.

2.4.5 Branding Strategy

The banking industry likely employs several brand strategies to establish a distinctive brand identity, build customer loyalty, and differentiate itself from competitors. The brand strategies of Mercantile Bank are summarized below.

- **Customer-Centric Approach:** Mercantile Bank's commitment to a customer-centric approach is one of its core brand strategies. The bank focuses on Understanding its customers' needs and preferences. Mercantile Bank aims to build strong relationships and foster loyalty among its customer base by prioritizing customer satisfaction and delivering exceptional service experiences.
- **Brand Image and Reputation:** A positive brand image and reputation are important to Mercantile Bank. The financial institution aims to establish itself as a trustworthy, dependable, and respectable financial institution. Consistently delivering top-notch services, adhering to ethical guidelines, and communicating openly, Mercantile Bank hopes to enhance its image and position itself as a preferred financial partner for individuals and enterprises.
- **Innovation and Technology:** The brand strategy of Mercantile Bank also emphasizes creativity and technological advancements. Technology is embraced by the bank to enhance the banking experience for its customers. Mercantile Bank demonstrates its commitment to staying ahead of the curve and meeting the evolving needs of today's digital savvy consumers by offering innovative digital banking solutions.
- **Corporate Social Responsibility (CSR):** Corporate social responsibility initiatives are integrated into the brand strategy of Mercantile Bank to make a positive impact on society and reinforce its brand principles. The bank engages in various CSR activities, including community development projects, environmental conservation efforts, educational initiatives, and support for underprivileged communities. Mercantile Bank enhances its brand reputation and earns goodwill among customers, employees, and stakeholders by demonstrating its commitment to social and environmental causes.
- **Differentiation and Positioning:** The unique value proposition and differentiation factors of Mercantile Bank help it position itself in the market. Through personalized service, innovative banking solutions, competitive pricing, or specialized expertise in certain market segments, the bank seeks to position itself as a preferred choice among its target audience.

Mercantile Bank's brand strategies revolve around customer-centricity, innovation, reputation management, CSR, and differentiation, all of which are aimed at strengthening its brand equity, fostering customer loyalty, and driving sustainable growth in the competitive banking landscape.

2.4.6 Advertising and Promotion Strategies

Mercantile Bank PLC is likely to employ various advertising and promotion strategies to effectively communicate its brand message, promote its products and services, and engage with its target audience. The following are some potential advertising and promotion strategies that Mercantile Bank may utilize:

- **Multi-channel Advertising Campaigns:** Mercantile Bank has the option to start multi-channel advertising campaigns using print, digital, radio, television, and outdoor advertising, among other media. Through showcasing important product features, advantages, and promotions, these campaigns hope to reach a large audience and uphold the bank's brand identity.
- **Targeted Digital Marketing:** To reach particular client categories online, the bank probably engages in focused digital marketing techniques. To boost exposure, improve website traffic, and produce leads, this may involve pay-per-click (PPC), display, social media, and search engine optimization (SEO) advertising.
- **Promotional Events and Sponsorships** To interact with clients, present its goods and services, and impart financial literacy, Mercantile Bank hosts webinars, workshops, seminars, and promotional events. To raise brand awareness and show its support for the neighborhood, the bank may also fund cultural festivals, sporting activities, or community gatherings.
- **Partnerships and Collaborations:** To broaden its consumer base, reach new markets, and improve its reputation, Mercantile Bank collaborates and partners strategically with other companies, associations, influencers, and public figures. Marketing campaigns that are collaborative can help the bank spread its message and build win-win partnerships.
- **Customer Referral Programs:** To encourage current clients to recommend friends and family to join accounts or utilize the bank's services, the bank runs customer referral programs. Referral programs reward devoted supporters and promote word-of-mouth advertising to draw in new clients.

The overall aim of Mercantile Bank PLC's advertising and promotion strategies is probably to increase brand awareness, drive customer acquisition, and cultivate long-term customer relationships. These strategies are likely tailored to the company's target audience, marketing objectives, competitive landscape, and brand positioning.

2.5 Financial Performance and Accounting Practice

2.5.1 Financial Performance

Return on equity (ROE) and return on assets are typically used by bank managers and bank analysts to measure the total profitability of banks (ROA). A bank is categorized as a good performance bank if it consistently reports ROE and ROA that are higher than average. A team is dedicated to doing all financial work and handling the financial accounting. To maximize cash inflow, the staff is expected to handle cash collection and disbursement as well as resource utilization. Bills, expenses, and financial statements for the company are tracked and kept current.

Particulars	2022	2021	2020	2019
Revenue	13,987,900,000	10,332,200,000	9,840,200,000	9,371,600,000
Gross Profit	7,138,894,146	6,112,119,255	10,543,567,200	13,176,006,653
Income Before Tax	3,002,583,388	4,218,622,534	2,711,323,613	3,480,496,856
Net profit for the year after tax*	2,202,583,388	3,418,622,534	2,161,323,613	2,175,496,856
Shareholders' Equity	25,275,153,000	24,403,904,713	22,101,777,079	20,908,294,277
Total Assets	382,328,467,712	359,411,363,814	330,785,560,739	316,363,468,930
Total Current Assets	6,256,909,757	6,170,202,781	5,230,853,011	4,850,201,179

Total Current Liabilities	2,946,529,938	3,011,676,539	2,229,056,988	2,075,329,272
Current Ratio	2.13%	2.03%	2.35%	2.37%
Return on assets	0.59%	0.99%	0.67%	0.72%
Return on equity	8.87%	14.70%	10.05%	10.99%
Debt ratio (times)*	93.39%	93.21%	37.73%	36.54%

Table 1 Financial Performance

Interpretation:

Based on the information in the table, the bank's financial situation appears to be good and has been improving over the past four years (2019-2022). Here's a breakdown of some key metrics:

Revenue: The bank's revenue has grown steadily from 9.37 billion in 2019 to 13.99 billion in 2022.

Profit: Gross profit and net profit have also increased over the four years. Net profit grew from 2.18 billion in 2019 to 2.20 billion in 2022.

Shareholders' equity: Shareholders' equity has also grown consistently, from 20.9 billion in 2019 to 25.28 billion in 2022. This indicates a growing financial buffer for the bank.

Total assets: Total assets have grown significantly from 316.36 billion in 2019 to 382.33 billion in 2022.

Current ratio: The current ratio, a measure of liquidity, has remained steady at around 2 throughout the period. A ratio exceeding 1 indicates that the bank has sufficient current assets to cover its current liabilities.

Return on assets (ROA): ROA has fluctuated somewhat over the four years, but was 0.59% in 2022. A return on assets above 0% indicates that the bank is generating a profit on its assets.

Return on equity (ROE): ROE has also fluctuated but was 8.87% in 2022. ROE measures the return on investment for shareholders.

2.5.2 Accounting Practices

The accounting and finance department of Mercantile Bank keeps thorough records of every transaction since the bank's database and website are updated on a regular basis. Previous financial statements and annual reports properly showed volume growth, income growth, revenue growth, and balance sheets. The business has constantly complied with all applicable accounting and financial reporting laws. Which accounting procedures are used in banks? Accounting for Banks critically examines the most recent accounting and regulatory developments, as well as the implementation of current accounting rules and their influence on banks. Bangladesh Financial Reporting Standards (BFRS) are a set of financial reporting guidelines developed by the Institute of Chartered Accountants of Bangladesh (ICAB). BFRS (BAS) also includes Bangladesh Accounting Principles. The International Standards for Financial Reporting and International Accounting Standards of the International Accounting Standards Board (IASB) act as the basis for the BFRS.

2.6 Operations Management and Information System Practices

Mercantile Bank PLC likely utilizes information systems extensively for collecting, storing, processing, and sharing data with stakeholders and clients. Here's how the bank may address these issues:

- **Information Systems for Data Management:** It's possible that the bank uses reliable information systems to handle data. Large volumes of financial data, customer information, transaction records, and other pertinent data points are probably intended to be safely and effectively collected, stored, and processed by these systems. Across all of its processes, Mercantile Bank guarantees data accuracy, accessibility, and integrity by utilizing contemporary database management systems.
- **Database and Office Management Software:** To efficiently organize and manage its data, Mercantile Bank probably makes use of database management solutions. These databases could include of transaction databases, personnel databases, customer relationship management systems, and more. For administrative duties, document

management, and communication needs, the bank may also make use of specific banking software or office management suites like Microsoft Office Suite.

- **Sharing Information with Stakeholders and Clients:** It's possible that Mercantile Bank has systems in place to quickly and securely communicate pertinent information with stakeholders and clients. This might include customer support channels, secure email exchanges, mobile banking apps, and online banking platforms. Mercantile Bank improves openness, trust, and happiness by giving clients and stakeholders access to accurate and current information.
- **Practice in Quality Management:** Mercantile Bank likely follows quality management strategies to ensure its products and services meet or exceed client expectations. Implementing quality control methods, conducting frequent audits and reviews, and following industry standards may be necessary. The bank prioritizes quality management to provide reliable and consistent banking experiences.
- **Scheduling, Resource Allocation, and Operations Management:** Mercantile Bank likely employs advanced scheduling and resource allocation systems to enhance efficiency and operations. Labor management systems, automated scheduling software, and resource planning tools may help efficiently allocate resources to branches, departments, and projects. Operations management optimization improves performance, decreases costs, and raises productivity for Mercantile Bank.

In summary, Mercantile Bank PLC efficiently manages information through data collection, storage, processing, and distribution. The bank also optimizes operations and provides high-quality financial services to stakeholders and clients using scheduling, resource allocation, and operations management.

2.7 Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis

Mercantile Bank PLC can benefit from Porter's Five Forces study of competitive dynamics and attractiveness. An analysis using Porter's framework:

1. **Threat of New Entrants:** Because of economies of scale, capital needs, and regulatory requirements, banking has high entry barriers. Mercantile Bank PLC said established banks with significant branch networks and present clients hinder future entrants. The

central bank's tight regulations deter new market entrants. New competitors threaten Mercantile Bank slightly.

2. **Bargaining Power of Buyers (Customers):** Customers in the banking sector usually have cheap switching costs and a variety of alternative banking choices, giving them moderate to strong bargaining power. Consumers may quickly evaluate the banking services and products provided by several banks, and if they're not happy, they can swiftly transfer to a rival bank. Nonetheless, solid bonds, individualized attention, and cutting-edge products and services may promote client loyalty. To keep consumers and lessen their negotiating power, Mercantile Bank PLC must constantly innovate and enhance its offerings.
3. **Bargaining Power of Suppliers:** Within the banking industry, suppliers mostly relate to financing sources such institutional investors and depositors. Due to banks' access to cash from various markets and financial institutions, as well as their multiple funding sources, suppliers in the banking sector often have little negotiating leverage. Furthermore, the monetary policies and policies of central banks impact market liquidity and interest rates, so diminishing the negotiating power of providers.
4. **Threat of Substitute Products or Services:** Fintech firms, non-banking financial institutions, and alternative financial services including peer-to-peer lending and mobile payment platforms pose a challenge to the banking industry as replacements. Established banks like Mercantile Bank PLC may adapt by embracing technology, providing digital banking products, and collaborating with fintech startups to stay competitive, even though these alternatives constitute a minor threat to traditional banking services.
5. **Intensity of Competitive Rivalry:** The current participants in the banking market are very competitive. Mercantile Bank PLC faces competition in Bangladesh from domestic and foreign banks conducting business there. Elements like interest rates, fees and taxes, service quality, and brand reputation fuel the industry's fierce competition. Mercantile Bank must set itself apart in order to succeed in this cutthroat industry by providing exceptional customer care, cutting-edge goods, and potent marketing techniques.

It's possible for Mercantile Bank PLC to leverage its strengths, like its established brand presence, diverse product portfolio, and technological capabilities, to keep a competitive edge

and achieve long-term sustainability, even though it's up against stiff competition in the banking sector.

2.7.2 SWOT Analysis

Mercantile Bank Limited can offer many benefits in terms of financial profits. But the bank has also some weaknesses. There are some opportunities that the bank can grab to invent new technologies. By doing this, the bank can also face danger because of market rivals. However, by considering all these challenges, the bank needs to find a way to face them and find out the opportunities to follow.

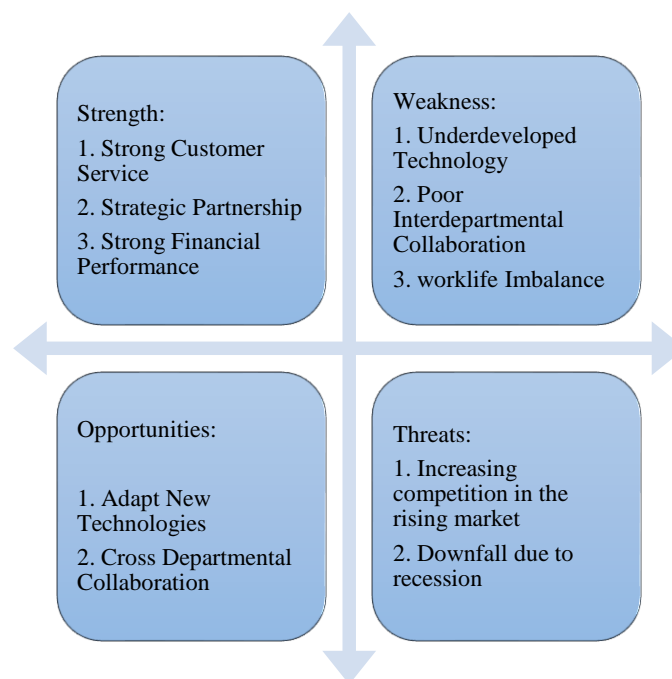


Figure 2

Strengths:

- **Strong customer service:** Mercantile Bank has a great reputation for customer service which can easily attract customers towards the bank.
- **Strategic partnerships:** The bank has partnerships with some other companies that can help it to grow and extend its services.
- **Strong financial performance:** The bank has strong financial advantages that since its starting have been constant about their performance.

Weaknesses:

- **Underdeveloped technology:** Mercantile Bank's online services are not that good compared to its rivals. The Rainbow MBL app needs to be upgraded so that customers can easily use it.
- **Poor interdepartmental collaboration:** The interaction with other departments is very poor it may cause the bank's reputation.
- **Work-life imbalance:** As banking is all about providing services to customers instantly, it's difficult to maintain a proper balance with personal life.

Opportunities:

- **Adapt new technology:** Mercantile Bank Limited can do better with its operations and provide clients with goods and services. That can help the bank to maintain a good position than others in the market.
- **Cross-departmental collaboration:** To perform better, the bank can initiate collaboration with other departments which can help them start new projects that can also help them to increase the customers.

Threats:

- **Increasing competition in the rising market:** In Bangladesh, the banking sector is increasing day by day. So, it's difficult to maintain a good position in the market constantly.
- **Downfall due to recession:** Mercantile Bank can face threats due to recession. It can cause the bank loss as a result it can lose the good position in market.

2.8 Conclusions and Recommendations

To conclude, Mercantile Bank Limited is one of the most significant and well-established in Bangladesh. The bank is famous for its services and the bonding with customers. By promoting its services and technologies, it has secured a good marketplace that easily attracts customers. Mercantile Bank Limited persists in allocating strategic capital towards its digital infrastructure to sustain its current development trajectory and guarantee sustained competitiveness within the unstable banking industry. The bank may enhance its operational efficiency, simplify processes, and provide its clients with innovative digital banking solutions that are easier to use and more accessible by adopting cutting-edge technology and digital platforms. Furthermore, in light of the significance of risk management in guaranteeing financial stability, Mercantile Bank Limited ought to strengthen its risk management procedures. The development of robust risk assessment techniques, the implementation of efficient internal controls, and adherence to regulatory requirements may help the bank manage possible risks, safeguard its assets, and preserve the trust and confidence of its stakeholders. By increasing its worldwide and domestic business reach, it can maintain its growth and seize new opportunities. The bank may target underserved customer categories and diversify its income sources by forming strategic relationships, recognizing developing markets, and providing individualized financial products and services. This expansionary approach will boost the bank's earnings while also promoting economic expansion. Mercantile Bank Limited has to give importance to both new technologies and the development of human resources. By providing training to the employees, it can help the bank to grow properly and invent new things that can attract the customers. Encouraging staff members to collaborate on projects, try new things, and exchange ideas can result in creative solutions and enhanced procedures. The bank can stay competitive in a market that is always evolving by fostering an atmosphere that rewards the generation of fresh concepts and solutions. Mercantile Bank has to put employee retention first in addition to training and fostering a creative culture. Employee churn may be costly and disruptive to business operations. Providing a pleasant work environment, competitive pay and benefits, and acknowledging and rewarding employee accomplishments are all ways to boost employee satisfaction and loyalty. The bank's long-term performance is enhanced by investing in the growth and retention of its human resources. This also helps to increase employee capacities. Motivated and well-trained staff members are better equipped to serve clients, adapt to changes in the market, and support the general expansion and success of the bank. Mercantile Bank may

enhance its human capital and set itself up for sustained growth and prosperity in the banking industry by emphasizing extensive employee training and development initiatives and cultivating a creative and collaborative corporate culture.

Chapter 3: Project Part

3.1 Introduction

This study section includes the prior information or literature review, the goals, and the debate on the research's significance. The methodology, data and analysis, and ultimately the conclusion and recommendations are all included in chapter three. This research mainly focuses on the impact of macroeconomic factors on the commercial banks of Bangladesh. Commercial banks are the lifeblood of any economy, serving as financial intermediaries that propel economic activity. These institutions boost savings, investments, and growth in Bangladesh (Sufian & Kamarudin, 2012). Their success depends on more than just managerial tactics. Economic factors including GDP growth, inflation, and interest rates affect Bangladeshi commercial banks' performance and stability. His article examines Bangladesh's complex macroeconomic landscape and commercial banking industry. Based on Sufian and Kamarudin (2012), we will examine how macroeconomic indices affect commercial bank profitability, risk, and performance. We seek to help policymakers, bankers, and investors build a robust and vibrant Bangladeshi banking sector by explaining these linkages. A. R. Sufian and M. A. Kamarudin (2012) examined how macroeconomic factors affect commercial bank profitability in Kenya: Equity Bank Limited.

Research Questions:

Q1. How do macroeconomic factors such as inflation, exchange rates, and interest rates influence the performance and profitability of commercial banks in Bangladesh?

Macroeconomic considerations greatly impact Bangladeshi commercial banks' performance and profitability. Inflation can reduce deposit value and bank profitability, although mild inflation can improve borrowing and revenue. Depreciation increases exporter loan demand but raises import costs, whereas appreciation diminishes export competitiveness. Higher interest rates boost bank loan earnings but discourage borrowing, whereas lower rates boost borrowing but lower bank profitability.

Q2. What specific strategies do these banks employ to manage risk (asset-liability management, interest rate derivatives)?

Bangladeshi banks use a two-pronged risk management strategy to adapt to macroeconomic changes. First, they use ALM tactics. To avoid interest rate sensitivity mismatches, ALM carefully structures its assets (loans) and liabilities (deposits). Bangladeshi banks use swaps and futures contracts for interest rate derivatives. These complex financial structures protect against unexpected interest rate changes. Swaps allow banks to switch loan and deposit interest rates between fixed and floating. Banks can protect their profits from rate changes by locking in future interest rates for certain maturities with futures contracts.

Q3. What potential policy interventions can mitigate these risks for banks and promote financial stability?

The policies can the bank that support financial stability and reduce risks in Bangladesh. For systemic risk reduction, the central bank may increase regulatory scrutiny of prudential and macroprudential measures. Encourage banks to implement global risk management standards and stress tests often to increase economic shock resilience. Financial inclusion, monetary and fiscal policy coordination, financial infrastructure investment, and bank employee and regulator training can stabilize and improve the banking industry, boosting long-term economic growth.

3.1.1 Background

Macroeconomic factors affect commercial banks' performance and stability in Bangladesh's shifting economy. Banks are affected by inflation, interest rates, currency rates, GDP growth, unemployment, and trade balance. Understanding this relationship is vital given Bangladesh's rapid economic growth and structural changes. Monetary and fiscal policies that promote financial stability and long-term economic growth must include how macroeconomic challenges affect commercial banks. This knowledge helps commercial banks manage risks, boost profitability, and adapt to economic developments. Evaluating macroeconomic issues' implications on commercial banks can improve Bangladesh's banking system and economic development.

3.1.2 Objective

- Examine the complex link between Bangladesh's macroeconomic environment and commercial banking performance.
- Explore how macroeconomic factors impact bank profitability, risk profile, and stability.
- Create plans for a strong and resilient financial system in Bangladesh.
- Encourage sustainable economic growth and development by making educated decisions and formulating policies.

3.1.3 Significance

The significance of these challenges has a major impact on Bangladesh's commercial banks, which are vital to economic progress. Effective macroeconomic risk management and policy interventions are essential for bank resilience, financial system protection, and sustained economic growth.

3.2 Methodology

This study shows the relationship between macroeconomic factors and Bangladeshi commercial banks. To analyze quantitatively, collect quantitative data from annual reports for specific years on bank performance (profitability- return on assets) from the bank's website and macroeconomic indicators (inflation, exchange rate, interest rates) from Bangladesh Bank, World Bank, and IMF. Through regression analysis, the study will quantify the impact of these factors on bank performance, controlling for bank-specific characteristics and time trends. Event study methodology will assess the impact of specific events like interest rate changes. The analysis will also compare the effects on different bank types (state-owned vs. private). Additionally, qualitative analysis will identify key themes in bank strategies and risk management practices. Ultimately, the research aims to quantify the impact of macroeconomic factors on Bangladeshi banks, assess their interest rate sensitivity, evaluate risk profiles, and identify the role of regulations in mitigating these risks.

Model:

$$ROA_{i,t} = \alpha_t + \beta_1 GDPG_{i,t} + \beta_2 INF_{i,t} + \beta_3 UNEP_{i,t} + \mu_{i,t}$$

Here,

$ROA_{i,t}$ = Return on assets

$GDPG_{i,t}$ = GDP growth rate

$INF_{i,t}$ = Inflation rate

$UNEP_{i,t}$ = Unemployment rate

α_t = Constant

$\mu_{i,t}$ = Error term

3.3 Findings and Analysis

3.3.1 Research Outcome

To conduct the study secondary data was essential. Mercantile Bank's data came from Bangladesh's traditional banks' websites. Study samples were from 2020 to 2023. The selected bank's financial statements provided panel data for examination. GDP growth, inflation, and unemployment were independent variables, and return on assets was dependent.

Descriptive Analysis

VARIABLE	OBSERVATION	MEAN	STD. DEV.	MIN	MAX
ROA	4	0.71	0.186	0.59	0.99
GDP	4	0.06	0.007	0.05	0.07
INF	4	0.04	0.019	0.05	0.09
UNEP	4	0.05	0.004	0.04	0.05

Table 2 Descriptive Analysis

Interpretation: The table shows that ROA was 0.71, GDPG 0.06, INF 0.04, and UNEP 0.05. The standard deviation demonstrates value fluctuation. ROA had a 0.186 standard deviation, while GDPG had 0.007, more variability. INF had a GDPG variability of 0.019, followed by UNEP at 0.004. Minimum ROA was 0.59, GDPG was 0.05, INF was 0.05, and UNEP was 0.04. The highest ROA was 0.99, which was greater than the others. GDPG, INF, and UNEP had maximum values of 0.07, 0.09, and 0.05.

Regression Analysis

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.98863652							
R Square	0.977402168							
Adjusted R Square	-0.067793496							
Standard Error	0.22037981							
Observations	4							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	3	2.100632739	0.700210913	14.41734421	#NUM!			
Residual	1	0.048567261	0.048567261					
Total	4	2.1492						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
GDP Growth	13.53936624	11.79635567	1.147758394	0.45627165	-136.3475441	163.4262766	-136.3475441	163.4262766
Inflation Rate	-1.268190178	5.569624071	-0.227697626	0.857473188	-72.03697392	69.50059357	-72.03697392	69.50059357
Unemployment Rate	-1.36383293	17.28362294	-0.078908973	0.949868865	-220.9730846	218.2454187	-220.9730846	218.2454187

Table 3 Regression Output

Interpretation: GDP growth, inflation, and unemployment affect Return on Assets (ROA) in the regression output. The model's strong R Square value (0.9774) indicates that these predictors explain 97.74% of ROA variability. However, the Adjusted R Square is negative (-0.0677). GDP Growth increases ROA, but Inflation and Unemployment Rates decrease it. None of the predictors are statistically significant at conventional levels due to their substantial standard errors and p-values above 0.05 for all coefficients. The coefficient estimates' substantial uncertainty is reflected in the huge confidence intervals. The data reveals macroeconomic issues strongly affect ROA collectively. Bank ROA is affected by macroeconomic conditions. GDP Growth, Inflation Rate, and Unemployment Rate explain a considerable percentage of ROA fluctuation (R Square = 0.9774). This suggests a strong correlation between macroeconomic conditions and bank ROA.

Correlation Analysis

Variable	ROA	GDPD	INF	UNEP
ROA	1.00			
GDPG	0.0578	1.00		
INF	0.0933	0.59	1.00	

UNEP	0.042	0.59	0.0933	1.00
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Table 4 Correlation Analysis

Interpretation: The table shows a correlation between ROA, GDP Growth, Inflation Rate, and Unemployment Rate. The matrix shows weak positive correlations between GDPG (0.0578), INF (0.0933), and UNEP (0.042), showing that these macroeconomic parameters have little direct effect on ROA. GDPG also has a moderate positive correlation with INF and UNEP (0.59), suggesting economic indicators move together. The INF-UNEP positive correlation is 0.0933, indicating minimal direct association. The correlation indicates that macroeconomic variables have moderate links that directly effect on ROA.

To conclude, the regression model shows that GDP Growth, Inflation Rate, and Unemployment Rate together explain a significant portion of the variability in the bank's Return on Assets (ROA) (with a R Square of 0.9774), but their correlations are weak. These factors appear to directly affect ROA in the sample. The regression's poor correlations and significant p-values suggest that various macroeconomic variables may affect ROA in complex ways.

3.3.2 Discussion

Furthermore, macroeconomic indicators and bank-level financial data are interrelated and complex. Bank profitability is affected by inflation rates because they affect borrowing costs and asset and liabilities values. Interest rates affect profitability by impacting net interest income, asset quality indicators via borrowers' repayment capabilities, and capital adequacy ratios by asset valuations. Exchange rate fluctuations affect foreign exchange income and expenses, borrowers' ability to service foreign currency-denominated debt, and the valuation of foreign currency assets and liabilities, which affects profitability, asset quality, and capital adequacy ratios. GDP growth boosts loan demand and borrowers' repayment capacity, which may improve bank capital adequacy ratios and profitability. Unemployment rates limit loan demand and borrowers' ability to repay loans, which can hurt banks' capital adequacy ratios and profitability. Trade balance impacts economic activity and borrowers' ability to service loans, which may affect banks' capital adequacy ratios and profitability. Thus, macroeconomic conditions affect bank profitability, asset quality, and capital adequacy ratios.

Financial data for a representative sample of Mercantile Bank

Particulars	2023	2022	2021	2020
Profitability Measures: Return on assets	59%	99%	67%	61%
Return on Equity	8.87%	14.70%	10.05%	11.03%
Asset Quality Indicators: non-performing loan ratio	8.14%	5%	7.04%	6.5%
Capital Adequacy Ratio: Capital Ratio	93.39%	93.21%	93.32%	93.17%

Table 5 Financial Data of Mercantile Bank

Macroeconomics data from Bangladesh Bank:

Particulars	2023	2022	2021	2020
Inflation Rate	9.33%	5.86%	5.02%	5.69%
Exchange Rate	7.8 %	5.44%	8.5%	7.4%
Interest Rate	8.14%	11.47%	7.33%	6.40%
GDP Growth	5.78%	7.1%	6.9%	5.7%
Unemployment Rate	4.20%	4.67%	4.30%	5.2%
Trade Balance	63%	38.5%	33.78%	31.39%

Table 6 Macroeconomic Data

The relationship between macroeconomic factors and bank-level financial data is studied to understand how economic variations affect bank financial performance, risk exposure, and

stability. Researchers, policymakers, investors, and bank managers analyze this link to improve risk management, create financial stability regulations, make informed investment decisions, and prepare for the future. This study can help the financial sector and economy remain resilient and sustainable by identifying ways to manage risks from inflation, interest rates, exchange rates, GDP growth, unemployment, and trade balance. The following are the findings regarding the impact of macroeconomic factors on Bangladeshi commercial banks:

Interest Rates:

- Interest rate variations significantly affect commercial banks' lending and profitability. Interest rate variations affect commercial banks' net interest margin (NIM), loan demand, asset quality, investment income, cost of capital, and net interest income sensitivity, affecting their profitability and lending. As interest rates rise, banks can broaden their NIM by raising lending rates more than deposit rates, but this can reduce loan demand and increase default risks, affecting asset quality. Rising rates may reduce bond investments' value and raise funding expenses. Alternatively, decreasing rates constrain NIM but increase loan demand and lower funding costs. Commercial banks must balance profitability with risk management in their lending and investment portfolios despite interest rate swings.
- Higher interest rates reduce borrowing, lowering loan volume and income. Since interest rates increase borrowing costs, they usually reduce borrowing. When interest rates rise, consumers and businesses pay more for loans. Thus, borrowers may be less likely to borrow, lowering credit demand and commercial bank loan volume. Reduced loan volume reduces banks' interest income since they have fewer interest-earning assets. As rising interest rates reduce lending and interest income, commercial banks may lose profits.
- Lower interest rates may boost borrowing and investment, leading to increased bank lending and lower interest margins. Lower interest rates lower borrowing costs, making loans more affordable for individuals and businesses, encouraging borrowing and investment. Lower borrowing costs enhance credit demand, which boosts commercial bank lending. Lower rates encourage borrowing, but they also squeeze banks' interest margins as they fight to maintain the spread between loan and deposit rates. Banks may not be able to lower deposit rates as quickly as lending rates, narrowing net interest

margins. Lower rates may increase lending, but they can also reduce banks' interest income, lowering profitability.

Inflation:

- High inflation might diminish purchasing power and increase non-performing loans. Money loses purchasing power due to high inflation. As prices rise, people can buy fewer products and services, reducing their purchasing power. Since nominal debt obligations remain constant but real burdens increase with inflation, this can hurt borrowers, especially those with fixed-rate loans. Therefore, borrowers may struggle to make payments, increasing bank non-performing loans. As asset values decline, inflation can lower collateral quality and increase credit risk for lenders. Thus, high inflation can worsen loan delinquency and asset quality, making loan portfolio management and credit risk management difficult for banks.
- Banks may experience profitability challenges if interest rates do not account for inflation. Inflation-free interest rates may hurt banks' profits. Inflation devalues deposits and loans. When interest rates fall behind inflation, loan and investment returns fall, reducing banks' net interest margins. Banks may struggle to cover operational costs and stay profitable. Poor interest rates relative to inflation may discourage savings and investment, limiting banks' deposit and income growth. Thus, banks must carefully assess and adjust their interest rate policies to account for inflation to ensure profitability and financial stability.

Economic growth:

- Bank profitability increases with economic expansion due to increased company activity and loan demand. Economic growth boosts bank profits due to economic activity and credit demand. Businesses invest more in projects, expand operations, and seek finance as the economy grows. Business activity increases commercial bank credit demand and loan volume. Rising economic activity also boosts consumer spending and investment, increasing loan and financial service demand. Banks can earn more interest by lending more, increasing their profitability. A strong economy reduces credit risk and loan delinquencies, improving banks' loan portfolios. Economic growth allows banks to prosper and make big profits.

- Economic growth lowers default risks and NPLs, improving bank asset quality. Economic growth lowers defaults and NPLs, enhancing bank assets. Higher cash flows and profitability help businesses pay their obligations during an economic boom. Monthly payments are affordable, decreasing loan defaults. Strong economic times increase job and income growth, reducing household financial stress and helping consumers repay loans. Thus, borrower creditworthiness rises, reducing NPLs and improving banks' loan portfolios. Banks can improve asset quality by adopting cautious lending and risk management practices while economic growth enhances business optimism and stability.

Exchange rates:

- Exchange rate fluctuations affect commercial banks that fund international trade and deal in foreign currencies. Commercial banks trade foreign currencies and fund international trade, thus exchange rate fluctuations hurt them. Commercial banks facilitate currency transactions and international commerce financing. Exchange rate variations affect banks' foreign currency holdings and liabilities, affecting balance sheets and performance. Exchange rates affect enterprises' import and export costs, which affects their bank trade finance demand. Exchange rates can affect overseas borrowers' creditworthiness and banks' loan portfolio risk. Thus, commercial banks must monitor exchange rate changes and manage risk to minimize currency fluctuations' impact on operations and profitability.
- The strengthening of the local currency may reduce export competitiveness, affecting banks' exposure to export-related enterprises. Local currency appreciation may impair export competitiveness and banks' exposure to exporters. Foreign buyers pay more for domestic goods and services when the currency appreciates. Exporters may lose money and face financial risks if product demand drops. A reduction in export competitiveness may increase credit risk for bank lending to exporters. Export-related clients may raise loan defaults and delinquencies, threatening banks' loan portfolios and finances. Currency appreciation lowers export-oriented firms' competitiveness and raises banks' credit risk.

These findings demonstrate that Bangladeshi commercial banks must understand and handle macroeconomic factors to maintain financial performance, manage risks, and boost growth.

3.5 Summary and Conclusions

In conclusion, inflation, exchange rates, and interest rates affect Bangladesh's commercial banks' profitability. Exchange rate movements place banks at currency risk, while high inflation devalues assets and diminishes consumer purchasing power. Interest rate changes affect bank profitability and net interest margins. Asset-liability management and interest rate derivatives decrease these risks for Bangladeshi banks. Interest rate derivatives protect against interest rate swings, while asset-liability management matches maturities and sensitivity. Thickened regulatory monitoring, stress testing procedures, transparency and disclosure, and macroprudential policies can reduce risk and financial instability.

Finally, macroeconomic factors, risk management, and regulations affect Bangladesh's commercial banks' performance and stability. Although banks take steps to manage inflation, exchange currency, and interest rate risks, their resilience depends on effective regulatory monitoring and policymaking. Regulatory reform, stress testing, transparency, and macroprudential policies reduce risk and stabilize finances. By addressing these issues, Bangladesh can ensure banking sector sustainability and soundness, boosting economic growth.

3.6 Recommendations

Based on the examination of macroeconomic determinants' impact on Bangladeshi commercial banks and the methods and policy interventions described, numerous recommendations can be made to increase the banking sector's resilience and stability:

- **Strengthen Risk Management Practices:** Commercial banks should invest in risk management frameworks to identify, assess, and reduce inflation, currency rate, and interest rate risks. This involves improving asset-liability management and using advanced risk modeling to find and fix weaknesses.
- **Enhance Regulatory Oversight:** Bangladeshi banking authorities should enhance oversight to ensure banks have enough capital and liquidity to weather economic shocks. Regular stress tests should assess banks' resilience and suggest improvements.
- **Encourage Transparency and Disclosure:** Banks should be more transparent and disclose their risk exposures and management plans to investors and stakeholders. Transparency reduces banking systemic risks by improving market discipline and investor confidence.
- **Promote Financial Education and Literacy:** Literacy and consumer education reduce inflation and exchange rate concerns. Learning safe financial management skills can help consumers manage economic uncertainty and make sensible financial decisions.

Policymakers should involve regulatory organizations, central banks, and commercial banks in policymaking to ensure effectiveness. Harmonizing monetary and fiscal policies to stabilize the economy and discussing banking sector risks and challenges are included.

Commercial banks have to focus on technology that can help to increase efficiency, reduce risk management, and increase good customer service.

By following these proposals, it can help to boost and thrive in market after maintaining a economic growth.

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