Report On

An Evaluation of Income Structure and Cost Efficiency and Their Impact on Profitability: A Study on Bangladesh Finance Limited.

By

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

BRAC Business School
BRAC University
July 2026

Declaration

It is hereby declared that

1. The internship report submitted is my 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:

MD Humayun Atik
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Nitai Chandra Debnath, PhD, FCMA
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Letter of Transmittal

Nitai Chandra Debnath, PhD, FCMA
Associate Professor,
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BRAC University
Kha 224, Bir Uttam Rafiqul Islam Ave, Dhaka 1212

Subject: An Evaluation of Income Structure and Cost Efficiency and Their Impact on Profitability: A Study on Bangladesh Finance

Dear Sir,

I am pleased to submit my internship report on "An Evaluation of Income Structure and Cost Efficiency and Their Impact on Profitability: A Study on Bangladesh Finance Limited", prepared under your guidance as a requirement for my BBA program.

I have tried my best to present the report clearly using relevant data and analysis. I hope this report meets your expectations.

Thank you for your continuous guidance and support.

Sincerely yours,

____

MD Humayun Atik
21204092
BRAC Business School
BRAC University
Date: 1st July, 2026

Non-Disclosure Agreement

Hereby, I am stating that the information and data utilized in this internship report has been gathered by doing the internship in Bangladesh Finance Limited with due authorization. I have made sure that no confidential or sensitive information of the organization has been revealed in this report. Any data and information included in this report are only used in academic purposes. All the proprietary, financial, or client related information has been treated to a high level of confidentiality and within the organization policy. I also verify that there is no information in this report that might be detrimental to the reputation, operations or interests of Bangladesh Finance Limited.

This agreement is made and entered into by and between **Bangladesh Finance Limited** and the undersigned student at Brac University.

Acknowledgement

I want to sincerely thank and extend my gratitude to everyone who gave me assistance, the information I needed, and the opportunity to finish and present this report. I would like to express my gratitude to my respected faculty supervisor, Dr Nitai Chandra Debnath, Associate Professor, Department of Business Administration, BRAC University, for allowing me the opportunity to explore and evaluate this topic, as well as for his relentless guidance and invaluable counsel when required.

I would also like to thank my organizational supervisors Tapu Padder, First Assistant Vice President, Financial Administration Department, and Azizul Hakim Sheikh, Senior Executive Officer, Bangladesh Finance Limited, providing a thorough understanding regarding the operations and activities of a NBFI. I would also like to express my gratitude to all other seniors for their essential support in the organization. Their advice made it easier to gain more practical experience.

Additionally, they gave me the information that made it easier for me to understand each task.

Executive Summary

With three months of internship in Bangladesh Finance Ltd, I had the honor of acquiring the exposure of the real world of financial operations and the concept of a Non-Bank Finance Institution (NBFI) in Bangladesh. This report attempts to provide a general impression of my overall experience of the internship period and description in details of financial operations and organizational structure at the company. The report entails a number of detailed chapters on an overview of the industry, the history of a company, financial activities of the company, experience gained during the internship period, financial analysis and the recommendations. Under my internship, I had a chance of working under the Finance and Operations Departments. My hands on experience enabled me to do more than just handling my hands in the office. I was also very active in assisting with VAT-TAX Challan, voucher documentation, journal entries, deposits and monetary summaries. I was able to see how to input journal entries in their system as well as, how to input VAT-TAX challan, and how financial decisions are made. Furthermore, I did not simply have a look, I was indeed authorized to put in those. This exposure enabled me to visualize the application of financial concepts in the real life context. I was also engaged in the process of documentation and reporting, and this made me realize that accuracy and transparency in financial institutions is very important. During the years of my internship, I also obtained some technical and soft skills. Primarily, in technical terms, I gained some understanding of financial statements. My ability to use Microsoft Excel and reporting was also enhanced. Skilled growth wise, I learned the way I ought to manage my own time, how to interact with other individuals in a professional setting, and how to perform under strain. However, I also got to know the role of confidentiality and discipline within a professional set up. My internship experience contributed to enhancing my own understanding of financial management, risk assessment, as well as, functioning of a corporation. Thus, I am left with the conclusion that the internship experience that I have had at Bangladesh Finance Ltd was a learning experience that has helped me bridge the gap between what I have learned as academics and how I have applied it in a professional setting.

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Chapter 1

1.1 Overview of Internship

Internship is an essential part of the Bachelor of Business Administration program at BRAC University. It bridges the gap between theoretical knowledge and practical experience. Through internship, students get the opportunity to work in a real business environment and understand how organizations operate in practice.

As a student of Business Administration, understanding financial institutions is very important because the financial sector plays a vital role in the economic development of Bangladesh. Banks and Non-Bank Financial Institutions (NBFIs) provide capital to businesses, industries, and individuals. They help in investment, employment generation, and economic growth.

I completed my internship at Bangladesh Finance Ltd, one of the leading Non-Bank Financial Institutions (NBFIs) in Bangladesh. The internship period was from 18th January to 19th April. During this three-month period, I worked closely with the Finance and Operations departments.

Bangladesh Finance Ltd provides various financial services such as SME loans, corporate finance, lease financing, and deposit schemes. This internship allowed me to:

- Understand how financial institutions operate in real life.
- Observe how financial decisions are made.
- Learn how risks are managed in lending activities.
- Experience the corporate culture and professional environment.

Therefore, this internship was not only an academic requirement but also an important step in my professional development.

1.2 Objectives of the Internship

The internship program was conducted with specific objectives in mind. These objectives can be divided into primary objective and secondary objectives.

1.2.1 Primary Objective

To analyze and understand the financial activities of Bangladesh Finance Ltd and evaluate how the organization performs its operational and financial functions.

1.2.2 Secondary Objectives

The secondary objectives of this internship are:

1. To gain practical knowledge about the operations of a Non-Bank Financial Institution (NBFI).
2. To understand the loan approval and disbursement process.
3. To learn how deposit schemes are managed.
4. To analyze the financial performance of the organization.
5. To understand risk management practices.
6. To identify strengths and weaknesses of the organization.
7. To develop professional and communication skills.
8. To apply theoretical knowledge gained from university courses such as:
    - Financial Management
    - Accounting Principles
    - Banking and Insurance
    - Risk Management
    - Business Communication

Through these objectives, the internship aimed to prepare me for future professional challenges in the financial sector.

1.3 Scope of the Report

The scope of this report is mainly focused on the financial and operational activities of Bangladesh Finance Ltd. The report covers:

- Overview of the NBFI industry in Bangladesh.
- Background and organizational structure of Bangladesh Finance Ltd.
- Description of financial products and services.
- Deposit management system.
- Financial reporting practices.

This report is based on:

- Practical experience gained during internship.
- Discussion with officers and supervisors.
- Annual reports and company publications.
- Relevant academic knowledge.

However, due to confidentiality policies of the organization, some sensitive financial data and internal documents could not be included in this report.

1.4 Internship Experience & Job Description

1.4.1 Internship Position

During my internship at Bangladesh Finance Limited, I worked as a Finance Intern at the Finance and Accounts Department. Bangladesh Finance Limited is a non-bank financial institution that provides different types of financial facilities to individuals and businesses. Even though it is a financial institution like other banking institutions, it is not involved in all the activities that a commercial bank is involved in. Nevertheless, it plays an important role in facilitating economic activities by providing different types of financial facilities to different clients.

During my internship at Bangladesh Finance Limited, as a Finance Intern at the Finance and Accounts Department, my responsibilities were to assist the finance and accounts department in their daily financial activities. During my internship period at Bangladesh Finance Limited, I got the opportunity to learn how the finance department ensures the accuracy of their financial transactions and how they document each transaction according to their policies.

During my internship period at Bangladesh Finance Limited, I got the opportunity to apply the theoretical knowledge that I acquired during my academic period about the subject of finance and accounting in real-life situations.

1.4.2 Responsibilities and Tasks

During the internship period, various assignments were carried out that helped me gain knowledge in the field of financial operations.

One of the key assignments that were carried out during the internship period was to assist the finance team in the organization of financial vouchers. This assignment helped me understand how financial documents are maintained systematically for future reference.

Another key assignment that was carried out during the internship period was to understand the VAT calculations related to various financial transactions. This assignment helped me understand how the information related to taxes is maintained within the financial records of the organization.

Apart from these assignments, another key assignment that was carried out during the internship period was to review the documents related to financial transactions. This assignment helped me understand how the finance department ensures that every financial transaction carried out within the organization is properly documented.

1.4.3 Key Projects/Assignments

The performance of my internship work was evaluated based on several criteria. One of the main factors was the accuracy of tasks performed, such as correctly preparing vouchers and understanding transaction details.

Another important factor was my ability to follow organizational procedures and financial policies while performing assigned tasks. Timely completion of work and active participation in departmental activities were also considered when evaluating my performance.

Additionally, my supervisors assessed my learning ability, attention to detail, and understanding of financial documentation and processes. Through regular guidance and feedback from the finance team, I was able to improve my practical knowledge and develop professional skills.

Overall, the internship experience provided me with valuable exposure to the operations of a non-bank financial institution. It enhanced my understanding of financial documentation, transaction processing, and taxation procedures in a professional working environment.

1.5 Learning and Development

1.5.1 Skills Acquired/Enhanced

During my internship at Bangladesh Finance Limited, I developed and improved several technical skills and soft skills that are important for working in the finance and accounting field. These skills helped me understand how financial institutions operate in a professional environment.

1.5.2 Technical Skills

One of the important technical skills I learned during my internship period was the preparation of financial documents and vouchers. During my internship period, I learned the process of preparing and using vouchers to record financial transactions within an organization. I learned the process of preparing payment vouchers, receipt vouchers, and journal vouchers and the process of verifying these vouchers before recording the transactions.

Another important technical skill I learned during my internship period was the calculation and documentation of VAT. I learned the process of calculating Value Added Tax (VAT) on different financial transactions and the process of recording the same in the financial documents of the company. Learning the process of recording the same in the financial documents of the company helped me understand the importance of following the tax regulations set by the government.

I also learned the process of understanding the financial transactions and supporting documents within an organization. I learned the process of recording the financial transactions, including payment, receipt, and other expenses, within the finance department of the company.

1.5.3 Soft Skills

One of the soft skills I acquired during the internship period is the ability to communicate effectively. During the internship period with the finance department, I learned how to communicate effectively with colleagues or seniors while asking questions or while undertaking tasks.

Another soft skill I acquired during the internship period is teamwork. The finance department works as a team to ensure the accuracy and timely completion of financial tasks.

Another soft skill I acquired during the internship period with the finance department is the ability to manage time effectively. Since the finance department deals with a number of financial documents or transactions on a daily basis, it is important to complete tasks within the set time.

1.6 Challenges Faced and Solutions

During the internship, I faced several challenges as I was adjusting to a professional work environment.

One challenge was understanding the practical financial documentation process. At the beginning of the internship, it was difficult to understand how vouchers and financial documents were prepared because the process involved many details and verification steps. To overcome this challenge, I carefully observed the work of experienced staff members and asked questions whenever I did not understand something. With their guidance, I gradually learned how the documentation process works.

Another challenge was adapting to the professional work environment. As an intern, I had to adjust to workplace rules, communication styles, and office responsibilities. Initially, it required time to become comfortable in the new environment. However, by observing my colleagues and maintaining a positive attitude toward learning, I was able to adapt successfully.

Time management was also a small challenge because the finance department handles many documents and transactions within limited time. I learned to organize tasks properly and follow instructions carefully to complete assignments efficiently.

1.7 Recommendations

On the basis of my experience during my internship period with Bangladesh Finance Limited, several recommendations can be suggested to improve the internship program and organizational processes.

Firstly, the organization may introduce an orientation program for interns at the beginning of their internship period with the organization. Such an orientation program may introduce the interns to the organization, departmental functions, financial processes, and working policies within the organization. Such an introduction to the interns may enable them to understand their job more clearly and perform their tasks more effectively.

Secondly, the organization may introduce feedback sessions for interns with their respective supervisors. Such feedback may enable the interns to learn more and improve their skills as a professional.

In conclusion, the internship program at Bangladesh Finance Limited is an excellent learning opportunity for the students. With a few amendments to the training given to the interns, the internship program would be even more effective for the students.

Chapter 2

2.1 Company Overview- Bangladesh Finance Ltd

Bangladesh Finance Ltd is one of the leading Non-Bank Financial Institutions (NBFIs) in Bangladesh. The company operates under the regulation of Bangladesh Bank and follows the Financial Institutions Act, 1993.

Bangladesh Finance Ltd provides diversified financial products and services including SME loans, corporate finance, lease financing, housing finance, and deposit schemes. The company is committed to delivering innovative financial solutions while maintaining transparency, accountability, and strong corporate governance.

The organization plays an important role in supporting small and medium enterprises (SMEs), corporate clients, and individual customers by providing financial assistance for business expansion, industrial development, and personal financial needs.

2.2 Historical Background

Bangladesh Finance Ltd was established with the aim of strengthening the financial sector of Bangladesh and providing alternative financial solutions beyond traditional banking services.

Over the years, the company has:

- Expanded its loan portfolio.
- Diversified its deposit products.
- Improved risk management systems.
- Adopted modern financial technology.
- Strengthened corporate governance practices.

The company has gradually built a strong reputation in the financial market through customer-focused services and professional management.

2.3 Mission, Vision, and Core Values

Mission

To reach out our financial services to the wider sections of the populace as part of our contribution towards inclusive, sustainable and quality growth with trust and confidence.

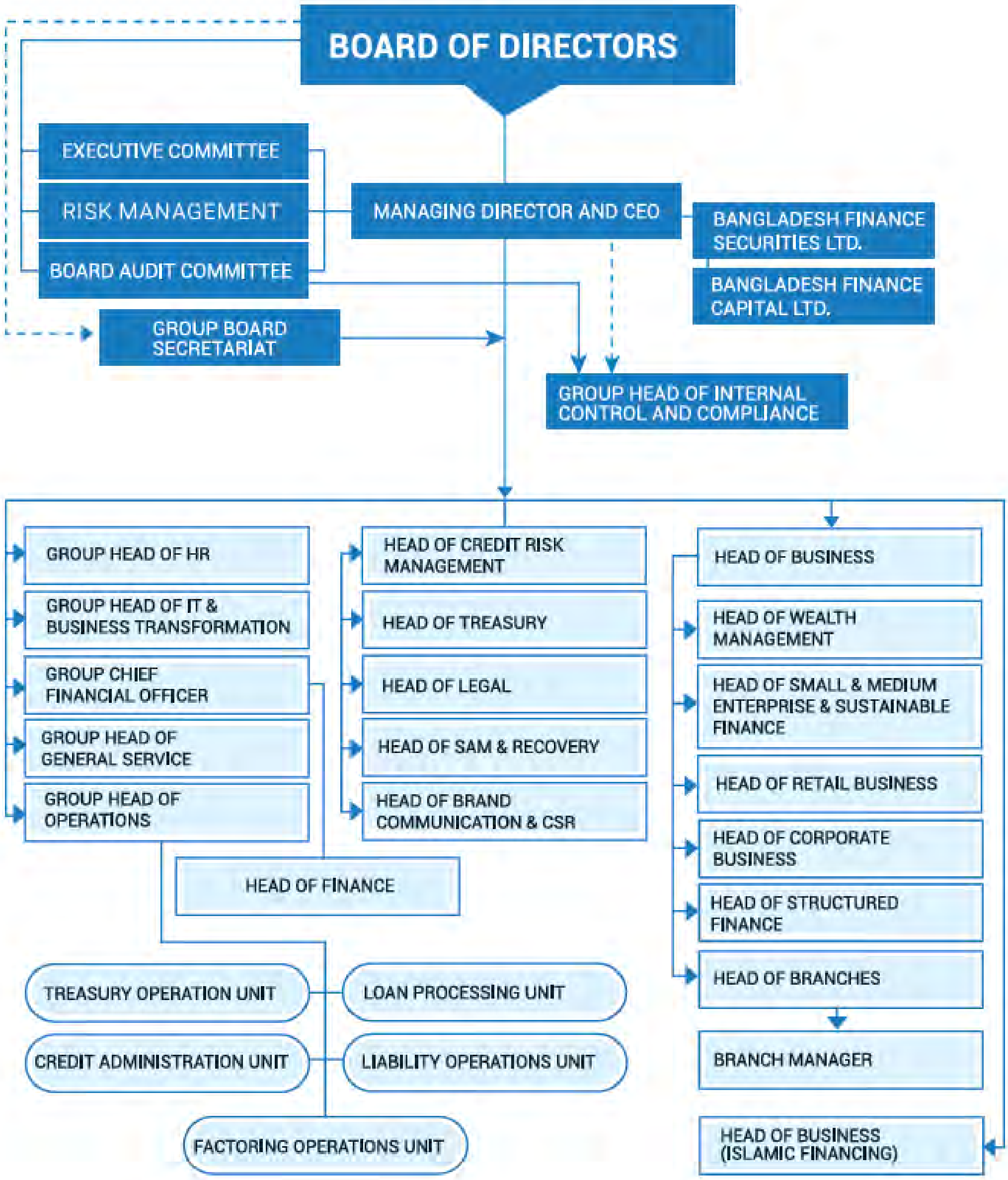
Vision

To be the most innovative and popular financial services provider in the country with special focus on creating value for all stakeholders

Values

2.4 Organizational Structure

Organizational structure can be defined as the structure that provides a framework for activities like task allocation, coordination, supervision, and reporting in a company. In essence, it establishes the hierarchy of authority, roles, and responsibilities of employees in a company.


BOARD OF DIRECTORS
EXECUTIVE COMMITTEE
RISK MANAGEMENT
BOARD AUDIT COMMITTEE
MANAGING DIRECTOR AND CEO
BANGLADESH FINANCE SECURITIES LTD.
BANGLADESH FINANCE CAPITAL LTD.
GROUP BOARD SECRETARIAT
GROUP HEAD OF INTERNAL CONTROL AND COMPLIANCE
GROUP HEAD OF HR
GROUP HEAD OF IT & BUSINESS TRANSFORMATION
GROUP CHIEF FINANCIAL OFFICER
GROUP HEAD OF GENERAL SERVICE
GROUP HEAD OF OPERATIONS
HEAD OF CREDIT RISK MANAGEMENT
HEAD OF TREASURY
HEAD OF LEGAL
HEAD OF SAM & RECOVERY
HEAD OF BRAND COMMUNICATION & CSR
HEAD OF BUSINESS
HEAD OF WEALTH MANAGEMENT
HEAD OF SMALL & MEDIUM ENTERPRISE & SUSTAINABLE FINANCE
HEAD OF RETAIL BUSINESS
HEAD OF CORPORATE BUSINESS
HEAD OF STRUCTURED FINANCE
HEAD OF BRANCHES
BRANCH MANAGER
HEAD OF BUSINESS (ISLAMIC FINANCING)
HEAD OF FINANCE
TREASURY OPERATION UNIT
LOAN PROCESSING UNIT
CREDIT ADMINISTRATION UNIT
LIABILITY OPERATIONS UNIT
FACTORING OPERATIONS UNIT

2.4.1 Products and Services of Bangladesh Finance Ltd

Bangladesh Finance Ltd provides various financial products and services that cater to the needs of individuals, SMEs, and corporate clients. The major services provided by Bangladesh Finance Ltd include SME loans, corporate loans, personal loans, home loans, and lease financing. Such financial services assist in the expansion of business as well as help individuals achieve their financial objectives. In addition to these financial services, Bangladesh Finance Ltd offers deposit accounts like Fixed Deposit Receipts (FDR), Monthly Income Schemes, and Double Money Schemes to depositors. Such financial services assist in the development of business as well as the economy as a whole.

2.4.2 Loan Products

Retail

1. **Deposit**

- Term Deposit
- BIR
- Cumulative Deposit Scheme
- Profit earns Scheme
- Monthly Deposit Scheme
- Double money scheme
- Gunon
- Bangladesh Finance Retirement Plan
- Green Deposit

2. **Loans**

- Affordable Home Loan
- Car Loan
- Personal Loan
- Structured Finance

Corporate

- Lease Finance
- Term Loan
- Working Capital Loan
- Syndication Finance

SME

- Bijoy
- SME Term Loan
- New Entrepreneur Loan
- Agriculture Loan

The company is gradually adopting digital systems to improve efficiency and customer service.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance Analysis

The financial results of Bangladesh Finance Limited during the period of 2022-2024 show that the state of financial results has significantly worsened over the years in regard to key performance indicators, especially profitability, efficiency, and solvency. Ratio analysis, trend analysis and comparative evaluation are used to carry out the analysis.

Profitability Analysis

The Bangladesh Finance Limited profitability performance shows that there has been an apparent and steady decrease over the period of notification. Its capacity to extract returns out of its assets as well as out of the equity of its shareholders have been eroded to a large extent that has been reflected in its inefficiencies in overall financial management. This is a decline that indicates that this organization has failed to effectively turn its operational undertakings into profit. This is further worsened by the fact that there is a mismatch between dwindling income generation and increasing financial demands, which has led to the pressure mounted on profitability. Also, the performance of the company in terms of margin reflects its increasing failure to hold on to the earnings of its revenues stream. This implies that operation costs and financial costs are taking so much of the income leaving no or very little to make profits.

Efficiency Analysis

The Bangladesh Finance Limited has been experiencing a significant drop in its efficiency largely owing to the shortcomings in its cost management and operational performance. It seems that the company may be using its resources less efficiently, which led to the increased cost pressure as compared to its revenues. One of the most important issues to consider is the increasing asymmetry of the tastes of the revenue and the expenses. Income has not been capable of keeping pace, often financial costs have continued to increase, this is an indication of poor utilization of funds and poor control mechanisms over costs. This is a scenario that can be attributed to structural inefficiencies within this organization, where operational costs and financial liabilities do not correlate with generation ability of income. As a result, the company is experiencing difficulty in maintaining operational efficiency, which ultimately impacts its overall financial performance and competitiveness.

Leverage Analysis

The rising financial costs indicate that it is dependent on a high level of borrowed funds. The increasing interest payments, and the falling revenues show excessive leverage and poor management of debt. This has also added itself to the fact that the profitability of the company has been on a downward spiral.

2.5.2 Accounting Practices

Following the overview of the financial reporting practice as of the period 2022-2024, it seems that Bangladesh Finance Limited has an appropriate financial reporting practice.

Accounting Principles

The company adheres to generally accepted accounting principles (GAAP) and also suffers regulations as stipulated by the relevant authorities. Preparation of financial statements is done in a consistent and comparative manner with other years.

Basis of Accounting

The accrual basis of accounting is followed in the organization, meaning that the revenues and expenses are adequately recognized at the time when they are accruing or accruing. This will make a better representation of financial performance.

Accounting Cycle

It does not seem that the company has been compromised on any aspect of the complete accounting cycle, which includes:

- Recording transactions
- Journalizing
- Ledger posting Preparation of financial statements.

This well-laid procedure guarantees the reliability and transparency in financial reporting.

2.6 Industry and Competitive Analysis

2.6.1 Porter’s Five Forces Analysis

- **Threat of New Entrants- Moderate.**

NBFI sector in Bangladesh is one that requires both regulatory endorsement and substantial capital investment and entry barrier is created. Nonetheless, potentially leading to the entry of new players into the market, the increased demand in financial services can add new competitors.

- **Bargaining Power of Suppliers -High.**

In such a case, depositors and other sources of funds are suppliers. The interest rates are changing and the company is under pressure to provide returns that are competitive, which raises the cost of finances. The increasing financial costs of recent years are such pressure.

- **Bargaining Power of Customers -High.**

There are many other alternatives which include banks or other NBFIs. This adds competition and compels the institutions to provide better services and rates, decreasing profit margins.

- **Threat of Substitutes -High.**

Substitutes are found in the commercial banks and the microfinance institutions (microfinance) and the fintech solutions (fintech). The substitutes offer the same financial services, exerting more competitive force.

- **The Rivalry in the industry -Very high.**

NBFI industry is highly competitive, and a number of institutions are competing over the same market. The fall in revenue of Bangladesh Finance Limited indicates that it is losing the competitive edge.

2.7 Summary

The following chapter presents an overview of Bangladesh Finance Limited, including its background and services as well as organizational structure. It also talks about the financial performance of the company, the accounting practices as well as market position of the company in the industry. Comprehensively, the chapter brings to light how the company works and the issues it encounters in sustaining efficiency and competitiveness in the financial industry.

2.8 Conclusion

The overall performance of Bangladesh Finance Limited shows that the company is facing operational and financial challenges. Although it has proper accounting practices and is providing a wide array of services, concerns about cost management, efficiency, and competition are taking a toll on its performance. To be able to determine long-term sustainability, the company must enhance its internal management and strategic planning.

Chapter 3

Executive Summary

This chapter is a broad discussion on how 2022-2024 impacted the financial performance of the Bangladesh Finance Limited; this involved how its income structure and cost management have influenced its profitability. The tabular and chart information has been re-compiled with audited annual-reporting data (operating revenue, operating expenses and operating profits) and important financial ratios (ROA, ROE, Net Profit Margin, Cost-to-Income Ratio). The results indicate that the operating revenue decreased continuously between 2022 and 2024 reaching 1927 million BDT in 2022 and 1102 million BDT in 2024, whereas financial expenses increased significantly. Such a combination resulted in overturning a modest profit in 2022 (Net Income 305 Million BDT) to huge losses in 2023-24 (Net Income -1042 Million BDT -7938 Million BDT). The profitability ratios (ROA, ROE) turned tremendously negative. Cost-to-Income ratio has been deteriorating which signifies less efficiency. These findings affirm that deterioration of income and escalation of costs have completely displeased profitability. As our research of the literature indicates, the most important thing in the functionality of financial institutions is maintaining a balance ratio between income and the control of costs (Imtiaz et al. 2019). The key suggestions on the basis of the results of the analysis are the diversification of the sources of income (not only interest), an increase in cost regulation (in particular, funding costs) and enhancing risk management.

3.1 Introduction

The Non-Banking Financial Institutions (NBFIs), like the Bangladesh Finance Limited, play a significant role in the financial sector of Bangladesh, in that they provide credit facilities and other financial services other than those found in the traditional banking sector. Not only will their profitability be determined by the value of revenues that they are turning over (income structure) but also the manner in which they bring the costs under control. The operation environment of Bangladesh Finance Limited has over the past few years developed to be challenging due to the fact that interests have escalated, competition has also enhanced and the cost of controls has risen. To study how profitability of the company will be affected by the changes in its income and cost efficiency, in this paper, I have observed its audited financial data of 2022 through 2024. The key ones are the Return on Assets (ROA), Return on Equity

(ROE), Net Profit Margin and the Cost-to-Income Ratio. At the end of the chapter, not only the underlying cause of the profitability trends but feasible strategies are also proposed as they have not only tied theory and data, but also gave practical advice to the companies. The analysis will be based on the secondary data (annual reports) and quantitative ratio analysis.

3.2 Literature Review

In the academic literature, profitability of financial institutions is well researched. Common measures of profitability include Return on Assets and Return on Equity: ROA is used to indicate how well a firm manages the asset base to maximise profits, whereas ROE favours showing the profit generated on the equity. Greater amounts of these ratios are usually indicative of being a better performer. In the case of banks and NBFIs, operational efficiency is also reflected in the Net Profit Margin (net income/revenue).

Two general factors impacting on profitability are highlighted in research, including income structure like the proportion of interest vs other non interest income and cost efficiency. On the income component, numerous studies have found that although the traditional lending income or net interest income has remained steady, diversification into non-interest revenue has been inconsistent. In the US banking industry, Stiroh (2002) finds that the more the banks rely on non-interest income, especially volatile trading revenue, the greater the risk and the bad reduced-risks profits. That is, fee-based revenues did not always enhance profit stability or profit level. This assumes that high reliance of interest income with no lucrative alternatives would make an institution prone in case the lending opportunities or margins suffers. To illustrate by example, report on Bangladeshi NBFIs that net interest margin, the primary source of income in the world of banking had a strong positive relationship to ROE, but non-interest income also has a positive association with profitability (Imtiaz et al. 2019). They also, however, discovered that poor asset quality (high NPLs) and high costs are detrimental to profit.

In terms of cost efficiency, the empirical evidence has been consistent that cost management increases profitability. One such efficiency metric is the Cost-to-Income Ratio (CIR), which is an expression of the total operating costs divided by the operating income. Lower CIR corresponds to an increased efficiency. Mathuva (2009) indicates in the Kenyan banks that CIR is indirectly related to profitability. The research by him concludes that to compete in the global arena, banks were forced to keep CIR minimal preferably below 50%. Similar results were reported in Bangladesh as Imtiaz et al. (2019) identified a negative correlation between CIR and NBFI profitability - higher costs reduce profits. Overall, effective institutions minimize their expenditures on expenses, which in turn provide them with higher net margins and returns (Sufian & Habibullah, 2010).

Combined with these studies, they will determine that the performance of the Bangladesh Finance Limited will be based on the ability to maintain a good level of interest revenues and at the same time control the costs. As long as the operating costs increase or the revenues decline, we can anticipate that profitability will plunge downwards (Matovu 2009). In its current analysis, the report further develops these understandings to explain the data of Bangladesh Finance.

3.3 Methodology

The study analyzes secondary quantitative data collected in 2022, 2023 and 2024 as audited financial statements of Bangladesh Finance Limited. Bangladesh currently uses company regulations and accounting treatments related to IFRS, to prepare financial statements that are transparent. The most important data retrieved are: Operating Revenue, Financial Expenses, Operating Expenses, Operating Profit, Profit Before Tax, and Net Profit After Tax.

Based on this data, we compute typical financial ratios:

Return on Assets (ROA) = (Net Income / Total Assets) ×100. ROA indicates how well the assets are used to bring profit.

Return on Equity (ROE) = (Net Income / the Shareholders Equity) x 100. ROE indicates the returns on invested capital.

Net Profit Margin (NPM) = (Net Income/ Operating Revenue) x100. NPM is used to gauge profitability on an individual-sales basis.

Cost to Income Ratio (CIR) = (Total Costs/ Operating Income). It is the proportion of income that is used in expenditure; the lower the number the more cost efficiency.

We confirm the given values of ROA, ROE and NPM by using given numbers of income and profit (see Tables below). In the case of CIR, the calculation we use is CIR = (Financial Expenses + Operating Expenses)/ Operating revenue. After that trend analysis is done based on comparing that of the past years in terms of changes in these ratios and amounts. The calculations made are based on figures in millions of BDT.

The analysis is completed with the visualization of a chart: time series trends are presented by line charts, and a mermaid diagram, which connects the key variables. This is the same methodology used in standard financial analysis and it is equivalent to scholarly research on the performance of NBFI.

3.4 Analysis of Data and Results.

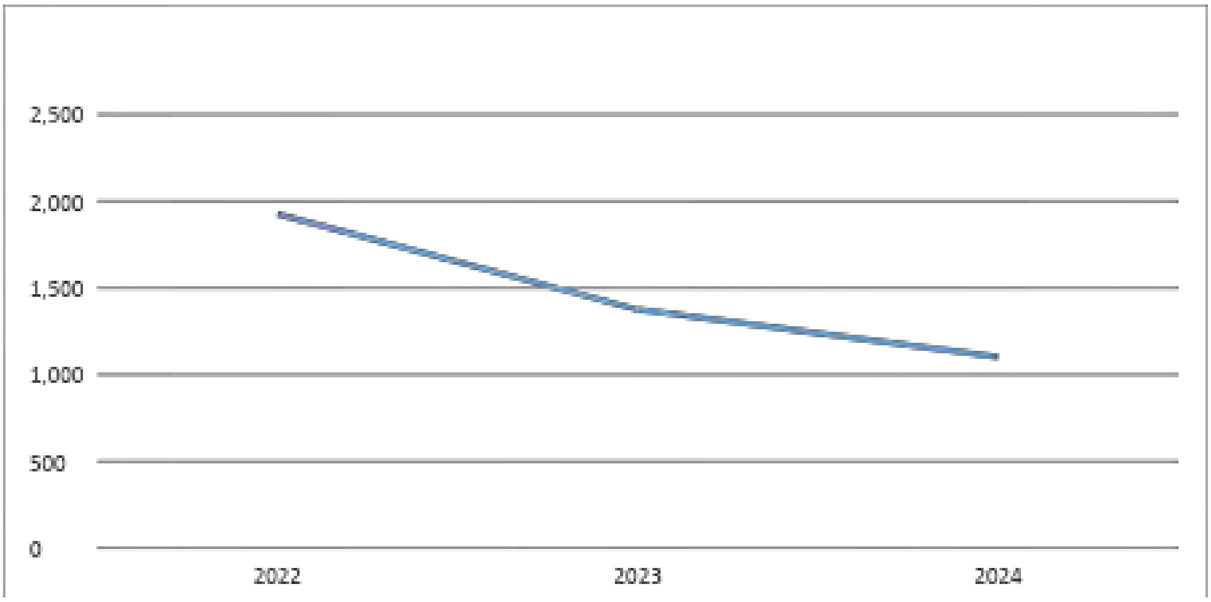
3.4.1 Operating Statement and Revenue Trend.

The income statement items of the Bangladesh Finance Limited in 2022-2024 (in million BDT) are summarized in table 1 below:

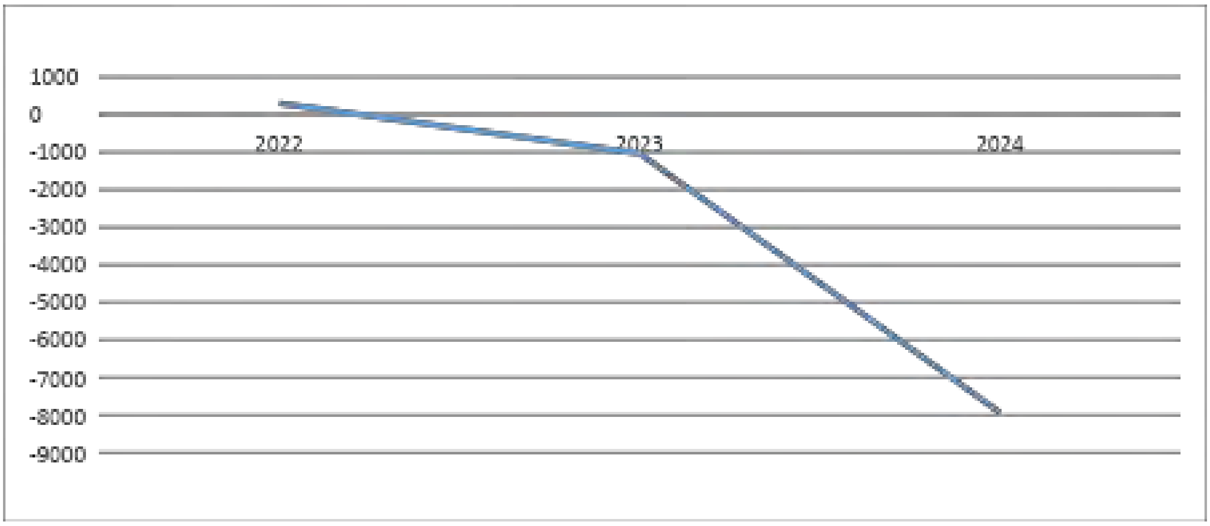
Operating Performance			
Amount in Million			
Particulars	**2022**	**2023**	**2024**
Operating Revenue	1,927	1,375	1,102
Financial Expenses	1,029	1,081	1,534
Operating Expenses	379	360	354
Operating Profit	518	-66	-786
Profit Before Taxation	313	-1,046	-8,633
Net Profit After Tax	305	-1,042	-7,938

Trend in Revenue: Operating revenue fell by ~28% in 2023 and another ~20% in 2024. A gradual downward trend that the line chart below would indicate corresponds between 1,921 to 1,102 Million BDT. It shows that there is a contraction of core income.

Financial and Operating Costs: Financial Expenses increased between 2022 to 2024 (increased to 1,534 Million BDT (+49% in this period). There was stability in the Operating Expenses which were oscillating in the range of 350 to 380 Million BDT. The increase in the financial expenses overwhelmed the decrease in revenue.



Profit/Loss: The Operating Profit was positive 518 Million BDT in 2022 but since then it has become negative. A large negative Profit Before Tax -8,633 Million was realized by the year 2024, which indicates extraordinary losses or write-downs, since there is a large negative difference between the Operating Profit -786 Million and the Profit Before Tax -8633 Million. Net profit swung from +305 Million in 2022 to massive losses of –1,042 Million in 2023 and –7,938 Million in 2024.



Interpretation: The sharp downward trend of revenue indicates shrinkage in lending or yield. In combination with soaring interest charges this made a small profit a big loss. The change in net profit between +305 Million and -7,938 Million will imply that the firm is burning capital and that in the future it will run out of solvency unless the trends change.

3.4.2 Profitability Ratios

Table 2 shows recalculated profitability and efficiency ratios:

Financial Ratios					
Year	**ROE**	**ROA**	**EPS**	**P/E**	**Cost to Income**
2022	9.49%	1.62%	1.25	35.17	0.73
2023	-38.28%	-5.29%	-5.6	-7.88	-5.45
2024	-455.38%	-38.61%	-41.61	-0.28	-0.45

Notes: NPM is calculated: e.g. 2022: (305/1921)100 = +15.88%. CIR is recalculated as (Financial Exp + Operating Exp) / Operating Revenue: for 2022: (1029+379)/1921 = 0.733 (given as 0.73). The negative CIR values of 2023-24 represent the formula used where the Operating Profit is below zero (CIR conceptually loses meaning when Operating Profit less 0). This notwithstanding, the magnitude implies the existence of costs which greatly exceed the revenue.

ROA & ROE: They both decreased drastically. ROA fell from +1.62% to –38.61%, and ROE from +9.49% to –455.38%. This validates that the management is burning the capital: the negative ROE of the shareholders in 2024 represents more than 4 times of the capital committed by the shareholders. These drastic negatives echo the huge losses. Such shifts in small positive to large negative are warning bells of wrongdoing in the banking literature.

Net Profit Margin: Dropped from +15.9% to –720.4%. A healthy company would look at positive returns of at least different to the digits. The negative margins indicate that costs not only eliminated revenue, but also surpassed it. The 2024 NPM of -720% indicates that in this case, the net loss was more than 7 times the revenue but could also be as a result of one-time charges or providing of more than normal levels of revenue.

3.4.3 Interpretation -Effect of incomes and costs.

The conduit shows a concise connection: decreasing income + escalating expenses means a crashing profitability. This has been matched by industry findings that control over costs is imperative. As an example, Imtiaz et al. (2019) point out that non-performing loans do not bring any revenues, and in this regard, net interest income can be seen as the primary source of profit. In this scenario, the net interest income and funding costs are likely to decline in Bangladesh Finance.

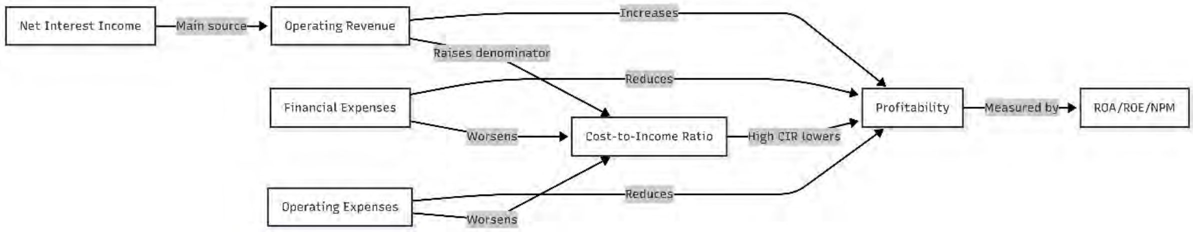
The massive losses imply other factors: it could be loan write-offs or losses on assets not provided in the data. The huge Profit Before Tax decrease, in particular, -8,633 Million in 2024, reflects a hint to one-off charges or provisioning. Anyway, preceding those, the operating numbers suggest an operating loss by 2023.

Economic performance declined: in addition to financing costs, there was even small operating expenses that became heavy in comparison with income. Mathuva (2009) articulates that banks should keep CIR to a minimum because this will keep the bank profitable. The good CIR by Bangladesh Finance is not sustainable. According to the literature, with a beyond of 50-70, additional spending results in diminishing returns; and beyond 100 percent is clearly counter-productive.

In short, all the decline in revenue has not been compensated by reduction of costs. This is not new to the theory: the high cost of funding and stagnant or falling operating revenue directly decrease the net interest margin, damaging ROA and ROE (Imtiaz et al. 2019). The unfavorable ROA/ROE attest to the fact that the asset and equity bases are not performing as well. Consequently, the profitability of the company has practically gone down to 2024.

3.4.4 Similar Variable Relationship (Mermaid Flowchart)

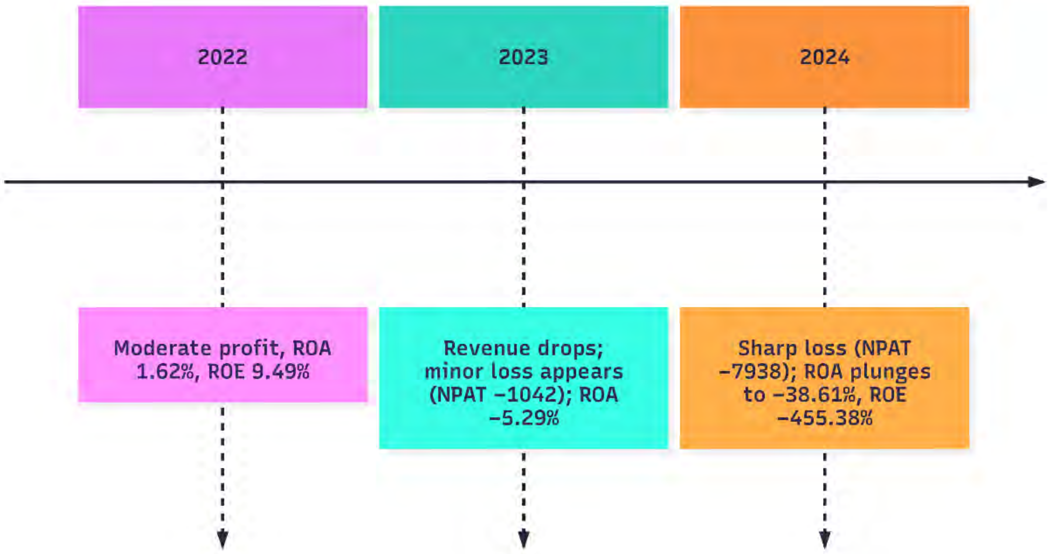
The figure below demonstrates the interaction between income structure and cost elements in influencing the level of profitability:



This flowchart indicates that Operating Revenue which is primarily through net interest income is an input to profitability, whereas in Finance Financial Expenses and Operating Expenses directly reduce profit. An increase in cost has a negative impact on the Cost-to-Income Ratio, a high CIR, or inefficiency, in turn suppresses the profitability measures (ROA, ROE, NPM). In 2022-24, Bangladesh Finance will see increases in the A and decreases in the C/D which subsequently cause a rise in CIR and a fall in profit.

3.4.5 Timeline of Important Developments (Mermaid Diagram)

The range of performance and context of the firm throughout the years is summarized in a timeline below:



The timeline shows that the last year before the downturn when the company was profitable was 2022. The shift towards heavy losses that the company will endure by 2024 can be linked to the time of more substantial cost pressures.

3.5 Findings

Based on the analysis above the key findings are:

Reduced Revenue: Operating revenue declined by an average of 43 per cent in three years, which proves the declining revenue base.

Emerging Costs: Financial costs were also rising by approximately 49% (1,029 Million→ 1,534 Million BDT) which shows that there was more cost of funding. There were fairly stable operating expenses.

Profitability Collapse: after tax Net Profit Discended to -7,938 Million in 2024, from +305 Million in 2022. This is an extreme up and down movement that was a sign of great financial unsteadiness.

Negative Profitability Ratios: Both ROA and ROE have become representatively negative and simultaneously indicate that the assets and equity are losing value (ROE -455% in 2024). Net Profit Margin turned into an incredibly negative value (–720% in 2024).

Worsened Efficiency (CIR): By 2024, costs were by far exceeding income, an extremely inefficient situation.

Clear Income-Cost-Profit Relationship: The data support the theoretical argument that declines in interest income and high costs result in a downward spiral in the profitability. The losses were caused by the dependence of the firm on interest income and the inability of this firm to reduce the costs.

3.6 Recommendations

In order to get back to profitability, Bangladesh Finance Limited must take a two-pronged approach to increase its revenue and to minimize its costs:

Increase Non-Interest Revenues: so as to decrease reliance on interest spread, increase non-interest revenues. This, as literature cautions, should be handled with a lot of care since example, do not do high risk trading. Even small fee based business such as remittance, trade finance, and others can be used to stabilize revenues, even in small businesses.

Enhance Loan Recovery and Risk Management: A large amount of non- performing assets probably led to revenue loss. Net interest income can be enhanced by tightening the credit risk assessment and efforts to recover loan advances.

Funding Cost Minimization: Renegotiate borrowing, raise deposit maturity or use hedging to reduce the interest expense. This would tend to decrease Financial Expenses line without necessarily affecting the availability of credit.

Streamline Operations: Due to light Operating Expenses, concentrate the increase in efficiency by digitizing or employing shared services. In fact, a percentage-points reduction in cost will enhance CIR.

Capitalize Conservatively: To rebuild would enhance ROE and market confidence. Although it is not classified as an expense item, a greater capital buffer will lower the distress costs and interest burden (Mathuva 2009).

Business Reorientation: Be they product mix, upper focus on high-yield, low-risk lending segments, take a second look at quitting non-profit making lines. Restructuring like sale of assets, reduction of parts of the business that do not make a profit may be required.

These recommendations should be implemented by a continuous review of profitability measures and standards such as keeping CIR to no more than 70% of the amount recommended by the international practice.

3.7 Conclusion

The linkage between the cause and an effect in the analysis of Bangladesh Finance Limited in the period 2022-2024 is easy to follow: the weakening structure of income and the increase in costs ruined the profitability. Starting off with an appealing profit in 2022, but switching to drastic losses in 2024. The findings are in agreement with the academic theory that a high cost-to-income ratio will compromise profits and the over-reliance on interest revenue without diversification has the potential to increase risks. In the future, the company needs to immediately tackle cost management, increase and diversify revenues and enhance the risk controls in a bid to restore financial wellness. The example highlights the critical role of income and cost management as leverages towards sustainable profitability of an NBFI.

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Appendix A.

Project Proposal

Problem Statement

The environment of non-bank financial institutions (NBFIs) is quite competitive and regulated in which interest income is one of the main sources of income. Nevertheless, the overreliance on interest-related revenue accompanied by the increasing operating expenses can have a detrimental impact on sustainability and financial performance in the long-run.

NBFI in Bangladesh, Bangladesh Finance Limited brings both interest and non-interest revenues into their pocket and spends massive amounts of operating and administrative costs. The presence of an income composition imbalance or the lack of cost management skills can affect such indicators of profitability as Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE). Thus, the income structure and cost effectiveness of Bangladesh Finance Limited and their influence on the gross profitability should be considered.

The following research questions are the ones that will be answered in this study:

There has been an interest and non-interest income trend within the past three to five years, what has been the trend?

What was the change in operating expenses at the same time?

What is the efficiency of the company in handling its cost-to-income ratio? How do these cost efficiency and profitability issues relate to ROA and ROE?

The main aim of the paper is to compare Bangladesh Finance Limited in terms of income structure as well as its cost efficiency and analyze its effects on profitability. The given objectives are to assess composition of income, the examination of trends of expenses, the evaluation of operational efficiency by financial ratios and recommendations on how to improve financial performance are provided.

Literature Review

Diversification of income and cost efficacy are judged such imperative aspects of sustainability in financial performance analysis. According to the conventional financial theory it can be argued that institutions that are too reliant on interest income might have an increase in their risk

exposure when the economy is performing poorly. Volatility can be lowered by diversification into non-interest income to increase stability.

On the same note, cost efficiency is core in ensuring profitability. The cost-to-income ratio is a very popular variable that is being used as a measure of efficiency in running a bank or NBFIs. A smaller ratio will in most cases indicate an improved management of operating expenses when compared to revenue. ROA and ROE are profitability ratios that determine the level of resource utilization of an institution with regard to the assets and equity of the shareholders to provide returns.

With the rising intensity of competition and regulation demands facing the Bangladesh financial sector, it is more as ever that performance evaluation has become significant. The review of income organization and cost efficiency of Bangladesh Finance Limited will help to understand the extent to which the institution copes with its performance involving operations and their financial sustainability in the long perspective.

Preliminary Methodology

In this research, secondary data will be utilized as the basis of the research, through the published annual reports of Bangladesh Finance Limited during the past three to five years. The trend analysis of interest income, non-interest income, and operating expenses will be included in the analysis. The ratio analysis will be done to determine the cost-to-income ratio, Net Profit Margin, ROA and ROE. The analysis will also be comparing the change in financial efficiency and profitability over a period of time.

The data will be organized and calculations will be performed by using Microsoft Excel.

Significance of the Study

This research is both an important study and a practical study. Among other things, it will give us an insight on the efficiency and financial sustainability of Bangladesh Finance Limited in its operations.

The results could guide the management on what to improve regarding the diversification of income and cost management. Also, the research can contribute to the improved comprehension of performance evaluation practice amongst NBFIs in Bangladesh.

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