

A COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE OF INVESTMENT BANKS IN BANGLADESH

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Abstract

Investment banks play an important role as intermediaries in the primary capital markets in our country. The investment banks performances' have a significant impact on economical and capital market development. This study presents a comparison of financial performance of 9 leading investment banks for the period 2011-2014 by using some financial ratios and measures of investment banks working in Bangladesh. For analyzing the financial performance we have used ratio analysis (ROA, ROE, ROCE, Institutional Size/ Total Assets and Total Equity etc.). This work concludes that the performance of investment banks on the basis of efficiency ratio is different than on the basis of liquidity ratio, capital or leverage ratio and financial measures. The paper recommends that the bank should give emphasis on source of funding, interest expenses, margin loan, and interest income and also need to build a strong image to leave a mark in the international market. In the coming years investment banking have reason to believe, they will be promoted with government and market support to compete internationally.

Key words: Investment bank, Intermediary, Liquidity, Profitability, ROA, ROE, ROCE

Introduction

A financial system is of vital in nature for the economic development as it provides relieve in funds mobilization. Today's volatile economic environment requires efficient financial system for specialism in production, to retain investors' friendly relationship and competitive market to assist economic transaction. A stable and efficient financial system represents efficient allocation of resources and the foundation of rising of financial performance of an organization which leads to enhance actions and functions of the organization. Investment banks, as a component of financial system, serve as stakeholder in the economy and work for development of the economy of a country. Investment banks provide a backup to all capital market in the economy through trading in shares, investment holdings, and investment banking activities. They also support the credit market in the country through short term and medium term loans. For the enhancement of financial performance three principal factors can be argued; its asset management (AM), institution size (IS), and operating efficiency (OE) (Tarawneh, 2006).

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Investment bankers play an important role as one of the intermediaries in the primary capital in every country. They help companies in the total management of issue of securities. Therefore, they are called “*Issue Managers*” or “*Lead Managers*”. They undertake all activities related to capital issues and play different roles as lead managers, co-managers, underwriters, consultants and advisors to the issue. They also perform the duties as portfolio managers. Investment banking firms are intermediaries that advise firms, distribute securities, and take principal positions. Most Investment banks are vertically integrated organizations that incorporate merger and acquisition (M&A), advisory services, capital raising services, securities trading and brokerage, and research coverage.

The intention of this study is to analyze the investment banks' financial performance for the period of 2011-2014 on the basis of some financial ratios and financial measures which have the impact on the financial performance of investment banks. Therefore, the main objective of this study is to evaluate the financial performance of investment banks and to compare the relative market position of selected investment banks operated in Bangladesh. The financial indicators include ratio and financial measures such as return on owners' equity (ROE), return on assets (ROA), institution size/ total assets & total owners' equity, earnings per share (EPS), current ratio, capital ratio, return on capital employed (ROCE), and Interest Coverage Ratio. These financial ratios and measures are derived from the annual audited financial statements of Investment banks. This study will empirically analyze the financial performance of selected Investment banks in Bangladesh and the result will be used to identify the competitive position of Investment banks in Bangladesh. This study also equips the managers and investors with important information about operating efficiency of investment banks and their performance which have a great impact on the decision making for future development and investment.

Objectives of the study

The broad objective of this study is to evaluate the financial performance of investment bank in Bangladesh for identifying the growth and prosperity of this sector. Therefore, the specific objectives of this paper are to provide an insight about the performance and competitive position of investment banks operated in Bangladesh to the investors and management for taking proper decisions and actions.

Rationale of the Study

The importance of the study is to improve the financial performance of investment Banks for investment and finance, improve the banks' operations and technology, therefore, this will lead to improve the economy of Bangladesh. The worldwide growth of investment banking and its influence on the government policies is a clear indication of its importance in Bangladesh economy and capital market too. This fact prompts me to examine this issue empirically in Bangladesh.

Methodology

Quantitative research method is used to bring the best result of the subject. Initially the financial data of Investment banks will use as secondary data which is later calculated with the help of Microsoft Excel. Finally a comparative study of the performance of different companies, along with the performance of an individual company over the years is done.

a) *Sample Size & Sources of data* : The data consists of 9 full-fledged Investment banks listed in Dhaka Stock Exchange for the period from 2011 to 2014. In order to make the report more meaningful and presentable, Information has been collected from various secondary sources including (1) Annual report of different investment banks for the period 2011 to 2014, (2) Prospectus issued during 2012, 2013 and 2014, (3) Press release from DSE during 2011 to 2014, (4) Unpublished data from the organization, (4) Different publications, magazines, brochures, journals, newspapers, Website.

b) *Performance Measurement Indicators* : For evaluating the financial performance, we have used the following ratio analysis:

- I. Efficiency / Profitability ratios: Return on owners' equity (ROE), Return on Assets (ROA), Admin Expenses to Profit before Tax Ratio, Earnings per Share (EPS), and Return on Capital Employed (ROCE).
- II. Liquidity Ratio: Current Ratio
- III. Capital / Leverage ratio: Capital Ratio
- IV. Financial Measure: Institution Size : Total Assets, Total Owners' Equity

Literature Review

Generally, the combination of financial ratios, measuring performance against budget, benchmarking or mix of pre-discussed methodologies have been used to measure the financial performance of investment banks and other financial institutions (Avkiran, 1995). A Published financial statement contains many ratios which give the indication about the performance of Investment banks. Financial ratios and measures like return on shareholders' equity (ROE), return on assets (ROA), institution size or total assets, total shareholders' equity, earnings per share (EPS), current ratio, capital ratio, return on capital employed (ROCE), and administration expenses to profit before tax ratio have been used to classify the investment banks which are working in Pakistan in the period of 2006-2009 (Ali Reza, 2011). Many previous studies related to evaluation of company's performance have been focusing the operational effectiveness and efficiency which might influence the company's survival directly.

The empirically results of (Tarawneh, 2006) study showed that a company which have better efficiency, it does not mean that always it will show the better effectiveness. All financial measures of performance as return on assets (ROA), capital adequacy (CA) and interest margins (IM) are calculated positively with scores of customer service quality (Elizabeth.D, 2004). A study by (Alsamaree, 2013) puts

sheds light on the performance of investment banks in particular during the critical period from 2007 to 2010, and the reason that the banks in Kuwait has been able to largely overcome the crisis and draws attention to the National Bank of Kuwait was able to distribute profits at that stage.

The study is to analyze and compare the performance of Saudi banks that listed in stocks market for the period 2007-2011. The study is an evaluator in nature, drawing sources of information from secondary data. The financial performance of banks is studied on the basis of financial ratios and variables. Financial performance was measured by two approaches; trend analysis and inter-firm analysis. It was found that increasing of assets, operating expenses, and cost to income causes a decrease in Saudi bank's profitability, while increasing of operating income causes an increase in the profitability of Saudi Banks. Analyses show that all the variables of study have a positive mean value and all banks are generating income. Saudi joint venture banks proved to be more proficient in generating profits, absorbing loan losses and dominating in ROE, while, Saudi established banks have more capacity of absorbing asset losses and dominating in ROA (Almumani, 2014).

In addition to the heavy concentration on the US, DEA has fast become a popular method in assessing financial institutions' efficiency among banking researchers in other nations. (Fukuyama.H, 1995), was among the early researchers, particularly among countries in Asia, to employ DEA to investigate banking efficiency. Employing labor, capital, and funds from customers as inputs and revenue from loans and revenue from other business activities as outputs, (Fukuyama.H, 1995) considered the efficiency of 143 Japanese banks in 1990. He found the pure technical efficiency to average around 86% and scale efficiency around 98% implying that the major source of overall technical inefficiency is pure technical inefficiency. The scale inefficiency is found to be mainly due to increasing returns to scale. He also found that banks of different organizational status perform differently with respect to all efficiency measures (overall, scale, pure technical). Scale efficiency is found to be positively but weakly associated with bank size.

Furthermore, financial systems may mitigate liquidity risk, the risk of inconvertibility of assets into a liquid medium of exchange. By pooling different illiquid assets, securitization can reduce liquidity risk. But the market making performed by investment banks in the trade of various assets should also reduce liquidity risk. In general, information asymmetries and transaction costs can be lowered by the existence of financial intermediaries. Banks transform liquid short-term deposits and long-term illiquid investments (Diamond, 1983). In this study the financial comparison is based on return on equity (ROE), return on asset (ROA), institution size (IS) and many other activities to determine the financial performance of investment banks in Bangladesh.

Analysis

For analysis the financial performance of investment banking sector in this study we have used time series data analysis of various financial ratios (such as ROA, ROE, ROCE, Interest Coverage Ratio, Current Ratio, Capital Ratio) and measures. Here the result of this analysis:

Table 1: Return on Asset (ROA)

| Banks/ Year | 2011 (%) | 2012 (%) | 2013 (%) | 2014 (%) | Average (%) |
|----------------|-------------|-------------|-------------|-------------|-------------|
| LBIL | 1.47 | 0.29 | 0.33 | -6.67 | -1.15 |
| IDLC | 1.25 | 0.86 | -5.57 | 2.08 | -0.34 |
| ICB | N/A | 3.93 | 2.79 | 1.27 | 2.66 |
| BRACEPL | -0.93 | 2.76 | 3.88 | -4.64 | 0.27 |
| MTB | -1.09 | 0.79 | 4.23 | 21.17 | 6.28 |
| PFCML | 7.46 | 4.05 | 4.02 | 2.01 | 4.38 |
| UCIL | 0.32 | 4.49 | 7.05 | 0.44 | 3.08 |
| PBIL | 0.78 | 2.20 | 1.81 | -2.55 | 0.56 |
| EBL | 3.71 | 5.04 | 4.60 | 7.57 | 5.23 |
| Average | 1.62 | 2.71 | 2.57 | 2.30 | 2.33 |

Source: Annual report of investment banks (2011-2014)

Table 1 contains the data regarding return on assets for the period of 2011 to 2014 and average of four years. This ratio reveals the earning capacity of profit by an investment bank on its total assets which are employed in the business. The result has increasing trend from 2011 to 2014 which indicates good earning capacity of investment banks.

Table 2: Return on Equity (ROE)

| Banks/Year | 2011(%) | 2012 (%) | 2013 (%) | 2014 (%) | Average (%) |
|----------------|-------------|-------------|--------------|--------------|-------------|
| LBIL | 10.19 | 1.79 | 0.94 | -24.30 | -2.84 |
| IDLC | 13.42 | 8.56 | -73.56 | 3.95 | -11.91 |
| ICB | N/A | 11.73 | 9.74 | 4.70 | 8.72 |
| BRACEPL | -4.29 | 10.90 | 13.52 | -12.72 | 1.85 |
| MTB | -2.00 | 1.13 | 5.59 | 12.22 | 4.23 |
| PFCML | 15.35 | 9.16 | 9.20 | 4.53 | 9.56 |
| UCIL | 0.32 | 4.81 | 17.56 | 7.79 | 7.62 |
| PBIL | 1.86 | 5.65 | 4.34 | -6.06 | 1.45 |
| EBL | 3.84 | 5.18 | 4.99 | 8.30 | 5.58 |
| Average | 4.84 | 6.55 | -0.85 | -0.18 | 2.70 |

Source: Annual report of investment banks (2011-2014).

Table 2 contains the data regarding return on owners' equity for the period of 2011 to 2014 and average of four years. This ratio is used as a measure of returns to owners of the investment banks directly and can be calculated as a percentage of after tax profit to total owners' equity. It is more clear in the table-2 that PFCML is at the top as it has the highest positive average ROE ratio(9.56), whereas IDLC has the highest negative average ratio (-11.92%).

Table 3: Return on Capital Employed (ROCE)

| Banks/Year | 2011 (%) | 2012 (%) | 2013 (%) | 2014 (%) | Average (%) |
|----------------|-------------|-------------|-------------|-------------|--------------|
| LBIL | 2.19 | 0.62 | 1.23 | -23.24 | -4.80 |
| IDLC | 21.31 | 16.97 | -16.62 | 4.20 | 6.46 |
| ICB | N/A | 15.10 | 12.43 | 37.90 | 21.81 |
| BRACEPL | 0.29 | 12.15 | 21.27 | -20.49 | 3.30 |
| MTB | -1.11 | 1.11 | 7.51 | 46.71 | 13.55 |
| PFCML | 24.45 | 13.27 | 11.99 | 4.67 | 13.60 |
| UCIL | 0.52 | 7.69 | 20.86 | 1.88 | 7.74 |
| PBIL | 22.30 | 14.02 | 5.22 | -5.81 | 8.93 |
| EBL | 7.19 | 7.29 | 8.31 | 11.62 | 8.60 |
| Average | 9.64 | 9.80 | 8.02 | 6.38 | 8.80 |

Source: Annual report of investment banks (2011-2014).

Table 3 shows the data related to return on capital employed of investment banks in Bangladesh for the period of 2011 to 2014 and average of four years. This ratio indicates the profitability and efficiency of capital investments of a company. It is clear that ICB has the highest average positive ROCE (21.81%), whereas LBIL is at highest average negative ROCE (-4.80%).

Table 4: Earnings per Share (EPS)

| Banks/Year | 2011 (%) | 2012 (%) | 2013 (%) | 2014 (%) | Trend | Average (%) |
|----------------|-------------|-------------|-------------|-------------|----------------|--------------|
| LBIL | 1.15 | 0.20 | 0.10 | -2.02 | -762.6 | -0.14 |
| IDLC | 1.54 | 1.08 | -5.33 | 0.38 | -244.17 | -0.58 |
| ICB | N/A | 2.24 | 1.81 | 0.8 | -37.50 | 1.62 |
| BRACEPL | -0.73 | 2.08 | 2.98 | -3.93 | -191.22 | 0.10 |
| MTB | -1.96 | 1.12 | 5.59 | 12.60 | 122.08 | 4.34 |
| PFCML | 3.21 | 1.04 | 0.70 | 1.38 | -1.05 | 1.58 |
| UCIL | 0.03 | 0.49 | 1.4 | 0.85 | 559.92 | 0.69 |
| PBIL | 0.20 | 0.58 | 0.47 | -0.61 | -12.5 | 0.16 |
| EBL | 4.15 | 5.91 | 5.31 | 8.72 | 32.16 | 6.02 |
| Average | 0.95 | 1.64 | 1.45 | 2.02 | - | 1.51 |

Source: Annual report of investment banks (2011-2014).

Table 4 demonstrates the earnings per share (EPS) of investment banks for the period of 2011 to 2014 and average of four years. It is clear from the figure that EBL has the highest average positive EPS (6.02) from other investment banks, whereas IDLC has the highest negative EPS (-0.58). On an average the market EPS is increasing from 2011 to 2014.

Table 5: Institution Size/ Total Assets

| Banks/ Year | 2011 TK (Million) | 2012 TK (Million) | 2013 TK (Million) | 2014 TK (Million) | Average Growth % | Average TK (Million) |
|----------------|----------------------|----------------------|----------------------|----------------------|---------------------|-------------------------|
| LBIL | 4465 | 4366 | 5134 | 4994 | 421.01 | 4740 |
| IDLC | 4930 | 5004 | 3829 | 2553 | -1843.39 | 4079 |
| ICB | N/A | 6952 | 7911 | 8294 | 932.10 | 5789 |
| BRACEPL | 4608 | 4410 | 4488 | 4957 | 263.81 | 4616 |
| MTB | 180 | 142 | 330 | - | 1835.08 | 200 |
| PFCML | 33624 | 4004 | 4458 | 4604 | 1123.67 | 4107 |
| UCIL | 100 | 216 | 628 | 4879 | 32733.23 | 1456 |
| PBIL | 7536 | 7939 | 7736 | 7217 | -130.49 | 7607 |
| EBL | 335 | 351 | 346 | 345 | 103.60 | 344 |

Source: Annual report of investment banks (2011-2014).

Table 5 shows the total assets of selected investment banks for the period of 2011 to 2014, growth rate of assets and average of four years. It is clear that IDLC has highest negative growth rate (-1843.39), whereas UCIL has the highest positive growth rate (32733.23%) which means that assets in 2011 (TK 100576222) are increased by 32733.23% in 2014 to reach at the level of (TK 4879571897). It can be easily judged that PBIL at the top with high average of total assets TK.7,607,636,925 in spite of its negative growth rate (-130.49%), whereas MTB Capital Limited as the lowest average total assets (TK.200626384) since it has positive growth rate.

Table 6: Institution Size/ Total Owners' Equity

| Banks/ Year | 2011 TK (Million) | 2012 TK (Million) | 2013 TK (Million) | 2014 TK (Million) | Average Growth | Average TK (Million) |
|----------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------------|
| LBIL | 337 | 710 | 1635 | 1390 | 75.17% | 1018 |
| IDLC | 460 | 503 | 289 | 1343 | 110.07% | 649 |
| ICB | - | 2326 | 2266 | 2240 | -1.12% | 2277 |
| BRACEPL | 993 | 1115 | 1289 | 1059 | 3.34% | 1114 |
| MTB | 98 | 99 | 250 | 257 | 52.17% | 176 |
| PFCML | 1633 | 1767 | 1947 | 2039 | 7.69% | 1847 |
| UCIL | 100 | 202 | 252 | 273 | 44.94% | 207 |
| PBIL | 3152 | 3086 | 3226 | 3043 | -1.08% | 3127 |
| EBL | 324 | 342 | 319 | 315 | -0.83% | 325 |

Source: Annual report of investment banks (2011-2014).

Table 6 contains the data regarding total owners' equity of investment banks for the period of 2011 to 2014 and average growth rate of four years. Here IDLCIB has

the highest positive growth rate (110.07%) in 2014 comparing with year 2011, whereas ICB has the highest negative growth rate in 2014 (-1.12%).

Table 7: Current Ratio

| Banks/Year | 2011 | 2012 | 2013 | 2014 | Average (Times) |
|-------------------|-------------|-------------|-------------|-------------|------------------------|
| LBIL | 6.72 | 18.65 | 1.45 | 1.38 | 7.05 |
| IDLC | 1.10 | 1.07 | 1.50 | 2.10 | 1.44 |
| ICB | - | 0.35 | 0.38 | 0.38 | 0.37 |
| BRACEPL | 1.25 | 1.32 | 1.38 | 1.26 | 1.30 |
| MTB | 18.70 | 12.57 | 4.59 | 2.43 | 9.57 |
| PFCML | 0.08 | 1.62 | 1.73 | 1.75 | 1.30 |
| UCIL | - | 15.27 | 0.83 | 9.48 | 8.53 |
| PBIL | 1.70 | 1.62 | 1.70 | 1.72 | 1.69 |
| EBL | 30.70 | 37.36 | 12.55 | 6.47 | 21.77 |
| Average | 8.61 | 9.98 | 2.90 | 3.00 | 16.74 |

Source: Annual report of investment banks (2011-2014).

Table 7 shows the current ratio of investment banks in Bangladesh for the period of 2011 to 2014 and average of four years. It explains that how many times the current assets of investment banks cover up the current. It shows that UCIL has highest average positive current ratio (106.17), whereas ICBCML is at highest average negative current ratio (0.37) from other investment banks.

Table 8: Capital Ratio

| Banks/Year | 2011 | 2012 | 2013 | 2014 | Average (Times) |
|-------------------|--------------|--------------|--------------|--------------|------------------------|
| LBIL | 7.57 | 16.27 | 31.86 | 27.84 | 20.88 |
| IDLC | 9.33 | 10.06 | 7.57 | 52.60 | 19.89 |
| ICB | - | 33.47 | 28.64 | 27.01 | 29.71 |
| BRACEPL | 21.56 | 25.28 | 28.73 | 21.37 | 24.23 |
| MTB | 54.25 | 69.36 | 75.79 | 173.31 | 93.18 |
| PFCL | 48.59 | 44.15 | 43.67 | 44.29 | 45.18 |
| UNIL | 99.75 | 93.45 | 40.17 | 5.61 | 59.75 |
| PBIL | 41.82 | 38.87 | 41.71 | 42.16 | 41.14 |
| EBL | 96.74 | 97.32 | 92.07 | 91.24 | 94.35 |
| Average | 53.15 | 51.50 | 44.79 | 57.20 | 50.93 |

Source: Annual report of investment banks (2011-2014).

Table 8 shows the capital ratio of investment banks for the period of 2011 to 2014 and average of four years. This ratio shows the percentage of total owners'

equity in the total assets of investment banks. According to table 08, all the investment banks have the positive capital ratio. EBL Investments bank has the highest average capital ratio (94.35%) from other investment banks, whereas only IDLC has lowest capital ratio which is (19.89%).

Table 9: Margin Loan on Total Equity

| Banks/Year | 2011 | 2012 | 2013 | 2014 | Average |
|-------------------|-------------|-------------|-------------|-------------|----------------|
| LBIL | 1,158 | 585 | 284 | 307 | 583 |
| IDLC | 1,027 | 915 | 1,188 | 150 | 820 |
| ICB | N/A | 236 | 264 | - | 167 |
| BRACEPL | 395 | 330 | 285 | 356 | 341 |
| MTB | 2 | 5 | 31 | 41 | 20 |
| PFCL | - | 188 | 184 | 171 | 136 |
| UCIL | - | - | 1,583 | - | 396 |
| PBIL | 187 | 206 | 202 | 198 | 198 |
| Average | 554 | 352 | 503 | 204 | 333 |

Source: Annual report of investment banks (2011-2014).

Table 9 shows the ratio of margin loan on total owners' equity of investment banks in Bangladesh for the period of 2011 to 2014 and average of four years. The result indicates that the company provides more margin loan to its client by taking loan which is costly. According to the table 9, IDLC Investment Ltd has highest average margin loan ratio (820%), whereas MTB Capital Ltd has lowest margin loan to its clients which is (20%) from other investment banks.

Table 10: Interest Coverage Ratio

| Banks/Year | 2011 | 2012 | 2013 | 2014 | Average (Times) |
|-------------------|-------------|-------------|-------------|-------------|------------------------|
| LBIL | 1.14 | 1.04 | 1.03 | 0.39 | 0.90 |
| IDLC | 1.41 | 1.15 | -0.34 | 2.21 | 1.11 |
| ICB | - | 2.01 | 1.73 | 3.89 | 2.54 |
| BRACEPL | 1.01 | 1.26 | 1.55 | 0.55 | 1.09 |
| MTB | - | - | - | - | - |
| PFCL | 1.40 | - | 1.94 | 1.42 | 1.58 |
| UCIL | - | - | 1.05 | 1.06 | 1.06 |
| PBIL | 2.79 | 1.84 | 1.30 | 0.61 | 1.64 |
| EBL | - | - | - | - | - |
| Average | 1.55 | 1.46 | 1.18 | 1.45 | 1.42 |

Source: Annual report of investment banks (2011-2014).

Table 10 presents the ratio of interest coverage of investment banks in Bangladesh for the period of 2011 to 2014 and average of four years. Interest Coverage Ratio indicates the capacity of an organization to pay its interest obligations. Here the result indicates that most of the companies have sufficient fund to provide its financial cost. According to the table 10, ICB Capital management limited has highest average interest coverage ratio (2.54%), whereas LBIL has lowest interest coverage ratio which is (0.90%) from other investment banks.

Comparison of Financial Performance of Investment Bank

Market position of Investment banks is evaluated by giving score on the basis of financial ratio of different Investment banks in Bangladesh. Here the scoring is based on performance of different measurement. The best performer will scored by 1 and the lowest performer will get 9. Here the score is given by

1 = Best Performer

2

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9 = Worst Performer

If the value of any measurement is not available, in that case the performer will get score 9 for non-performance or undesirable performance.

Table 11: Ranks of Investment Banks Based on Financial Performance

| Performance Indicators | Investment Banks | | | | | | | | |
|---------------------------|------------------|------|-----|-----|------|---------|-------|------|-----|
| | LBI L | IDLC | MTB | ICB | UCIL | BRACEPL | PFCML | PBIL | EBL |
| <i>Financial Measures</i> | | | | | | | | | |
| ROA | 9 | 8 | 1 | 5 | 4 | 7 | 3 | 6 | 2 |
| ROE | 8 | 9 | 5 | 2 | 3 | 6 | 1 | 7 | 4 |
| ROCE | 9 | 7 | 3 | 1 | 6 | 8 | 2 | 4 | 5 |
| EPS | 8 | 9 | 2 | 3 | 5 | 7 | 4 | 6 | 1 |
| Total Assets | 5 | 9 | 2 | 4 | 1 | 6 | 3 | 8 | 7 |
| Total Equity | 2 | 1 | 3 | 9 | 4 | 6 | 5 | 8 | 7 |
| Current ratio | 4 | 6 | 2 | 9 | 3 | 7 | 8 | 5 | 1 |
| Capital Ratio | 8 | 9 | 2 | 6 | 3 | 7 | 4 | 5 | 1 |
| Margin loan | 7 | 8 | 1 | 3 | 6 | 5 | 2 | 4 | 9 |
| Interest Coverage | 7 | 4 | 9 | 1 | 6 | 5 | 3 | 2 | 9 |

Source: Authors Own Contribution

Discussion

Investment banking services strengthen the economic development of a country as they act as sources of funds and information for corporations. In Bangladesh investment banks are gradually developing their operation in the corporate world. The result shows that the financial performance of investment banks is not satisfactory. On the other hand, since there are many operating activities in words but they actually play a very insignificant contribution to the market.

On the basis of ROA the financial performance of investment banks is increasing gradually in a good percentage. On the other hand on the basis of ROE and ROCE, the performance is decreasing in a good percentage.

On an average the liquidity position is good for all investment banks. The current ratio is increasing trend. In our country investment banks have good EPS and interest coverage ratio. Both performances are increasing from 2011 to 2014.

An important finding of this report is the percentage of margin loan of investment banks. Our investment banks offer huge amount of margin loan to its clients, which create a liability for the banks as well as for the economy. The main reason of the downward performance of investment banks is to provide huge amount of margin loan to its clients. Another reason of lower performance is capital market crash. Investment banks are mainly depend on capital market. So if they were focused their other operation the performance will not be like that. It also found that the privately owned investment banks are performing well. In our country most of the leading investment banks are subsidiary company.

In our country investment banks are mainly focus portfolio operation as their main business and their main income source is portfolio management fees, where there is a good prospect of business in IPO issue, underwriting, corporate advisory and merger & acquisition. Since there are 46 listed investment banks in our country, there are few banks which lead the market and operate the investment banking activities. Another important finding is that most of the investment banks provide huge amount of margin loan to its client above its capacity which causes liability during the years.

Conclusion

This paper attempts to investigate the efficiency of investment banks in Bangladesh from 2011 to 2014 by applying various performance measurement tools and techniques. We have used various ratio analyses for measuring the financial performance of investment banks in Bangladesh. Finally we have given rank to the selected investment banks on their performance on the basis of ratio analysis. This paper shows that the financial performance of investment banks in Bangladesh is deteriorating day by day. The main reasons for this devastating performance is the large amount of margin loan that was given to the client which has interest expenses and the bearish performance of capital market from 2010 to now.

In spite of distinct problems, investment banking in Bangladesh has vast scope to develop because of lot of domestic as well as foreign businesses booming here. Bangladesh economy provides an amicable environment for these firms to set up,

flourish and expand here. Companies need to build a strong image and some are still at initial stages to leave a mark in the international market. In the coming year's investment banking have reason to believe, they will be promoted with government and market support to compete international. Due to the unavailability of data of other banks, the results are compiled from the data of nine banks. This study also equips the managers with important information about different activities of banks which have a high impact on the financial performance of investment banks.

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Abbreviations

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|---------|--|
| LBIL | Lanka Bangla Investments Limited |
| IDLC | IDLC Investments Limited |
| ICB | ICB Capital Management Investments Limited |
| BRACEPL | BracEPL Investments Limited |
| MTB | Mutual Trust Bank investments Limited |
| PFCL | Prime Finance Capital Limited |
| UCIL | United Capital Investment Limited |
| PBIL | Prime Bank Investment Limited |
| EBL | Eastern Bank Investment Limited |
| ROA | Return on Assets |
| ROE | Return on Equity |
| ROCE | Return on Capital Employed |
| EPS | Earnings per Share |
| BB | Bangladesh Bank |
| SEC | Securities & Exchange Commission |
| DSE | Dhaka Stock Exchange |
| IPO | Initial Public Offering |
| ROD | Right Offer Documents |
| ICB | Investments corporation in Bangladesh |