An Internship Report on "Determinants of Bank Profitability: An Empirical Analysis of Sonali Bank PLC"

An Internship Report submitted in partial fulfillment of the requirements for the Degree of Bachelor of Business Administration (BBA).

SUBMITTED TO

Dr. Md. Amdadul Hoque

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SUBMITTED BY

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Class ID: 12117014
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Session: 2020-2021
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Program: BBA
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DATE OF SUBMISSION

20th April 2026

Department of Finance and Banking

Comilla University.

Letter of Transmittal

20th April, 2026

Dr. Md. Amdadul Hoque

Associate Professor & Head of the Department

Department of Finance and Banking Comilla

University.

Subject: Submission of internship Report on **"Determinants of Bank Profitability: An Empirical Analysis of Sonali Bank PLC."**

Dear Sir,

With due respect, I would like to inform you that it is a privilege and great pleasure for me to submit the Project report on **"Determinants of Bank Profitability: An Empirical Analysis of Sonali Bank PLC"** as a requirement for the completion of the BBA program under the Department of Finance & Banking, Comilla University. I have completed my 3-month-long internship report under your supervision.

During the preparation of the report, I have tried my best to make full use of my capabilities to make the report meaningful and worthwhile. I believe the report will at least give you a brief picture of the topic, which will also showcase that I have acquired valuable experiences through this project under your astute supervision. I earnestly thank you for your guidance during the preparation of this report. Please consider all mistakes and shortcomings as a result of human limitations.

I shall be highly glad if you kindly receive this report and provide your valuable judgment. It would really be my immense pleasure if you find this report useful and informative. Sincerely yours,

Your Sincerely,

Mohammad Jaber Islam

Class ID: 12117014

Reg No: 12117014

Session: 2020-2021

Department of Finance & Banking,

Comilla University

Student Declaration

I sincerely declare that the work in this internship report on **"Determinants of Bank Profitability: An Empirical Analysis of Sonali Bank PLC"** is an original work done by me under the supervision of Dr. Md. Amdadul Hoque, Associate Professor & Head of the Department, Department of Finance & Banking, Comilla University. No part of this report has been previously submitted to any other University/ College/ Institution/ Organization for any academic certificate/ degree/ diploma.

The work I have presented does not breach any existing copyright, and no portion of this report is copied from any work done earlier for any degree. Information derived from the published and unpublished work of others has been acknowledged in the text and references. I further undertake to identify the department against any loss or damage arising from breach of the foregoing obligation, if any.

Mohammad Jaber Islam

Class ID: 12117014

Reg No: 12117014

Session: 2020-2021

Department of Finance & Banking,

Comilla University.

Supervisor's Certificate

20th April, 2026

This is to certify that the project report on **"Determinants of Bank Profitability: An Empirical Analysis of Sonali Bank PLC"** is done by **Mohammad Jaber Islam**, **ID No: 12117014**, **Reg No: 12117014**, **Session: 2020-21** as the partial fulfillment of Bachelor of Business Administration (BBA) degree from Department of Finance and Banking, Faculty of Business Studies, Comilla University.

This project report has been prepared under my guidance and is a report of the authentic work carried out successfully.

Dr. Md. Amdadul Hoque

Associate Professor & Head of the Department

Department of Finance & Banking,

Comilla University.

Experience Certificate

সোনালী ব্যাংক পিএলসি.

Sonali Bank PLC.

বিশ্বস্ত ও স্মার্ট

SBPLC/BHARASARBAZAR/INTERNSHIP/2026/ 65
Dated: 19th April, 2026

CERTIFICATE OF COMPLETION OF INTERNSHIP

This is to certify that Mohammad Jaber Islam, ID No: 12117014, Reg No: 12117014, a student of Comilla University, Department of Finance & Banking, under the Bachelor of Business Administration (BBA) program has successfully completed his internship program at Sonali Bank PLC., Barashar Bazar Branch, Cumilla.

During his three months internship period, he was attached to different operational sections of the branch and was given the opportunity to observe and learn various banking activities and procedures under the guidance of the concerned officials. Throughout the period of his internship, he demonstrated sincerity, punctuality, and a keen interest in learning practical aspects of banking operations.

His conduct and performance during the internship period were found to be satisfactory. We wish him every success in his future academic and professional endeavors.

This certificate is issued upon his request for the purpose of academic submission.

Manager

Md. Abdur Rahim
Manager (Principal Officer)
Index No: G-41286
Sonali Bank PLC.
Bharasar Bazar Branch, Cumilla.

Acknowledgement

At the beginning, I am very much grateful and indebted to my distinguished supervisor, Dr. Md. Amdadul Hoque, Associate Professor & Head of the Department , Department of Finance & Banking at Comilla University, for his persistent encouragement, scholastic direction, and creative suggestions to carry out the research without which this work would not have come to light. It is a great pleasure to prepare an internship report on "Determinants of Bank Profitability: An Empirical Analysis of Sonali Bank PLC" While carrying out the study, I was blessed with a friendly group of officials at Sonali Bank PLC, Bharasar Bazar Branch, Cumilla. I am very much grateful to the honorable members of Sonali Bank PLC, especially Mohammad Abdur Rahim, (Branch Manager), to facilitate me to work in individual departments, teaching me, providing me all kind of information, giving me an overall idea about the banking system as well as Determinants of Bank Profitability of Sonali Bank which enrich our academic as well as practical knowledge and aptitude. Without his contribution, it would not have been possible for me to conduct this project work.

Above all, I remain absolutely grateful to Almighty Allah for his great love, protection, wisdom, mercy, and guidance, and also for making this study and my other areas of interest a huge success and continuing. He remains glorified in my life forever. I thank Almighty Allah for all His mercies.

Mohammad Jaber Islam

ID: 12117014

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Session: 2020-20221

Department of Finance & Banking

Comilla University.

Executive Summary

Sonali Bank PLC, one of the largest state-owned commercial banks in Bangladesh, plays a significant role in the country's financial system and overall economic development. As a government-owned institution, the bank operates an extensive network of branches across both urban and rural areas, providing a wide range of banking services to individuals, corporate clients, and public sector organizations. In this context, the profitability of a bank is considered a key indicator of its financial performance and long-term sustainability. This report focuses on analyzing the determinants of profitability of Sonali Bank PLC, with particular emphasis on Return on Equity (ROE) as a measure of financial performance. The study is conducted based on financial statement analysis, relevant statistical data, and selected financial ratios over the period from 2015 to 2024. It examines how various bankspecific and macroeconomic variables, including Loan to Deposit Ratio (LDR), Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Non-Performing Loan Ratio (NPLR), Capital Adequacy Ratio (CAR), bank size, and inflation, influence the profitability of the bank. The analysis applies regression techniques along with other statistical tools to identify the relationship between these variables and ROE. The findings reveal that certain variables, particularly capital adequacy and loan utilization, have a significant impact on profitability, while others show weaker or insignificant relationships. Overall, the results indicate that Sonali Bank PLC has experienced moderate profitability during the study period, with fluctuations influenced by both internal management factors and external economic conditions.

Despite its strong presence in the banking sector, the study highlights several areas that require improvement to enhance profitability. The bank needs to strengthen its credit risk management practices to reduce the level of non-performing loans, which negatively affect earnings. In addition, improving the efficiency of asset utilization and ensuring an optimal balance between liquidity and lending activities are essential for increasing returns. Furthermore, the adoption of modern banking technologies, effective cost management, and diversification of income sources can contribute to better financial performance. By addressing these issues, Sonali Bank PLC can improve its profitability and maintain a sustainable position in the competitive banking industry.

Abbreviations

SBPLC	Sonali Bank PLC
BB	Bangladesh Bank
CSR	Cash Reserve Ratio
SLR	Statutory Liquidity Ratio
LDR	Loan to Deposit Ratio
CAR	Capital Adequacy Ratio
NPLR	Non – Performing Loan Ratio
ROE	Return on Equity

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Chapter One

Introduction

1.1 Introduction

A commercial bank is a major financial organization that offers a variety of services to individuals and companies. Its primary functions include receiving deposits, issuing savings and current accounts, and making loans to suit a variety of financial requirements. In addition to these essential services, banks provide investment products such as fixed deposits and other savings plans. Commercial banks contribute significantly to a country's economic activity and financial transactions through these operations. Among the main roles of a commercial bank is to act as an intermediary between those people who have surplus money and those who need money to invest or spend. Banks take deposits from customers and lend them to borrowers such as individuals, corporations, and organizations. This procedure helps to ensure that financial resources are used efficiently in the economy. Banks help to build businesses, create jobs, and advance the economy by channeling capital into productive industries.

The main source of profit to the banks is the difference between the interest that they charge to depositors and the interest received on borrowed funds. This differential, also known as the interest spread, is a significant source of profit for banks. Simultaneously, banks must maintain adequate liquidity to meet consumer demand, including withdrawals and daily transactions. Maintaining the balance between profitability and liquidity is critical for effective banking operations. Before making loans, banks carefully assess borrowers' financial situation and credibility. This lessens the chances of default and guarantees that the money is channeled to productive and reliable sectors. Effective credit evaluation not only protects the bank from financial losses but also promotes long-term economic growth through responsible lending.

Commercial banks play an important role in capital formation by transforming savings into investments. These investments help to promote industrial development, create job opportunities, and improve a country's overall economic status. As a result, maintaining a healthy, profitable banking sector is critical to long-term economic stability.

Profitability is a significant measure of the performance of a bank, as it will show how well the bank manages its resources in generating revenue. profitable bank can grow its operations, provide better services, and maintain stability amid economic downturns. As a result, examining the factors influencing bank profitability is critical to understanding how banks can improve performance and remain competitive in the financial sector.

1.2 Background of the Study

In this internship report, the main factors affecting the profitability of Sonali Bank PLC and their impact on overall financial performance of the company are discussed. Profitability is a key measure of bank efficiency, which helps to show how effectively the organization can use the available resources to bring in income, and remain stable in the long term. This paper concentrates on Return on Equity (ROE) which is the ability of a bank to return to its shareholders.

The report analyses both internal and external factors that may affect profitability. These include financial data, risk management strategies, and overall economic conditions. It also evaluates how Sonali Bank PLC conducts its basic banking activities, such as lending, liquidity management, and capital structure, to ensure consistent performance. Understanding the balance of these variables is critical for determining how well the bank performs in a competitive setting. Furthermore, the study emphasizes the need to properly manage credit risk, capital adequacy, and other financial variables. Efficient management of these areas can help reduce financial risks and increase profits. The report also looks at how various strategies, operational decisions, and regulatory requirements affect the bank's performance over time.

Furthermore, profitability analysis contributes significantly to better decision-making and long-term planning. This study uncovers the primary drivers of Sonali Bank PLC's financial performance by examining the relationships between selected variables and ROE. Comprehensively, the study aims at offering a clearer insight into the role of these factors on the growth, efficiency and sustainability of the bank within a banking environment in Bangladesh. This internship report explores the major factors that influence the profitability of Sonali Bank PLC and their impact on its overall financial performance. It highlights profitability as a key indicator of how efficiently the bank uses its resources to generate income and ensure long-term stability, with a focus on Return on Equity (ROE). The study considers both internal and external elements, including financial performance, risk management, and economic conditions. It also examines core banking activities such as lending, liquidity management, and capital structure to understand consistent performance.

1.3 Objectives of the Report

1.3.1 Main Objective

To empirically analyze the determinants of profitability (measured by ROE) of Sonali Bank PLC by examining the impact of selected bank-specific and macroeconomic variables.

1.3.2 Specific Objectives

To examine impact of LDR, CRR, SLR on ROE

To analyze effect of NPLR, CAR on profitability

To evaluate the role of SIZE and Inflation on ROE

1.4 Scope of the Report

During my internship at Sonali Bank PLC, Bharasar Bazar Branch, Comilla, I participated in a variety of tasks that provided me with practical experience in banking operations. This experience allowed me to see how theoretical principles learned in academia are applied in real-world settings. It helped me comprehend the actual working environment of a commercial bank and how different functions are carried out on a regular basis.

During this internship, I learned about various financial activities, including customer service, transaction processing, and general banking operations. I also learned how banks maintain service quality and interact successfully with consumers. Handling real-life scenarios helped me strengthen my problem-solving skills and gain practical experience in customer relationship management. Furthermore, working closely with bank staff helped me enhance my communication skills and professional conduct. Observing their tasks and workflow provided a better understanding of how teamwork and coordination are critical for effective banking operations. This research analyzes the factors affecting profitability at Sonali Bank PLC using both practical experience and financial data. It also discusses how various departments function and how policies are applied at the branch level. Overall, the scope of this paper encompasses both academic understanding and actual experience, resulting in a comprehensive view of banking operations.

1.5 Limitations of the Report

A number of pragmatic limitations influenced the overall thoroughness of this report during the internship period. During the internship period, several practical constraints affected the overall depth of this report. Limited access to internal information was one of the most significant challenges as a lot of banking information and documents are confidential and not shared with interns freely.

Moreover, the bank does not have a completely digital record management system, and it was challenging to gather and systematize the required data. This led to increased time and effort being taken to collect correct and reliable information.

Another limitation was the short duration of the internship. Three months will not be enough to have an overview of all banking operations and long-term performance patterns.

In addition, the busy schedules of interns did not always allow them to be structuredly guided by senior executive. This reduced the chances of having a comprehensive grasp of some complicated tasks and procedures. Likewise, employees did not have time to give detailed training or explanations because of workload pressure.

All these aspects produced certain constraints in the context of data gathering, real-world exposure, and profound analysis in this report. This report faced several practical limitations during the internship period, which affected its overall depth and analysis. One major challenge was limited access to confidential banking information, as many internal documents were not available to interns. The absence of a fully digital record system also made data collection time-consuming and difficult to organize. Additionally, the short duration of three months was not sufficient to gain a complete understanding of all banking operations. Heavy workloads of employees and limited guidance from senior staff further restricted detailed learning and analysis.

1.6 Literature Review

One of the most significant measurements of the financial success and viability of the bank in the long term are profitability. A strong and stable banking sector helps to drive general economic growth, but low profitability can cause financial instability and impede future expansion. As a result, many studies have focused on identifying the factors that affect bank profitability. Previous research suggests that both internal and environmental factors have a significant effect. Internal determinants include asset quality, capital structure, and operational efficiency, whereas external factors primarily comprise macroeconomic factors such as inflation, economic growth, and monetary policy. Non-performing loans and asset management are frequently cited as important impediments to profitability at state-owned commercial banks such as Sonali Bank PLC.

A number of empirical studies have investigated these factors in various countries and financial systems. Alshatti (2016) emphasized the importance of competent financial management in enhancing profitability since it allows banks to use their resources more efficiently while maintaining an appropriate risk-return balance. Similarly, Aikaeli (2017) cited credit risk, funding structure, operational efficiency, and deposit behavior as key factors influencing bank performance. Chagwiza (2018) found that capital adequacy, bank size, and economic growth are positively associated with profitability; however, inflation and economic instability may negatively affect earnings. Hackethal (2019) also stated that macroeconomic variables, particularly monetary policy, are strongly correlated with bank profitability, and the effect of bank-specific factors is different in various situations.

Additionally, several studies indicate that there are certain financial ratios that are closely linked with bank profitability. Their effect on performance is often measured by the Loan-toDeposit Ratio (LDR), Non-Performing Loan Ratio (NPLR), Capital Adequacy Ratio (CAR) and the size of the bank in general. Profitability is often expressed in terms of Return on Equity (ROE) which indicates the efficiency of a bank in bringing returns to its owners. Although these features indicate a robust and stable link to profitability, some of them can have ambiguous or weak impacts, depending on the economic environment and the structure of the banking system.

1.7 Methodology of the Report

This study employs exploratory research method to examine the factors that determine the profitability of Sonali Bank PLC. To address the objectives of the report, systematic and organized data collection and analysis were performed. The use of qualitative and quantitative data ensured the clear and reliable knowledge of the bank financial performance. Most data used in this study is secondary. These data were obtained through an array of sources, such as annual reports, financial statements and Sonali Bank PLC official publications, and other reputable online sources. These sources give the financial and operational data required to analyze the bank's profitability. Moreover, real information and observations obtained during the internship have been included to assist the readers to have a clearer picture of the real-life banking activities and processes.

The analysis was carried out using different statistical tools and techniques. These contain ratio and regression analysis that help in establishing the relationship between selected independent variables and profitability as measured in terms of Return on Equity (ROE). Using these tools, it is easy to determine the impact of different financial factors on the overall performance of the bank. Combining both the number data analysis and the practical experience, this research will offer a better understanding of the main factors that affect the profitability of Sonali Bank PLC. This approach offers a realistic evaluation of theoretical and practical aspects of banking performance

1.8 Sources of Data Collection

In the interest of this research, both primary and secondary sources have been used to collect information as a strategy to achieve the accuracy as well as the depth of analysis. The combination of such two types of data assisted in creating a more in-depth view of the topic under consideration.

Primary Sources:

The main data were gathered in the course of the internship itself as they were collected directly with the practical participation in the banking activities. This involves personal communication with brance executives which is the manager, officers and other personnel.

Face-to-face communication with customers also gave valuable information on customer behavior and service operations. Moreover, a practical experience in the general banking section enabled to observe the regular activities, which helped to better understand practical activities.

Secondary Sources:

Secondary data was acquired through the different existing sources. They are the published annual reports of Sonali Bank PLC, the official website materials, internal manuals, and institutional circulars. In addition, the theoretical framework of the report was supported by reviewing pertinent academic sources including research articles, journals, and other publications. Newspaper and other credible online sources were also taken into account when necessary

1.9 Data Analysis

Data gathered was analyzed with various analytical methods in order to get them right. The findings in both descriptive and visual format were presented in a systematic way. Complicated data were simplified by using tools like tables, charts and graphical presentations. Trend-based evaluation was also done to learn about the changes in performance as time progressed.

1.10 Tools for Data Analysis and Reporting

The work is based on both experience and the information that is available in written material. In order to process and present the data, some software tools were applied, such as Microsoft Word to document, Microsoft Excel to organize the data, and SPSS to analyze the data statistically.

The data were analyzed using various methods including graphical representation, tabular comparison, trend observation and financial ratio analysis. The techniques assisted in the determination of trends and correlation among various variables that are associated with the performance of the bank.

Statistical Methods Used

To analyse the associations between the chosen variables, a number of statistical tools were used.

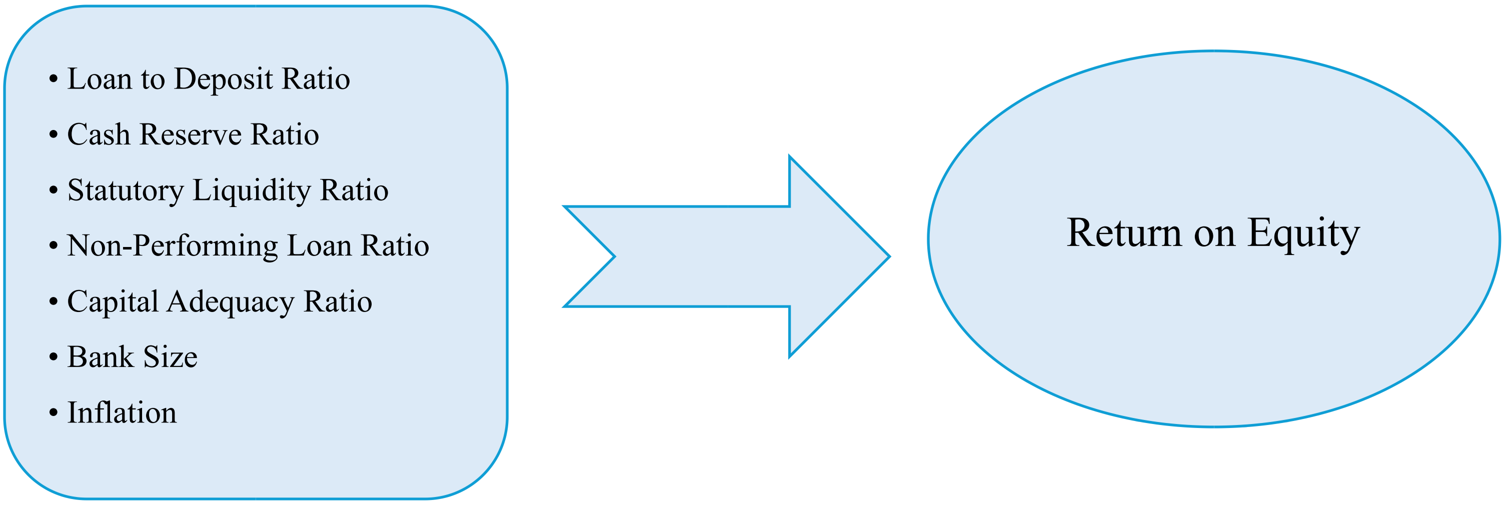
Trend Evaluation

This was to measure the changes in performance over some time. It assists in determining whether the financial status of the bank is improving or deteriorating in various years.

Financial Analysis

The relationship between liquidity management and financial stability in general was studied with the help of various financial tools, primarily ratio-based analysis. The approach is a better way of understanding the impact of various financial indicators on performance.

Conceptual Framework



1.11 Regression Model

$ROE = \beta_0 + \beta_1(LDR) + \beta_2(CRR) + \beta_3(SLR) + \beta_4(NPLR) + \beta_5(CAR) + \beta_6(SIZE) + \beta_7(INF) + \varepsilon$

Where:

ROE = Return on Equity

LDR = Loan to Deposit Ratio

CRR = Cash Reserve Ratio

SLR = Statutory Liquidity Ratio

NPLR = Non-Performing Loan Ratio

CAR = Capital Adequacy Ratio

SIZE = Bank Size INF = Inflation $\beta 0$ = Intercept β_1, β_2, β_3, β_4, β_5, β_6,

β_7 = Coefficients for the independent variables ε = Error term

What is the meaning of the pieces?

ROE: Return on Equity. This is what we are attempting to forecast. It determines the amount of profit that a bank makes on each dollar invested by the shareholders.

β_0: is a constant. It is the value of ROE assuming that all the other parameters are zero. The coefficients are β_1, β_2, β_3, β_4, β_5, β_6, and β_7. They inform us the extent to which ROE will change with a one-unit change of each component. An example is that 1/10 10 changes the ROE by one unit of the Loan-to-Deposit Ratio (LDR). **ε:** This represents the error word. It is a sum of all the other factors that can affect ROE but are not part of the equation.

The paper explores the factors that dictate the financial health of a bank, including a special interest in the number of independent variables that influence the dependent variable, Return on Equity (ROE). The association may be encapsulated in the following manner.

Return on Equity (ROE): This is an important indicator for determining a bank's profitability from the perspective of its shareholders. To put it in other words, it shows the profitability of a bank in terms of profit per dollar of investment by shareholders.

1.12 Explanation of Variables

Under this model, the dependent variable will be Return on Equity (ROE) and this represents the profitability of the bank. It shows the level of efficiency with which the bank can make profits out of the equity of the shareholders.

The model has a number of independent variables which are likely to affect ROE Loan-to-Deposit Ratio (LDR):

Measures the extent to which the deposits gathered are put to lending.

Cash Reserve Ratio (CRR):

Refers to the amount of deposits that should be held as reserve deposits at the central bank.

Statutory Liquidity Ratio (SLR):

Shows the percentage of deposits that has to be kept in liquid forms like in government securities.

Non-Performing Loan Ratio (NPLR):

Displays the percentage of non-income generating loans, which is a measure of credit risk.

Capital Adequacy Ratio (CAR):

Assesses the capacity of the bank to absorb any possible losses depending on its strength in terms of capital.

Bank Size (SIZE):

Measures the size of the bank in general, usually in terms of total assets.

Inflation (INF):

Reflects variations in the overall price level, which can impact banking operations and profitability.

The Model is to be interpreted as follows:

The constant term (0) is the level of ROE in the unchanging scenario where all the explanatory variables are held constant. The coefficients (β_1 to 8) are reflected on the effect of a particular independent variable on the ROE, other things being equal.

The coefficient of LDR (β1) can be used as an example where ROE is predicted to vary with one unit change in the loan-to-deposit ratio. In the same breath, all the variables in the model are independent in explaining the changes in profitability.

The error term (ε) is the other factors that affect ROE but are not reflected in the model.

Chapter two

Organizational Background

2.1 Historical Background

Sonali Bank PLC is one of the largest state-owned commercial banks in Bangladesh in terms of assets, liabilities, and branch network. The bank is fully owned by the Government of the People's Republic of Bangladesh and operates an extensive branch network across both urban and rural areas, playing a vital role in the country's economic development and financial inclusion. After the independence of Bangladesh in 1971, the country faced severe economic challenges due to the destruction of infrastructure and financial institutions during the Liberation War. In order to rebuild the banking system and stabilize the economy, the government undertook restructuring initiatives in the financial sector. As part of this process, Sonali Bank was established in 1972 under the Banks Nationalization Order (President's Order No. 26 of 1972) through the merger of United Bank Limited and Union Bank Limited.

Since its establishment, Sonali Bank has been playing a significant role in mobilizing domestic resources and supporting government and private sector economic activities. The bank operates its head office in Motijheel Commercial Area, Dhaka, and has branches throughout Bangladesh as well as overseas operations, including an office in the United Arab Emirates.Over the years, Sonali Bank PLC has developed into a trusted financial institution providing a wide range of banking services such as deposit mobilization, loans and advances, foreign exchange transactions, remittance services, trade finance, and guarantees. The bank is also one of the major channels for inward foreign remittances, contributing significantly to foreign currency inflows in Bangladesh.In addition to traditional banking services, Sonali Bank is gradually expanding its operations into feebased and non-fund-based activities such as guarantees, remittance services, and other commission-based income sources. These activities help diversify the bank's revenue structure beyond interest income and strengthen its overall financial stability.With its longstanding presence and government backing, Sonali Bank PLC continues to play a crucial role in the country's banking sector by supporting socio-economic development, ensuring financial inclusion, and contributing to sustainable economic growth. With its long-standing presence and government backing, Sonali Bank PLC continues to play a crucial role in the country's banking sector by supporting socio-economic development, ensuring financial inclusion, and contributing to sustainable economic growth.

2.2 Corporate Profile of Sonali Bank PLC

Features	Values
Name	Sonali Bank PLC
Genesis	Sonali Bank PLC., the largest State Owned Commercial Bank (SCB) in Bangladesh.The Bank emerged as 'Sonali Bank' by combining the erstwhile National Bank of Pakistan, Bank of Bahawalpur and Premier Bank branches operating in East Pakistan under the Banks Nationalization Order 1972 and was later restructured as a public limited company in November 2007. Since its inception in 1972, the Bank has commendably contributed to the socio-economic development of Bangladesh and helped in building a strong financial foundation of the country.Sonali Bank PLC operates its business through more than 1,200 branches across the country including 2 overseas branches in United Arab Emirates.
Registered Address	35-42, 44 Motijheel Commercial Area, Dhaka, Bangladesh Sonalibank.
Legal Status	Public Limited Company
Chairman	Mohammad Muslim Chowdhury
Managing Director	Md. Shawkat Ali khan
Company Secretary	Tauhidual Islam
Date of Incorporation	03 june, 2007
Authorized Capital	BDT 60,000 Million
Paid Up Capital	BDT 45,300,140 Million
Face Value Per Share	BDT 100 Per Share
Shareholding Pattern	100% share owned by the Government of Bangladesh
Number of Employees	18000(As on 30.09.2023)
Bank license obtained from Bangladesh Bank	05 June 2007
Phone	+88 02-9560000, 9566020,
Fax	88-02-9554460, 9553329, 9552078
SWIFT	BSONBDDH
Website	http://www.sonalibank.com.bd
E-mail	mailto:itd@sonalibank.com.bd

2.3 Vision and Mission of Sonali Bank PLC

2.3.1. Vision

The vision of Sonali Bank PLC is to establish itself as a leading and trusted state-owned commercial bank in Bangladesh by ensuring financial stability, providing high-quality banking services, and contributing significantly to the country's overall economic development. The bank aims to promote financial inclusion by extending its services to all segments of society, including rural and underserved areas, while maintaining excellence in customer service and operational efficiency. Through continuous improvement, innovation, and commitment to national development, Sonali Bank strives to achieve a strong and sustainable position in the banking sector.

2.3.1 Mission

The mission of Sonali Bank PLC is to deliver efficient, reliable, and customer-focused banking services by utilizing modern technology and professional expertise. The bank is committed to mobilizing savings and allocating resources effectively to support economic growth and development in Bangladesh. It aims to maintain sound financial management by ensuring proper liquidity, capital adequacy, and risk control while adhering to regulatory guidelines

2.4 Main Objectives of Sonali Bank PLC

SBPLC's primary goal is to deliver all banking services right to people's doorsteps. In addition to taking part in a number of social and development initiatives, the bank also helps to carry out the policies and commitments set by the government.

2.5 Business Philosophy of Sonali Bank PLC

Sonali Bank PLC is a full-service state-owned commercial bank that operates under the ownership of the Government of Bangladesh. The bank aims to strengthen its distribution network and explore new market segments in order to support sustainable growth and expand its banking services across the country.The core philosophy of Sonali Bank is to operate as a financially sound and socially responsible institution. It focuses on serving sectors and markets that have strong growth potential while ensuring balanced development of both urban and rural economies. ed to supporting the vision of building a prosperous, equitable, and financially inclusive society.

2.6 Organizational Structure of Sonali Bank PLC

It is at the top management's discretion to make all the significant decisions regarding the company, according SBL. The board of directors is the highest level of the organizational structure and is therefore closely involved in formulation as well as implementation of policies. The duty was given to the management committee. The major responsibility for the objectives and policies of the bank rest on the board of directors. These are the chairman, directors, chief executive officer, managing director, and company secretary. The CEO offer recommendations to the managers and employees. Organization structure of Sonali Bank Ltd is depicted in the following chart-

Figure 3.1: Organizational Structure

2.7 SWOTAnalysis

During my observation and research, I highlighted some major strengths and weaknesses of Sonali Bank Ltd and some opportunities and threats at the industrial level, such as competitor pressures and other forces like technological and economical shifts,globalization, changes in the trends of industry, changes in the needs of the customers and so on.

Strengths	Weakness
Top management consisting efficient management group Company reputation with a positive image in the banking industry Many branches to satisfy customer needs Various products and services for clients Corporate Culture	Heavily depended on head office for decision making Absence of upgraded package Low remuneration package Not fully computerized Low promotional campaign
Opportunities	**Threats**
Product line proliferation for more branches Introducing special corporate scheme Developing new products and services	The default risks of all terms of loan have to be minimizing in order to sustain in the financial market. Because default risk leads organization towards to bankrupt The low compensation package of the employees from mid level to lower level positions threats the employee motivation Some commercial/foreign as well as private banks Customer awareness of pricing and services

Table 1.2: SWOT Analysis of Sonali Bank

2.8 Products and Services

Sonali Bank PLC primarily operates in both corporate and retail banking segments while maintaining a strong commitment to the socioeconomic development of Bangladesh. As a state-owned commercial bank, it focuses on supporting national development goals alongside providing a wide range of banking services to different customer groups.

In terms of credit facilities, the bank generally provides short-term financing and limited long-term credit exposure based on financial viability and risk assessment. It also extends support through various rural banking initiatives, microcredit programs, and specialized lending schemes aimed at promoting financial inclusion and supporting underserved communities.In the corporate banking segment, Sonali Bank PLC offers services such as trade finance, project financing, and consumer-related financial solutions to meet the needs of businesses and large institutions. These services are designed to facilitate business expansion, industrial development, and international trade activities.

On the other hand, the retail banking division focuses on individual customers by offering various deposit schemes, savings products, and remittance services. These services play an important role in mobilizing domestic savings and supporting inward foreign remittance flows. In addition to these core banking functions, Sonali Bank PLC also provides modern digital banking services to improve customer convenience and accessibility. These include internet banking, mobile banking applications, and ATM services that allow customers to perform basic transactions anytime and from different locations. The bank also facilitates government-related services such as salary disbursement, pension payments, and utility bill collections, which strengthen its role as a key financial intermediary in the country. Through continuous service improvement and diversification of products, Sonali Bank PLC aims to enhance customer satisfaction and support overall financial inclusion across urban and rural areas of Bangladesh.

2.9 Services of Sonali Bank PLC

E-Service and Cash Services	Fund Transfer	Other Services
e-GP Payment Service	BEFTN	Automated Challan System
e Sonali	JB Remittance	SMS Alert Service
ATM Service	RTGS	National Savings
Spot Cash	SWIFT	Online Banking
		Locker Services
		Utility Bill Collection
		One Stop Service

Table 1.3: Sonali Bank Services (SBPLC Website)

Products of Sonali Bank PLC

Deposit and Cards	Loans
Current Deposit Savings Account Term (Fixed) Deposits Special Notice Deposit Monthly Savings Schemes New Gen. Double Benefit Scheme Credit Card	Personal Loan House Building/Flat Loan Agriculture Loans Working Capital Loan Green Financing Rural Credit Tannery Trading Sonali Bank Limited Commercial Real Estate Loan Sonali Bank Limited Single House Construction Loan and Apartment Buying Loan Consumers Loan Education Loan Sonali Care Health Service Loan Sonali Support Pension Specialized Loan

Chapter Three

Theoretical Background

3.1 Determinants of Bank Profitability at Sonali Bank PLC

3.1.1 What is Profitability in Banking?

Profitability in the banking sector is the ability of a bank to make money out of its operations through effective use of the available resources. It shows the degree to which a bank is able to transform its assets, liabilities and equity into net profit over a given period. Practically, profitability is usually measured based on indicators like Return on Equity (ROE), Return on Assets (ROA) and net interest margin.. Banks make money through a variety of activities, including lending, investing in securities, and providing financial services. Interest revenue from loans, along with fees and commissions, accounts for a significant portion of bank earnings. On the other side, charges such as operating expenses, interest payments, and loan losses lower total profit. As a result, banks strive to strike the right balance between income production and expense reduction, all while effectively managing financial risks.

3.1.2 Importance of Profitability

Profitability is critical to the survival and expansion of any bank. It enables financial institutions to cover operating costs, meet financial obligations, and broaden their service offerings. A profitable bank may continue to operate smoothly while preserving the trust of clients and investors.

Furthermore, strong profitability enables banks to remain stable during periods of economic turmoil. During financial crises or market instability, stable earnings serve as a safety net, allowing banks to maintain operations without substantial disruptions. As a result, maintaining a high level of profitability is critical for long-term viability.

3.1.3 Determinants of Sonali Bank PLC's Profitability

Sonali Bank PLC's primary responsibility is to manage profitability, ensuring that financial resources are used efficiently to generate income. The bank offers a variety of services, including deposit collection, loan facilities, trade finance, and remittance services. As a result, sustaining consistent profitability is critical for efficient operations and long-term success.

Proper financial management enables the bank to balance income and expenses. In a dynamic economic climate like Bangladesh, consistent profitability is required to minimize financial strain and sustain long-term growth. In addition, the bank adheres to Bangladesh Bank regulatory norms and international standards, such as Basel III, which aid in maintaining financial discipline and stability.

Regulatory Compliance: Sonali Bank PLC follows the Bangladesh Bank's capital adequacy and risk management rules and regulations. These principles ensure that the bank has enough capital and operates in a financially stable manner, thereby supporting long-term profitability. Capital and Resource Management. The bank effectively utilizes its capital and financial resources to support lending and investment activities. A major amount of its funds is invested in income-generating assets, such as loans and government securities, ensuring a consistent stream of earnings.

Diversification of income streams: To limit risk, the bank relies on sources beyond interest income. It also generates revenue through fees, commissions, and other services. This diversification helps to sustain consistent revenue even when one source is disrupted. **Financial Planning and Forecasting:** He bank creates financial plans for various time periods to forecast future income and expenses. This enables better decision-making by identifying potential risks and opportunities in advance.

Risk Management Framework: Sonali Bank PLC addresses a variety of risks, including credit, operational, and market risks. Proper risk management decreases possible losses and contributes to sustained financial performance.

Central Bank Support: In severe circumstances, the bank may seek assistance from the Bangladesh Bank through policy actions. This support contributes to the stability of the banking system.

Regular Reporting and Monitoring: The bank routinely examines its financial performance using reports and key indicators such as ROE. This enables management to make quick decisions and improve overall performance.

3.2 Financial Stability of Sonali Bank PLC

Financial stability refers to a bank's capacity to function smoothly under both normal and demanding conditions. Sonali Bank PLC, as one of Bangladesh's oldest and largest banks, is a key player in the country's financial system. Maintaining financial stability necessitates a careful balance of risk, capital, and liquidity. A solid bank can continue to serve individuals, businesses, and government entities without interruption.

3.3 Profitability and Its Impact on Financial Stability

Profitability is closely related to financial stability. A bank that generates continuous profits can grow its operations, improve its services, and strengthen its financial position. It also helps the bank weather economic downturns. Low profitability, on the other hand, can put financial strain on businesses and limit their growth potential. As a result, stability depends on sustaining appropriate profitability.

3.4 The Importance of Profitability in Maintaining Financial Stability

Profitability enables banks to function efficiently while meeting their financial obligations. It contributes to shareholder returns while maintaining a solid market position. If profitability falls, the bank may struggle to invest, expand, or absorb financial losses. In extreme circumstances, it can undermine investor and customer confidence. Strong profitability also serves as a protective barrier against risks and uncertainties.

3.5 The relationship between profitability and financial stability

Profitability and financial stability are closely linked. A prosperous bank may better manage financial issues and continue to operate smoothly. It can also invest in new opportunities while retaining a solid structure. In contrast, low profitability can undermine confidence and hinder the bank's capacity to expand. Regulatory authorities such as the Bangladesh Bank emphasize keeping appropriate capital and proper risk management to ensure profitability and stability. Additionally, a strong level of financial stability also supports long-term profitability by ensuring that the bank can absorb unexpected losses without disrupting its core operations. When a bank maintains adequate capital buffers and effective risk management practices, it becomes more resilient to economic shocks and credit risks. This stability helps in maintaining investor and depositor confidence, which ultimately contributes to consistent earnings and sustainable growth over time.

Chapter Four
Analysis

4.1 Data Analysis

The aim of this section will be to look at the relationship of various financial variables and their impact on the overall performance of the bank. The key area of interest in this research is to determine the factors that influence profitability of Sonali Bank PLC, especially Return on Equity (ROE). In order to do this, various financial performance indicators are taken into account such as liquidity, capital strength, and performance of the loan and other related ratios. These variables are used to assess the efficiency of the bank in its operations and financial status. The analysis of these indicators as a combination will help the research to know how variations in one variable can affect profitability. Alongside, simple statistical indicators like averages and variation have been applied to the data to better interpret that and to understand the underlying trends in the data.

4.2 Trend Analysis

Trend analysis is applied in order to monitor the change in the financial performance over a given time. This approach assists in drawing patterns, trends, and future projections depending on the historical information. In this report, it is trend analysis that is used to evaluate the performance of Sonali Bank PLC between the year 2015 and 2024. Return on Equity (ROE), Capital Adequacy Ratio (CAR), Non-Performing Loan Ratio (NPLR), Loanto-Deposit Ratio (LDR), Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been considered as key variables in understanding how they have moved over the years and how they have impacted on financial stability and profitability.

4.2.1 Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) is a major measure of financial soundness of a bank. It indicates the correlation between the capital base and the risk-weighted assets of a bank and indicates the adequacy of the bank to deal with losses that may occur. An increased CAR usually reflects a better financial standing and increased capacity to take unforeseen risks, which is positively correlated with stability and long-term performance. The regulatory framework of Bangladesh Bank states that commercial banks must have a minimum capital adequacy level to have a safe and sound banking system.

CAR = Total Capital / Risk Weighted Assets × 100

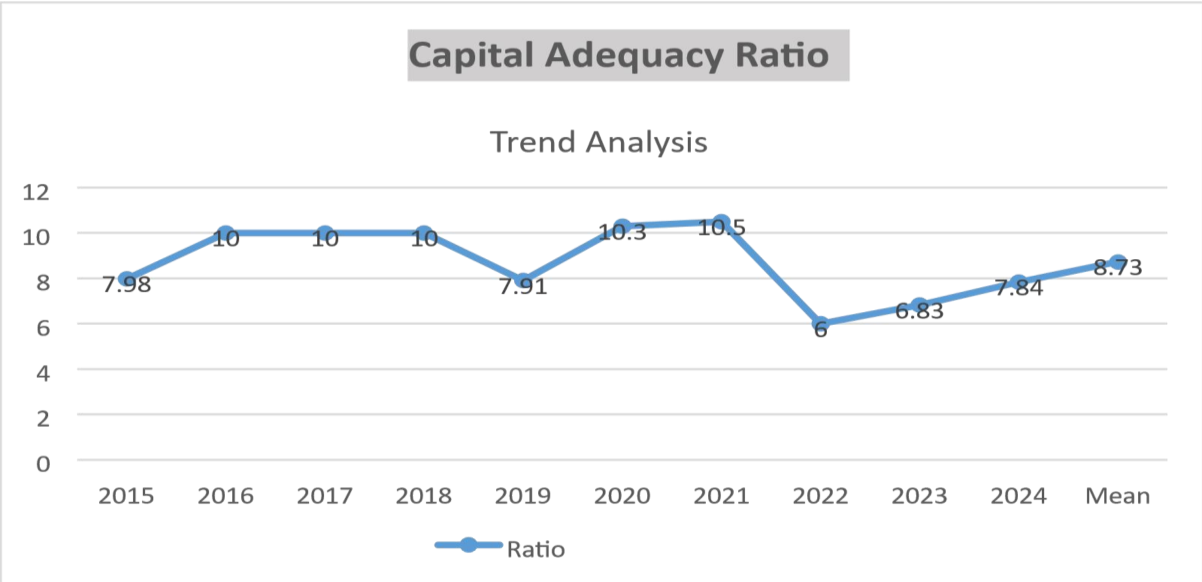
Year	2015	2016	2017	2018	2018	2020	2021	2022	2023	2024	Mean
Ratio	7.98	10	10	10	7.91	10.3	10.5	6	6.83	7.84	8.73

The formula used to calculate CAR is: Capital and Reserve/Risk weighted Asset

Table 4.1: *Capital Adequacy Ratio (in percentage)*

Figure 6.1 Capital Adequacy Ratio of SBPLC

Sonali Bank PLC has maintained an average CAR of 8.73% over the last ten years, which is



below the minimum requirement set by Bangladesh Bank. The ratio declined to 7.91% in 2019, improved during 2020–2021, but again decreased from 2022 to 2024. This indicates that the bank needs to strengthen its capital and reserves to meet regulatory standards and improve financial stability.

4.2.2 Non Performing Loan to Ratio (NPLR)

The Non-Performing Loan Ratio (NPLR) represents the share of a bank’s total loans that are classified as non-performing, reflecting the extent of credit risk exposure. A higher NPLR indicates increased risk and a greater likelihood of financial losses, whereas a lower ratio signifies stronger asset quality and contributes positively to profitability. In general, a standard NPL ratio is considered to be around 2%; however, in recent years, banks in Bangladesh have recorded a higher average of approximately 12.6%, suggesting elevated credit risk and potential adverse effects on overall financial performance.

NPL to Loan Ratio = Total Non-Performing Loan / Total Loan

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Mean
Ratio	20.2	25.6	25.08	26.65	27	26.26	20	18	17	15	22.08

Table 4.2: *Non Performing Loan to Ratio (in percentage)*

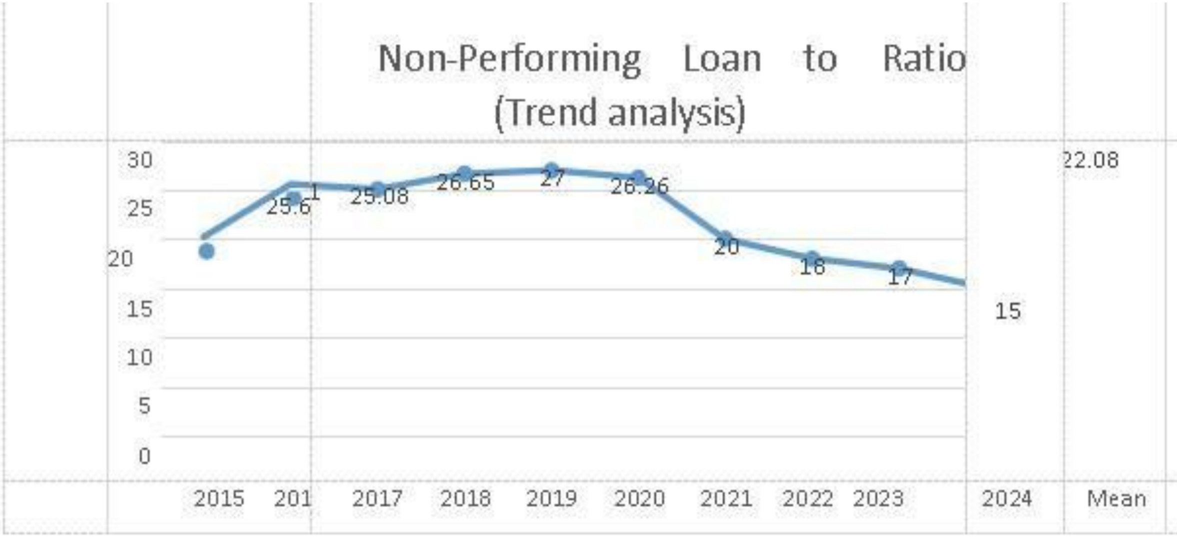


Figure 4.2 : Non Performing Loan to Ratio

Over the last decade, Sonali Bank PLC has experienced a relatively high level of nonperforming loans compared to acceptable standards. The average NPL ratio stood at approximately 22.08%, which is significantly above the commonly accepted benchmark of around 2%. Even when compared with the recent national average of about 12.6% in Bangladesh, the bank's position remains concerning. A high NPL ratio reflects increased credit risk and creates pressure on profitability, as a large portion of loans fails to generate income. However, there has been some improvement in recent years. In 2023, the bank undertook recovery initiatives that helped reduce the NPL ratio to around 15%. Despite this progress, further measures are necessary to bring the ratio to a more acceptable level and strengthen financial performance.

4.2.3 Return on Equity (ROE)

Return on Equity (ROE) is an important measure of profitability that indicates how effectively a bank utilizes shareholders' funds to generate earnings. It indicates how much is recouped on a unit of investment in the bank.

Return on Equity (ROE) = Net Profit after Tax / Shareholder Equity

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Mean
Ratio	9.66	6.15	0.33	6.37	6.3	0.49	0.28	6.33	2.47	1.2	3.9

Table1.4: Return on equity (in percentage)

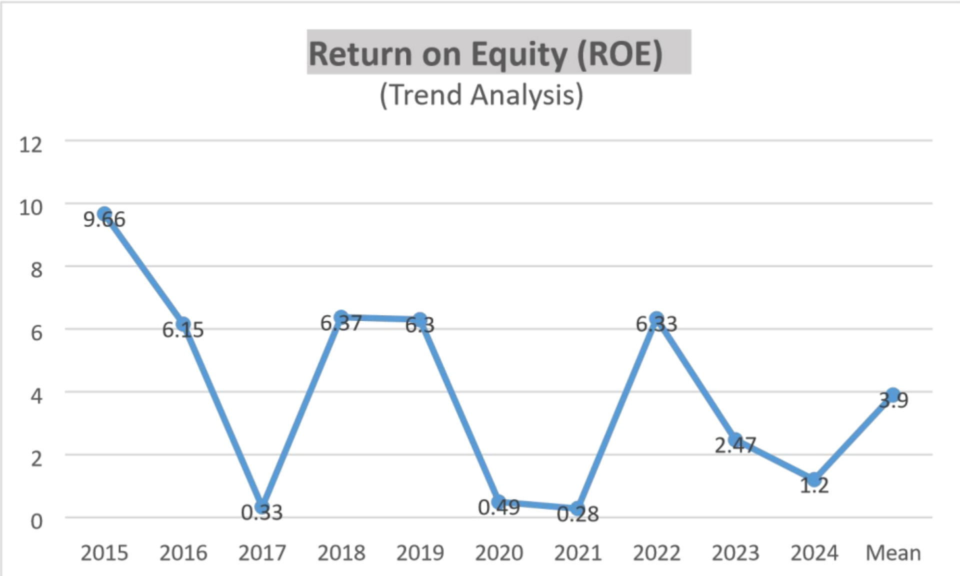


Figure 4.4 Return on Equity of SBPLC

During the period from 2015 to 2024, the average ROE of Sonali Bank was approximately 3.9%, which indicates a relatively low level of profitability. Although there was some improvement observed around 2018, the ratio declined again in later years, particularly in 2020. This trend suggests that the bank has faced challenges in generating sufficient returns for its shareholders.

4.2.4 Loan to Deposit Ratio (LDR)

The Loan-to-Deposit Ratio (LDR) reflects how efficiently a bank uses its deposit base to extend loans. It indicates the proportion of deposits that are converted into earning assets through lending activities.

Loan to Deposit Ratio= Total Loan / Total Deposit

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Mean
Ratio	62	58	79	68	77	79	73	64	83	88	73.1

Table 1.5: Loan to Deposit Ratio (in percentage)

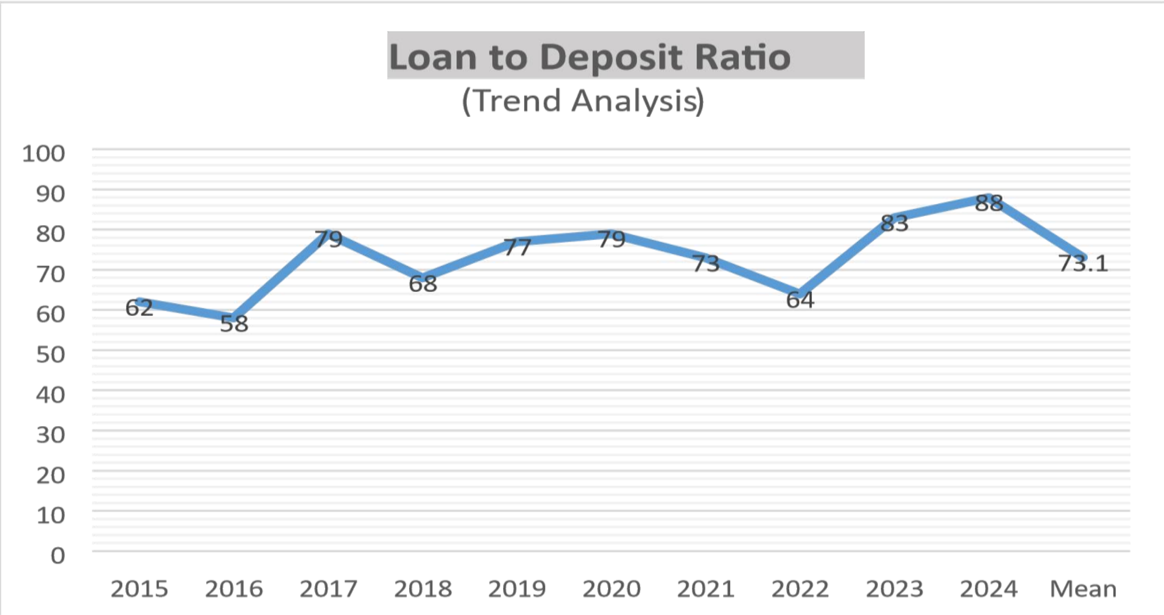


Figure 6.5: Loan to Deposit Ratio of SBPLC

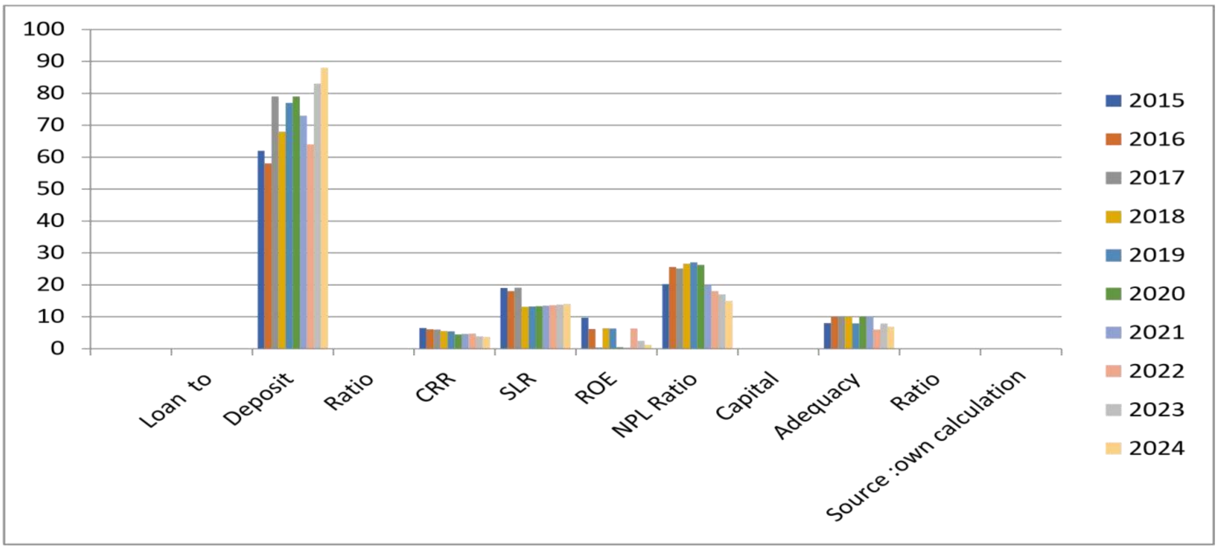
From 2015 to 2024, the average LDR of Sonali Bank was around 73.1i which falls within the generally accepted range of 70% to 90%. The ratio had been fluctuating with time, but the general level, indicates that the bank has been in a position to use its deposits in a relatively efficient way.

4.2.5 Trend Analysis of Profitability, CRR and SLR

Two of the most important regulatory requirements that have a direct impact on banking are Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). CRR implies the amount of deposits that should be stored at the central bank, whereas SLR is the amount of liquid assets, i.e. cash or government securities, that banks are obligated to keep.

indicator(%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Loan to Deposit Ratio	62	58	79	68	77	79	73	64	83	88
CRR	6.5	6.1	6.0	5.5	5.4	4.5	4.6	4.7	3.8	3.7
SLR	19	18	19.1	13.1	13.2	13.3	13.5	13.6	13.8	14
ROE	9.66	6.15	0.33	6.37	6.3	0.49	0.28	6.33	2.47	1.2
NPL Ratio	20.21	25.61	25.08	26.65	27	26.26	20	18	17	15
Capital Adequacy Ratio	7.98	10	10	10	7.91	10.03	10.05	6	7.83	6.84

Table 4.6: Trend Analysis of Profitability and Financial Stability



Lending activities have also become an area of growing interest to the bank as indicated by the growing Loan-to-Deposit Ratio (LDR), particularly in the past few years. Meanwhile, Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have decreased meaning that there is more money to invest and lend out and this can affect profitability. Profitability in terms of Return on Equity (ROE) however depicts a decreasing trend, with a relatively low profitability in the recent years. This indicates problems in getting more returns to shareholders which may be as a result of inefficiency or external economic conditions. On the upside, Non-Performing Loan (NPL) ratio has declined over the years, which means that the asset quality has improved and the management of credit risk has been better, which contributes to profitability. The Capital Adequacy Ratio (CAR) has been varying with a slight improvement in the last few years, yet, indicates that it is time to be equipped with a greater capital base, in order to improve financial performance.

On the whole, the bank has been experiencing difficulties in registering high profitability and is still struggling to consolidate its capital base despite the fact that it has been increasing lending and loan quality.

4.3 Variance Inflatio Factor (VIF)

The report provides regression analysis to see the factors that impacted the Return on of the bank.

Equity (ROE). The independent variables in the model are-

	VIF	1/VIF
ROE	4.82	0.207641
LDR	4.78	0.209028
CRR	3.88	0.257410
SLR	3.23	0.309383
NOLR	2.09	0.477942
CAR	1.58	0.634238
SIZE	1.46	0.686478
INF	1.13	0.881705

According to the report, it has performed a VIF test and discovered that:

The mean VIF is 2.68.

None of the independent variables have a VIF value greater than 10.

Interpretation

According to The findings of the diagnostic test show that the independent variables in the model do not show any serious multicollinearity. This implies that there is no strong linear relationship between the variables.

As a result, each variable can be considered to have an independent effect on Return on Equity (ROE). This enhances the accuracy of the regression findings and gives a better understanding of the effects of each factor on profitability.

4.4 Correlation Test

The correlation analysis was performed to test the relations between the independent variables as well as to detect any multicollinearity problem

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) ROE	1.000								
(2) LDR	-0.037	1.000							
(3) CRR	0.181	0.039	1.000						
(4) SLR	0.050	0.029	-0.137	1.000					
(5) NOAR	0.091	-0.667	-0.048	-0.029	1.000				
(6) CAR	- 0.129	- 0.093	- 0.048	0.295	0.104	1.000			
(7) SIZE	-0.084	0.059	-0.244	0.402	0.039	0.316	1.000		
(8) I NF	-0.033	-0.090	-0.057	0.422	0.086	0.716	0.416	1.000	

There was a range of thresholds that was taken into account, and the correlation values between -0.80 and +0.80 are not a strong relationship between variables. The findings indicate that the values do not exceed this tolerable level and, therefore, the issue of multicollinearity is not a serious issue in this research.

It proves that the variables can be included in the regression model without affecting the results.

4.7 Heteroscedasticity Test

Heteroscedasticity is a phenomenon in which the error variance is not equal across observations, and this can have an impact on the reliability of regression estimates. The Breusch-Pagan test was used to test this problem. The null hypothesis is based on the assumption that the variance is constant (there is no heteroscedasticity), and the alternative hypothesis is that the variance is unequal. The results of the test indicate that the p-value is below 0.05, which rejects the null hypothesis. It means that the heteroscedasticity is present in the dataset, i.e. the variance of the error terms is not equal.

4.8 Autocorrelation Test

Autocorrelation: This happens when the error terms are correlated on the different times. This may cause biased regression estimates. The Wooldridge test was used to detect autocorrelation in the panel data. The null hypothesis is the lack of serial correlation whereas the alternative hypothesis is its existence. According to the results of the test, the p-value is not above 0.05, and this makes you reject the null hypothesis. This establishes that the data set is autocorrelated.

4.9 Regression Analysis

A panel regression model was used to test the correlation between ROE and the chosen independent variables. As the dataset had heteroscedasticity and autocorrelation, Feasible

ROE	Coef.	St.Err.	t-value	pvalue	[95% Conf	Interval]	Sig
LnROE	.674	.045	14.99	0	.586	.762	***
Ln LDR	.063	.176	1.89	.058	.234	.145	*
CRR	-.124	.043	-2.86	.004	-.209	-.039	***
SLR	-.531	.219	-2.43	.015	-.96	-.103	**
NOAR	.118	.058	2.02	.043	.004	.232	**
CAR	8.908	1.949	4.57	0	5.088	12.729	***
SIZE	-.475	.183	-2.60	.009	-.833	-.116	***
INF	-.774	1.91	-0.41	.685	-4.518	2.97	
Constant	-1.687	4.901	-0.34	.731	-11.293	7.92	
Mean dependent var	-3.089		SD dependent var		0.696		
Number of obs	157		Chi-square		334.637		
*** *p<.01*, ** *p<.05*, * *p<.1*							

Generalized Least Squares (FGLS) was applied to get more trustworthy estimates.

The table is the results of an EGLS regression. This model is to investigate the effects of a combination of explanatory variables, i.e., LnLDR, CRR, SLR, NOAR, CAR, SIZE and INF, on the dependent variable, LnROE (logarithmic version of Return on Equity). This method aids in determining the direction and strength of relationships among profitability and factors that affect it.

Coefficient (Coeff): The values of the coefficients are the approximated effects of the independent variables on the dependent variable. All the coefficients are used to show how LnROE is expected to vary with an increase in a specific variable, all other things held constant. Positive value indicates a positive relationship between the two variables, and negative value indicates negative relationship between the two variables.

Standard Error (Std. Err): The standard error indicates the correctness or quality of the estimated coefficient. When the standard error is smaller, the estimate is more accurate and when it is large, the error is less certain about the coefficient. It is basically an indicator of variability of the estimate.

T-Statistic (t-value): The t-value is used to evaluate whether a coefficient is statistically meaningful. It is obtained by comparing the estimated coefficient with its standard error. The larger the absolute t-value, the more likely it is that the variable will exert a greater effect on the dependent variable.

P-value: The p-value represents the likelihood of the observed estimated result were the true effect of the variable to be zero. Typically, a p-value that is less than 0.05 is regarded as significant, implying that the variable has a significant effect on LnROE. The larger the values, the more indicating that the effect might not be statistically sound.

95% Confidence Interval:

The confidence interval gives a range in which it is likely that a true value of the coefficient will fall at least 95 percent. When this range excludes zero, then it means that the respective variable has a statistically significant influence at the traditional level.

Significance Indicators (Sig):

The symbols are commonly used to indicate the statistical significance. The following symbols mean how strong the evidence against the null hypothesis is:

*** (three stars) → highly significant ($p < 0.01$)

** (two stars) → statistically significant ($p < 0.05$)

(one star) → weakly significant ($p < 0.10$)

The indicators assist in fast ascertaining the variables that are important in the explanation of changes in the dependent variable.

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Chapter Five

Findings, Recommendations & Conclusion

Finding

By examining the internal financial factors and external economic factors, the research will examine the primary factors that affect the profitability of Sonali Bank PLC. The analysis is done mainly on the basis of Return on Equity (ROE) which is considered as an important measure of profitability. To guarantee the correctness and validity of the conclusions, various statistical methods were used, such as regression analysis, Variance Inflation Factor (VIF), correlation tests, and other diagnostics. These techniques were used to determine the type and intensity of the connections between the chosen variables and profitability.

The results of the regression analysis reveal that a number of independent variables have a statistically significant impact on ROE. One of these, the Capital Adequacy Ratio (CAR) indicates a strong positive correlation with profitability. This means that the strong capital base will allow the bank to cushion against the risks that may arise and it will be in a better position to produce better returns to those holding stakes in it. A well-capitalized bank tends to be more stable and efficient and this in the end translates to better financial performance. Besides CAR, Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) also exhibit considerable relationships with profitability, but they have negative effects. This implies that an increase in regulation reserves and liquidity requirements reduces the sum of money that can be made available to generate income through lending and investment. Consequently, too much in terms of liquidity holdings can dilute aggregate profitability even though it can help to achieve financial stability and security.

Moreover, Non-Performing Loan Ratio (NPLR) is identified to have a statistically significant impact on profitability. It may seem as a positive relationship in the model, but there is underlying credit risk condition that may affect earnings. An increase in non- performing loans would normally be a sign of low quality in assets and this may lower the income in the long run. As such, the management of credit risk is critical towards maintaining profitability. Bank size (SIZE) is another significant variable with a significant negative correlation to ROE. This observation implies that the growth of the size of the bank alone does not warrant the increase in profitability. The operational inefficiencies, increased administrative costs, and complexities in management can be experienced by the larger institutions and affect financial performance negatively.

Recommendations

To achieve long-term growth and profitability, Sonali Bank PLC should implement well structured plans that prioritize financial performance, operational efficiency, and risk management. As one of Bangladesh's largest state-owned commercial banks, the bank must continually refine its overall framework to remain competitive and profitable in a rapidly changing financial landscape.

First and foremost, Sonali Bank PLC should strengthen its capital base. A healthy capital structure is critical for increasing profitability and mitigating financial risks. The bank can strengthen its capital adequacy by boosting retained earnings, guaranteeing efficient profit utilization, and striking the right balance between risk and return. A stronger capital foundation will not only assist future growth but will also boost investor confidence and financial stability.

Second, the bank should prioritize diversification of income sources. A bank that relies heavily on interest-based income may be vulnerable to interest rate swings and credit risk. Sonali Bank PLC could boost its non-interest income by developing fee-based services such as foreign exchange, remittance, trade financing, and other commission-based activities. This diversification will help to establish a more stable and balanced income structure, resulting in increased profitability.

Additionally, boosting operational efficiency is critical for increasing profitability. The bank should take the required steps to cut superfluous costs and make better use of resources. Proper cost management, enhanced internal processes, and better departmental collaboration will all help boost productivity and financial performance. In addition, Sonali Bank PLC should invest in current technology and digital banking systems. The implementation of new financial technologies, automation, and online banking platforms will enhance service quality, lower operational costs, and boost consumer happiness. Digital transformation will also help the bank acquire a larger customer base, particularly among the younger generation, and maintain long-term profitability.

Conclusion

Profitability is a key indicator of overall performance for commercial banks, particularly state-owned institutions like Sonali Bank PLC. The bank's long-term performance is primarily dependent on its ability to generate consistent profits while operating effectively in a competitive, dynamic banking industry. This study demonstrates that strong capital adequacy, efficient credit management, optimal resource utilization, and sound risk management are critical to increasing profitability. Furthermore, maintaining a risk-reward balance and adhering to regulatory rules are critical to ensuring consistent financial performance. To remain competitive, Sonali Bank PLC must develop its strategic framework and prioritize innovation, including digital banking services and new financial products.

The analysis demonstrates that various internal and external factors influence profitability, as measured by Return on Equity (ROE), including loan quality, capital structure, operational efficiency, and macroeconomic conditions. As a result, bank management should adopt an integrated decision-making approach, balancing internal performance indicators with external economic considerations. This will allow the bank to respond more effectively to financial issues and improve its overall performance. Furthermore, the data imply that effective resource utilization and fund management are critical to ensuring long-term profitability. While increasing lending activity can boost profits, it is also critical to maintain asset quality and manage non-performing loans. A balanced approach ensures both financial stability and increased profitability.

Sonali Bank PLC can overcome current obstacles and increase profitability by implementing the advice outlined in this research. Strengthening the capital structure, enhancing operating efficiency, implementing advanced technology, and diversifying income sources will help the bank achieve a more stable and competitive position in Bangladesh's banking sector.

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