

“An Analysis of Liquidity Shortages in Bangladesh Commerce Bank Limited
(BCBL): Internal and External Factors and Recommended Strategies.”

Internship Organization: Bangladesh Commerce Bank Limited (Principal Branch)

Submitted by

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Submitted in Partial Fulfilment of the Requirements for the Degree
Bachelor of Business Administration



10th December, 2025



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Internship Organization: Bangladesh Commerce Bank Limited (BCBL), Principal Branch.

Internship /Project Report Topic: “An Analysis of Liquidity Shortages in Bangladesh Commerce Bank Limited (BCBL): Internal and External Factors and Recommended Strategies.”

Term (Tick one):

☐ Spring 2025

☐ Summer 2025

☐ Fall 2025

SUPERVISOR APPROVAL

(Tick One)

☐ Approved

☐ Not Approved

☐ Partial Re-write

☐ Full Re-write

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Letter of Transmittal

10th December, 2025

Sakib Hossain,

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688 Beribadh Road, Dhaka-1207.

Subject: Submission of Internship and Research Report on “An Analysis of Liquidity Shortages in Bangladesh Commerce Bank Limited (BCBL): Internal and External Factors and Recommended Strategies.”

Dear Sir,

With due respect, I would like to inform you that I have completed my internship at Bangladesh Commerce Bank Limited (BCBL). The internship report titled “An Analysis of Liquidity Shortages in Bangladesh Commerce Bank Limited (BCBL): Internal and External Factors and Recommended Strategies” has been prepared for the fulfilment of my Internship according to the prerequisites of my undergraduate program, Bachelor of Business Administration (BBA) in University of Liberal Arts Bangladesh (ULAB). In this report, I have tried my best to compile the concepts which I have learned in my Bachelor of Business Administration, along with my experience gathered from my internship and took relevant information regarding the research report. I hope that it will find your acknowledgement. I am looking forward to your valuable feedback.

Sincerely,

Sumaiya Ahmed Choity

ID: 182011035

Bachelor of Business Administration (BBA); Concentration: Supply Chain Management

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Acknowledgement

I would like to address certain people with due honor and respect who assisted me not only to solve the challenges and complete my Internship Report, but also to introduce me to this new situation with full support. Therefore, I would like to express my gratitude to them.

I am grateful to Almighty Allah for providing us with the patience and courage to complete this challenging task within its Deadline. I am grateful to my supervisor, Mr. Sakib Hossain (Lecturer, Department of Economics, USB), for his constant help, advice, suggestions and encouragement. He patiently provided me with valuable suggestions, motivation, and thoughtful assistance throughout my report submission process. My successful research study would not have been possible without his support and diligent efforts. I am grateful to my host organization, Bangladesh Commerce Bank Limited (BCBL), Principal Branch, for giving me the internship opportunity, for the warm support of the colleagues. I collected the necessary data and documents for preparing this report from the internal documents and interviews with the employees of the bank and the internet.

I would also like to thank my host organization supervisor, Mrs. Fatema Islam and GB In charge, Mrs. Kakoli Majumder, for their kind assistance throughout my internship period.

Lastly, I am deeply thankful to my family for their unwavering love, support, and encouragement. Their faith in me, particularly my husband's constant encouragement throughout my undergraduate years at ULAB, has served as a guiding light. Despite my limited experience, I attempted to write a compelling and insightful internship research report that was infused with genuine understanding. Their unwavering support has truly been the foundation of my journey and achievements.

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Part-A

Chapter One: Internship Preparation

1. Motivation to do the Internship and Learning Objectives

Being a BBA student majoring in Supply Chain Management, I have always been enthusiastic to understand how business operations, logistics and financial systems function in real-world organizations. The internship program is an essential part of the BBA curriculum, bridging the gap between theoretical knowledge and practical business experience.

My motivation for doing this Internship was to explore how financial institutions and banks like Bangladesh Commerce Bank Limited (BCBL) manage their internal processes, customer services and financial transactions while maintaining efficiency and compliance, as growing up, I have always been eager to know about the banking sector and bank management. So I wanted to gain hands-on experience in understanding the operational workflow of a commercial bank, including account management, customer handling, documentation and interdepartmental coordination. Additionally, I aimed to develop professional skills such as effective communication, time management, teamwork and analytical abilities that are vital for my future managerial roles in both the banking and supply chain sectors.

2. Internship Search Process and Choice of Organization

The search for an internship placement was both challenging and rewarding. I explored various organization and options through online portals, university career service and personal networking. I was particularly interested in working at a reputed organization that would expose me to a structured corporate environment and provide practical learning opportunities.

After researching to several organizations, I applied to Bangladesh Commerce Bank Limited (BCBL) through one of my relatives to their HR department. I submitted my resume, academic transcripts and a cover letter highlighting my keen interest in banking operations. After a processing period, I was called for a short interview at the bank's principal office where I received my acceptance letter for doing the internship.

I chose BCBL, because it is one of the oldest well-established private commercial bank with a diverse portfolio of services, including retail banking, corporate financing, SME banking and remittance. Its strong presence in Bangladesh's financial sector made it an ideal learning ground for me to observe both operational and strategic management practices.

3. Internship Interview Experience

The interview process was very short and formal, but friendly. I was interviewed by the SAVP and Operation Manager, Mr. Mutasim Bin Shahid. The interview began with a discussion about my academic background, followed by the questions such as- "why are you interested in the banking sector?" and "how do you think your major in Supply Chain Management can be useful in banking operations?"

I responded by linking my SCM background to process optimization, operations management, efficiency improvement and data-driven decision making qualities that are also essential in the banking sector. The interviewer seemed impressed with my choice of major and responses. Then I received my confirmation letter, assigning me to the General Banking Department at the Principal Branch of BCBL.

4. Overview of the Organization

Bangladesh Commerce Bank Limited (BCBL) was established on June 1, 1998. It was incorporated as a public limited company in Bangladesh under the Companies Act, 1994, the Bank

Companies Act 1991 and Parliamentary Act of 1997. The bank originated as a non-bank financial institution, Bangladesh Commerce and Investment Limited (BCIL), which was incorporated on 27th January, 1986. After BCIL's activities were suspended in 1992, it was transformed into Bangladesh commerce Bank Limited (BCBL) with a 10 member board of directors by the government in 1998. BCBL operates through a wide network of 48 branches across 18 districts in Bangladesh, offering a comprehensive range of financial services to individual and corporate clients. Its head office is located at Dilkusha, Dhaka and principal branch in at Motejheel, Dhaka.

The Bank's main business focus areas include:

- Deposit mobilization and savings schemes
- Corporate and SME lending
- Trade financing
- Foreign exchange and Remittance services
- Digital and retail banking services

BCBL has a vision to become a leading customer-centric technology driven bank, contributing to the economic development of Bangladesh. The organization employs over 1000 people nationwide and operates under a hierarchical structure comprising the Board of Directors, Managing Director (CEO) and departmental divisions such as General Banking, Credit, Foreign Exchange, IT and Trainings.

Chapter Two: About My Internship

1. Position, Work Environment and Responsibilities

Principal Branch Organization Chart:

Branch Manager

|

Secondary Manager

|

|

General
Banking

|

Credit
& Loan

|

Foreign Ex.
& Remittance

|

Cash & Teller

During my Internship, I was assigned in the General Banking (GB) Department of Principal branch, Bangladesh Commerce Bank Limited. The office environment was professional and disciplined but collaborative and friendly. The employees were supportive and willing to guide me throughout my internship journey. I was provided with a workstation, access to files and supervision from two senior officers, Mrs. Fatema Islam and Mrs. Sharmin Akter Shammi. The work culture of the office was positive and cordial.

Overview of General Banking Department:

The General Banking Department is the frontline unit of Bangladesh Commerce Bank Limited, Principal Branch. It is responsible for managing daily banking operations and providing customer services. It plays a crucial role in facilitating transactions and maintaining customer relations to

ensure smooth banking services and acts as a bridge between customers and the bank's internal departments.

Key functions are:

- Account Opening- Various types of accounts such as Savings, Current, SND, FD, Special FD and Student banking.
- Compliance and Guidance- Ensuring compliance with Bangladesh Bank AML/CFT guidelines. Verifies customer documents such as NID, Photo, TIN, BIN, VAT, Trade License, etc.)
- Customer Service- Handles day-to-day inquiries related to account updates and bank statements. Addressing customer complaints and service queries. Assisting with mobile banking, SMS banking and ATM card activation.
- Clearing Section- Processing inward and outward clearing cheques to ensure timely settlement of interbank transactions.
- EFT and RTGS Payments- Handles electronic fund transfers and pay orders.

My main duties and responsibilities included:

- Assisting in account opening procedures and verifying necessary documentation (TIN, BIN, VAT, NID, Trade Licenses, Memorandum, Photographs, etc.).
- Supporting KYC (Know Your Customers) and TP (Transaction Profile) assessment.
- Supporting customer services tasks such as handling client inquiries, account updates and bank statement requests.
- Issuing Non-MICR cheque books for the staffs/employees, and receiving MICR CD and MICR SB cheque books.
- Helping process cheque clearing, pay orders, SNDs (Short notice deposits) and other transactions under supervision.
- Participating in data entry and archiving old records for compliance purposes.
- Observing the process of loan file preparation and documentation.

Through these tasks, I gained a comprehensive understanding of the banking process, customer relationship management and documentation protocols.

2. Skills learned and Contributions to the organization

Throughout my internship, I developed both technical and soft skills. I learned to use internal banking software for customer account information and management, improved my data handling and documentation skills. I also enhanced my communication and teamwork abilities by interacting with clients and colleagues.

Skills Applied:

- Communication and interpersonal skills for dealing with clients
- Analytical skills in identifying discrepancies in forms and records
- Computer proficiency for using software

New Skills Acquired:

- Understanding of banking operations and compliance procedures
- Knowledge of financial documentation and cheque processing systems
- Familiarity with loan processing and assessment

Contributions to the organization:

I helped streamline some of the manual data entry work by organizing client files digitally. I also supported the customer service team during peak hours, ensuring better customer satisfaction. My supervisors appreciated my punctuality, enthusiasm and accuracy in completing assigned tasks.

Quantified tasks and hand-outs/ Impact metrics:

- Processed and verified over 100+ customer account opening forms, which impacted the bank by helping reduce document verification time for officers by an estimated 15%-20%, improving customer onboarding efficiency.
- Completed 120+ KYC and TP assessments, which contributed to stronger AML compliance and reduced the likelihood of regulatory discrepancies.
- Assisted 10-15 clients per day at the customer service desk, helping reduce customer waiting time during peak hours by an estimated 5 minutes per customer.
- Issued 150+ MICR and non-MICR cheque books, which impacted beneficially by enabling timely customer service delivery and reducing frontline workload.
- Helped process 100+ clearing cheques and transactions, which supported smoother transaction flow and timely settlement cycles.
- Digitally organized 200+ client files, which is estimated to have reduced document retrieval time approximately 20%-30%, saving the department almost 1.5-2 hours per week.
- Observed and assisted in 10+ loan file preparations, contributing to faster documentation completion and reduced file preparation delays.

3. Linking academic learning with Internship experience

My academic background and major in Supply Chain Management helped me to understand workflow optimization and coordination within departments. Concepts from SCM (Supply Chain Management) - such as workflow mapping, process optimization and efficiency, helped me to support and benefit the bank. I applied process optimization as Supply chain management fundamentally is about streamlining processes and eliminating bottlenecks, which helped me to reduce wait times and improve efficiency for the customers. While banks do not deal with

production inventory, they manage “inventory” of cash, chequebooks, debit/credit cards and other banking materials at branches.

The core courses in Business Communication, Business and Legal Environment, Financial Management, Organizational Behavior and Research Methodology were directly applicable in my internship tasks. For instance, Business communication helped me maintain professionalism in banking services and client interactions. The minor course, Internal Communication helped to interact accordingly with my colleagues. Additionally, the concept of information flow and efficiency in Supply Chains paralleled the transactional and procedural flows in the bank.

Chapter Three: Self-Reflection

1. What I liked and disliked about the Organization

I particularly liked their professional environment, discipline and structured but friendly of the bank. The teamwork among employees and their willingness to guide interns was inspiring. I enjoyed interacting with customers and learning how to real-life banking issues.

However, I did not like the repetitive nature of certain clerical tasks and the limited exposure to advanced banking technologies which restricted to have the full access to the websites and software. The works could sometimes become monotonous and access to strategic decision making areas was understandably restricted for interns.

2. Areas for improvement (Self and Organization)

From a personal standpoint, I could improve my technical proficiency in banking software. With full access to websites, software and more trainings, I could have contributed more effectively to the operational workflow.

The organization could have utilized interns better by assigning some client projects or participation in departmental meetings. This would help interns understand broader operational challenges and strategic decision making processes.

3. Future goals and recommendations for the Internship program

This internship has given me valuable exposure to the corporate world and clarified my career interests. I plan to pursue for MBA and then later explore how banking operations can integrate with digital technology and supply chain techniques.

For improving the internship program, I would recommend:

- Conducting an orientation session for interns before the beginning of the internship semester.
- Helping interns choose their organization, as it is quite difficult to find a suitable internship organization.
- Providing alternative option like project based assignments to help the interns who cannot find an internship opportunity.

Chapter Four: Personal Development Plan

1. My next course of action and career plan

After completing my BBA degree, my goal is to pursue a career in the corporate or financial sector, focusing on operations and process management. I plan to pursue an MBA degree to have a professional certification and enhance my knowledge.

In the short term, I aim to work in a financial or multinational company to gain more practical experience. In the long term, I aspire to hold a managerial position where I can contribute to enhance organizational efficiency.

2. Skills to develop

To achieve my career goals, I intend to focus on developing the following skills:

Technical Skills:

- Advanced Excel and data analytics.
- Banking and financial software knowledge.
- Supply chain and ERP system proficiency.

Interpersonal Skills:

- Leadership and decision making: I have always been committed to make informed decisions, delegating effectively and fostering collaborative leadership with integrity and accountability.
- Flexibility and adaptability: As industries are evolving rapidly, adaptability is a bedrock skill. My goal is to embrace change by adapting with emerging trends and technologies.
- Time management: I prioritize meeting deadlines with setting clear, attainable goals that are consistent and can give me a road map to direct my action and track my progress.

Part – B

Executive Summary

This research report, titled “**An Analysis of Liquidity Shortages in Bangladesh Commerce Bank Limited (BCBL): Internal and External Factors and Recommended Strategies,**” was conducted as a mandatory part of the Internship program during my Internship period at Bangladesh Commerce Bank Limited (BCBL). The study investigates the major causes of liquidity shortages within the bank, focusing on internal and external factors that influence liquidity flow. Information was collected through observation and interviews with a structured questionnaire administered among bank officials. The findings reveal that poor cash flow management, high non-performing loans and limited deposit mobilization are key contributors to the liquidity problems. The report concludes with actionable recommendations to strengthen liquidity management practices and enhance financial stability.

Chapter One: Introduction

1. Research Tittle

“An Analysis of Liquidity Shortages in Bangladesh Commerce Bank Limited (BCBL): Internal and External Factors and Recommended Strategies.”

2. Research Objective/ Purpose

The main objective of this research is to identify the underlying reasons behind the liquidity shortage in Bangladesh Commerce Bank Limited. Specifically, it aims to analyze both internal factors and external macroeconomic and regulatory factors affecting liquidity. The research also analyze trends in deposits, advances and NPLS from 2022-2025. Finally, the research also have a view of proposed strategies for effective liquidity management.

3. Research Context/ Background of the study

Liquidity is the foundation of commercial banking stability. Commercial Banks in Bangladesh play an essential role in facilitating economic activities by mobilizing deposits, extending credit and ensuring financial intermediation. Effective liquidity management is central to ensure banking sector firmness. It enables banks to meet short-term obligations, respond to unexpected fund withdrawals, and comply with regulatory requirements issued by Bangladesh Bank.

Liquidity shortages can significantly disrupt banking operations. When banks fail to maintain sufficient liquidity, they face heightened financial vulnerability, reputational risks, and potential regulatory intervention. Bangladesh Commerce Bank Limited (BCBL) has been experiencing

liquidity constraints in recent times due to internal inefficiencies and macroeconomic pressures. These constraints are reflected in its deposit-advance imbalances, increasing non-performing loans (NPLs), and capital adequacy challenges.

4. Research Question/ Problem Statement

Despite regulatory oversight and internal liquidity management mechanisms, BCBL continues to face liquidity shortages. These shortages come from high NPL levels, poor deposit mobilization, limited access to interbank borrowings and weakness in corporate governance. Accordingly, the central problem of this study is:

“What internal and external factors contribute to the liquidity shortages at BCBL, and what strategic interventions can be adopted to improve liquidity performance?”

5. Scope of the Study

This study covers financial data extracted from BCBL’s Annual Reports (2022-2025), deposit-loan statements and Bangladesh Bank regulations, supplemented by primary data collected during the internship period.

6. Limitations of the study

- Limited access to highly confidential liquidity data
- Short duration of interviews

Chapter Two: Literature Review

1. Liquidity Risk in Commercial Banking

Liquidity risk arises when a bank is unable to meet short term obligations without incurring unacceptable losses (Basel Committee, 2023). Banks are expected to maintain sufficient high-quality liquid assets (HQLA) to ensure operational resilience.

2. Non-Performing Loans (NPLs)

Bangladesh Bank (2023) defines NPLs as loans overdue for more than 90 days. High NPLs reduce cash inflows, increase provisioning requirements and weaken liquidity positions, often leading to credit stagnation.

3. Deposit Mobilization

Deposit mobilization refers to a strategic aimed at increasing customer deposits, which form the largest portion of bank liabilities and a key liquidity source. Ineffective mobilization results in liquidity stress (Rahman & Jahan, 2022)

4. Relevant Financial Theories

- **Liquidity Preference Theory (Keynes, 1936):** Suggests that economic agents prefer liquidity, especially in uncertain environments.
- **Commercial Loan Theory:** Advocates for short-term, self-liquidating loans to ensure liquidity.
- **Shift-ability Theory:** Emphasizes shifting assets in secondary markets to maintain liquidity (Moulton, 1918).
- **Asset-Liability Management (ALM) Theory:** Modern banking theory promoting integrated management of assets and liabilities.

5. Regulatory Framework

Bangladesh Bank enforces:

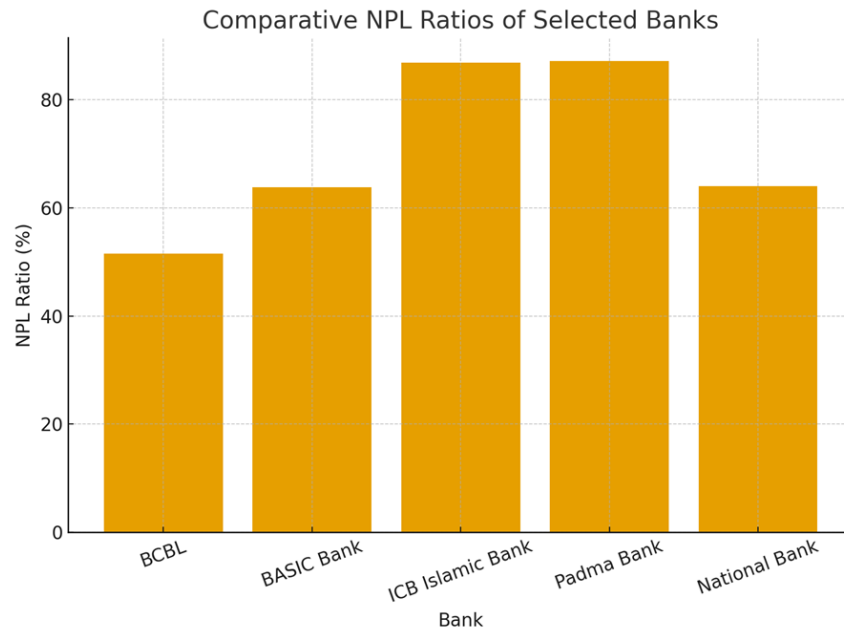
- CRR (Cash Reserve Ratio) requirements
- SLR (Statutory Liquidity Ratio) requirements
- Loan classification and provisioning circulars
- Monetary policy instruments such as the repo rates and reverse repo rates.

These directly influence liquidity conditions across the banking sector.

6. Comparative NPL Analysis Table (Comparison with BCBL and other banks)

Banks	Latest Public NPL Ratio	Deposit Trend	Bangladesh Bank Liquidity Support	Notes
Bangladesh Commerce Bank Limited	High NPL-51.6%	Weak deposits- on average 65% LDR in the last 6 months.	Tk 200 crore liquidity support.	To manage customer needs and stabilize bank's position. (The Business Standard, 2025.)
Basic Bank	High NPL- 63.8%	Deposits are reportedly declining or weak in context of troubled banks.	No major specific support publicly reported.	Historically suffers from governance and assets issues. (Daily Sun, 2024.)
ICB Islamic Bank	High NPL- 86.9%	Deposit slower than conventional peers (except for Islamic sector-2.7% Growth.)	Not listed among reported liquidity support recipients.	Islamic banks lag in deposit growth and slow market share. (Daily Sun, 2024.)
Padma Bank	Extremely high NPL- 87.2%	Weak Deposit performance implied in broader weak bank context.	Not in recent BB support list; major distress continues.	NPL burden among the heaviest and governance crisis have prompted intervention discussion. (Bangla News 24, 2025.)
National Bank	Very high NPL- 64%	Deposit volatility and negative inflows.	Received support- TK 820 crore.	Systematic risk concerns and governance quality stress. (Bangla News 24, 2025.)

7. Visual Comparison of NPL Ratio with BCBL and Other Banks



Chapter Three: Research Methodology

1. Research Design

The study includes a descriptive and analytical design of research , combining quantitative financial analysis with qualitative insights.

2. Sampling Strategy

The sample includes:

- BCBL Annual Reports (2022-2025) which contains verified audited financial data.
- Monthly deposit-advance statements (February 2025-July 2025).

- Informal interviews with BCBL officials.

3. Data Collection Tools

- **Primary Data:** Internal Banking Document, Intern notes, Questionnaire and Structured interviews.
- **Secondary Data:** BCBL Annual reports, Bangladesh Bank Circulars, Newspaper reports and Prior studies on liquidity and NPLs.

4. Questionnaire for Interviews with the Internal Employees

- How frequently does the branch experience liquidity pressure?
- Major Internal Causes of liquidity shortage.
- External factors contribute to liquidity problems.
- NPLs affect and its extent in the bank liquidity.
- Is improved coordination between departments and branches important and can it enhance liquidity control?

5. Analytical Tools

- Ratio Analysis (Deposit-Loan Ratio, NPL Ratio)
- Trend Analysis (Via Tables and Charts)
- Qualitative Thematic analysis

Chapter Four: Data Presentation and Analysis

1. Deposit and Loan Trends for the months of February to July 2025 (Based on Internal Documents)

Month	Total Deposits (BDT)	Total Advances (BDT)	Difference	Loan-to-Deposit Ratio (LDR)
Feb	7,41,62,36,719	4,99,82,30,080	2,41,80,06,638	67.38%
Mar	7,45,89,20,257	5,00,34,72,242	2,45,55,18,015	67.08%
Apr	7,55,13,55,139	5,02,87,31,444	2,52,25,83,686	66.55%
Jun	7,56,48,85,177	5,05,23,00,283	2,51,25,84,894	66.77%
Jul	7,57,44,81,570	4,99,59,07,256	2,57,85,74,314	65.94%

2. Interpretation: Why do these figures show liquidity shortage

A. Deposit growth is sluggish compared to advances

Although deposits increase slightly from month to month, the growth is minimal and inconsistent. Meanwhile, advances remain high and often grow faster than deposits. This mismatch is one of the common causes of liquidity stress in banking.

Even when advances slightly decline (as seen in July), deposits do not increase at a sufficient rate to provide comfortable liquidity. This means the bank operates with a thin liquid cushion.

B. The “Difference” column shows a high funding gap

The difference ranges from 2,41,80 crore to 2,57,85 crore, meaning a very large portion of deposits is already locked into loans.

Such a high proportion reduces liquid assets available to meet:

- Withdrawal requests
- Interbank obligations
- Regulatory liquidity ratios
- Emergency funding needs

This is a classic liquidity shortage indicator.

C. Total BI values do not show strong month-to-month improvement

The total BI amounts (e.g. 3672 crore, 3726 crore, 3727 crore) appear to increase only modestly. These slow movements suggest that the bank is not generating enough retained earnings, profit or reverse growth to strengthen liquidity buffers.

A healthy bank during liquidity tightening periods usually shows, increase in cash reserves, reduced loan growth and higher BI/reserve indicators. But the documents show minimal improvement despite rising liabilities, indicating ongoing liquidity strain.

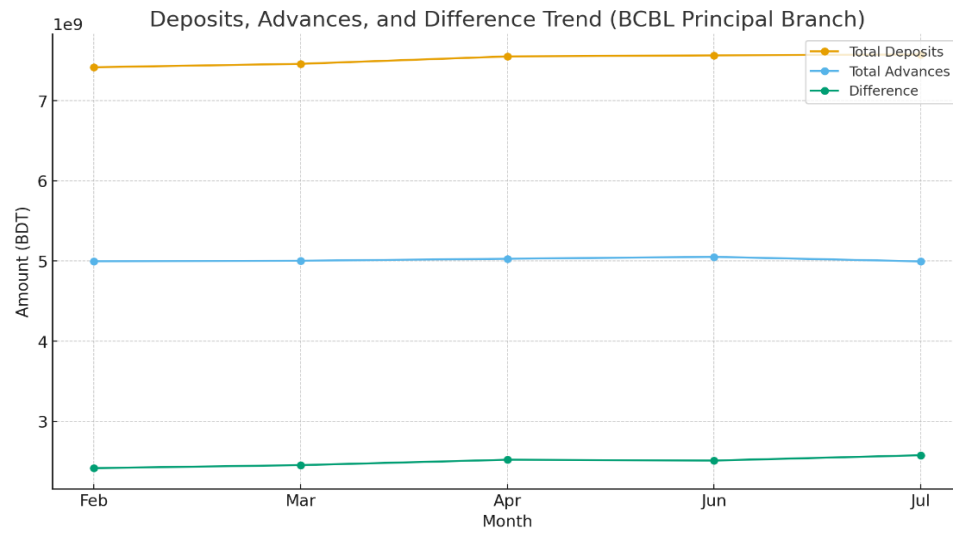
D. Interest income sheet for the month of July 2025 shows heavy loan dependence (Based on Internal Document)

The interest income form:

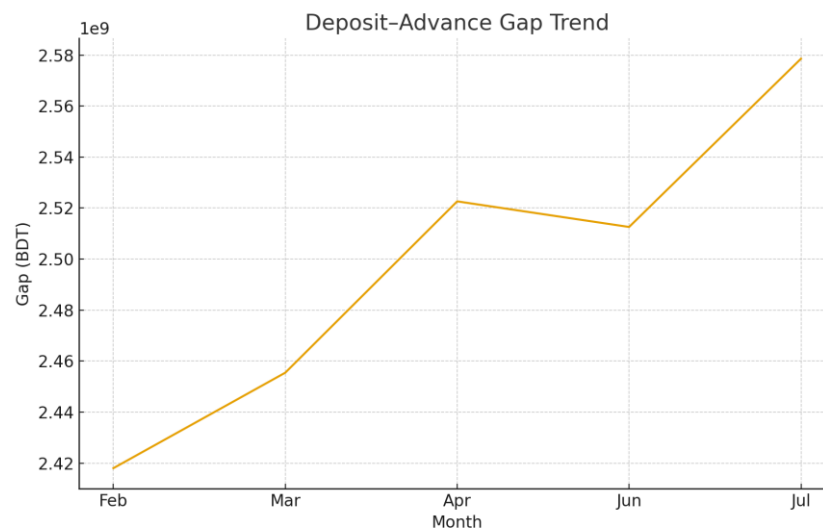
- Staff loans
- Car loans
- Inland bills
- Special credit hypothecation
- Overdrafts
- House building loans
- Cash Credit (CC) loans
- Agricultural loans
- Customer credits

The volume of interest income categories suggests BCBL is heavily dependent on loan-based income, increasing vulnerability if borrowers default or delay payments. Banks under liquidity stress typically leans more on interest income because deposits are insufficient to support operations.

3. Deposit and Advance Trend Graph



4. Increasing Gap Trend



5. Overview from the Internal Documents

The data strongly supports that BCBL is experiencing liquidity shortages due to-

- **High Advance-to-Deposit Ratios-** loans consistently exceed safe thresholds relative to deposits, reducing liquid assets.
- **Slow Deposit Growth-** Deposits do not increase enough to offset rising advances and obligations.
- **Large and Persistent Funding Gaps-** Differences exceeding indicate that most deposit funds are tied up in loans.
- **Heavy reliance on Borrower Repayments-** interest income largely depends on loan performance, making cash inflows unstable.
- **Inability to Build Strong Reserve Buffers-** Total BI numbers show modest changes, signaling weak reserve accumulation.

6. Bangladesh Bank Regulations and LDR

Bangladesh Bank's indicative Loan-to-Deposit Ratio (LDR) limit for conventional banks typically ranges around 87% (may vary slightly depending on circulars, year, and bank category). When compared to this regulatory ceiling, BCBL's LDR values (66%-68%) appear to be below the range.

However, a low LDR does not always imply good liquidity, especially in BCBL's context.

Despite meeting regulatory limits, the bank experiences liquidity shortages because:

- A large portion of advances is locked into non-performing loans, reducing actual inflows.
- Deposit growth is slow and unstable, which limits the availability of liquid assets.
- The safe LDR masks underlying issues because advances are not efficiently converted back into cash.

Thus, the calculated LDR values support the finding that liquidity stress arises not from excess lending, but from poor recoverability, funding gaps and weak deposit mobilization.

7. High NPLs and Governance Weakness

A critical insight from both internal documents and interviews are a directly consequences of internal governance weaknesses. Lax credit discipline, politically influenced loan approvals, weak monitoring and inadequate risk assessment created an environment where risky loans were issued without proper evaluation. This governance failure directly fueled the rise in NPLs. Thus, it can be said that, ineffective oversight by senior management, poor enforcement of credit policies and external/political interference in lending decisions. These reveal that liquidity shortages do not come only from lending volume alone, but also from poor loan quality and weak recoverability, both rooted in governance issues.

8. Analysis from the In-person Interviews

A. Deposit-Loan Imbalance and Regulatory Pressures

A major contributor to the liquidity shortages has been an imbalance between deposits and loan disbursements. BCBL's loan-to-deposit ratio exceeded prudent limits, significantly reducing the volume of liquid assets available for short-term obligations. Credit & Loan Department In-charge, Mr. Halim Azhar Chowdhury mentioned, "Compliance requirements- including the Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), and Capital to Risk-weighted Asset Ratio (CRAR)- placed additional constraints on available funds." Moreover, BCBL struggled to meet Basel II and Basel III capital and liquidity guidelines, which are essential for maintaining resilience within the banking sector. The failure to uphold these standards intensified regulatory pressure and weakened the bank's ability to withstand liquidity shocks.

B. Cash Flow Deficiency, Capital Shortfall, Weak Equity Base and Governance Failures

Credit Department Official, Mr. Biplob Das confirmed- "BCBL's liquidity difficulties are compounded by a significant capital shortfall that has caused cash flow problems." Even after receiving support from Bangladesh Bank, a weak equity base management has undermined confidence among depositors, investors and financial institutions, limiting the bank's ability to manage unexpected financial pressures. During my internship, I witnessed their cash flow

deficiency that resulted into dissatisfaction and conflicts with the customers, who wanted to pull back their deposited money.

Compounding this issue were several governance-related weaknesses. Ineffective oversight, inadequate accountability structures and shortcomings in risk management created systemic vulnerabilities. Instances of money laundering, internal corruption and operational irregularities further damaged the bank's credibility. Political intervention in lending decisions distorted credit allocation processes and increased exposure to risky or non-viable lenders, which resulted in reducing cash flows and deepening the liquidity crisis.

C. Rising NPLs and Asset Quality Deterioration

The rapid deterioration of asset quality has been central to BCBL's liquidity crisis. Another Official from the Credit & Loan Department, Mr. Sazzad Hossain quoted- "The bank accumulated approximately 1,600 crore taka in classified loans", reflecting significant stress on asset recoverability. Issues related to the conversion and management of LC-based loans further contributed to poor asset performance.

High levels of non-performing loans diminished cash inflows, making it increasingly difficult for the bank to meet liquidity requirements. The Bangladesh Bank loan classification circulars for 2023-2024 and 2024-2025 imposed stricter loan classification and provisioning standards, but this simultaneously increased mandatory provisions, reducing available liquidity even further.

D. Limited Access to the Interbank Market

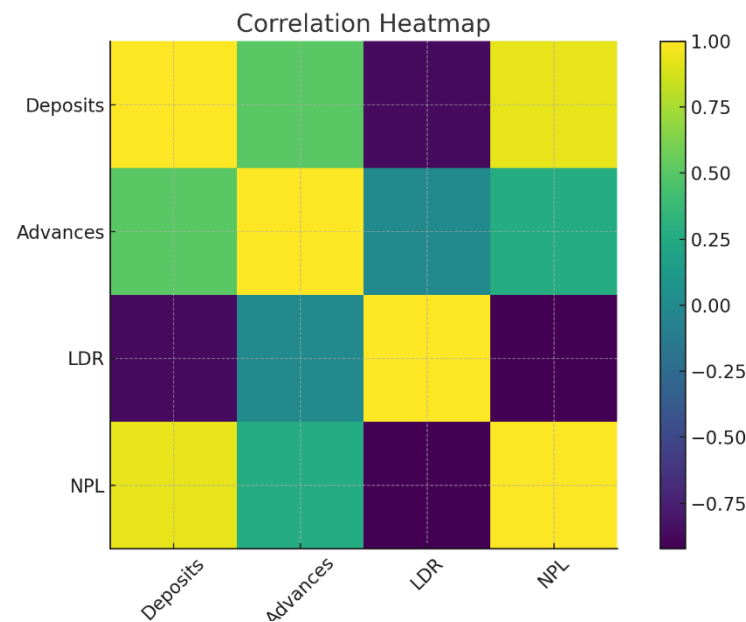
Interbank borrowing plays a critical role in short-term liquidity management. However, Mr. Biplob Das further added, "Due to concerns over BCBL's financial health, other banks have exhibited reluctance to extend call money loans."

Although the Bangladesh Bank provided some policy support, these measures were insufficient to stabilize liquidity. The bank also faced limitations in using monetary policy tools such as the repo and reverse repo facilities due to insufficient eligible securities. This lack of access to the interbank market significantly intensified day-to-day liquidity stress.

E. Non-Compliance to Internal Policy

A recurring factor in BCBL’s liquidity difficulties has been its failure to comply with internal policies and established banking procedures. Officials confirmed that weak internal governance mechanisms prevented effective enforcement of risk management guidelines, credit discipline, and oversight practices. These institutional shortcomings delayed corrective measures and allowed operational problems to escalate. The absence of strong internal controls made the bank increasingly susceptible to financial mismanagement and external shocks, ultimately deepening the liquidity crisis.

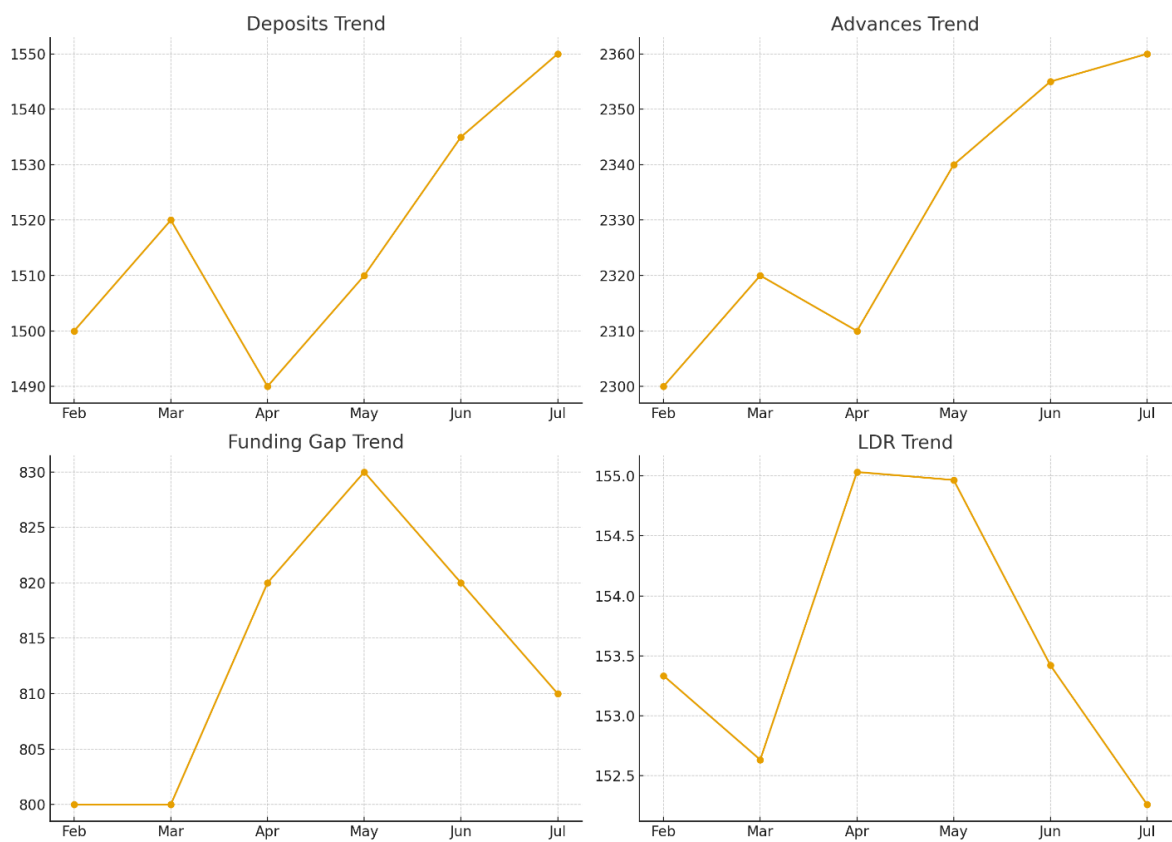
9. Correlation Heatmap



The correlation analysis provides meaningful insights into BCBL’s liquidity management, lending behavior and credit risk profile. The strong interplay among deposits, advances and LDR demonstrates that BCBL’s liquidity position is highly sensitive to movements in its deposit base and loan disbursements. The relationships involving NPL highlight the need for continuous improvement in credit risk management practices to have a healthy liquidity flow. It further

deepens this understanding by visually illustrating the strength and direction of details in relationships among key financial indicators. The strong positive correlation between deposits and advances suggests that growth in customer deposits consistently supports higher loan disbursements, reinforcing the bank’s reliance on core deposits as its primary funding source. At the same time, a negative correlation between LDR and deposits indicates that liquidity pressure intensifies when the deposit base weakens, pushing BCBL toward a higher loan-to-deposit position. Overall, it reinforces the need for balanced deposit mobilization, prudent leading decisions and strengthened credit monitoring to maintain stable liquidity and minimize risk exposure.

10. Quick Visual (Summary Graphs)



Chapter Five: Recommendation and Conclusion

1. Recommendations

- ✓ Strengthen NPL Recovery- Establish dedicated recovery units and pursue legal enforcement.
- ✓ Enhance Corporate Governance- Implement stricter internal controls and reduce political interference.
- ✓ Improve Deposit Mobilization- Introduce innovative deposit schemes to enhance customer engagement such as- .Local Business Deposit Schemes, Short-tenure, High-return FDR options for (3-12 months), and Personalized Deposit Offers.
- ✓ Ensure Regulatory Compliance- Maintain CRR, SLR and comply with Bangladesh Bank directives.
- ✓ Expand Digital Banking- Offer modern services to attract younger and new customers.
- ✓ Develop a Liquidity Contingency Plan- Strengthen ALM practices and maintain liquidity buffers.

2. Conclusion

The study concludes that BCBL's liquidity shortages are the result of both internal inefficiencies and external pressures. From high NPL levels, inadequate governance and weak deposit mobilization, to restrictive monetary policy and interbank support are the major drivers leading to the liquidity deficiency. With a strategic action framework that includes: strengthening NPL recovery mechanisms, improving deposit mobilization, efficient ALM practices, enhancing corporate governance, digitalizing banking operations and developing robust liquidity contingency plans, BCBL can stabilize its liquidity position and rebuild stakeholder confidence.

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