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ECONOMETRIC GROWTH RATES ANALYSIS OF BASIC BANK LIMITED IN BANGLADESH: AN EVALUATION

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Abstract : The main purpose of this study is to measure the business growth rates during 1989 to 2005 of BASIC Bank Limited. The study measures the last 17 years growth rates of shareholder's equity, total assets, deposit long-term debt, advances, investment, income, expenditure and net profit of BASIC Bank Limited. Log-lin Growth Model is used to find out the compound growth rate of the same variables. The analyses revealed that the growth rate of shareholder's equity, total assets, deposit long-term debt, advances, investment, income, expenditure and net profit during study period are 24.23 percent, 38.13 percent, 25.61 percent, 24.36 percent, 33.11 percent, 23.24 percent, 27.76 percent, 25.86 percent and 41.62 percent respectively. Attention of the management authorities is required for ensuring good governance through quality management and effective customer services to keep these growth rates.

Introduction

Bank of Small Industries and Commerce Bangladesh Limited (BASIC) popularly known as BASIC Bank is a banking company registered under the Companies Act 1913. It was incorporated under the Act on the 2nd of August, 1988. The bank started its operations from the 21st of January, 1989. It is governed by the Banking Companies Act 1991. The bank was established as the policy makers of the country felt the urgency for a bank in the private sector for financing Small Scale Industries (SSIs). At the outset, the Bank started as a joint venture enterprise of the BCC Foundation with 70

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percent shares and the Government of Bangladesh (GOB) with the remaining 30 percent shares. The BCC Foundation being nonfunctional following the closure of the BCCI, the Government of Bangladesh took over 100 percent ownership of BASIC on 4th June 1992. Thus, the Bank is state-owned, however, is not nationalized; it operates like a private bank as before. BASIC is unique in its objectives. It is a blend of development and commercial banks. The Memorandum and Articles of Association of the Bank stipulate that 50 percent of its loanable funds shall be invested in small and cottage industry sector (BASIC 2000). The bank provides term loans to industries especially to small-scale enterprises. It also extents full-fledged commercial banking services including deposit, short term trade finance, working capital finance in processing and manufacturing units and financing and facilitating international trade. Providing technical support to Small Scale Industries (SSIs) in order to enable them to run their enterprises successfully is another function of the bank. With the general banking function, the BASIC Bank Ltd. also offers micro credit to the urban poor through linkage with Non-Government Organizations (NGOs) with a view to facilitating their access to the formal financial market for mobilization of funds. In order to perform the above tasks, BASIC Bank works closely with clients, the regulatory authorities, the shareholders (GOB), banks and other financial institutions (BASIC 1999).

Objective of the Study

The main objective of the study is to find out the business growth rates of BASIC Bank Ltd., during 1989 to 2005. In this regard, data from 1989 to 2005 of BASIC Bank Ltd. are used. To find out the compound growth rates, **Log-lin** econometric growth model is applied in this study.

Log-Linear Models

Within the realm of regression modeling, the term *log-linear* is used in two distinct ways. In the first case, it refers to nonlinear model specifications that—following a logarithmic transformation—become linear and can be estimated using tools available for the classical linear regression model. Most importantly, they can be estimated using ordinary least squares when assuming that the error terms are independent and normally distributed with mean 0 and equal variance σ_2. The multiplicative or double-log model and the exponential or semi-log model are two such nonlinear specifications. The multiplicative model takes on the form or, in its log-transformed equivalent,

where ln *yi* is the dependent variable for observation *i*, ln x_{ij} is the *j*-th covariate or predictor variable,$\beta_0,\ldots\beta_m$ parameters to be estimated and ε_i are the error terms. The multiplicative model implies that a 1 percent change in *x* (not ln *x)* yields a β percent change in *y*. It is frequently used to model large-scale traffic flows and migration flows. A well-known application in economics is the Cobb-Douglas production function that links output to capital and labor in a double-log specification, and where the parameters are the associated elasticities. The exponential or semi-log model takes on the form

or, equivalently

The exponential specification is most well-known for modeling unlimited and rapid population growth over time, where the dependent variable *y* represents the population, and time is the only covariate. The parameter β associated with time is the population growth rate, and a one-unit increase in time is expected to change the population by 100β percent.

In the second case, the term *log-linear model* is used to refer to a particular class of generalized linear models (GLM), the so-called "Poisson models." GLMs share a common mathematical structure in which the expected value of the dependent variable is functionally linked to a linear predictor. Unlike the multiplicative and exponential model, the Poisson regression model cannot be transformed into a classical linear regression model for which the link function is the identity function. Instead, the dependent variable is a count variable with Poisson-distributed non-negative integers as possible outcomes, and the link function connecting the expected value of *Y* with the linear predictor is the natural logarithm. For a Poisson-distributed random variable, the probability of observing *k* occurrences is

$P(Y = k) = (\lambda_k e_{-k})/k\,!$

where $\lambda = E(Y)$ is the expected number of occurrences. A Poisson model stipulates a systematic relationship between the expected value and the predictor variables such that

or, equivalently,

for observations $i = 1, 2, \ldots, n$.

The parameters β_j are estimated iteratively from the maximum-likelihood expression, typically using the Newton-Raphson estimation procedure. Today, most statistical software programs include estimation routines for Poisson regression models. Several measures, including the most frequently used X^2-distributed log-

likelihood ratio, provide an assessment of the goodness-of-fit of the estimated model to the observed data. The estimates of the parameters can be tested for significance using a *t*-distribution. A broad range of phenomena are suitable to be modeled in a Poisson regression setting. Characteristic of such phenomena is the comparatively low chance of occurrence per fixed unit of time (or space). This applies to, for example, counts of the number of automobile fatalities per month, the number of disease incidents per week, the number of species found in an ecosystem, and the frequency of severe weather events per year. The oldest and probably most cited application is the study by Ladislaus Josephovich von Bortkiewicz (1868–1931) in which he analyzed the probability of a soldier being killed through the kick of a horse. In his now-famous book on the laws of small numbers, von Bortkiewicz showed that rare events follow a Poisson distribution. The book appeared sixty-one years after the French mathematician Siméon Denis Poisson (1781–1840) had published his famous treaty on the limiting distribution—which is now rightfully named the "Poisson distribution"—of the binomial distribution when the probability of occurrence is small and the number of trials is large.

Whereas the origins of regression models go back to the German mathematician and physicist Johann Carl Friedrich Gauss (1777–1855) and the French mathematician Adrien-Marie Legendre (1752–1833), extensions from the classical model to GLMs were made primarily over the last forty years. Credit goes to the seminal 1972 article by the statisticians John Ashworth Nelder and Robert William MacLagan Wedderburn. Nelder's 1983 book—coauthored with Peter McCullagh—still serves as the authoritative reference on GLMs. Recent refinements of Poisson models allow for relaxing the equidispersion assumption (i.e., for a Poisson-distributed random variable the expected value equals the variance). Advances also include mixed Poisson models in which, for instance, normally distributed random effects are added, or an abundance of zero-outcomes is accounted for in a so-called zero-inflated Poisson model. Although these advances make the log-linear regression model more flexible and suitable for a wider range of phenomena, their applicability needs to be thoroughly scrutinized, especially in situations where the linearity may be inappropriate, where the dispersion changes over time (or space), or where the observations are not independent.

Log-Lin Model of Growth Rate[1]

We know the compound interest formula used in the money, banking and finance is:

$$Y_t = Y_o (1 + r)^t$$

Where r is the compound rate of growth of Y. taking the natural logarithm, we can write,

$$\mathbf{\ln Y_t = \ln Y_o + t \ln (1 + r)^t}$$

Now Letting:

$$\beta_1 = \ln Y_o$$

$$\beta_2 = \ln (1 + r)$$

We can write as:

$$\ln Y_t = \beta_1 + \beta_2 t$$

Adding the disturbance term, we obtain:

$$\ln Y_t = \beta_1 + \beta_2 t + u_t$$

*This model is like any other linear regression model in that the parameters β_1 and β_1 are linear. The only difference is that the regress and is the logarithm of Y and the regressor is "time," which will take values of 1, 2, 3, etc. This model is called **Semi log Model** because only one variable appears in the logarithmic form. For descriptive purposes a model in which the regress and is logarithmic will be called a **Log-lin Model**.*

Findings of the Study

Table No.-1

Growth of Shareholder's Equity, Total Assets and Deposit of BASIC Bank Limited from 1989 to 2005

Year	Equity	Growth Rates	Total Assets	Growth Rates	Deposits	Growth Rates
1989	81.09		406.73		317.72	
1990	84.36	4.03	661.91	62.74	529.19	66.56
1991	84.83	0.56	991.37	49.77	843.79	59.45
1992	90.48	6.66	1646.95	66.13	1367.36	62.05
1993	107.81	19.15	2321.13	40.94	1977.60	44.63
1994	133.49	23.82	2609.85	12.44	2241.33	13.34
1995	185.96	39.31	3280.16	25.68	2773.73	23.75
1996	243.73	31.07	3962.55	20.80	3357.05	21.03
1997	338.34	38.82	4350.14	9.78	3541.60	5.50
1998	474.48	40.24	5620.57	29.20	4551.48	28.51
1999	584.43	23.17	7173.17	27.62	5647.93	24.09
2000	697.77	19.39	7730.67	7.77	5845.15	3.49
2001	761.35	9.11	9721.93	25.76	7512.62	28.53
2002	1012.90	33.04	13019.42	33.92	10021.24	33.39
2003	1249.29	23.34	14766.32	13.42	11266.54	12.43
2004	1491.23	19.37	19436.57	31.63	15509.18	37.66
2005	1726.14	15.75	27136.37	39.62	22325.58	43.95
Avg.	549.86	21.68	7343.28	31.08	5860.53	31.77
SD	533.28	12.57	7433.94	17.50	5963.80	19.51

(Source: Audited Annual Reports of BASIC Bank Limited from 1989-2005)

[1] Gujarati, Damodar N., Basic Econometrics, (3rd Ed.) McGraw - Hill International Editions, Economic Series, 1998, Singapore, p.169.

Growth rates of shareholder's equity, total assets and deposit of BASIC Bank Ltd. during 1989 to 2005 are shows in the Table-1. The average shareholder's equity, total assets and deposit were Tk.549.86 million, Tk.7343.28 million, and Tk.5860.53 million respectively. The average growth rates of shareholder's equity, total assets and deposit were 21.68 percent, 31.08 percent and 31.77 percent respectively; standard deviations of growth rates were 12.57, 17.50 and 19.51 respectively. During the period, shareholder's equity increased from Tk.81.09 million in 1989 to Tk.1726.14 million in 2005, total assets increased from Tk.406.73 million to Tk.27136.37 million and deposit collection increased from Tk.317.72 million to Tk.22325.58 million respectively. During the period shareholder's equity, total assets and deposit are increased significantly.

Table NO.-2

Growth of Debt, Advances and Investment of BASIC Bank Limited from 1989 to 2005

Year	Debt	Growth Rates	Advances	Growth Rates	Investment	Growth Rates
1989	0.00		66.45		287.52	
1990	30.00		200.00	200.98	341.11	18.64
1991	30.00	0.00	432.80	116.40	404.60	18.61
1992	125.80	319.33	715.75	65.38	553.61	36.83
1993	122.18	-2.88	986.61	37.84	672.29	21.44
1994	119.68	-2.05	1112.24	12.73	483.90	-28.02
1995	166.08	38.77	1561.29	40.37	995.57	105.74
1996	196.45	18.29	1724.81	10.47	1320.43	32.63
1997	273.29	39.11	2630.90	52.53	1395.59	5.69
1998	344.61	26.10	3218.90	22.35	2040.72	46.23
1999	368.85	7.03	3960.11	23.03	2021.19	-0.96
2000	555.98	50.73	4618.73	16.63	2462.17	21.82
2001	582.82	4.83	6260.78	35.55	2605.23	5.81
2002	676.51	16.08	7957.04	27.09	3988.76	53.11
2003	690.95	2.13	9282.20	16.65	4361.93	9.36
2004	839.61	21.52	12000.15	29.28	6098.51	39.81
2005	937.51	11.66	15339.35	27.83	10236.82	67.86
Avg.	356.49	36.71	4239.30	45.95	2368.82	28.41
SD	301.02	79.88	4507.75	48.82	2606.07	30.99

(Source: Audited Annual Reports of BASIC Bank Limited from 1989-2005)

Growth rates of debt, advances and investment of BASIC Bank Ltd. during 1989 to 2005 are shows in the Table-2. The average debt, advances and investment were Tk.356.49 million, Tk.4239.30 million, and Tk.2368.82 million respectively. The average growth rates of shareholder's equity, total assets and deposit were 36.71 percent, 45.95 percent and 28.41 percent respectively; standard deviations of growth rates were 79.88, 48.82 and 30.99 respectively. During the period, debt increased from Tk.00.0 million in 1989 to Tk.937.51 million in 2005, advances increased from Tk.66.45 million to Tk.15339.35 million and investment increased from Tk.287.52 million to Tk.10236.82 million respectively. During the period debt, advances and investment are increased significantly.

Table No.-3
Growth of Income, Expenditure and Net Profit of BASIC Bank Limited from 1989 to 2005

Year	Income	Growth Rates	Expenditure	Growth Rates	Net Profit	Growth Rates
1989	28.42		24.28		1.09	
1990	61.11	115.02	52.22	115.07	3.27	200.00
1991	98.80	61.68	95.33	82.55	2.87	-12.23
1992	126.70	28.24	117.52	23.28	4.13	43.90
1993	197.67	56.01	163.01	38.71	17.33	319.61
1994	232.87	17.81	81.51	-50.00	25.68	48.18
1995	291.62	25.23	191.66	135.14	52.48	104.36
1996	311.43	6.79	207.41	8.22	57.77	10.08
1997	440.46	41.43	268.83	29.61	94.61	63.77
1998	591.64	34.32	364.73	35.67	136.15	43.91
1999	794.59	34.30	528.01	44.77	159.95	17.48
2000	877.48	10.43	573.30	8.58	173.34	8.37
2001	1041.76	18.72	685.64	19.60	213.67	23.27
2002	1290.66	23.89	856.15	24.87	251.55	17.73
2003	1558.52	20.75	1004.85	17.37	236.39	-6.03
2004	1768.85	13.50	1241.63	23.56	291.48	23.30
2005	2228.21	25.97	1599.77	28.84	285.49	-2.06
Avg.	702.40	33.38	473.87	36.62	118.07	56.48
SD	667.91	26.49	464.23	43.51	107.38	87.30

(Source: Audited Annual Reports of BASIC Bank Limited from 1989-2005)

Growth rates of income, expenditure and net profit of BASIC Bank Ltd. during 1989 to 2005 are shows in the Table-3. The average shareholder's equity, total assets and deposit were Tk.702.40 million, Tk.473.87 million, and Tk.118.07 million respectively. The average growth rates of income, expenditure and net profit were 33.38 percent, 36.62 percent and 56.48 percent respectively; standard deviations of growth rates were 26.49, 43.51 and 87.30 respectively. During the period, total income increased from Tk.28.42 million in 1989 to Tk.2228.21 million in 2005, total expenditure increased from Tk.24.28 million to Tk.1599.77 million and net profit increased from Tk.1.09 million to Tk.285.49 million respectively. During the period income, expenditure and net profit are increased significantly.

Table No.-4
Growth Rate Model of Shareholder's Equity

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			R=0.990 R Square= 0.980 Adjusted R square=0.978 Std. Error of the Estimate= 0.162 Durbin-wastson= 0.439 F= 723.561
(Constant)	-427.089	16.093		-26.539	.000	
Year (Time)	0.217	0.008	0.990	26.899	.000	
Dependent Variable: Shareholder's Equity						

The growth model of shareholder's equity of BASIC Bank Ltd. has been shown in the table-4. Over the period 1989 – 2005, the shareholder's equity of BASIC Bank Ltd. grew positively. The slope coefficient of 0.217 obtained from the growth model of shareholder's equity of BASIC Bank Ltd. Simply take antilog of 0.217, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.217) – 1 = 0.2423 or about 24.23 percent. That is, over the study period, the compound growth rate of shareholder's equity of BASIC Bank Ltd. was about 24.23 percent per year. So, the growth rate of shareholder's equity of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-5
Growth Rate Model of Total Assets

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			R=0.986 R Square= 0.972 Adjusted R square=0.971 Std. Error of the Estimate= 0.203 Durbin-wastson= 0.435 F= 528.313
(Constant)	-454-482	20.136		-22.570	.000	
Year (Time)	.232	.010	0.986	22.985	.000	
Dependent Variable: Total Assets						

The growth model of total assets of BASIC Bank Ltd. has been shown in the table-5. Over the period 1989 – 2005, the total assets of BASIC Bank Ltd. grew positively. The slope coefficient of 0.232 obtained from the growth model of total assets of BASIC Bank Ltd. Simply take antilog of 0.232, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.232) – 1 = 0.3813 or about 38.13 percent. That is, over the study period, the compound growth rate of total assets of BASIC Bank Ltd. was about 38.13 percent per year. So, the growth rate of total assets of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-6
Growth Rate Model of Total Deposit

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R=0.981 R Square= 0.963 Adjusted R square=0.960 Std. Error of the Estimate= 0.234 Durbin-wastson= 0.422 F= 385.67
	B	Std. Error	Beta			
(Constant)	-447.402	23.196		-17.288	.000	
Year (Time)	.228	.012	0.981	19.638	.000	
Dependent Variable: Total Deposit						

The growth model of total deposit of BASIC Bank Ltd. has been shown in the table-6. Over the period 1989 – 2005, the total deposit of BASIC Bank Ltd. grew positively. The slope coefficient of 0.228 obtained from the growth model of total deposit of BASIC Bank Ltd. Simply take antilog of 0.228, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.228) – 1 = 0.2561 or about 25.61 percent. That is, over the study period, the compound growth rate of total deposit of BASIC Bank Ltd. was about 25.61 percent per year. So, the growth rate of total deposit of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-7
Growth Rate Model of Long Term Debt

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R=0.959 R Square= 0.919 Adjusted R square=0.913 Std. Error of the Estimate= 0.318 Durbin-wastson= 0.268 F= 159.251
	B	Std. Error	Beta			
(Constant)	-447.402	34.542		-12.460	.000	
Year (Time)	.218	.017	0.959	12.619	.000	
Dependent Variable: Long Term Debt						

The growth model of long-term debt of BASIC Bank Ltd. has been shown in the table-7. Over the period 1989 – 2005, the long-term debt of BASIC Bank Ltd. grew positively. The slope coefficient of 0.218 obtained from the growth model of long-term debt of BASIC Bank Ltd. Simply take antilog of 0.218, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.218) – 1 = 0.2436 or about 24.36 percent. That is, over the study period, the compound growth rate of long-term debt of BASIC Bank Ltd. was about 24.36 percent per year. So, the growth rate of long-term debt of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-8
Growth Rate Model of Loans and Advances

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R=0.969 R Square= 0.939 Adjusted R square=0.935 Std. Error of the Estimate= 0.38 Durbin-wastson= 0.499 F= 231-382
	B	Std. Error	Beta			
(Constant)	-564.078	37-584		-15.009	.000	
Year (Time)	.228	.019	0.969	15.211	.000	
Dependent Variable: Loans and Advances						

The growth model of loans and advances of BASIC Bank Ltd. has been shown in the table-8. Over the period 1989 – 2005, the loans and advances of BASIC Bank Ltd. grew positively. The slope coefficient of 0.286 obtained from the growth model of loans and advances of BASIC Bank Ltd. Simply take antilog of 0.286, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.286) – 1 = 0.3311 or about 33.11 percent. That is, over the study period, the compound growth rate of loans and advances of BASIC Bank Ltd. was about 33.11 percent per year. So, the growth rate of loans and advances of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-9
Growth Rate Model of Investment

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R=0.988 R Square= 0.976 Adjusted R square=0.974 Std. Error of the Estimate= 0.172 Durbin-wastson= 1.948 F= 599-442
	B	Std. Error	Beta			
(Constant)	-409.275	17.013		-24.057	.000	
Year (Time)	.209	.009	.988	24.484	.000	
Dependent Variable: Investment						

The growth model of investment of BASIC Bank Ltd. has been shown in the table-9. Over the period 1989 – 2005, the investment of BASIC Bank Ltd. grew positively. The slope coefficient of 0.209 obtained from the growth model of investment of BASIC Bank Ltd. Simply take antilog of 0.209, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.209) – 1 = 0.2324 or about 23.24percent. That is, over the study period, the compound growth rate of investment of BASIC Bank Ltd. was about 23.24 percent per year. So, the growth rate of investment of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-10
Growth Rate Model of Total Income

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	R=0.983 R Square= 0.967 Adjusted R square=0.964 Std. Error of the Estimate= 0.237 Durbin-wastson= 0.550 F= 434-504
	B	Std. Error	Beta			
(Constant)	-482.993	23.458		-20.590	.000	
Year (Time)	.245	.12	.983	20.845	.000	
Dependent Variable: Total Income						

The growth model of total income of BASIC Bank Ltd. has been shown in the table-10. Over the period 1989 – 2005, the total income of BASIC Bank Ltd. grew positively. The slope coefficient of 0.245 obtained from the growth model of total income of BASIC Bank Ltd. Simply take antilog of 0.245, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.245) – 1 = 0.2776 or about 27.76 percent. That is, over the study period, the compound growth rate of total income of BASIC Bank Ltd. was about 27.76 percent per year. So, the growth rate of total income of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-11
Growth Rate Model of Total Expenditure

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R=0.976 R Square= 0.953 Adjusted R square=0.950 Std. Error of the Estimate= 0.265 Durbin-wastson= 1.671 F= 306.610
	B	Std. Error	Beta			
(Constant)	-453.701	26.231		-17.296	.000	
Year (Time)	.230	.013	0.976	17.510	.000	
Dependent Variable: Total Expenditure						

The growth model of total expenditure of BASIC Bank Ltd. has been shown in the table-11. Over the period 1989 – 2005, the total expenditure of BASIC Bank Ltd. grew positively. The slope coefficient of 0.230 obtained from the growth model of total expenditure of BASIC Bank Ltd. Simply take antilog of 0.230, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.230) – 1 = 0.2586 or about 25.86 percent.

That is, over the study period, the compound growth rate of total expenditure of BASIC Bank Ltd. was about 25.86 percent per year. So, the growth rate of total expenditure of BASIC Bank Ltd. shows the increasing return to scale during the period.

Table No.-12
Growth Rate Model of Net Profit

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R=0.942 R Square= 0.888 Adjusted R square=0.880 Std. Error of the Estimate= 0.644 Durbin-wastson= 0.425 F= 118.771
	B	Std. Error	Beta			
(Constant)	-690.316	63.694		-10.838	.000	
Year (Time)	.348	.032	.976	10.898	.000	
Dependent Variable: Long Term Debt						

The growth model of net profit of BASIC Bank Ltd. has been shown in the table-11. Over the period 1989 – 2005, the net profit of BASIC Bank Ltd. grew positively. The slope coefficient of 0.348 obtained from the growth model of net profit of BASIC Bank Ltd. Simply take antilog of 0.348, subtract 1 from it, and multiply the difference by 100. Thus, in the present case antilog (0.348) – 1 = 0.4162 or about 41.62 percent. That is, over the study period, the compound growth rate of net profit of BASIC Bank Ltd. was about 41.62 percent per year. So, the growth rate of net profit of BASIC Bank Ltd. shows the increasing return to scale during the period.

Conclusion

Growth trends and the compound growth rates of BASIC Bank Ltd. are highly satisfactory during the study period. The study found that all of the selected variables of BASIC Bank Ltd. have the compound growth rates of increasing return to scale. This is possible due to efficient management of working fund through increased deposits, advances, investments, cost control and efficient human resources of the bank.

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