

Performance of Productivity and Profitability – with Special Reference to DCB Bank

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ABSTRACT

The quality of productivity is known with the strength of the board of directors and employees, due to this, it can be done easy to measure and control the upcoming problems in the future of an institution's functions. Sound productivity performance is very helpful for establishing the safe, sound and efficient operation in any organization. It also maintains applicable laws and regulations with effective manner in the organization. With the help of effective productivity efficiency long term survival and sustained growth rate of any bank can be ensure in this competitive era. Each and every planer of bank takes essential and solid decisions which are totally depend on the perception of the risk factor. It tries to ensure the roadmap of vision and goals for the organization and also how it can be achieved significantly. Strong productivity efficiency assigns finest to better quality banks and discount poorly managed ones for betterment in future.

1. Introduction

DCB Bank Limited is a private sector commercial bank headquartered at Mumbai, Maharashtra, India. It has secured twelfth place among all private sector banks running in India as per market capitalization. It offers products to individuals, small and medium businesses, rural banking and mid corporate across the branch network in India. DCB Bank also efficiently serves a client base of NRI customers from over 100 countries across the world.

DCB Bank provides products and services range from loans for small and medium enterprises and mid corporate customers, to loans for individual needs such as home loan, loan against gold, commercial vehicle loan and small business loan to various individuals. DCB Bank saving account provides attractive facilities such as cash back option and personalized account number. Additionally, DCB payless secured credit card is a credit builder card. The Bank is active in online banking, mobile banking, SMS banking and telephone banking.

2. Objectives

The main objective of the study is to know consequence of performance of productivity on profitability of DCB Bank.

3. Research Methodology

- **Scope of the Study:-**This study will provide wider scope to management efficiency and profitability performance of DCB Bank. This will be helpful for its strength and development in future for this bank.
- **Period of the Study:-**This research paper is an attempt of investigative research on productivity and profitability of DCB Bank covering the period of last 5 years i.e. 2013-14 to 2017-18, based on the secondary data sourced from journals, magazines, articles, media reports and annual reports of this bank.
- **Data Collection-** Secondary Data.
- **Statistical Techniques:-**In accordance with the analysis and interpretation averages and various accounting ratios has been used with the help of MS-Excel.

4. Data Analysis and Interpretation

Table-1: Analysis of Key Indicators of DCB Bank

Years	2014	2015	2016	2017	2018	Average
Interest Income (Rs. In Crore)	1128	1422	1698	2076	2413	1747.40
Other Income (Rs. In Crore)	139	166	220	249	310	216.80
Total Income (Rs. In Crore)	1267	1588	1918	2325	2723	1964.20
Interest Expenses (Rs. In Crore)	760	914	1079	1279	1418	1090.00
Advances (Rs. In Crore)	8140	10465	12921	15818	20337	13536.20
Deposits (Rs. In Crore)	10325	12609	14926	19289	24007	16231.20
Total Business (Rs. In Crore)	18465	23074	27847	35107	44344	29767.40
Spread (Rs. In Crore)	368	508	619	797	995	657.40
Total Expenses (Rs. In Crore)	1079	1310	1570	1907	2199	1613.00
Other Operating Expenses (Rs. In Crore)	319	396	491	628	781	523.00

Burden (Rs. In Crore)	180	230	271	379	471	306.20
Net Profit (Rs. In Crore)	151	191	195	200	245	196.40
Number of Employees	2174	3352	4248	4979	5790	4108.60
Number of Branches	130	154	198	262	318	212.40

Source: Compiled and computed from Various Annual Reports of DCB Bank.

Interest income is regularly increasing in this bank with average interest income of Rs. 1747 crore every year during the study period which is very impressive and bank should try to keep it on. Same thing has been found in other income and in total income and this bank has been secured average other income and total income of Rs. 216.80 crore and Rs. 1964.20 crore respectively during the study period. It shows that lending operations and technology based services are increasing every year in this bank.

Advances, deposits and total business are also increasing every year with average Rs. 13536.20 crore, Rs. 16231.20 crore and Rs. 29767.40 crore respectively during the study period.

Interest expenses and other operating expenses are also increasing for earning more money for lending and services related activities; due to this average total expenses have been found of Rs. 1613.00 crore during the study period.

Spread and burden are also increasing every year with average spread of Rs. 657.40 crore and average burden of Rs. 306.20 crore. Since spread is double than burden, due to this, this bank is enjoying better profitability. And net profit is increasing every year with average net profit of Rs. 196.40 crore during the study period. Since operations are increasing in this bank, due to this employees and branches are also increasing with average number of employees 4108.60 per year and average number of branches 212.40 per year during the study period. It shows efficient performance of this bank during the study period.

Table-2: Productivity Analysis of DCB Bank

Years	2014	2015	2016	2017	2018	Average
Advances Per Branches (Rs. In Crore)	62.62	67.95	65.26	60.37	63.95	64.03
Deposits Per Branch (Rs. In Crore)	79.42	81.88	75.38	73.62	75.49	77.16
Business Per Branch (Rs. In Crore)	142.04	149.83	140.64	134.00	139.45	141.19
Income Per Branch (Rs. In Crore)	9.75	10.31	9.69	8.87	8.56	9.44
Expenses Per Branch (Rs. In Crore)	8.30	8.51	7.93	7.28	6.92	7.79
Spread Per Branch (Rs. In Crore)	2.83	3.30	3.13	3.04	3.13	3.09
Burden Per Branch (Rs. In Crore)	1.38	1.49	1.37	1.45	1.48	1.43
Net Profit Per Branch (Rs. In Crore)	1.16	1.24	0.98	0.76	0.77	0.98
Advances Per Employee (Rs. In Crore)	3.74	3.12	3.04	3.18	3.51	3.32
Deposits Per Employee (Rs. In Crore)	4.75	3.76	3.51	3.87	4.15	4.01
Business Per Employee (Rs. In Crore)	8.49	6.88	6.56	7.05	7.66	7.33
Income Per Employee (Rs. In Crore)	0.58	0.47	0.45	0.47	0.47	0.49
Expenses Per Employee (Rs. In Crore)	0.50	0.39	0.37	0.38	0.38	0.40
Spread Per Employee (Rs. In Crore)	0.17	0.15	0.15	0.16	0.17	0.16
Burden Per Employee (Rs. In Crore)	0.08	0.07	0.06	0.08	0.08	0.07
Net Profit Per Employee (Rs. In Crore)	0.07	0.06	0.05	0.04	0.04	0.05

Source: Compiled and Computed from Various Annual Reports of DCB Bank.

Advances per branch, deposits per branch and total business per branch has been found fluctuating during the study period. Same condition has been found in income per branch, expenses per branch, spread per branch, burden per branch and in net profit per branch. It clearly shows the poor performances of some branch during the study period.

Average advances per employee, deposits per employee and total business per employee has been secured by this bank of Rs. 3.32 crore, Rs. 4.01 crore and Rs. 7.33 crore

respectively during the study period, it shows impressive performance of per employee in this bank.

Income per employee is better than expenses per employee, due to these two aspects, better spread per employee, burden per employee and net profit per employee has been secured by this bank during the study period. But it is suggested to this bank for increasing its employee's performance by providing them better reward and facilities because they have the ability to perform better than they have performed during the study period.

Table-3: Profitability Analysis of DCB Bank

Years	2014	2015	2016	2017	2018	Average
Interest Earned Ratio	6.11	6.16	6.10	5.91	5.44	5.94
Interest Paid Ratio	4.12	3.96	3.87	3.64	3.20	3.76
Non-Interest Income Ratio	0.75	0.72	0.79	0.71	0.70	0.73
Other Operating Expenses Ratio	1.73	1.72	1.76	1.79	1.76	1.75
Spread Ratio	1.99	2.20	2.22	2.27	2.24	2.19
Burden Ratio	0.97	1.00	0.97	1.08	1.06	1.02
Profitability	1.02	1.20	1.25	1.19	1.18	1.17

Source: Compiled and Computed from Various Annual Reports of DCB Bank.

In profitability analysis of this bank, it has been found that interest earned ratio has been decreasing from last three years and this bank has been secured average interest income ratio of 5.94 percent during the study period, bank should try to increase it. Interest paid ratio is decreasing regularly every year, it is good sign for this bank and it shows that this bank is trying to reduce useless expenses. Performance of non-interest income ratio has been found fluctuating but bank should try to improve and uniform it and also try to reduce other expenses ratio by controlling the other expenses. Spread ratio has been secured monotonous trend during the study period, it clears that this bank is focused on earning more and more from its lending operations but lending operations are not increasing as it can. Burden ratio has been secured increasing trend in last two years during the study period, it shows that this bank is not properly paying its attention on it. As per the above productivity ratio and profitability ratio analysis it has been found that this bank has been secured only 1.17 percent average profitability during the study period.

5. Findings and Suggestions

Interest expenses and other operating expenses are increasing with increasing in banking operations; bank should try to reduce it. Burden is increasing every year during the study period, bank should try to reduce it for better profit earning in future. Advances per branch, deposits per branch and total business per branch has been found fluctuating during the study period; bank should try to uniform and improve it. Same condition has been found in income per branch, expenses per branch, spread per branch, burden per

branch and in net profit per branch. It clearly shows the poor performances of some branch during the study period, bank should try to point out such branches and closed down it. Changing the management structure will be better option for these types of branches. One thing is also suggested to this bank for increasing its employee's performance; provide them better facilities and reward. It has been found that interest earned ratio has been decreasing from last three years with securing average interest income ratio of 5.94 percent during the study period, bank should try to increase it by improving lending operations. Spread ratio has been secured monotonous trend during the study period, it clears that this bank is focused on earning more and more from its lending operations but lending operations are not increasing as it can. Burden ratio has been secured increasing trend in last two years during the study period, it shows that this bank is not properly paying its attention on it.

After solving above mentioned issues, profitability can be definitely increased in this bank in future.

6. Conclusion

Finally, it is concluded that this bank is performing its duties with proper productivity but not as much it can do in this competitive era. And there is a need for this bank to extreme level of working on its productivity performance because it can increase the average profitability percentage from 1.17 percent to some more extent and this bank's management has the ability for doing this.

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