



PROFITABILITY AND PRODUCTIVITY OF BANK OF INDIA

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Abstract: *The present paper aims to study the profitability and productivity of Bank of India, a scheduled commercial bank established in the year 1907. The bank has opened up new branches, increased the work force which has a direct impact on the business mix and profits and indirect impact on the interest income and non-interest income. The impact of these has been analyzed.*

Keywords: *deposits, advances, interest income, interest expense, non-interest income, total profits.*

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INTRODUCTION

Banking Industry in India mainly consists of scheduled commercial banks and co-operative banks. The primary functions of scheduled commercial bank is to accept deposits from the public and lend to various sectors like agriculture, agriculture and allied activities, various business segments, retail segments, commercial and institutional credit the like. The increase in the deposits increases the interest expense and the increase in advances increases the interest income of the banks. To increase the portfolio of deposits and advances, the selected bank, Bank of India has opened up many branches in the recent past, increased the work force which has an impact on the operating expenses, interest income, non-interest income and finally on the total profits.

OBJECTIVES

The present paper is prepared with an aim to:

1. study the effect of increase in the branches, employees on the operating expenses and total profits.
2. study the trend of interest income and interest expense.
3. compare the growth of interest income and non-interest income.
4. study the share of interest income and non-interest income.

METHODOLOGY

The present study makes use of secondary data collected from Annual reports of Bank of India from 2003-04 to 2012-13. The data has been analyzed using statistical tools like Coefficient of Variation (CV), Linear Growth Rate (LGR) and Compounded Growth rate (CGR).

SCOPE

The scope of the study is limited to Bank of India . The study is restricted to a time bound period of nine years from 2003-04 to 2012-13.

COMPARISON OF BRANCHES, EMPLOYEES, OPERATING EXPENSES AND TOTAL PROFIT OF BANK OF INDIA

The comparison with respect to Branches, Employees, Operating Expenses and Total Profit has been made and the results are presented in the following Table.



TABLE - 1.1

**COMPARISON WITH RESPECT TO BRANCHES, EMPLOYEES, OPERATING EXPENSES AND
TOTAL PROFIT OF BOI OVER A TEN YEAR PERIOD FROM 2003 – 2004 TO 2012 – 2013**

(As on 31st March)

(Rs. In crores)

Year	No. of Branches	Annual Growth Rate (%)	No. of Employees	Annual Growth Rate (%)	Operating Expenses	Annual Growth Rate (%)	Total Profit	Annual Growth Rate (%)
2003-04	2562		42977		1752		1008	
2004-05	2594	1.25	42635	-0.80	1932	10.32	340	-66.28
2005-06	2622	1.08	42206	-1.01	2115	9.46	921	170.97
2006-07	2725	3.93	41511	-1.65	2608	23.32	1665	80.69
2007-08	2883	5.80	40616	-2.16	2645	1.40	2551	53.23
2008-09	3021	4.79	40155	-1.14	3094	16.97	3007	17.88
2009-10	3207	6.16	39676	-1.19	3668	18.55	1741	-42.11
2010-11	3490	8.82	39785	0.27	5068	38.18	2489	42.94
2011-12	4000	14.61	44436	11.69	4941	-2.52	2678	7.59
2012-13	4292	7.30	42346	-4.70	5332	7.91	2749	2.68
MEAN	3139.60		41634.30		3315.46		1914.99	
SD	609.80		1562.85		1362.20		918.16	
CV	19.42		3.75		41.09		47.95	
LGR	6.05		-0.16		13.10		12.83	
CGR	6.02		-0.17		14.36		19.03	

Source: Computed from the data collected from the Annual Reports of BOI from 2003 - 2004 to 2012 - 2013.

Table 1.1 depicts the Comparison with respect to Branches, Employees, Operating Expenses and Total Profit of BOI over a period of ten years from 2003 – 2004 to 2012 – 2013. From the above table it is discernible that the total numbers of branches of BOI are showing an increasing trend throughout the period of study. Their number is less than 3000 for the first five years, and after that their number has been increased to more than 3000. They vary from a minimum of 2562 branches in 2003-2004 to a maximum of 4292 branches in 2012-2013, the mean being 3139.60. The standard deviation (SD) is 609.80 and the CV shows more than 19 per cent of the variation in the number of branches. The LGR and CGR are 6.05 and 6.02 respectively. and show an average growth in the number of bank branches. The annual growth rate of increase in branches is showing a fluctuative trend throughout the period of study. It varies from a minimum of 1.08 per cent in 2005-2006 to a maximum of 14.61 per cent in 2011-2012, i.e., the growth in the number of branches is highest at



14.61 per cent in 2011-2012 and the lowest at 1.08 per cent in 2005-2006. It is showing a decreasing trend from 1.25 per cent in 2004-2005 to 1.08 per cent in 2005-2006. It again increases to its maximum of 14.61 per cent in 2011-2012 and immediately decreased to 7.30 per cent in 2012-2013.

The total number of employees is showing a fluctuative trend in the entire period of study. It varies from a minimum of 39676 persons in 2009-2010 to a maximum of 44436 persons in 2011-2012, the mean being 41634.30. The annual growth rate in the number of employees is positively the highest at 11.69 per cent in 2011-2012 and the lowest at 0.27 per cent in 2010-2011. In certain years, the growth records negative values too. This can be attributed to the fact that the number of employees are retiring and the recruitments are limited and is not coping with the demand.

The table shows that the operating expenses are increasing year after the year, and is showing an increasing trend in the entire period of study except in 2011-2012; where a small dip is observed. They range from a minimum of Rs.1752 crores in 2003-2004 to a maximum of Rs.5332 crores in 2012-2013; the mean operating expenses are Rs.3315.46 crores. The SD is 1362.20 and CV shows more than 41 per cent of variation in the operating expenses. The LGR and CGR are 13.10 and 14.36 respectively and show high operative expenses. The annual growth rate in operating expenses is showing a fluctuative trend throughout the period of study. It varies from a minimum of 1.40 per cent in 2007-2008 to a maximum of 38.18 per cent in 2010-2011. The increase in the average value of their indicator has a negative effect on the bank's performance.

The total profit of BOI is showing a fluctuative trend, and varies from a minimum of Rs.340 crores in 2004-2005 to a maximum of Rs.3007 crores in 2008-2009; the mean profit being Rs.1914.99 crores. In other words, the total profit of BOI is appreciably high in 2008-2009 (Rs.3007 crores), 2012-2013 (Rs.2749 crores), 2011-2012 (Rs.2678 crores) and 2007-2008 (Rs.2551 crores). The SD is 918.16 and the CV is 47.95 per cent. The LGR and CGR is 12.83 and 19.03 respectively which shows high to medium profits. The annual growth rate in total profit is lowest at 2.68 per cent in 2012-2013 and highest at 170.97 per cent in 2005-2006.

INTEREST INCOME OF BANK OF INDIA

The Total Income interest and annual growth rate has been computed and presented in the following table.



TABLE 1.2

**TOTAL INCOME INTEREST AND THE ANNUAL GROWTH RATE OF BOI OVER A TEN YEAR
PERIOD FROM 2003 – 2004 TO 2012 – 2013.**

(As on 31st March)

(Rs. In crores)

Year	Interest Income	Annual Growth Rate (%)
2003-04	5796	
2004-05	6032	4.07
2005-06	7029	16.53
2006-07	9180	30.61
2007-08	12355	34.58
2008-09	16347	32.31
2009-10	17878	9.36
2010-11	21752	21.67
2011-12	28481	30.94
2012-13	31909	12.04
MEAN	15675.83	
SD	9358.96	
CV	59.70	
LGR	19.17	
CGR	22.99	

Source: Computed from the data collected from the Annual Reports of BOI from 2003 - 2004 to 2012 - 2013.

Table 1.2 shows the total income interest and the annual growth rate of interest income of BOI over a ten year period from 2003-2004 to 2012-2013. From the above table it is discernible that the trend of interest income shows an increasing trend throughout the period of study. It varies from a minimum of Rs.5796 crores in 2003-2004 to a maximum of Rs.31909 crores in 2012-2013, the mean value being Rs.15675.83 crores. It is showing an increasing trend from Rs.5796 crores in 2003-2004 to Rs.6032 crores in 2004-2005. It again increases to Rs.7029 crores in 2005-2006, and increased to Rs.9180 crores in 2006-2007. In 2012-2013, it is increased to Rs.31909 crores. Despite the fact that the interest income shows an increasing trend, it is with slower rate in the first five years and at faster rate in the later five years.

The annual growth rate is showing a fluctuative trend in the entire period of study. It ranges from a minimum of 4.07 per cent in 2004-2005 to 34.58 per cent in 2007-2008. It is showing an increasing trend from 4.07 per cent in 2004-2005 to 16.53 per cent in 2005-2006. It again shows an increasing trend from 30.61 per cent on 2006-2007 to 34.58 per cent in 2007-



2008. In 2012-2013 it decreased to 12.04 per cent (Fig.7.3). The standard deviation (SD) is 9358.96 and the CV is 59.70 per cent variation in the interest income. The LGR and CGR are 19.17 and 22.99 respectively and show high growth rate in interest income.

INTEREST EXPENDED OF BANK OF INDIA

The growth of deposits and interest expended are compared and presented in the following table.

TABLE 1.3

INTEREST EXPENDED AND ANNUAL GROWTH RATE OF BOI OVER A TEN YEAR PERIOD
FROM 2003 – 2004 TO 2012 – 2013.

(As on 31st March)

(Rs. In crores)

Year	Interest Expended	Annual Growth Rate (%)
2003-04	3594	
2004-05	3795	5.57
2005-06	4397	15.87
2006-07	5740	30.55
2007-08	8126	41.57
2008-09	10848	33.50
2009-10	12122	11.74
2010-11	13941	15.01
2011-12	20167	44.66
2012-13	22885	13.48
MEAN	10561.53	
SD	6827.97	
CV	64.65	
LGR	20.53	
CGR	24.88	

Source: Computed from the data collected from the Annual Reports of BOI from 2003 -2004 to 2012 - 2013.

Table 1.3 depicts the Interest Expended and Annual Growth Rate of interest expense of BOI over a period of ten years from 2003 – 2004 to 2012 – 2013. From the above table it is known that the interest expended in BOI is showing an increasing trend throughout the period of study. It is increased from Rs.3594 crores in 2003-2004 to Rs.3795 crores in 2004-2005. It still increases to Rs.4397 crores in 2005-2006, and the maximum increase is observed in 2012-2013, i.e., Rs.22885 crores. The mean interest expended is Rs.10561.53 crores.

The annual growth rate of BOI is showing a fluctuative trend throughout the period of



study. It varies from a minimum of 5.57 per cent in 2004-2005 to maximum of 44.66 per cent in 2011-2012. It is showing an increasing trend from 5.57 per cent in 2004-2005 to 15.87 per cent in 2005-2006. It still increases to 41.57 per cent in 2007-2008, and again decreased to 11.74 per cent in 2009-2010. In 2012-2013, it is decreased to 13.48 per cent.

The standard deviation (SD) is 6827.97 and the CV shows around 65 per cent of variation in the interest expended. The LGR and CGR are 20.53 and 24.88 respectively, which show high interest expenses.

COMPARISON BETWEEN INTEREST INCOME AND NON-INTEREST INCOME OF BANK OF INDIA

The Comparison between Interest Income and Non-Interest Income has been made and the results are presented in the following table.

TABLE – 1.4

COMPARISON BETWEEN INTEREST INCOME AND NON-INTEREST INCOME OF BOI OVER A TEN YEAR PERIOD FROM 2003 – 2004 TO 2012 – 2013

(As on 31st March)

(Rs. In crores)

Year	Interest Income	Interest Income To Total Income (%)	Other Income	Non Interest Income To Total Income (%)	Total Income
2003-04	5796	76.38	1792	23.62	7588
2004-05	6032	83.92	1156	16.08	7187
2005-06	7029	85.58	1184	14.42	8213
2006-07	9180	85.45	1563	14.55	10743
2007-08	12355	85.37	2117	14.63	14472
2008-09	16347	84.27	3052	15.73	19399
2009-10	17878	87.23	2617	12.77	20495
2010-11	21752	89.17	2642	10.83	24393
2011-12	28481	89.56	3321	10.44	31802
2012-13	31909	89.44	3766	10.56	35675

Source: Computed from the data collected from the Annual Reports of BOI from 2003 - 2004 to 2012 - 2013.

Table 1.4 presents the comparison between Interest Income and Non-Interest Income of BOI over a period of ten years from 2003 – 2004 to 2012 – 2013. From the above table it is known that the interest income of BOI shows an increasing trend continuously throughout



the period of study. It varies from a minimum of Rs.5796 crores in 2003-2004 to a maximum of Rs.31909 crores in 2012-2013, with slower rate in the first six years and at faster rate in the later four years. The interest income to total income is showing a little fluctuative trend and varies from a minimum of 76.38 per cent in 2003-2004 to a maximum of 89.56 per cent in 2011-2012.

The Non-interest income is showing a fluctuative trend and varies from a minimum of Rs.1156 crores in 2004-2005 to a maximum of Rs.3766 crores in 2012-2013. The non-interest income to total income ranges from a minimum of 10.44 per cent in 2011-2012 to a maximum of 23.62 per cent in 2003-2004 and showing a declining trend.

The total income is showing an increasing trend continuously in the entire period of study except in 2004-2005, where there is a little declining change. It varies from a minimum of Rs.7187 crores in 2004-2005 to a maximum of Rs.35675 crores in 2012-2013.

CONCLUSION

We can conclude the following from our analysis

1. The growth in number of branches is not in line with the growth in number of employees which led staff shortage and may increase the customer service issues in the future.
2. Though the interest income is increasing year on year, there is a huge fluctuation in the growth rate of the interest income.
3. The interest expense is also increasing year on year but is not in line with the interest income which shows that the deposits and advances are not matched properly.
4. The share of non-interest income is decreasing year on year which shows that the bank is not concentrating much on the third party products like bank assurance, sale of gold coins and mutual funds etc.

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