



## Profitability Scenario of Public Sector Development Banks In Bangladesh

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### Abstract

Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) were the two public sector development banks in Bangladesh. The profitability management of public sector development banks in Bangladesh was very inefficient and poor during the ten years period from 1999-2009. The key financial indicators in the annual reports also demonstrate the same scenario of the selected development banks in Bangladesh. It is evident from the analysis and interpretation of collected information that the profitability performance of BSRS was somewhat better than BSB during the period of review. However, the profitability performance of BSRS (avg. 1.5 percent) was discouraging like BSB (avg. 0.14 percent). This situation was due to high burden ratio than spread ratio. In both the cases, the growth in burden ratio was more pronounced than spread ratio leaving a very low or negative profitability ratio. Spread to working fund ratio was too low in both the cases.

### Introduction

Profit and profitability are two separate concepts. Profit is an absolute concept and represents the difference between total income and total expenses of a given accounting period, whereas profitability is a ratio of earnings to the funds used (Saha, 1996). From accounting point of view, 'net profit is the residue arises out of matching expired costs and other losses against realized revenue and other gains' (Mukharjee, 1987). Profit is a matter of necessity and a development bank must earn enough profit for its long term sustainability and future growth. Profit is like a battery, which provides stimulus to a business entity without which the entity would collapse. Profit and profitability play the same role in business as 'blood' and 'pulse' in human body, without adequate blood and ability to generate blood, it may not be possible for the human beings to survive. Similarly, without profit and ability to earn sufficient profit, it is difficult to survive in business. Profit and profitability is thus the backbone of a business entity (Narayani 2003). The framework approved for the analysis is based on income statements of the selected development banks over the period of time. Profit is the difference between income and expenditure of an accounting period. There is thus a clear cut relationship exists between income and expenditure. This specific relationship needs to be thoroughly examined to find out their separate and relative impact on profitability. There is a huge amount of outstanding loans and bad debt in the selected development banks due to poor project appraisal. The report has been lengthy, cumbersome, and mechanically repetitive. Development banks evaluate "5Cs" while judging credit worthiness of the applicant that are- capital, collateral, character, capacity, and coverage. However, poor loan recovery rate testimony inefficient project appraisal and selection of borrowers (Nizami 1999). The time taken for project implementation is extremely long. The average time taken is 46 months as against the norm of 18 months only (Sobhan and Ahsan, 1986). The development banks have also a huge amount of overdue loan with a gradual increasing trend over the period (Bari, 2004). In the context of globalization, the role of development banks is more emphasized. Historically public sector development banks have been playing an important role in the industrialization process of the country. For quick industrialization of Bangladesh, development financing institutions specially development banks must act positively and play their role effectively and efficiently. So, their individual and comparative performance needs to be thoroughly and critically examined and evaluated for their more activate involvement in the development drama of the country. The study covered a period of 10-years ranging from 1999-2009. The base year of the study is 1999-2000 and the concluding year is 2008-2009. Primary or first hand information has been collected through field visit. An open ended interview schedule has been prepared for the executives of the selected development banks for conducting face to face interview with them regarding different aspects of their operational performance, and portfolio management. Secondary information has been collected from published and unpublished reports & documents of BSB, BSRS, SEC, Ministry of Finance, Bangladesh Bank, World Bank and other organizations. Some secondary data have also been collected from published articles, seminar papers, dissertations, research reports, monographs, etc. Collected information has been checked, arranged, tabulated and presented in tabular form for statistical and financial analysis.

### I. Background of Development Banks in Bangladesh

Development Banks are a particular type of development financing institutions. They provide term credit for

industrial development of a country. The primary role of development banks is to provide loan and equity capital supported by technical assistance to investors. There were two public sector development Banks in Bangladesh. These are Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS). Recently these two organizations have been merged into one in the name of Bangladesh Development Bank Limited (BDBL).

**A. Bangladesh Shilpa Bank (BSB):** Bangladesh Shilpa Bank has its origin in the early days of Pakistan. An industry needs, besides working capital, fixed capital for the acquisition of land, construction of buildings, purchase of capital equipment, etc. Although by 1957, a net work of commercial bank had been established to meet the industrial working capital needs in the country, the facilities for raising fixed capital were inadequate. Pakistan Industrial Finance Corporation was, later on, converted into the Industrial Development Bank of Pakistan on 01 August 1961 under the Industrial Development Bank Ordinance, 1961 for providing medium and long term credit facilities to the industrial concerns, both existing and new ones, engaged in the manufacture, preservation or processing of goods and mining and generation of power. As a consequence of the emergence of Bangladesh in 1971 the Regional Office of Industrial Development Bank of Pakistan was upgraded into Head Office and was renamed as Industrial Development Bank of Bangladesh through taking over the assets and liabilities of Industrial Development Bank of Pakistan. After the independence of Bangladesh in 1972, the Industrial Development Bank of Bangladesh was again renamed as Bangladesh Shilpa Bank (BSB) in October 31, 1972 through the promulgation of Bangladesh Shilpa Bank Order, 1972 (President's Order No. 129 of 1972). In June, 2009 it was its Head Office Dhaka, 3 Zonal Office, 15 Branches Office along with 674 employees, both authorized and paid up capital were the amount stood at Tk. 2000 million. The paid up capital was fully subscribed by the government. (BSB Order: 1972)

**B. Bangladesh Shilpa Rin Sangstha (BSRS):** Bangladesh Shilpa Rin Sangstha (BSRS) established on 31 October 1972 by the President's Order No. 128 of 1972 to provide credit facilities and other assistance to industrial concerns and to encourage and broaden the base of investment of Bangladesh. As a successor of Pakistan Industrial Credit & Investment Corporation (PICIC), BSRS inherited several projects financed by it. Pakistan Industrial Finance Corporation which had been in operation since 1949 was doing quite useful work but its operations were restricted to rupee loans. Pakistan Industrial Credit and Investment Corporation (PICIC) were established in 1957 to fill the gaps. PICIC embodies the theory and practice of development banking as it had evolved under the influence of World Bank which, in fact, had closely assisted in its establishment and growth. Thus PICIC is a privately Owned Development Bank established with the support of the Government and the World Bank.

BSRS was vested with the undertaking of the Pakistan Industrial Credit and Investment Corporation Limited (PICIC), Investment Corporation of Pakistan (ICP), and National Investment Trust (NIT) located in Bangladesh. Later, on 16 March 1987, The Investment Advisory Center of Bangladesh (IACB) was merged with BSRS. In June, 2009 it was its Head Office and two branches Office in Dhaka along with 239 employees, both authorized and paid up capital were the amount stood at Tk. 2000 million and Tk.700 million respectively. The paid up capital was fully subscribed by the government. (BSRS Order: 1972).

## II. Determinants of Profitability

There are a number of factors, which have significant bearing on the profitability of a bank. Some of the important factors are interest income, interest expenses, non-interest expenses, operating expenses, return on investments, return on advances, and the like. However, the determinants of profitability which can be easily quantified and are important for financial analysis can be broadly classified as: Spread and Burden.

Profit of a development bank is determined and influenced by two broad factors – spread and burden. In fact profit or loss is the net result of deducting burden from spread. An increase in profit may be the result of increasing spread or decreasing burden. Spread is the difference between interest earned and interest paid, which are purely the prices of fund lend and hired by the bank relevant to its basic functions. An analysis of the spread would indicate the trend of its earning and expenditure related to mobilization and lending of funds and the net result of the same towards profit performance of the bank.

The second determined of profit namely, burden has been defined as the difference between non-interest expenditure and non-interest income of a development bank. Non-interest expenses comprises of operating expenses, provisions and contingencies, taxes and the like. **Spread:** Spread is the difference between interest earned and interest paid, plays a significant role in determining the profitability of banks particularly development bank. High positive spread suggests a huge amount of money is available to a bank for meeting it's operating, administrative and management expenses. If we want to examine the profitability performance of a development bank, we should study the magnitude of its spread in relation to its working fund. **Burden:** Burden is the difference between non interest expenditure and non interest income of a bank. Burden represents the amounts of non interest expenditure; which is not covered by non interest income of a bank. Burden is the combination of establishment expenditure and other expenses of banks minus other incomes (consisting of commission, exchange, brokerage and other miscellaneous receipts). Profit of a development bank is determined and influenced mainly by two broad factors-spread and burden. In fact, profit is the net result arrived at after deducting burden from spread. Non interest

expenditure comprises of operating expenses, provisions and contingences, tax and the like which are influenced by staff composition and salary structure, general administration policies, nature and volume of business, systems and procedure, tax rates, loan losses and other contingencies. Burden ratios of BSB and BSRS are presented below to highlight the impact of burden on different relevant variables including working fund.

#### A. Evaluation of Profitability

This section is divided into two subsections. The first subsection presents the analysis and evaluation of important profitability ratios in order to highlight the profitability performance of BSB and BSRS using different variables as denominators in relation to absolute amount of profit as numerator of the ratios.

**Table I Spread to Working Fund in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	1.41	0.57
2000-01	3.39	0.80
2001-02	2.84	0.97
2002-03	3.89	1.40
2003-04	3.02	1.99
2004-05	5.55	2.53
2005-06	4.55	4.07
2006-07	4.75	4.13
2007-08	4.90	4.82
2008-09	4.05	3.95
Total	38.35	25.23
Average	3.83	2.52
SD	1.21	1.60
CV	31.59	63.38

Annual Reports of BSB and BSRS

Against the above background table I reveal that the ratio of spread to working fund in BSB and BSRS had a fluctuating but increasing trend over the period of review. In BSB, it was ranging between 1.41 percent in 1999-00 and 4.90 percent in 2007-08 with an average of 3.83 percent. In BSRS, it ranged between 0.57 percent in 1999-00 and 4.82 percent in 2007-08 with an average of 2.52 percent. Thus the average ratio of spread to working fund was somewhat better in BSB (3.83 percent) than BSRS (2.52 percent). Year to year fluctuation in the ratio was higher in BSRS (C.V 63.38 percent) than BSB (C.V. 31.59 percent). On the whole the inference is that the spread to working fund ratio was too low in both the cases and as such their profitability performance was either negative or very poor during the whole period of review.

**Table II Spread to Total Income in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	35.43	56.86
2000-01	78.13	61.01
2001-02	78.51	65.10
2002-03	74.77	52.78
2003-04	83.44	65.74
2004-05	82.73	56.39
2005-06	74.59	60.17
2006-07	79.86	60.94
2007-08	65.17	62.36
2008-09	68.25	51.82
Total	720.88	593.17
Average	72.09	59.32
SD	14.14	4.76
CV	19.62	8.02

Annual Reports of BSB and BSRS

Table II Present spread as percentage of total operating income in BSB and BSRS during the period of review. It is evident from the table that the ratio in BSB increased from 35.43 percent in 1999-2000 to 68.25 percent in 2008-09 with high fluctuation from year to year. The lowest ratio was in 1999-00 at 35.43 percent and highest in 2003-04 at 83.44 percent with an average of 72.09 percent. In BSRS, it increased from 56.86 percent in 1999-00 to 51.82 percent in 2008-09 with high fluctuation from year to year. The lowest ratio was in 2002-03 at 52.78 percent and highest in 2003-04 at 65.74 percent with an average of 59.32 percent. Year to year fluctuation was higher in

BSB (CV 19.62 percent) and lowest in BSRS (CV 8.02 percent). The inference that can be drawn from the above analysis is that non interest income had a declining trend and interest income had an increasing trend in both the enterprises during the period of review.

**Table III Interest Income to Total Income in BSB and BSRS during 1999-2009**  
(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	91.17	85.52
2000-01	91.85	84.22
2001-02	93.69	81.5
2002-03	85.2	62.67
2003-04	91.75	71.16
2004-05	89.78	62.53
2005-06	83.94	66.4
2006-07	88.00	66.73
2007-08	71.92	69.05
2008-09	68.25	51.64
Total	855.55	701.42
Average	85.56	70.14
SD	8.74	10.79
CV	10.22	15.38

Annual Reports of BSB and BSRS

Table III presents interest income to total income in BSB and BSRS during the period of review. It is evident from the table that the ratio had a fluctuating but decreasing trend in both the organizations. In BSB, it ranged between 71.92 percent in 2007-08 and 93.69 percent in 2001-02 with an average of 85.56 percent. In BSRS, it ranged between 51.64 percent in 2008-09 and 85.52 percent in 1999-00 with an average of 70.14 percent. Year to year fluctuation was higher in BSRS (CV 15.38 percent) than BSB (CV 10.22 percent). Thus interest income as percentage of total income was higher in BSB (avg. 85.56 percent) than BSRS (avg. 70.14 percent), but in both the cases it had a decreasing trend over the period.

**Table IV Interest Expense to Working Fund in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	2.22	0.29
2000-01	0.59	0.3
2001-02	0.55	0.25
2002-03	0.54	0.26
2003-04	0.3	0.16
2004-05	0.47	0.28
2005-06	0.57	0.42
2006-07	0.48	0.39
2007-08	0.51	0.52
2008-09	0.51	0.61
Total	6.74	3.48
Average	0.67	0.34
SD	0.55	0.14
CV	81.48	39.28

Annual Reports of BSB and BSRS

Table IV represent that the interest expenses were higher in BSB than BSRS during the period of study. In BSB, it ranged between 0.30 percent in 2003-04 and 2.22 percent in 1999-00 with an average of 0.67 percent. In BSRS, it ranged between 0.16 percent in 2003-04 and 0.61 percent in 2008-09 with an average of 0.34 percent. Year to year fluctuation was higher in BSB (CV 81.48 percent) than BSRS (CV 39.28 percent). Thus Interest expenses in relation to working fund were more than 2.5 times in BSB than in BSRS. As such the profitability performance of BSB was lower than BSRS during the period of study.

**Table V Interest Income to Working Fund in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	3.63	0.86
2000-01	3.98	1.1
2001-02	3.39	1.22
2002-03	4.43	1.66
2003-04	3.32	2.15
2004-05	6.02	2.81
2005-06	5.12	4.5
2006-07	5.23	4.52
2007-08	5.41	5.34
2008-09	4.56	4.57
Total	45.09	28.73
Average	4.50	2.87
SD	0.93	1.71
CV	20.53	59.45

Annual Reports of BSB and BSRS

Table V presents interest income to working fund in BSB and BSRS during 1999-09. It is evident from the table that interest income to working fund was higher in BSB than in BSRS. In BSB, it ranged between 3.32 percent in 2003-04 and 6.02 percent in 2004-05 with an average of 4.50. In BSRS, it ranged between 0.86 percent in 1999-2000 and 5.34 percent in 2007-08 with an average of 2.87 percent. Year to year fluctuation was higher in BSRS (CV 59.45) than BSB (CV 20.53). Though interest income in BSB is higher than BSRS, as such the profitability performance of BSB was lower than BSRS during the period of review.

**Table VI Spread to Total Advances in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	1.52	0.60
2000-01	3.82	0.85
2001-02	3.36	1.03
2002-03	5.02	1.65
2003-04	3.84	2.48
2004-05	6.64	4.25
2005-06	6.64	7.81
2006-07	7.78	8.81
2007-08	7.00	10.72
2008-09	5.41	8.84
Total	51.03	47.04
Average	5.10	4.70
SD	1.96	3.94
CV	38.48	83.69

Annual Reports of BSB and BSRS

Table VI presents the ratio of spread to total advances in BSB and BSRS during the period of study. The table reveals that in both the cases the ratio had an uninterrupted increasing trend during the period of review. But the rate of increase was more pronounced in BSB than BSRS. In BSB, the ratio increased from 1.52 percent in 1999-00 to 7.00 percent in 2007-08 with an average of 5.10 percent. The highest increase was in 2006-07 at 7.78 percent. In BSRS, it increased from 0.60 percent in 1999-00 to 8.84 percent in 2008-09 with an average of 4.70 percent. The highest increase was in 2007-08 at 10.72 percent. Year to year fluctuation was also higher in BSRS (C 83.69 percent) than BSB (C.V. 38.48 percent).

The following section presents net profit ratios of BSB and BSRS over the period of study. The ratio of net profit to working fund is an essential measure to determine the profitability performance of a development bank. This ratio reflects the level of efficiency with which a bank deploys its total resources so as to maximize its profits and thus an index to the degree of assets utilization by the bank. Net profit of a development bank is, what remains out of the total income after meeting all the expenses associated with realizing that income, whereas 'working fund' implies balance sheet total less contra items (Sujit Kumar, 1996).

**Table VII Net Profit to Spread in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB%	BSRS%
1999-00	-940.58	41.18
2000-01	85.46	46.70
2001-02	79.15	54.48
2002-03	83.98	70.04
2003-04	63.45	56.14
2004-05	-38.26	00
2005-06	61.85	47.26
2006-07	14.32	56.94
2007-08	46.27	61.14
2008-09	45.43	70.52
Total	-498.93	504.40
Average	-49.89	56.04
SD	315.20	10.13
CV	-631.75	18.07

Annual Reports of BSB and BSRS

Table VII shows net profit to spread ratio in BSB and BSRS during the study period. Net profit to spread ratio in BSB was ranging between (-) 940.58 percent in 1999-00 and 85.46 percent in 2000-01 with an average of (-) 49.89 percent. The ratio in BSB was negative in 2 out of 10 years of study. Even the average ratio was negative. This situation suggests very poor profitability management of BSB during the study period. In BSRS, it was ranging between 41.18 percent in 1999-00 and 70.52 percent in 2008-09 with an average 56.04 percent. Year to year fluctuation was higher in BSB (C.V. -631.75 percent) than BSRS (C.V. 18.07 percent). Thus on the whole the operational performance of BSB and BSRS during the whole period of study was poor.

**Table VIII Net Profit to Total Advances in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB%	BSRS%
1999-00	-14.32	1.01
2000-01	3.26	1.31
2001-02	2.66	1.5
2002-03	4.22	2.65
2003-04	3.06	3.02
2004-05	-2.54	00
2005-06	-4.68	6.77
2006-07	0.97	6.78
2007-08	3.24	6.55
2008-09	2.46	6.22
Total	-1.67	40.31
Average	-0.17	4.03
SD	5.73	2.41
CV	-3420.72	59.81

Annual Reports of BSB and BSRS

Table VIII presents net profit to total loan and advances ratio in BSB and BSRS during the study period. The average ratio in BSB was negative at (-) 0.17 percent. The ratio was negative in 3 out of 10 years of study. This situation suggests poor operation performance of BSB during the whole period of study. In BSRS, the ratio was ranging between 1.01 percent in 1999-00 and 6.78 percent in 2006-07 with an average of 4.03 percent. Thus very low average ratio suggests poor performance of BSRS in generating income through extending loans and advances. Year to year fluctuation was higher in BSB (C.V. -3420.72 percent) than in BSRS (C.V. 59.81 percent).

**Table IX Net Profit to Total Income in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB%	BSRS%
1999-00	-388.58	23.41
2000-01	66.8	28.49
2001-02	62.14	35.47
2002-03	62.79	36.97
2003-04	52.95	36.91
2004-05	-31.65	00
2005-06	47.68	28.44
2006-07	72.04	34.7
2007-08	39.52	38.13
2008-09	31.00	36.54
Total	14.69	299.06
Average	1.47	29.91
SD	140.25	11.57
CV	9547.31	38.70

Annual Reports of BSB and BSRS

Table IX Presents net profit to total income in BSB and BSRS during the period of review. It is observed that in BSB, it was negative in 2 out of 10 years of study. In BSB, it was ranging between (-) 388.58 percent in 1999-00 and 62.79 percent in 2002-03 with an average 1.47 percent. In BSRS, it was ranging between 0.00 percent in 2004-05 and 38.13 percent in 2007-08 with an average of 29.91. Thus net profit to total income ratio was to some extent higher in BSRS than BSB over the period of review.

**Table X Non Interest Income to Working Fund of BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	0.35	0.15
2000-01	0.35	0.21
2001-02	0.23	0.28
2002-03	0.30	0.99
2003-04	0.30	0.87
2004-05	0.69	1.68
2005-06	0.98	2.27
2006-07	0.71	2.25
2007-08	2.11	2.38
2008-09	1.86	3.68
Total	7.88	14.76
Average	0.79	1.48
SD	0.68	1.17
CV	85.97	79.39

Annual Reports of BSB and BSRS

Table X presents non interest income to total working fund in BSB and BSRS during the period of review. It is observed that the ratio had a fluctuating but increasing trend in both the cases. In BSB, it ranged between 0.23 percent in 2001-02 and 2.11 percent in 2007-08 with an average of 0.79 percent. In BSRS, it increased from 0.15 percent in 1999-00 to 3.68 percent in 2008-09 with an average of 1.48 percent. Year to year fluctuation was higher in BSB (CV 85.97) than BSRS (CV 79.39 percent). Thus in both the cases non interest income to working fund was too low, which also testimonies poor operational performance.

**Table XI Non Interest Expense to Working Fund of BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	13.76	0.48
2000-01	0.84	0.64
2001-02	0.82	0.72
2002-03	0.92	1.41
2003-04	1.4	1.74
2004-05	8.36	4.21
2005-06	8.93	4.41
2006-07	4.78	4.03
2007-08	4.74	4.25
2008-09	4.07	4.84
Total	48.62	26.73
Average	4.86	2.67
SD	4.33	1.81
CV	89.03	67.88

Annual Reports of BSB and BSRS

Table **XI** presents non interest expenses to working fund in the selected DBs during the period of review. It is observed that non interest expenses to working fund had a fluctuating trend in BSB ranging from 0.82 percent in 2001-02 to 13.76 percent in 1999-00 with an average of 4.86 percent. In BSRS it was ranging between 0.48 in 199-00 and 4.84 percent in 2008-09 with an increasing trend over the period. Year to year fluctuation was also higher in BSB (CV 89.03 percent) than BSRS (CV 67.88 percent).

**Table XII Burden to Working Fund of BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-2000	13.41	0.33
2000-01	0.49	0.43
2001-02	0.59	0.44
2002-03	0.62	0.42
2003-04	1.10	0.87
2004-05	7.67	2.53
2005-06	7.95	2.14
2006-07	4.07	1.78
2007-08	2.63	1.87
2008-09	2.23	1.16
Total	40.76	11.97
Average	4.08	1.197
SD	4.30	0.82
CV	105.48	68.69

Annual Reports of BSB and BSRS

Table **XII** shows that the burden ratio of BSB was higher (avg. 4.08 per cent) than BSRS (avg.1.197percent). This implies that the rate of recovery of non-interest income i.e., ancillary business income was to some extent better in case of BSRS than BSB during the whole period of review. In both the cases the burden ratio had an increasing trend over the period. Thus non interest expenses had increased more than the non interest income in both the cases during the period of study. However, year to year fluctuation in the ratio was higher in BSB (C. V. 105.48 percent) than BSRS (C. V. 68.69 percent).



**Table XIII Burden to Total Income of BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB %	BSRS %
1999-00	760	46.88
2000-01	13.13	42.35
2001-02	22.68	34.06
2002-03	14.88	17.54
2003-04	37.2	30.49
2004-05	123.06	60.07
2005-06	31.39	33.84
2006-07	48.32	27.85
2007-08	47.25	25.99
2008-09	55.48	15.28
Total	1153.39	334.35
Average	115.339	33.44
SD	228.68	13.53
CV	198.26	40.47

Annual Reports of BSB and BSRS

Table **XIII** presents burden to total income of BSB and BSRS during the study period. It is observed that burden to total income ratio in BSB ranged between 13.13 percent in 2000-01 and 760.0 percent in 1999-00 with an average of 115.34. In BSRS, it ranged between 17.54 percent in 2002-03 to 60.07 percent in 2004-05 with an average of 33.44 percent. Thus burden as percentage of total income was higher in case BSRS than BSB over the period of review. But year to year fluctuation was higher in BSB (C.V. 198.26 percent) than BSRS (C.V. 40.47 percent).

**Table XIV Burden to Total Advances of BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB%	BSRS%
1999-00	14.45	0.36
2000-01	0.55	0.45
2001-02	0.70	0.45
2002-03	0.80	0.49
2003-04	1.57	1.09
2004-05	9.18	4.25
2005-06	2.53	4.12
2006-07	3.76	3.79
2007-08	4.68	4.16
2008-09	4.40	2.61
Total	42.63	21.78
Average	4.26	2.18
SD	4.44	1.77
CV	104.05	81.15

Annual Reports of BSB and BSRS

As is evident from table **XIV** that burden as percentage of total advances in BSB was ranging between 0.55 percent in 2000-01 to 14.45 percent in 1999-00 with an average of 4.26 percent. In BSRS, it was ranging between 0.36 percent in 1999-00 to 4.16 percent in 2007-08 with an average of 2.18 percent. Year to year fluctuation was higher in BSRS (C.V 104.05 percent) than BSB (C.V 81.15 percent). Thus burden to total advances had an increasing trend in both the organizations over the period of review.

**Table XV Manpower Expense to Net Profit in BSB and BSRS during 1999-2009**

(Amount in million per 100 taka)

Year	BSB%	BSRS%
1999-00	-3.42	91.85
2000-01	17.57	63.02
2001-02	22.77	47.71
2002-03	18.77	46.53
2003-04	36.84	42.22
2004-05	-68.93	00
2005-06	53.36	47.29
2006-07	42.86	46.98
2007-08	70.35	37.41
2008-09	94.49	44.22
Total	284.66	467.23
Average	28.47	51.91
SD	44.42	16.49
CV	156.05	31.75

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Table XV presents manpower expenses as percentage of net profit in BSB and BSRS during the period of review. In BSB the ratio was negative in 2 out of 10 years of study, because in these years the operational performance of the organization was negative. In BSB, The average ratio was 28.47 as against 51.91 in BSRS. Year to year fluctuation also higher in BSB (C.V. 156.05 percent) than BSRS (C.V. 31.75 per cent)

**Table XVI Recent Trends of Profitability in BSB and BSRS during 1999-2009**

(Amount of million Per 100 taka)

Year	BSB					BSRS				
	Total net profit (MBDTK)	Index	Net Profit per employee	Net Profit to asset ratio	Net profit to capital ratio	Total Net Profit (MBDTK)	Index	Net Profit per employee	Net Profit to asset Ratio	Net Profit To capital ratio
1999-00	-3560.03	100	-4.05	-14.83	-269.7	44.42	100	0.23	0.24	6.35
2000-01	675.98	-18.99	0.79	2.75	51.21	69.12	155.60	0.36	0.37	9.87
2001-02	528.18	78.14	0.64	2.14	40.01	92.66	134.06	0.51	0.52	13.24
2002-03	692.98	131.2	0.87	3.11	52.5	82.52	89.06	0.46	0.98	11.79
2003-04	394.15	56.88	0.51	1.82	19.71	86.16	104.41	0.36	1.12	12.31
2004-05	-226.36	-57.43	-0.3	-1.62	-11.32	00	00	00	00	00
2005-06	335.05	148.01	0.46	2.64	16.75	85.85	00	0.36	1.91	12.26
2006-07	497.92	148.61	0.67	0.64	24.9	105.78	123.21	0.44	2.34	15.11
2007-08	248.38	49.88	0.36	2.12	16.28	137.17	129.67	0.57	2.94	19.6
2008-09	198.37	79.86	0.3	1.72	9.92	135.27	98.61	0.57	2.76	19.32
Total	-215.38	420.14	0.25	0.49	-49.74	838.95	934.6	3.86	13.18	119.85
Average	-21.54	42.01	0.05	0.05	-4.97	93.22	93.5	0.77	1.46	13.32
SD	1271.62	91.54	1.47	5.40	95.02	29.66	53.1	0.11	1.05	4.24
CV	-5904.07	217.88	3231.42	11021.41	1910.18	31.82	56.8	14.58	71.47	31.82

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Note: MBDTK- Million of Bangladesh Taka

Table XVI presents recent trends in profitability of BSB and BSRS. In BSB, the absolute amount of net profit was negative in 2 out of 10 years of study. Even the average net profit over the period was negative at (-) Tk. 21.54 million. Net profit per employee was ranging between (-) Tk. 4.05 million in 1999-00 and Tk. 0.87 million in 2002-03 with an average of Tk. 0.02 million. Thus net profit per employee had a fluctuating but decreasing trend over the period. Net profit to total assets ratio was also negative in 2 out of 10 years of study. It fluctuated between (-) Tk. 14.83 million in 1999-00 and Tk. 0.64 million in 2006-07 with an average of Tk. 0.50 million. Recent trends of profitability in BSB testimony poor profitability performance of the entity over the period of study.

In BSRS, the absolute amount of net profit increased from Tk. 44.42 in 1999-00 to Tk. 135.27 or 3.05 times in 2008-09. The average amount of net profit over the period was Tk. 93.22 million or 2.09 times over the period. Net profit per employee was ranging between Tk. 0.23 million in 1999-00 and Tk. 0.57 million in 2008-09 with an average of Tk 0.77 million. Thus net profit per employee in BSRS had an increasing trend over the period of study. Net profit to assets ratio had also a growing trend in BSRS during the period. It was increased from Tk. 0.24 million in 1999-00 to Tk. 2.94 million or 12.25 times in 2007-08 with an average of Tk. 1.46 million or 5.9 times over the

period. Net profit to capital ratio was also an increasing trend over the period. It increased from 6.35 percent in 1999-00 and 19.32 percent in 2008-09 with an average of 13.32 percent. Thus all the indicators of recent trends in profitability demonstrate better performance in BSRS than BSB over the period of study.

## Conclusion

The profitability performance of BSRS was somewhat better than BSB during the period of review. In spite of better profitability performance of BSRS than BSB, the profitability position of BSRS was not so encouraging. In both the enterprises, growth in burden ratio was more pronounced than spread ratio leaving a very poor profitability ratio. Most of the profitability ratios had a fluctuating but decreasing trend over the period. Contrarily, most of the expenses ratios and the burden ratios had an increasing trend over the period of study. Consequently, the profitability performance was poor in both the entities. The analysis of profitability model reveals the same scenario of poor profitability of both the enterprises. The main reasons for poor profitability performance were huge increase in manpower expenses, other expenses and baddebt loss during the study period.

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