



## PRODUCTIVITY AND PROFITABILITY ANALYSIS OF INDUSIND BANK

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### ABSTRACT :

*As we all know that sound productivity and profitability of any bank ensures long term financial health and reliability of customers for any particular bank. These things are significant for shareholders, depositors, employees and for whole economy. In this paper, an effort has been made to analysis of productivity and profitability of Indusind Bank (which is fifth largest private sector bank operating in India). It is considered that sound productivity and profitability of any bank is required for increasing beliefs of the customers for the banks and also beneficial for capital increment in future. It also helps in supporting present and future operations of the institutions. The assessment of productivity and profitability of Indusind Bank has been done by using various accounting ratios.*



**KEYWORDS :** Productivity, Shareholders, Profitability.

### I. INTRODUCTION

Indusind Bank is fifth biggest private sector banks right now as per market capitalization headquartered at Mumbai. It provides various personal banking services like insurance, cards, loans, deposits etc which all commercial banks generally doing in India. Additionally, it also provides electronic banking services and products to the customers (19Ma).

This bank is established in the year 1994. IndusInd Bank has been owned by Hinduja Group. The bank employs over 25314 employees and has a network of 25314 branches across the country in the year 2017. This bank has some international offices in London and Dubai. IndusInd Bank is known as for its strong remittances business. The bank has an exceptionally strong business base in metro cities like Mumbai, Delhi, and Chennai in India (19ma2).

### II. OBJECTIVES

The main objective of the study is to know effect of productivity on profitability of Indusind Bank.

### III. RESEARCH METHODOLOGY

- **Scope of the Study:**-This study will provide wider scope to productivity and profitability of Indusind Bank. This will be helpful for its strength and development in future.
- **Period of the Study:**-This research paper is an attempt of investigative research on productivity and profitability of Indusind Bank covering the period of last 12 years i.e. 2005-06 to 2016-17, 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.

#### IV. DATA ANALYSIS AND INTERPRETATION

**Table-1: Productivity and Profitability Analysis of Indusind Bank**

Productivity	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Interest Income (Rs. In Crore)	1188	1500	1881	2310	2707	3589	5359	6983	8254	9692	11871	14406	5811.67
Other Income (Rs. In Crore)	189	244	298	456	554	714	1012	1363	1891	2404	3297	4171	1382.75
Total Income (Rs. In Crore)	1377	1744	2179	2766	3261	4303	6371	8346	10145	12096	15168	18577	7194.42
Interest Expenses (Rs. In Crore)	873	1229	1580	1850	1821	2213	3655	4750	5363	6272	7355	8343	3775.33
Advances (Rs. In Crore)	9310	1108	1279	1577	2055	2616	3506	4432	55102	68788	88419	113081	41704.33
Deposits (Rs. In Crore)	15006	17645	19037	22110	26710	34365	42362	54117	60502	74134	93000	126572	48796.67
Total Business (Rs. In Crore)	24316	28729	31832	37881	47261	60531	77426	98438	115604	142922	181419	239653	90501.00
Spread (Rs. In Crore)	315	271	301	460	886	1376	1704	2233	2891	3420	4516	6063	2036.33
Total Expenses (Rs. In Crore)	1190	1573	1982	2397	2557	3222	4998	6506	7548	8998	11027	13126	5427.00
Other Operating Expenses (Rs. In Crore)	317	344	402	547	736	1009	1343	1756	2185	2726	3672	4783	1651.67
Burden (Rs. In Crore)	128	100	104	91	182	295	331	393	294	322	375	612	268.92
Net Profit (Rs. In Crore)	36	68	75	148	350	577	803	1,061	1,408	1,794	2,286	2,868	956.17
Number of Employees	2365	2613	2869	4251	5383	7008	9370	11502	15590	19121	23060	25314	10703.83
Number of Branches	137	170	180	180	210	300	400	500	602	801	1,000	1,200	473.33
Advances Per Branch (Rs. In Crore)	67.96	65.20	71.08	87.62	97.86	87.22	87.66	88.64	91.53	85.88	88.42	94.23	84.44
Deposits Per Branch (Rs. In Crore)	109.53	103.79	105.76	122.83	127.19	114.55	105.91	108.23	100.50	92.55	93.00	105.48	107.44
Business Per Branch (Rs. In Crore)	177.49	168.99	176.84	210.45	225.05	201.77	193.57	196.88	192.03	178.43	181.42	199.71	191.89

Income Per Branch (Rs. In Crore)	10.05	10.26	12.11	15.37	15.53	14.34	15.93	16.69	16.85	15.10	15.17	15.48	14.41
Expenses Per Branch (Rs. In Crore)	8.69	9.25	11.01	13.32	12.18	10.74	12.50	13.01	12.54	11.23	11.03	10.94	11.37
Spread Per Branch (Rs. In Crore)	2.30	1.59	1.67	2.56	4.22	4.59	4.26	4.47	4.80	4.27	4.52	5.05	3.69
Burden Per Branch (Rs. In Crore)	0.93	0.59	0.58	0.51	0.87	0.98	0.83	0.79	0.49	0.40	0.38	0.51	0.65
Net Profit Per Branch (Rs. In Crore)	0.26	0.40	0.42	0.82	1.67	1.92	2.01	2.12	2.34	2.24	2.29	2.39	1.57
Advances Per Employee (Rs. In Crore)	3.94	4.24	4.46	3.71	3.82	3.73	3.74	3.85	3.53	3.60	3.83	4.47	3.91
Deposits Per Employee (Rs. In Crore)	6.35	6.75	6.64	5.20	4.96	4.90	4.52	4.71	3.88	3.88	4.03	5.00	5.07
Business Per Employee (Rs. In Crore)	10.28	10.99	11.10	8.91	8.78	8.64	8.26	8.56	7.42	7.47	7.87	9.47	8.98
Income Per Employee (Rs. In Crore)	0.58	0.67	0.76	0.65	0.61	0.61	0.68	0.73	0.65	0.63	0.66	0.73	0.66
Expenses Per Employee (Rs. In Crore)	0.50	0.60	0.69	0.56	0.48	0.46	0.53	0.57	0.48	0.47	0.48	0.52	0.53
Spread Per Employee (Rs. In Crore)	0.13	0.10	0.10	0.11	0.16	0.20	0.18	0.19	0.19	0.18	0.20	0.24	0.17
Burden Per Employee (Rs. In Crore)	0.05	0.04	0.04	0.02	0.03	0.04	0.04	0.03	0.02	0.02	0.02	0.02	0.03
Net Profit Per Employee (Rs. In Crore)	0.02	0.03	0.03	0.03	0.07	0.08	0.09	0.09	0.09	0.09	0.10	0.11	0.07
<b>Profitability</b>													
Interest Earned Ratio	4.89	5.22	5.91	6.10	5.73	5.93	6.92	7.09	7.14	6.78	6.54	6.01	6.19
Interest Paid Ratio	3.59	4.28	4.96	4.88	3.85	3.66	4.72	4.83	4.64	4.39	4.05	3.48	4.28
Non-Interest Income Ratio	0.78	0.85	0.94	1.20	1.17	1.18	1.31	1.38	1.64	1.68	1.82	1.74	1.31
Other Operating Expenses Ratio	1.30	1.20	1.26	1.44	1.56	1.67	1.73	1.78	1.89	1.91	2.02	2.00	1.65
Spread Ratio	1.30	0.94	0.95	1.21	1.87	2.27	2.20	2.27	2.50	2.39	2.49	2.53	1.91
Burden Ratio	0.53	0.35	0.33	0.24	0.39	0.49	0.43	0.40	0.25	0.23	0.21	0.26	0.34
Profitability	0.77	0.60	0.62	0.97	1.49	1.79	1.77	1.87	2.25	2.17	2.28	2.27	1.57

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

Indusind Bank ensures Interest Income of Rs. 1188 crore in the year 2005-06 which reached to Rs. 14406 crore in the year 2017 by increasing every year with average of Rs. 5811.67 crore, it clears that this bank is focused on earning more and more interest income and near about Rs. 5811.67 crore is earning every year. And other income is also satisfactory and secured average earning of other income of Rs. 1382.75 crore per year. Due to these two sources of income this bank is earning average total income of Rs. 7194.42 per year. Interest expenses of the bank is growing year to year and secured average interest expenses of Rs. 3775.33 crore which is near about three-fourth of average interest earned.

Advances and Deposits are also increasing year to year with average of Rs. 41704.33 crore and Rs. 48796.67 crore respectively due to these two, this bank has been secured average total business of Rs.90501 crore.

Spread is the difference between interest income and interest expenses, it is also shown increasing trend with average of Rs. 2036.33 crore. But it was decreased in the 2006-07 in comparison to previous year. Total expenses and other operating expenses are also increasing with average Rs. 5427 crore and Rs. 1651.67 respectively during the study period.

Burden is the difference between operating expenses and operating income, it is also increasing year to year except in the year 2008-09, it very serious issue and it has secured average burden of Rs. 268.92 crore. Net Profit is increasing with an average of Rs. 956.17 crore.

Average per branch advances and deposits per branch is Rs. 84.44 crore and Rs. 107.44 crore respectively. It shows that deposits are more than advances. This bank has the capability of averagely earning near about Rs. 15 crore per branch which is good.

Average expenses per branch is Rs. 11.37 crore, Spread per branch is Rs. 3.69 crore, burden per branch is Rs. 0.65 crore, Net profit per branch is Rs. 1.57 crore which seems better.

Average advances per employee is Rs. 3.91 crore, deposits per employee is Rs. 5.07, Business per employee is Rs. 8.98 crore, income per employee is Rs. 0.66 crore, expenses per employee is Rs. 0.53 crore, spread per employee Rs. 0.17 crore, burden per employee 0.03 crore and net profit per employee 0.07 crore. It shows that employees are not performing well as they can.

Finally after analyzing interest earned ratio, Interest paid ratio, Non interest income ratio, other operating expenses ratio, spread ratio and burden ratio, it is found that this bank's average profitability is 1.57 percent in comparison to all its effort during the study period.

## V. FINDINGS AND SUGGESTIONS

This bank is expanding near about 0.75 paisa in one rupee, for earning one rupee. This the major reason for decreasing bank's profitability and it is due to inefficient productivity mechanism involved in this bank. Net profit is not satisfactory in comparison to productivity of the bank. Employees are not performing their duties efficiently as much as they can. So it suggested to this bank to reduce their expenses for earning more money and try to earn more and more interest income by ensuring effective total business with effective productivity structure and this will be responsible for increasing average profitability from 1.57 percent to some extent.

## VI. CONCLUSION

Finally, it is concluded that this bank is performing its duties well but not as much it can. And there is a need to work on effective productivity because it can increase the average profitability percentage from 1.57 percent to some extent.

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