

“A Study on Financial Position and Performance of Bangladesh Development Bank Ltd.

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Abstract: *This study analyzed the financial position and performance of BDBL. Secondary data used from annual reports and statement of accounts for the selected years. The bank provides medium and long term financing to medium and large scale industry, factory or firm. The study observed that various ratios such as investment, liabilities, equity and fixed assets etc, here the ratios are lower than the norm. The Bank fund manages borrowing from other banks, financial institutions and also collects from Government of Bangladesh. Fund position is large but movement of fund is very slow. So the financial position of Bangladesh Development Bank is not strong.*

Keynotes: *Annual Reports, Bangladesh Development Bank, Ratios Analysis, Asset, Liabilities and Total Equities.*

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I. Introduction

Though the concept of ‘development banks’ is not very old, the genesis of banking could be traced in the history of mankind from the time immemorial. Development banks are the main component of DFIs. Development Banks provide long term and medium term credits to industrial concerns. Development banks are unique financial institutions in the developing countries, specializing in the provision of high-risk, long-term financing for the purpose of industrialization. The primary role of development banks is to provide loan and equity capital, supported by technical assistance to investors. Resources are mobilized from both local and foreign sources to facilitate the process of economic development. Thus, ‘development banks are to provide finance for industry, to develop capital market, and to provide guidance and incentive to the leading sectors of the economy to speed up development’. Financial position means the status of financial condition i.e. combination of assets, liabilities and equities. The study reveals that total equity provided by Bangladesh government for industrializations. The Bank not only financing for industrializations but also operate some commercial banking activates. To emerge as the country’s prime Financial Institution for supporting private sector industrial and other projects of great significance to the country’s economic development. Also be active participant in commercial banking by introducing new lines of product and providing excellent services to the customers.

II. Historical Background Of BDBL

With the decision of the Government, Bangladesh Development Bank Ltd. (BDBL) was incorporated on 16 November, 2009 as a Public Limited company by shares under the Companies Act, 1994 by amalgamation of former Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS), two Development Financial Institutions (DFIs) in the public sector.

Bangladesh Shilpa Bank (BSB) was established on October 31, 1972 for accelerating the industrial place of the country through providing loan and equity to the industrial projects as per Bangladesh Shilpa Bank Order, 1972 (President’s Order No. 129 of 1972).

With the same objective, Bangladesh Shilpa Rin Sangstha (BSRS) was also established on October 31, 1972 as per Bangladesh Shilpa Rin Sangstha Order, 1972 (President’s Order No. 128 of 1972).

In order to carry on business of BDBL, Bangladesh Bank issued banking licensed on 19-11-2009.

Two Vendors’ Agreements were signed between the Government of the People’s Republic of Bangladesh and the BDBL on 31 December, 2009 to acquire and take-over all of their (BSB & BSRS) assets, benefits, rights, powers, authorities, privileges, liabilities, borrowings and obligations and to carry on with the same business.

As a Public Limited Company, BDBL formally embarked its journey on January 03, 2010. It extends financial assistance for setting up industries and provides all kinds of commercial banking services to its customers through its branch network in Bangladesh. The BDBL also inherited membership of Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE). In order to contribute to the capital market, it acts as stock dealer and stock broker and operates a brokerage house, at Motijheel to provide services to the small and medium investors. BDBL also established a fully owned subsidiary company namely BDBL Securities Limited and transferred its one membership with DSE and another membership with CSE. It acts stock dealer and stock broker and operates brokerage House at 12, Karwan Bazar Dhaka to provide Investors. The BDBL is also managing a close-end Mutual Fund with paid up capital of Tk. 5.00 crore. Development Bank provides 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).

III. Objective Of The Study:

- *To contribute to the country’s socio-economic development by identifying new and profitable areas for investment;
- *To mobilize deposit for productive investment;
- *To employee quality human resources and enhance their capability through motivation and right –type of training at home and abroad.
- *To delegate maximum authority ensuring proper accountability;
- *To maintain continuous improvement and up-gradation in business policies and procedures;
- *To maximize profit by strong, efficient and prudent financial performance.

Scope, Methodology and Limitation of the Study: The study covered a period of 08-years ranging from 2011-2018. The base year of the study is 2011 and the concluding year is 2018. Information has been collected from secondary sources such as annual reports, Magazine, Newspaper, and banks websites. Also researcher used statistical tools, ratios analysis. So the study period is narrow and data are not sufficient. The study periods are limited and the study unit only one, so no scope of the comparative study with other but here shows that changing status year to year of the bank.

IV. Literature Review

There is a huge amount of outstanding loans and bad debt in the DFIs due to poor project appraisal. The report has been lengthy, cumbersome, and mechanically repetitive. Their ROA and ROCE have a declining trend over the period. They cannot pay their fixed charge liabilities including interest due to poor operational performance. Besides, major share of their total fund is invested in Dhaka division only neglecting the other divisions (Zaman 2004). DFIs 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 in the DFIs is extremely long. The average time taken is 46 months as against the norm of 18 months only (Sobhan and Ahsan, 1986). The DFIs 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.

V. Analysis Of Financial Statement:

Table1: the changing trend in % of current asset, current liabilities, total assets and total liabilities over the base year. (Amount in million taka)

Year	Current Assets	Changes over the base year%	Current Liabilities	Changes over the base year	Total Assets	Changes over the base year%	Total Liabilities	Changes over the base year%
2011	5200.92	100	4127.85	100	28847.66	100	13983.88	100
2012	3987.01	76.66	4938.45	119.64	32710.46	113.39	17011.65	121.65
2013	12380.76	238.05	10582.17	256.36	46857.84	162.43	30387.55	217.30
2014	10537.53	202.61	8554.24	207.23	50259.94	174.23	32562.98	232.86
2015	19717.08	379.11	7195.80	174.32	51378.56	178.10	33328.57	238.34
2016	13152.06	252.88	7278.71	176.33	54890.35	190.28	36375.81	260.13
2017	17772.15	341.71	6031.11	146.11	58399.15	202.44	39683.85	283.78
2018	17830.57	342.83	3589.31	86.95	59687.47	206.91	40407.26	288.96
Total	100578.08	1933.85	52297.64	1266.94	383031.43	1327.78	243741.55	1643.02
Average	12572.26	241.73	6537.21	158.37	47878.93	165.97	30467.69	205.38
SD	5834.543	-	2351.929	-	11404.93	-	9885.06	-
CV	46.41%	-	35.98%	-	23.82%	-	32.44%	-

Source: Annual Reports of BDBL

Table 1 presented that changing position (%) of current assets, current liabilities, total assets and total liabilities over the base year, here study periods from 2011 to 2018, 2011 is the beginning year and 2018 is the concluding year, the study observed that current asset decreased (-76.66%) in 2012 and other six years were increase over the base year but the increase trend are fluctuated, the study also shows that current liabilities are negative sign in 2018(86.95%)over the base year and other five years were increase over the base year but the changing trend are fluctuated, the study also reveals that total assets chronologically increased year to year, it observed that above mentioned items increased but inconsistently during the study periods.

Table: 2 Current Assets to Current Liabilities, Current Assets to Total Assets, current liabilities to total liabilities, investment to Total assets:

million Taka)

Year	Current Assets to current liabilities%	Current liabilities to Total liabilities%	Current assets to total assets%	Current assets to fixed assets%	Investment to total assets%
2011	126	29.52	18.02	58.94	54.24
2012	80.73	29.02	12.19	45.76	9.88
2013	117	14.82	26.42	144.24	16.47
2014	123.18	26.27	20.97	124.61	23.22
2015	274	21.60	18.38	236.47	22.45
2016	180.70	20.01	23.96	160.31	21.26
2017	294.67	15.20	30.42	219.62	17.63
2018	496.77	08.88	29.87	224.25	17.08
Total	1693.05	165.32	180.23	1214.2	182.23
Average	211.63	20.67	22.53	151.78	22.78
SD	138.508	7.405	6.327	73.44	13.403
CV	65.45%	35.82%	28.08%	48.39%	58.84%

Source: Annual Reports of BDBL

Table 2 shows the ratios between current assets and current liabilities, current liabilities and total liabilities, current assets and total assets, current assets and fixed assets, investment and total assets in the study period of eight years. Ratios are good enough except the investment to total assets ratio which is showing decreasing trend in recent years. But to make handsome profit amount enough investment is essential. So BDBL should focus on that in future.

Table 3: Borrowing from banks & financial institutions, Loans & Advances, (Amount in million taka)

Year	Borrowing from banks & financial institutions	Changes over the base year%	Loans & Advances	Changes over the base year%	Borrow to Loans & Advances%	Investment	Changes over the base year%
2011	2058.61	100	10046.08	100	20.49	2820.88	100
2012	1559.03	75.73	14743.06	146.75	10.57	3230.27	114.51
2013	1148.42	55.79	15457.18	153.86	7.42	7718.27	273.61
2014	673.93	32.74	16501.05	164.25	4.08	11670.35	413.71
2015	404.37	19.64	17964.54	178.82	2.29	11535.47	408.93
2016	334.68	16.26	17809.00	177.27	1.88	11672.39	413.78
2017	199.12	9.67	17800.34	177.18	1.11	10294.08	364.92
2018	108.48	5.27	18970.54	188.84	.569	10193.88	361.37
Total	6486.64	315.1	129291.79	1286.97	18.409	69135.59	2450.83
Average	810.83	39.39	16161.47	160.87	2.30	8641.95	306.35
SD	708.003	-	2842.619	-	-	3701.15	-
CV	87.32%	-	17.59%	-	-	42.83%	-

Source: Annual Reports of BDBL

Table 3 represents the changing trend of borrowing from banks & financial institutions, loans & advances and investment during 2011- 2018. The changing rate (%) of borrowing from banks & financial institutions year to year decreased from base year to concluding year. Its indicate that good sign for the Bank, on the other hand Loans & Advances were increase trend during the study period. Here the changing rate 188.84% in 2018 over the base year, so, it is very good and strong sign for BDBL. Our study also reveals that investment position in the base year in 2011 Tk.2820.88 million and the concluding year in 2018 was Tk. 10193.88 million that was the changing rate 361.37% over the base year and average rate 254.63%, so it was increased but fluctuated during the period.

Table: 4 Cash, shareholders equity, Total Assets (Amount in million Taka)

Year	Cash	Changes over the base year	Shareholders' equity	Changes over the base year	Cash to shareholders equity%	Cash to total assets%	Shareholders equity to total assets%
2011	361.74	100	14863.78	100	2.44	1.25	51.53
2012	536.47	148.31	15698.82	105.62	3.42	1.64	48.00
2013	1104.86	305.43	16470.29	110.81	6.71	2.34	50.36
2014	1567.83	433.41	17537.78	118	8.94	3.12	37.43
2015	1888.03	521.93	18049.98	121.44	10.46	3.67	35.13
2016	1897.39	524.52	18623.55	125.29	10.19	3.46	33.93
2017	2068.53	571.83	18715.30	125.91	11.05	3.54	32.05
2018	1759.75	486.47	19280.21	129.71	9.13	2.95	32.31
Total	11184.6	3091.9	139239.71	936.78	62.34	21.97	320.74
Average	1398.075	386.49	17404.96	117.09	7.79	2.75	40.09
SD	654.745	-	1576.378	-	3.284	.910	8.398
CV	46.83%	-	9.06%	-	42.16%	33.09%	20.95%

Source: Annual Reports of BDBL

Table 4 shows that volume of cash was chronologically increased over the base year, the cash volume was high in 2017(571.83%) and another years were fluctuated .The average rate 386.49%. The shareholders equity was increase year to year, the average rate of shareholders’ equity was117.09%. The ratios of Cash to shareholders equity show that increased year to year. Cash to total assets, Shareholders equity to total assets also fluctuated, the researcher observed that BDBL has ability to pay its current obligations but not strong support to financial activities.

Table: 5 Net Income to Loans & Advances (Amount in million Taka)

Year	Net Income	Changes over the base year%	Loans & Advances	Changes over the base year%	Net Income to Loans & Advances %
2011	686.01	100	10046.08	100	6.83
2012	836.96	122.00	14743.06	146.75	5.68
2013	1020.11	148.70	15457.18	153.86	6.60
2014	1129.25	686.01	16501.05	164.26	6.84
2015	549.16	124.92	17964.54	178.82	3.06
2016	395.61	173.41	17809.00	177.27	2.22
2017	658.92	104.11	17800.34	177.19	3.7
2018	793.38	115.65	18970.54	188.53	4.18
Total	6069.40	1574.8	129291.79	1286.68	39.11
Average	758.68	196.85	16161.47	160.84	4.89
SD	240.223	-	2842.62	-	1.832
CV	31.67%	-	17.59%	-	37.46%

Source: Annual Reports of BDBL

Table: 5 presents trends of net income, Loans & Advances and ratios of Net Income to Loans & Advances during the study periods. It is observed that net income volume was high increase in 2014 and the lowest volume in 2017.Loans and advances gradually increased during the study periods. The ratios of Net Income to Loans & Advances was lowest in 2017(3.7%) and the highest was 2014(6.84%).This situation indicate that net income was very poor against Loans & Advances.

Table: 6 Proportion of fixed assets, total assets, and total liabilities during 2011-2018 of BDBL (Amount in million Taka)

Year	Fixed Assets	Changes over the base year%	Total Assets	Total Liabilities	Changes over the base year%	Fixed Assets to Total Assets	Total Liabilities to Total Assets
2011	8824.75	100	28847.66	13983.88	100	30.60	48.47
2012	8713.55	98.74	32710.46	17011.64	121.65	26.63	52.00
2013	8583.42	97.27	46857.84	30387.55	217.30	18.32	64.85
2014	8456.68	95.83	50259.94	32562.98	232.86	16.83	64.79
2015	8338.13	94.49	51378.56	33328.56	238.34	16.23	64.87
2016	8204.41	92.97	54890.35	36375.81	260.13	1.94	66.27
2017	8092.20	91.70	58399.15	39683.85	283.78	13.86	67.95
2018	7951.06	90.09	59687.47	40407.26	288.96	13.32	67.70
Total	67164.2	761.09	383031.43	204057.68	1643.02	137.73	448.43
Average	8395.53	95.14	47878.93	25507.21	205.38	17.22	56.05
SD	305.613	-	11404.934	9885.061	-	8.701	7.495
CV	3.64%	-	23.82%	38.75%	-	50.53%	13.37%

Source: Annual Reports of BDBL

Table: 6 shows that fixed asset were nearly same during the study period but the very lowest proportion against the total assets during the period of review. On the other hand total liabilities were increased over the base year its very bad sign for BDBL. The ratios of total liabilities to total assets was 67.95% in 2017 that was the highest over the base year and 48.47% in 2011 it was the lowest .So this was not support to the norms.

Table 7: The trends of Reserve and Retained Earnings of BDBL during 2011-2018(Amount in million taka)

Year	Reserve	Changes over the base year%	Retained Earnings	Changes over the base year%	Retained Earnings to Reserve %
2011	10688.54	100	40.50	100	0.37
2012	11522.22	107.80	41.86	103.36	0.36
2013	12275.28	114.85	187.70	463.46	1.53
2014	13070.77	122.29	332.26	820.40	2.54
2015	13544.58	126.72	370.67	915.23	2.74
2016	13967.27	130.68	421.54	1040.84	3.02
2017	14053.12	131.48	527.43	1302.30	3.75
2018	14574.65	136.36	570.81	1409.41	3.92
Total	103696.43	970.18	2492.77	6155	18.23
Average	12962.05	121.2725	311.60	769.38	2.28
SD	1355.737	-	204.025	-	1.393
CV	10.46%	-	65.48%	-	61.09%

Source: Annual Reports of BDBL

Table 7 presents that the proportion of reserve and retained earnings during the study period. The reserve was increased year to year on the other hand retained earnings also increased over the base year. This situation reflects the level of financial position and performance of BDBL.

Table: 8 Shareholders Equity (Amount in million Taka)

Year	Shareholders' Equity	Changes over the base year%	Interest Income	Changes over the base year%	Interest expense	Changes over the base year%
2011	14863.78	100	1206.79	100	311.00	100
2012	15698.82	105.62	1508.40	124.99	628.56	202.11
2013	16470.29	110.81	1977.32	163.85	1028.25	330.63
2014	17537.78	117.99	2411.14	199.80	2104.90	676.82
2015	18049.98	121.44	2245.38	186.06	1917.51	616.56
2016	18623.55	125.29	2005.73	166.20	1702.72	547.50
2017	18715.30	125.91	1923.43	159.39	1404.46	451.59
2018	19280.21	129.71	2814.67	233.24	1582.99	509
Total	139239.71	836.77	16092.86	1233.53	10680.39	3334.21
Average	17404.96	104.60	2011.61	154.19	1335.04	416.78
SD	1576.358	-	502.724	-	629.664	-
CV	9.06%	-	24.99%	-	47.16%	-

Source: Annual Reports of BDBL

Table 8 reveals that Shareholders equity chronologically increase from beginning year to concluding year, and interest income also increased year to year whereas interest expense is highly increasing but fluctuated. Comparatively trend of income and shareholder's equity growth is less than growth of expense. The average equity is 17404.96 in million taka and 104 times which are the main reasons for large amount of expense against the income.

VI. Conclusion

BDBL have emerged to meet the long term financing need to the industrial entrepreneurs. Over the study years' bank has adopted a number of policies and strategies fostering the industrial development of Bangladesh. BDBL should make safe loans and investments and avoid unnecessary risk and it should follow a sound and stable lending policy. These would enhance their liquidity and profitability both. Year to year interest income of the study period of BDBL reveals somewhat better performance in 2018 than 2011. Interest expenses are increased year to year but more fluctuating. BDBL have to work under the policy guideline approved by the Govt. But the pattern of financing by the BDBL has not yet been in the line with the socio economic objectives. It is evident that the profitability performance BDBL was somewhat better during the study period. The profitability position was not so encouraging. Net income was much fluctuated. The analysis of financial statement also shows that reserve chronologically increased from base year to concluding year. Retained earnings were high fluctuated from the beginning year to concluding year where total assets showed increment with the passage of time.

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