A Study on Financial performance of Selected Foreign Sector Banks in India

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Abstract

Bank is one of the most important part of national economy. Scheduled Commercial Banks divided into sector Public sector Banks, Private Sector Banks and Foreign Sector Banks. Foreign Banks operating in India form 19th century. Researcher studied with the object to analyze the financial performance of foreign bank during the period of 2010-11 to 2018-19. For the purpose of the study researcher selected 5 foreign banks (Citi Bank, Standard Charted Bank, HSBC Bank, Deutsche Bank and AEBC bank) with the help of convenient sampling method. This study used secondary data which was collected from the annual report of the selected foreign Banks, RBI published bulletin and official website. Ratio technique has been used for analytical study and Single Factor ANOVA has been applied for hypothesis testing. The study conclude that Standard Charted Bank and Deutsche Bank shows good performance compare to another selected Foreign Banks. Financial performance of selected Foreign Banks was significantly different.

Key Words

Foreign Bank, Bank, Financial Performance, Ratio, ANOVA

1. Introduction

Banks are central pillar of economy and play important role in development of the nation. Bank word derived from the Italian word "Banca" from French word banque which means a bench or money exchange table. According to Indian banking regulation Act "A banking is the business of accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdraw able by cheque, draft and order."

Indian Scheduled Commercial Bank are divided into three part Public sector banks, Private sector Banks and Foreign sector Banks. Foreign Banks operating form 19th century in India. Over a period the foreign bank have become an important internal module of Indian financial and banking system. A foreign banks branch is type of foreign bank that is obligated to follow the regulations of both the home and host countries. Because the foreign bank branch has loan limits based on the total bank capital, they can provide more loans than subsidiary banks. Standard Charted bank is oldest foreign bank that came to India.

Last few decade so many changes in Indian Banking Sector. So this research paper study the financial performance of the Foreign Banks in India for nine financial year.

2. Literature Review

Shobana & Shanthi (2009) studied with the object to analyze the profitability of Foreign Banks in India. Researcher was used secondary data and analyzed by different accounting and statistical tools like ratio. Researcher analyze financial performance with different parameter and concluded that analysis 13 selected banks exhibited high profitability, 18 banks below the mean of profitability of selected banks. (Shobana & Shanti, 2009)

Sirisha & Malyadri (2018) Studied on financial performance of scheduled commercial bank in India for the period of 2013-14 to 2015-16. Researcher used secondary data which was collected from RBI annual accounts, journal and official websites. Researcher analyzed financial performance with different parameter of ratios, and concluded that private sector banks perform well and sound well compare to another banks group. (Sirisha & Malyadri, 2018)

Pourkiaei & Kumar (2016) Conducted study with the object to analyze performance of selected Public, Private and Foreign Banks. Researcher selected three banks from Public, Private and Foreign Banks with the random sampling method. Researcher used ten financial years' data which was analyzed by accounting tools ratio and statistical tools ANOVA analysis. This study conclude that the foreign banks perform better compare to Public and Private with help of CAMEL model. (Seyad & Kumar , 2016)

Singh (2018) conducted study with object to analyze the profitability of all groups on the basis of the selected parameter. Researcher used secondary which was collected from RBI bulletins and conducted study for 2007-08 to 2016-17. Researcher used accounting tools ratio and statistical tools mean, standard deviation, standard error, upper-lower bound, Minimum-maximum and ANOVA. On the basis of the analysis researcher conclude that foreign banks interest income, non-interest income, operating profit, return on assets ratio was highest and highest return on equity was attained by private sector banks. (Singh, 2018)

Dogan (2013) compared the financial performance of Domestic and Foreign banks in turkey. For the purpose of the study researcher select 10 domestic and 10 foreign banks which operates in Turkish between 2005 and 2011. On the basis of the study researcher conclude that foreign banks perform better than domestic banks. (Dogan, 2013)

➢ **Literature Gap**

On the basis of the above literature researcher find that number of the studies focused on the scheduled commercial banks financial performance and its comparison. But no one the conduct the study on financial performance of foreign banks in India for 2010-11 to 2018-19.

3. Objective of Study

➢ To examine the financial performance of selected foreign sector banks.
➢ To study the comparative analysis of five selected foreign sector banks.

4. Hypothesis

H_{01}: There is no significant difference between Interest Income to Working Fund of selected Foreign sector banks in India

H_{02}: There is no significant difference between Non-Interest Income to Working Fund of selected Foreign sector Banks in India.

H_{03}: There is no significant difference between Operating Profit to working Fund of selected Foreign sector Banks in India.

H_{04}: There is no significant difference between Return on Assets of selected Foreign sector Banks in India.

H_{05}: There is no significant difference between Loans to Deposit ratio of selected of Foreign sector Banks in India.

H_{06}: There is no significant difference between CAR of Foreign sector Banks in India.

H_{07}: There is no significant difference between Net Interest Income to Total Assets of Foreign sector Banks in India.

5. Research Methodology

This research paper study on the financial performance of selected Foreign Banks for the period of 2010-11 to 2018-19. For the purpose of the paper five foreign sector banks selected with the help of convenient sampling method. Selected sample are Citi bank, HSBC Bank, SC Bank, Deutsche Bank and AEBC Bank. To analyze the financial performance researcher used seven Ratios and ANOVA technique. For the purpose of the study secondary data was used, which was collected from annual reports of the banks, research journal, and official websites. Overall performance of each banks have been discussed in the paper.

6. Data Analysis

Data analyze by accounting tools Ratio and Statistical tools mean, co-variance and standard deviation. Single ANOVA factor is use for hypothesis testing. This research study is use seven ratios to check the financial performance.

6.1 Interest Income to Working Fund

Table 1: Interest to Working Fund

Year	Citi Bank	HSBC Bank	SC Bank	Deutsche Bank	AEBC Bank	Mean
2010-11	6.05	5.46	7.54	5.81	5.37	5.678
2011-12	6.62	6.22	6.84	7.5	3.98	6.214
2012-13	6.96	6.57	7.46	7.8	3.89	6.546
2013-14	6.59	6.42	7.58	7.48	3.94	6.412
2014-15	7.26	6.79	8.03	8.04	3.99	6.918
2015-16	7.28	6.71	7.46	7.65	4.47	6.852
2016-17	7.07	6.49	6.7	7.03	5.16	6.52
2017-18	6.86	6.67	6.59	5.96	5.31	6.352
2018-19	7	6.49	6.7	6.02	5.68	6.548
Total	**61.69**	**57.82**	**64.9**	**63.29**	**42.95**	**58.13**
Mean	**6.85**	**6.42**	**7.21**	**7.03**	**4.77**	**6.456**
Co-Variance	**0.15**	**0.16**	**0.26**	**0.76**	**0.89**	**0.444**
Standard Deviation	0.405189	3.605866	4.653303	4.31608	49.91575	12.57924

The above table shows that the banks average aggregate basis remained 6.456, against which Deutsche Bank has highest mean value (7.03) and AEBC Bank has lowest value (4.77). Standard deviation of total interest income to working fund of Deutsche bank has 49.91 with highest cv 0.89% and Citi Bank has standard deviation of 0.405 with low cv 0.15% implying, Citi bank HSBC Bank is consistent to managing interest income.

Table 2: ANOVA result of Interest Income to Working fund (%)

Source of Variation	SS	Df	MS	F	P-value	F crit.
Between Groups	35.0734	4	8.77	19.72	4.94	2.61
Within Groups	17.78764	40	0.44			
Total	52.86104	44				

Above table shows that the result of ANOVA analysis and whether there is F calculated (19.72) is greater than F-critical (2.61), on the basis of that Interest income to working fund of selected banks different significantly.

6.2 Non-Interest income to Working Fund

Table 3: Non-Interest Income to Working Fund

Year	Citi Bank	HSBC Bank	SC Bank	Deutsche Bank	AEBC Bank	Mean
2010-11	1.85	1.88	2.93	3.03	25.45	7.028
2011-12	1.56	2.19	2.57	2.36	25.05	6.746
2012-13	1.19	1.61	2.31	2.7	24.77	6.516
2013-14	2.15	1.31	2.39	1.02	24.71	6.316
2014-15	2.33	1.7	2.6	2.5	22.05	6.236
2015-16	2.15	1.45	1.48	1.48	21.37	5.586
2016-17	2.53	1.68	1.85	1.58	20.22	5.572
2017-18	2.25	1.29	1.26	1.23	19.34	5.074
2018-19	2.35	1.28	1.17	1.29	17.88	4.794
Total	**18.36**	**14.39**	**18.56**	**17.19**	**200.84**	53.868
Mean	**2.04**	**1.59**	**2.06**	**1.91**	**22.32**	5.984
Co-Variance	**0.18**	**0.094**	**0.41**	**0.55**	**7.87**	1.8208
Standard Deviation	0.593109	0.359334	0.690745	0.917872	1.901924	0.892

Above table shows that the banks on an combined average of Non-interest income to working fund is 5.984, against AEBC Bank mean is 22.32 which is highest and 1.91 is lowest mean of Deutsche Bank. Standard Deviation of Non-Interest income to Working fund of AEBC Bank has 1.90 with highest CV 7.87%. HSBC Bank has lowest standard deviation (0.35) with lowest CV 0.094.

Table 4: ANOVA result of Non-Interest Income to Working Fund (%)

Source of Variation	SS	Df	MS	F	P-Value	F crit
Between Group	3001.33	4	750.33	412.14	6.36	2.61
Within Group	72.82	40	1.82			
Total	3074.15	44				

Above table shows that the result of ANOVA analysis and whether there is F- calculated (412.14) is greater than F-critical (2.61), on the basis of that Non-Interest Income to Working Fund of selected banks different significantly.

6.3 Operating Profit to Working Fund

Table 5: Operating Profit to working Fund

Year	Citi Bank	HSBC Bank	SC Bank	Deutsche Bank	AEBC Bank	Mean
2010-11	3.16	3.08	4.6	3.94	0.36	3.028
2011-12	2.96	3.5	3.88	4.71	0.96	3.202
2012-13	3.34	3.07	4.04	5.26	-1.41	2.86
2013-14	4.01	2.35	4.05	3.04	-0.24	2.642
2014-15	4.25	2.4	4.68	4.65	-0.81	3.034
2015-16	4.19	2.75	3.68	3.78	1.83	3.246
2016-17	4.59	3.14	3.42	3.35	3.62	3.624
2017-18	4.48	3.25	2.82	2.47	3.89	3.382
2018-19	4.54	2.93	2.51	2.64	3.54	3.232
Total	**35.52**	**26.47**	**33.68**	**33.84**	**11.74**	28.25
Mean	**3.95**	**2.94**	**3.74**	**3.76**	**1.30**	3.138
Co-Variance	**0.396**	**0.145**	**0.537**	**0.948**	**4.07**	80.34
Standard Deviation	0.593109	0.359334	0.690745	0.917872	1.901924	**0.892**

Above Table indicate the operating profit to working fund. Average of combined Banks has 3.138, Citi Bank has highest bank average 3.95 of operating profit to working fund and AEBC Bank has lowest average 1.30. Standard deviation of combined selected bank is 0.892, highest standard deviation has AEBC banks (1.90) with highest co variance (4.07) and HSBC has lowest standard deviation 0.35 with lowest variance 0.145.

Table 6: ANOVA result of Operating Profit to working Fund

Source of Variation	SS	Df	MS	F	P- Value	F crit
Between Groups	43.26	4	10.81	8.87	3.17	2.61
Within Groups	48.76	40	1.22			
Total	92.02	44				

Above table shows that the result of ANOVA analysis and whether there is F calculated (8.87) is greater than F Critical (2.61), on the basis of that Operating Profit to Working Fund is significantly different of selected banks.

6.4 Return on Assets

Table 7: Return on Assets

Year	Citi Bank	HSBC Bank	SC Bank	Deutsche Bank	AEBC Bank	Mean
2010-11	0.96	1.68	2.44	7.95	1.67	2.94
2011-12	1.64	1.97	1.49	2.58	0.2	1.576
2012-13	2.12	1.81	1.2	2.98	-3.23	0.976
2013-14	2.07	1.26	2.42	1.54	-3.46	0.766
2014-15	2.43	1.33	2.42	2.55	-2.22	1.302
2015-16	2.2	1.53	0.75	1.83	-0.64	1.134
2016-17	2.45	1.76	1.7	1.39	0.96	1.652

2017-18	2.23	1.76	1.31	1.14	1.27	1.542
2018-19	2.57	1.67	1.38	1.27	0.36	1.45
Total	**18.67**	**14.77**	**15.11**	**23.23**	**-5.09**	**13.338**
Mean	**2.07**	**1.64**	**1.67**	**2.58**	**-0.56**	**1.48**
Co-Variance	**0.248**	**0.053**	**0.379**	**4.48**	**3.79**	**1.79**
Standard Deviation	**0.469731**	**0.216459**	**0.580372**	**1.995765**	**1.836568**	**1.019779**

Above table indicate Return on Assets of selected banks. Average of combined Banks has 1.48, Citi Bank has highest average 2.07 and AEBC Bank has lowest average -0.56. Standard deviation of combined selected bank is 1.01, Deutsche bank has highest SD (1.84) with highest variance (4.48), and HSBC bank has lowest SD (0.21) with lowest variance (0.053).

Table 8: ANOVA result of Return on Assets

Source of Variation	SS	Df	MS	F	P-Value	F crit.
Between Groups	52.34	4	13.09	7.31	0.0001	2.61
Within Groups	71.64	40	1.79			
Total	123.98	44				

Above table shows that the result of ANOVA analysis and whether there is F calculated (7.31) is greater than F critical (2.61), on the basis of that Rreturn on Assets is significantly different of selected banks.

6.5 Loan to Deposit Ratio percentage

Table 9: Loan to Deposit Ratio

Year	Citi Bank	HSBC Bank	SC Bank	Deutsche Bank	AEBC Bank	Mean
2010-11	71.64	50.64	84.22	97.59	207.56	102.33
2011-12	72.80	57.85	86.87	74.51	294.05	117.216
2012-13	78.18	62.79	99.92	107.60	253.5	120.398
2013-14	72.17	56.05	94.88	111.11	358.55	138.552
2014-15	68.49	47.16	93.90	93.54	226.07	105.832
2015-16	61.42	62.51	88.49	98.96	277.09	117.694
2016-17	52.74	53.17	85.66	90.28	249.37	106.244
2017-18	49	55.82	76.75	82.87	316.54	116.196
2018-19	48.16	65.20	63.60	85.95	249.96	102.574
Total	**574.61**	**511.16**	**774.29**	**742.40**	**2432.69**	**1007.03**
Mean	**63.85**	**56.79**	**86.03**	**93.60**	**270.30**	**114.114**
Co-Variance	**129.10**	**35.71**	**116.58**	**137.04**	**2195.37**	**522.76**
Standard Deviation	**10.71304**	**5.634435**	**10.17942**	**11.03711**	**44.17514**	**16.34783**

Above table shows that the combine average of operating profit to working fund has 114.11, highest average of operating profit to working fund has AEBC bank 270.3, HSBC bank has lowest average 56.79. Combined average Standard deviation is 16.35 and CV 522.76, AEBC bank has highest standard deviation 44.17 with highest CV 2195.37, HSBC bank has lowest SD 5.63 with lowest CV 35.71.

Table 10: ANOVA result of Loan to Deposit Ratio (%)

Source of Vriation	SS	Df	MS	F	P-value	F crit.
Between Groups	282738	4	70684.49	135.21	1.1288	2.61
Within Groups	20910.53	40	522.76			
Total	303648.5	44				

Above table shows that the result of ANOVA analysis and whether there is F calculated (135.21) is greater than F critical (2.61), on the basis of that Loan to Deposit ratio is significantly different of selected banks.

6.6 Capital Adequacy Ratio (%)

Table 11: Capital Adequacy Ratio

Year	Citi Bank	HSBC Bank	SC Bank	Deutsche Bank	AEBC Bank	Mean
2010-11	17.31	16.04	11.88	15.03	23.61	16.774
2011-12	16.03	16.04	11.05	14.12	19.3	15.308
2012-13	15.09	17.1	13	14.08	18.17	15.488
2013-14	16.49	17.36	12.85	14.84	16.56	15.62
2014-15	15.3	14.84	12.49	15.62	19.07	15.464
2015-16	15.76	15.99	14.43	13.73	21.31	16.244
2016-17	17.63	18.76	14.05	15.38	20.73	17.31
2017-18	17	18.48	15.82	15.22	17.94	16.892
2018-19	16.49	17.89	15.46	16.3	24.36	18.1
Total	**147.1**	**152.5**	**121.03**	**134.32**	**181.05**	**147.2**
Average	**16.34**	**16.94**	**13.45**	**14.92**	**20.12**	**16.354**
Co-Variance	**0.77**	**1.72**	**2.59**	**0.38**	**3.87**	**1.866**
Standard Deviation	**0.827447**	**1.234721**	**1.516075**	**0.78003**	**2.470924**	**1.36584**

Above table shows that the combined average of CAR 16.35, AEBC bank has 20.12 highest average, SC bank has 13.45 with lowest average. 1.36 combined standard average of banks, AEBC bank has highest standard average 2.47 with highest variance 3.87, Deutsche bank has lowest bank 0.78 with lowest variance 0.38. SC bank is consistent during the period.

Table 12: ANOVA result of CAR (%)

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	224.96	4	56.24	22.27	9.84	2.61
Within Groups	100.99	40	2.52			
Total	325.95	44				

Above table shows that the result of ANOVA analysis and whether there is F calculated (22.27) is greater than F critical (2.61), on the basis of that CAR is significantly different of selected banks.

6.7 Net Interest Income to Total Assets (%)

Table 13: Net Interest Income to Total Assets

Year	Citi Bank	HSBC Bank	SC Bank	Deutsche Bank	AEBC Bank	Mean
2010-11	3.65	3.66	3.75	4.51	2.16	3.546
2011-12	3.8	3.43	3.49	6.71	1.38	3.762
2012-13	4.03	3.79	4.18	6.32	-0.11	3.642
2013-14	3.76	2.92	4.11	4.93	-0.63	3.018
2014-15	4.21	3.02	4.23	3.86	0.32	3.128
2015-16	4.18	3.08	4.21	4.14	1.21	3.364
2016-17	4.61	3.69	3.7	4.06	2.66	3.744
2017-18	4.5	3.61	4.02	3.53	3.07	3.746
2018-19	1.19	3.1	3.25	2.95	4.36	2.97
Total	**33.93**	**30.3**	**34.94**	**39.89**	**11.13**	**30.038**
Mean	**3.77**	**3.367**	**3.88**	**4.43**	**1.24**	**3.3374**
Co-Variance	**1.04**	**0.11**	**0.12**	**1.71**	**3.36**	**1.268**
Standard Deviation	**0.96261**	**0.31728**	**0.332023**	**1.17515**	**1.525762**	**0.8625**

Above table shows that combined average of Net Assets interest Income to Total Assets is 3.334%, Deutsche bank has highest average with 4.43%, AEBC Bank has lowest average with 1.24%. Combined Standard deviation is 0.8625 with 1.27 variance. Highest standard deviation 1.52% has AEBC bank with variance 3.36%. Lowest standard deviation has HSBC bank 0.31% with lowest variance 0.12%.

Table 14: ANOVA result of Net Interest Income to Total Assets

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	54.87	4	13.72	10.80	4.94	2.61

| Within Groups | 50.79 | 40 | 1.27 | | | |
| Total | 105.65 | 44 | | | | |

Above table shows that the result of ANOVA analysis and whether there is F calculated (10.80) is greater than F critical (2.61), on the basis of that Net Interest Income to Total Assets is significantly different of selected banks.

7. Findings:

Table 15: Findings of the study

Ratios	Hypothesis	Accepted/ Rejected
Interest Income to Working Fund	There is no significant difference between Interest Income to Working Fund of selected Foreign sector banks in India	Rejected
Non-Interest Income to Working Fund	There is no significant difference between Non-Interest Income to Working Fund of selected Foreign sector Banks in India.	Rejected
Operating Profit to Working Fund	There is no significant difference between Operating Profit to working Fund of selected Foreign sector Banks in India.	Rejected
Return on Assets	There is no significant difference between Return on Assets of selected Foreign sector Banks in India.	Rejected
Loan to Deposit Ratio	There is no significant difference between Loan to Deposit ratio of selected of Foreign sector Banks in India.	Rejected
CAR (%)	There is no significant difference between CAR of Foreign sector Banks in India.	Rejected
Net Interest Income to Total Assets (%)	There is no significant difference between Net Interest Income to Total Assets of Foreign sector Banks in India.	Rejected

8. Conclusion

Standard charted bank has highest Interest income to working fund, lowest CAR, Loan to Deposit Ratio during 2010-11 to 2018-19. Deutsche bank showed good in Return on Assets, Operating profit and Net interest income to Total Assets, lowest Non-interest income to Working Fund. AEBC banks showed the lowest interest income to working fund, Return on Assets, Operating Profit, Net Interest income to Total Assets but highest in CAR, loan deposit ratio, Non-interest income to working fund. Standard Charted Bank and Deutsche Bank shows good performance compare to another selected foreign banks. Research conclude that there is significant difference between selected banks financial performance.

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