



Indian Origin Banks' Global Operations: Pre-Merger Performance Analysis

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Abstract. While banking sector has been competing across the world towards global economy, the banks of Indian origin are also playing a significant role, globally. The operational performance evaluation of select banks overseas with that of all Indian banks overseas is studied in relation to operational ratios, in pre-merger period. The study revealed that HDFC bank maintained the maximum CD ratio indicating maximum utilization of its Deposits for the purpose of Advances during the study period. Bank of Baroda, with its least score of Standard Deviation and Range found to be consistent in its performance, while ICICI bank maintained highest Total Assets Turnover Ratio. AXIS bank, during the study period maintained the maximum TRTB reflecting its status of high revenue out of Total business indicating good performance of bank in respect of Total revenue as percentage to Total business.

Keywords: Credit Deposit Ratio, Investments, Total Assets.

1 Introduction

Banking sector plays a significant role in global economy. International banking is an area where India's presence is expected to show appreciable increase. With the growth in IT sector and other IT enabled services, there has been tremendous potential for international banking business opportunities. This again will offer enormous scope to Indian Banks across the globe to increase their forex business and international presence. Globalization would provide opportunities for Indian corporate entities to expand their business in other countries. Indian Banks wanting to increase their international presence could naturally be expected to follow these corporates and other trade flows in and out of India. In the present study, six Indian banks (three Public Sector Banks and three private sector banks) are identified basing on their significant contribution to the banking business of all Indian banks overseas viz. State Bank of India, Bank of Baroda, Bank of India, ICICI Bank, Axis Bank and HDFC Bank. An attempt is made to examine the performance evaluation of select banks in terms of certain operational ratios. The total study period of eight years i.e. from 2009-10 to 2016-17 in pre-merger period is computed for the purpose of analysis and interpretation.

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2 Review of Literature:

[3] emphasized that the vision of Indian Banking Industry visualizes development of not only the domestic financial sector into a dynamic industry at the national level but also to function efficiently and effectively at international levels. The Indian banking and finance system will be globally competitive. [2] stated that globalization is providing both an opportunity and challenges for Indian banks to expand their overseas operations and elaborated about Globalization and banking Industry - Challenges and opportunities. Many leading Indian banks, both public and private, have also been expanding their social banking and overseas activities by opening up overseas branches and expanding portfolio of their products and services for overseas operations. Being more tech-savvy and web-enabled and superior technology driven over the years, many overseas banks currently operating in India have long experience of overseas operations.

[5] aimed to compare the technical efficiency of Indian Banks operating overseas and foreign banks operating in India and to investigate the effect of openness of the country, ownership pattern of the banks on their technical efficiency. Based on the information collected through annual surveys on International Trade in Banking Services conducted by the Reserve Bank of India for the period 2006-2007 to 2008-09 supplemented with the data collected from various issues of statistical tables relating to banks and bank scope database, the results reveal that Indian Banks operating overseas are more efficient than the foreign banks operating in India and banks operating in developed countries are found to be more efficient than the banks operating in developing countries. [4] elucidated a comparative study about the performance of India based public sector & private sector banks that are operating in various foreign countries and reviewed the study with regard to total business, deposits, advances and loans. [1] made an in-depth study on periodical compound growth rates pertaining to a select range of India based banks, over foreign land.

3 Research Deign

The present study aims to analyse the global operations of Indian origin banks. The operational performance of select six Indian banks against all India based banks overseas has been reviewed for an eight-year period commencing from 2009-2017. Suitable operational ratios are computed to assess operational performance with the help of statistical tools like mean, standard deviation and range.

The key objectives of the study include:

- To measure the operational performance of select Indian banks overseas.
- To offer certain suggestions to improve operational efficiency of Indian banks overseas.

4 Data Analysis

In terms of Credit Deposit Ratio, among the select six Indian banks, HDFC Bank stood first in the year 2009-10 with 3090.63% then by AXIS Bank with 299.37%, SBI with 203.78%, ICICI with 158.27%, BOI with 107.32% and BOB with 76.22%. Whereas, in the year 2016-17, AXIS Bank advanced to the first position with 1056.85% of CDR then by HDFC with 495.20%, ICICI with 392.28%, SBI with 275.06%, BOI with 88.97% and BOB with 65.04%. This implies that HDFC bank, during the study period maintained the maximum CD ratio indicating maximum utilization of its Deposits for the purpose of Advances. Bank of Baroda, with its least score of Standard Deviation and Range found to be consistent in its performance during the period of study.

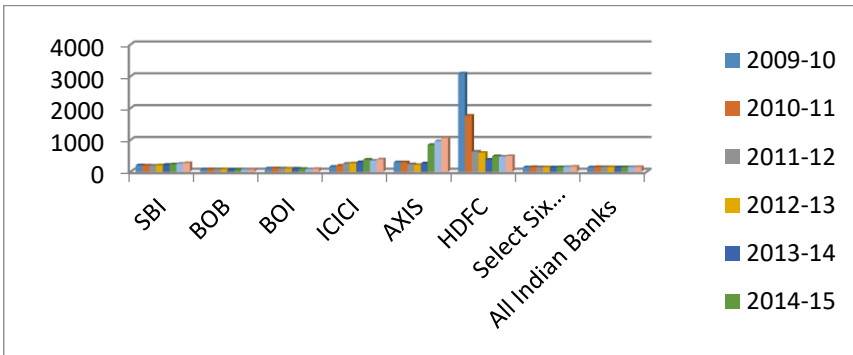


Fig. 4.1: CDR of the Select Indian Banks vis-a-vis Total Indian Banks overseas during 2009-10 to 2016-2017 (Source : Computed)

In case of Investment Deposit Ratio, HDFC Bank stood first in the year 2009-10 with IDR of 73.43% then by ICICI with 31.78%, SBI with 17.23%, AXIS with 16.46%, BOI with 14.91% and BOB with 8.47%. In the year 2016-17 AXIS bank reached to the top position with IDR of 72.55% then by SBI with 39.12%, ICICI with 36.13%, HDFC with 27.96%, BOB with 6.86% and BOI with 4.41%. HDFC, during 2009-10 and AXIS bank in 2016-17 exhibited a high Investment Deposit Ratio reflecting its status of high investments out of Deposits base. This implies that HDFC bank with its high score of Mean Value during the study period as compared to other select banks exhibited highest IDR reflecting its status of high investments out of Deposits base. However, in terms of consistent performance, it was again BOB with the least score of Standard Deviation and Range.

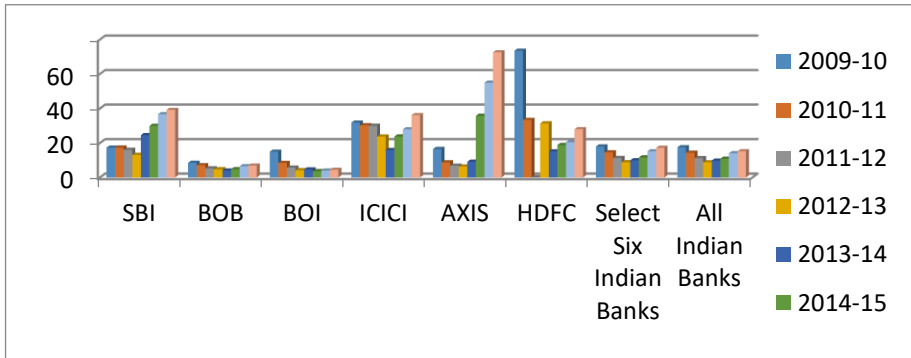


Fig. 4.2: IDR of the Select Indian Banks vis-a-vis Total Indian Banks overseas during 2009-10 to 2016-2017 (Source : Computed)

As regards NPA ratio, both AXIS and HDFC banks had zero% NPA ratio in the year 2009-10 and occupied the first position then by ICICI with 0.20%, BOB with 0.45%, BOI with 1.11%. However, in the year 2016-17, HDFC bank retained its first position with 0.62% then by SBI with 2.28%, ICICI with 6.76%, BOB with 8.14%, AXIS with 9.02% and BOI stood at sixth position with 9.07. This implies that HDFC bank with its least score of Mean Value during the study period as compared to other select banks exhibited considerable position.

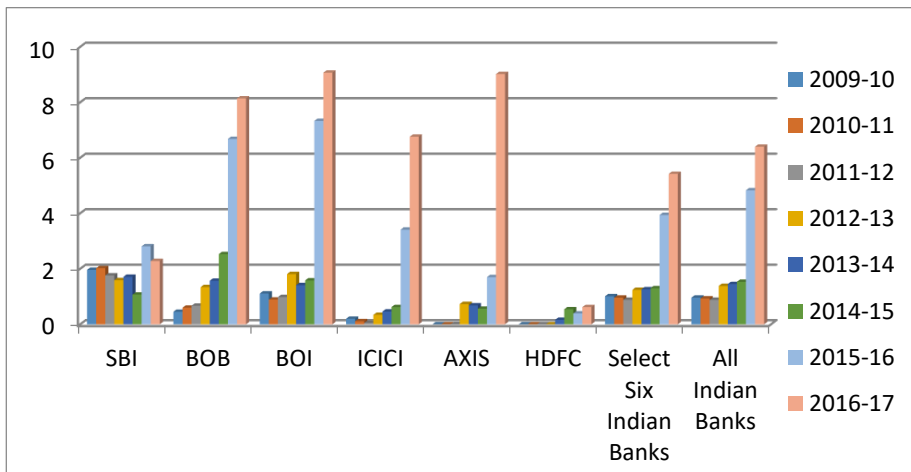


Fig. 4.3 : NPA Ratio of Select Indian Banks vis-a-vis Total Indian Banks overseas during 2009-10 to 2016-2017 (Source : Computed)

In case of NPAs in relation to Total Assets in the year 2009-10, both AXIS and HDFC banks had zero% NPA-TA ratio and occupied the first position then by ICICI with 0.26%, BOB with 0.30%, BOI with 0.68%, SBI with 1.47%. In the year 2016-17, HDFC bank retained its first position with 0.51% then by SBI with 1.88%, BOB

with 4.46%, BOI with 6.76%, ICICI with 8.40% and AXIS Bank dropped to sixth position with 8.65%. This implies that HDFC bank with its least score of Mean Value during the study period as compared to other select banks exhibited considerable position.

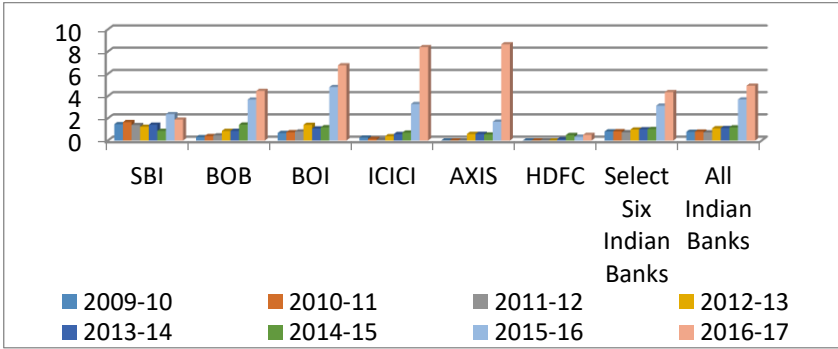


Fig. 4.4 : Total NPA in relation to Total Assets (NPAs as percentage of total Assets) of the Select Indian Banks vis-a-vis Total Indian Banks overseas during 2009-10 to 2016-2017. (Source : Computed)

In terms of Total Assets Turnover Ratio, ICICI Bank stood first in the year 2009-10 with TATR of 7.29% then by AXIS bank with 4.34%, SBI with 3.98%, BOB with 3.87%, BOI with 3.49% and HDFC with 2.44%. Whereas, in the year 2016-17 ICICI bank retained its top position with TADR of 5.68% then by AXIS with 4.86%, HDFC with 4.28%, BOI with 3.44%, SBI with 2.96% and BOB with 2.55%. From the above, it is quite evident that ICICI bank and AXIS bank remained in top position in the entire study period i.e. from 2009-10 to 2016-17. This implies that ICICI bank with its high score of Mean Value during the study period as compared to other select banks exhibited highest TATR reflecting its status of high revenue out of Total Assets indicating good performance of bank in respect of Total Assets Turnover Ratio. However, in terms of consistent performance, it was BOI with the least score of Standard Deviation and Range.

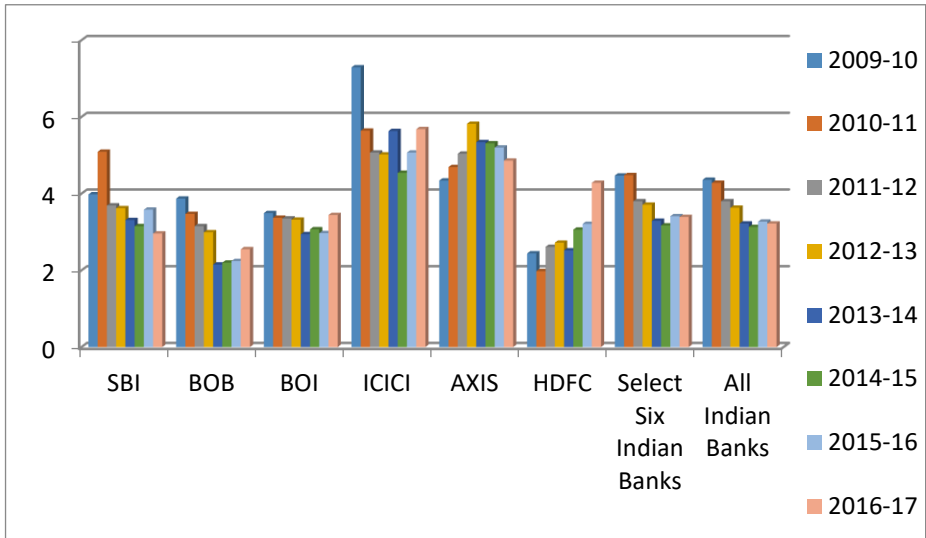


Fig. 4.5 : TATR of the Select Indian Banks vis-à-vis all Indian Banks overseas during 2009-10 to 2016-2017. (Source : Computed)

As regards Borrowings–Deposits Ratio, BOB stood first in the year 2009-10 with BDR of 9.81% then by BOI with 27.86%, ICICI with 127.70%, SBI with 130.20%, AXIS with 237.53% and HDFC with 5439.06%. Whereas, in the year 2016-17 BOB reached to top position with BDR of 9.49% then by BOI with 14.34%, SBI with 185.82%, ICICI with 373.81%, HDFC with 590.20% and AXIS bank with 1160.65%. From the above, it is quite evident that BOB remained in top slot in the entire study period i.e. from 2009-10 to 2016-17. This implies that BOB with its least score of Mean Value during the study period as compared to other select banks exhibited least BDR reflecting its status of least Borrowings and more Deposits and occupied considerable position.

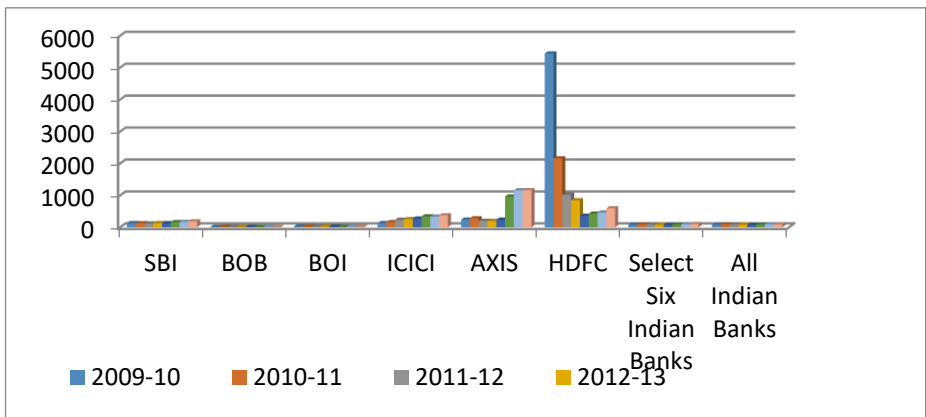


Fig. 4.6 : BDR of Select Indian Banks vis-à-vis Total Indian Banks overseas during 2009-10 to 2016-2017. (Source : Computed)

In terms of Advances as percentage to Total Business, among the select six Indian banks, HDFC Bank stood first in the year 2009-10 with 96.87% then by AXIS Bank with 74.96%, SBI with 67.08%, ICICI with 61.28%, BOI with 51.77% and BOB with 43.25%. Whereas, in the year 2016-17, AXIS Bank advanced to the first position with 91.36% of APTB then by HDFC with 83.20%, ICICI with 79.69%, SBI with 73.34%, BOI with 47.08% and BOB with 39.41%. This implies that HDFC bank, during the study period maintained the maximum APTB indicating maximum disbursement of Advances out of its total business. Bank of Baroda, with its least score of Standard Deviation and Range found to be consistent in its performance during the period of study.

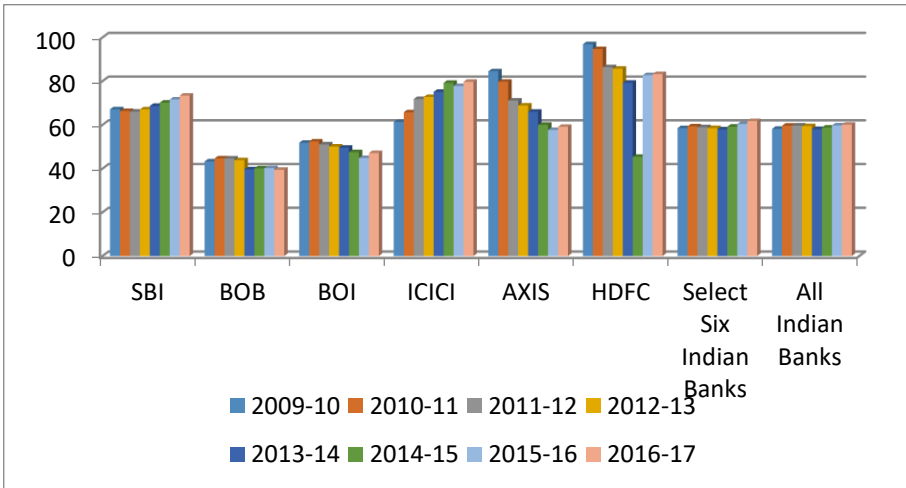


Fig. 4.7 : APTB of the Select Indian Banks vis-a-vis Total Indian Banks during 2009-10 to 2016-2017. (Source : Computed)

In case of Total Resources as percentage to Total Business, among the select six Indian banks, HDFC Bank stood first in the year 2009-10 with 173.60% then by ICICI bank with 88.16%, AXIS with 84.52%, SBI with 75.78%, BOB with 62.31% and BOI with 61.67%. Whereas, in the year 2016-17, HDFC continued to remain in top position with 115.96% of TRPTB then by AXIS with 108.97%, ICICI with 96.25%, SBI with 76.21%, BOB with 66.34% and BOI with 60.51%. This implies that HDFC bank, during the study period maintained the maximum TRPTB indicating maximum utilization of total resources out of its total business. Bank of India, with its least score of Standard Deviation found to be consistent in its performance during the period of study.

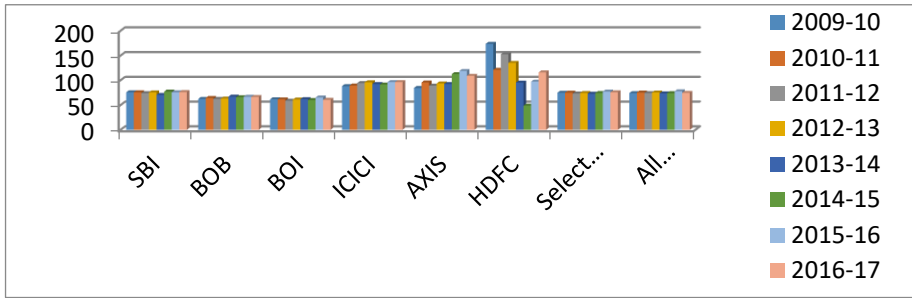


Fig. 4.8 : TRPTB of Select Indian Banks vis-a-vis Total Indian Banks during 2009-10 to 2016-2017. (Source: Computed)

In terms of Total Revenue as percentage to Total business, AXIS Bank stood first in the year 2009-10 with TRTB of 3.67% then by SBI with 3.56%, ICICI with 3.42%, BOI with 2.94%, BOB with 2.56% and HDFC with 2.50%. Whereas, in the year 2016-17 AXIS bank retained its top position with TRTB of 4.63% then by HDFC with 4.30%, ICICI with 3.64%, SBI with 2.63%, BOI with 2.17% and BOB with 1.84%. From the above, it is quite evident that AXIS bank remained in top position in the entire study period i.e. from 2009-10 to 2016-17. This implies that AXIS bank with its high score of Mean Value during the study period as compared to other select banks exhibited highest TRTB reflecting its status of high revenue out of Total business indicating good performance of bank in respect of Total Revenue as percentage to Total business. However, in terms of consistent performance, it was ICICI with the least score of Standard Deviation and Range.

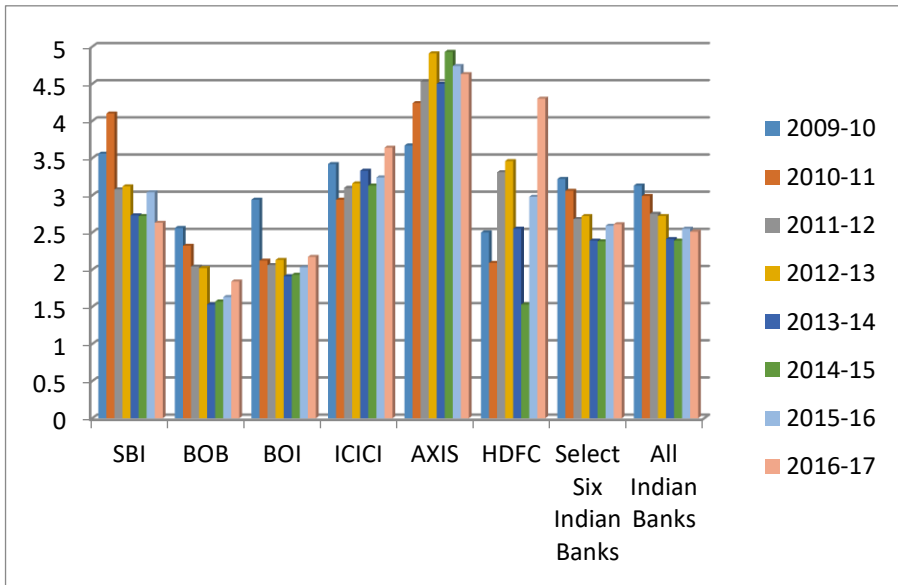


Fig. 4.9 : TRTB of Select Indian Banks Vis-à-vis All Indian Banks during 2009-10 to 2016-2017. (Source : Computed)

4.10: Position of Select Indian Banks Overseas on the basis of various Indicators during 2009-10 to 2016-17.

	Credit Deposit Ratio			Investment Deposit Ratio			NPA Ratio		
	2009-10	2016-17	Overall Position during Study Period	2009-10	2016-17	Overall Position during Study Period	2009-10	2016-17	Overall Position during Study Period
SBI	3 (203.78)	4 (275.06)	4 [222.43]	3 (17.23)	2 (39.12)	4 [24.22]	4 (1.96)	2 (2.28)	4 [1.9]
BOB	6 (76.22)	6 (65.04)	6 [72.48]	6 (8.47)	5 (6.86)	6 [5.96]	2 (0.45)	4 (8.14)	5 [2.75]
BOI	5 (107.32)	5 (88.97)	5 [97.58]	5 (14.91)	6 (4.41)	5 [6.23]	3 (1.11)	6 (9.07)	6 [3.02]
ICICI	4 (158.27)	3 (392.28)	3 [286.71]	2 (31.78)	3 (36.13)	2 [27.40]	1 (0.20)	3 (6.76)	2 [1.49]
AXIS	2 (299.37)	1 (1056.85)	2 [522.40]	4 (16.46)	1 (72.55)	3 [26.33]	-	5 (9.02)	3 [1.59]
HDFC	1 (3090.63)	2 (495.20)	1 [990.97]	1 (73.43)	4 (27.96)	1 [27.56]	-	1 (0.62)	1 [0.21]

	NPA in Relation to Total Assets			Total Assets Turnover Ratio			Borrowings-Deposits Ratio		
	2009-10	2016-17	Overall Position during Study Period	2009-10	2016-17	Overall Position during Study Period	2009-10	2016-17	Overall Position during Study Period
SBI	4 (1.47)	2 (1.88)	3 [1.54]	3 (3.98)	5 (2.96)	3 [3.67]	4 (130.20)	3 (185.82)	3 [142.20]
BOB	2 (0.30)	3 (4.46)	4 [1.56]	4 (3.87)	6 (2.55)	6 [2.83]	1 (9.81)	1 (9.49)	1 [11.51]
BOI	3 (0.68)	4 (6.76)	6 [2.19]	5 (3.49)	4 (3.44)	4 [3.24]	2 (27.86)	2 (14.34)	2 [21.04]
ICICI	1 (0.26)	5 (8.40)	5 [1.73]	1 (7.29)	1 (5.68)	1 [5.49]	3 (127.70)	4 (373.81)	4 [261.24]
AXIS	-	6 (8.65)	2 [1.51]	2 (4.34)	2 (4.86)	2 [5.07]	5 (237.53)	6 (1160.65)	5 [554.48]
HDFC	-	1 (0.51)	1 [0.18]	6 (2.44)	3 (4.28)	5 [2.85]	6 (5439.06)	5 (590.20)	6 [1411.58]

	Advances as percentage to Total Business	Total Resources as percentage to Total Business	Total Revenue as percentage to Total Business
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	2009-10	2016-17	Overall Position during Study Period	2009-10	2016-17	Overall Position during Study Period	2009-10	2016-17	Overall Position during Study Period
SBI	3 (67.08)	4 (73.34)	4 (68.78)	4 (75.78)	4 (76.21)	4 (75.07)	2 (3.56)	4 (2.63)	3 (3.12)
BOB	6 (43.25)	6 (39.41)	6 (41.94)	5 (62.31)	5 (66.34)	5 (64.71)	5 (2.56)	6 (1.84)	6 (1.94)
BOI	5 (51.77)	5 (47.08)	5 (49.27)	6 (61.67)	6 (60.51)	6 (61.30)	4 (2.94)	5 (2.17)	5 (2.16)
ICICI	4 (61.28)	3 (79.69)	3 (72.90)	2 (88.16)	3 (96.25)	3 (93.01)	3 (3.42)	3 (3.64)	2 (3.25)
AXIS	2 (74.96)	1 (91.36)	2 (79.07)	3 (84.52)	2 (108.97)	2 (99.43)	1 (3.67)	1 (4.63)	1 (4.52)
HDFC	1 (96.87)	2 (83.20)	1 (81.75)	1 (173.60)	1 (115.96)	1 (117.45)	6 (2.50)	2 (4.30)	4 (2.84)

Note: Values mentioned in [Square brackets] denote Mean Value of Ratios
Values in (Parentheses) denote Ratios in percentages.

(Source: Computed)

5 Findings & Suggestions :

HDFC bank, during the study period maintained the maximum CD ratio indicating maximum utilization of its Deposits for the purpose of Advances. Bank of Baroda, with its least score of Standard Deviation and Range found to be consistent in its performance during the period of study. HDFC bank with its high score of Mean Value during the study period as compared to other select banks exhibited highest IDR reflecting its status of high investments out of Deposits base. However, in terms of consistent performance, it was again BOB with the least score of Standard Deviation and Range. HDFC bank with its least score of Mean Value during the study period as compared to other select banks exhibited considerable position with regard to NPA Ratio. HDFC bank with its least score of Mean Value during the study period as compared to other select banks exhibited considerable position with regard to NPAs in relation to Total Assets.

ICICI bank with its high score of Mean Value during the study period as compared to other select banks exhibited highest TATR reflecting its status of high revenue out of Total Assets indicating good performance of bank in respect of Total Assets Turnover Ratio. However, in terms of consistent performance, it was BOI with the least score of Standard Deviation and Range. BOB with its least score of Mean Value during the study period as compared to other select banks exhibited least BDR reflecting its status of least Borrowings and more Deposits and occupied considerable position. However, in terms of consistent performance, it was BOI with the least score of Standard Deviation and Range.

HDFC bank, during the study period maintained the maximum APTB indicating maximum disbursement of Advances out of its total business. Bank of Baroda, with

its least score of Standard Deviation and Range found to be consistent in its performance during the period of study. HDFC bank, during the study period maintained the maximum TRPTB indicating maximum utilization of total resources out of total business. Bank of India, with its least score of Standard Deviation found to be consistent in its performance during the period of study.

AXIS bank, during the study period maintained the maximum TRTB reflecting its status of high revenue out of Total business indicating good performance of bank in respect of Total revenue as percentage to Total business. ICICI Bank, with its least score of Standard Deviation found to be consistent in its performance during the period of study.

After a detailed review on the comparative performance of India based banks operating abroad, it is appropriate that these banks to focus in the areas of deposits together with sizeable quantum of credit deployment out of deposit resources in improving their operational efficiency.

6 Scope for future research

A comprehensive research and comparative study could be undertaken to analyze the performance of Indian banks with that of other international banks that are based overseas, in the international market, and also offer suitable suggestions, thereof.

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