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PRODUCTIVITY ANALYSIS OF FOREIGN SECTOR BANKS

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ABSTRACT:

The foreign banks not only help in channelizing foreign investments but they also bring efficiencies and boost competition in financial sector of the country. Their presence is one of the key drivers to increase competition and promote efficiency of the domestic banking system. Here a serious attempt has been made to study performance of foreign banks operating in India.

KEYWORDS: foreign banks , channelizing foreign investments.



1.1 PRODUCTIVITY INDICATORS

It is difficult to quantify performance in service industry like banks, however an attempt has been made to evaluate performance of foreign banks using two indicators i.e business per employee and profit per employee.

1.1.1 Business per employee

Business per employee for all foreign sector banks is presented graphically in figure 6.1. Considerable increase was seen in business per employee of all the foreign sector banks under study (from about 800 lakhs to 2400 lakhs), however this increase was quite fluctuating and gradual up to year 2008 but after 2008 the rise was sharp. Results of descriptive statistics for business per employee of

foreign sector banks are presented in table 6.1. Mean business per employee is highest for The Bank of Nova Scotia followed by Bank of America .It is lowest for Oman International Bank and Bank of Bahrain and Kuwait. Similarly Median business per employee is highest for The Bank of Nova Scotia followed by Abu Dhabi Commercial Bank Limited and lowest for Oman International Bank, Bank of Bahrain and Kuwait, and Standard Chartered Bank. Absolute variation is lowest for Bank of Bahrain and Kuwait and Citibank while it is highest for The Bank of Nova Scotia, BNP Paribas and SocieteGenerale. On the basis of relative measure of risk lowest is for Citibank, Bank of Bahrain and Kuwait and Abu Dhabi Commercial Bank Limited .It is highest for BNP Paribas, Societe

Generale and The Bank of Nova Scotia. Conclusion can be arrived at that performance of The Bank of Nova Scotia and Bank of America have been excellent .Abu Dhabi Commercial Bank Limited, BNP Paribas, Citibank, Deutsche Bank, SocieteGenerale and Standard Chartered Bank are ranked good and Bank of Bahrain and Kuwait and Oman International Bank have been found poor in terms of business per employee. Coefficient of variation is lowest for Citibank indicating consistency in business per employee. Coefficient of Variation is quite high for BNP Paribas and SocieteGenerale indicating high variation in their performance.

Table 1.1
Descriptive statistics for business per employee of foreign sector banks
(Rs. in lakhs)

| Bank | Arithmetic Mean | Median | Standard Deviation (S.D.) | Coefficient of Variation (C.V.) |
|-----------------------------------|-----------------|---------|---------------------------|---------------------------------|
| Abu Dhabi Commercial Bank Limited | 1823.70 | 1740.23 | 570.23 | 0.31 |
| BNP Paribas | 1739.97 | 1279.52 | 1143.40 | 0.66 |
| Bank of America | 2378.39 | 1951.40 | 831.63 | 0.35 |
| Bank of Bahrain and Kuwait | 857.28 | 796.50 | 241.29 | 0.28 |
| The Bank of Nova Scotia | 2833.86 | 2198.14 | 1560.71 | 0.55 |
| Citibank | 1656.18 | 1663.55 | 281.43 | 0.17 |
| Deutsche Bank | 1425.27 | 1288.81 | 557.51 | 0.39 |
| Oman International Bank | 739.69 | 525.53 | 341.20 | 0.46 |
| SocieteGenerale | 1261.65 | 1078.22 | 783.16 | 0.62 |
| Standard Chartered Bank | 971.65 | 838.91 | 333.48 | 0.34 |

Source: Data has been compiled from various issues of Trend and Progress of Banking in India(Published by RBI)

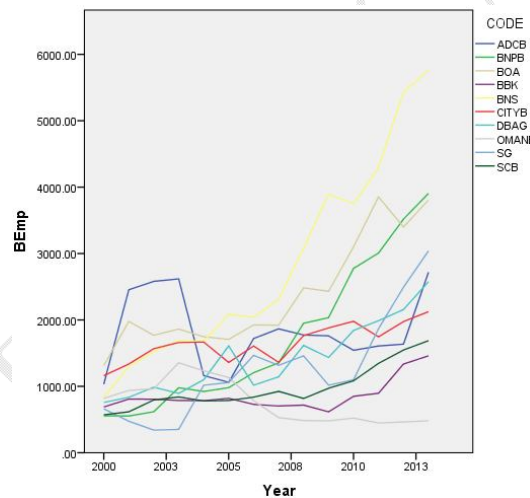


Figure 1.1: Business per employee

2. PROFIT PER EMPLOYEE

Profit per employee for all foreign sector banks is presented graphically in Figure 6.2. The graph above shows that profit per employee increased at a very slow rate for most of the foreign Sector banks from year 2000 to year 2008, with sharp fall in year 2005 of some banks, after 2005 it picked up some pace which was more prominent after 2010 .

Results of descriptive statistics for profit per employee of foreign sector banks are presented in table 6.2. Mean profit per employee is highest for Bank of America followed by The Bank of Nova Scotia .It is lowest for Bank of Bahrain and Kuwait and Oman International Bank. Similarly median profit per employee is highest for Bank of America followed by The Bank of Nova Scotia and lowest for Oman International Bank, Bank of Bahrain and Kuwait and Abu Dhabi Commercial Bank Limited. Absolute variation is lowest for Oman International Bank and Standard Chartered Bank while it is highest for The Bank of Nova Scotia, Bank of America and Abu Dhabi Commercial Bank Limited .On the basis of relative

measure of risk lowest is for Citibank, Standard Chartered Bank and SocieteGenerale. It is highest for Bank of Bahrain and Kuwait, Abu Dhabi Commercial Bank Limited and BNP Paribas.

It can be concluded that performance in terms of profit per employee is best for Bank of America and The Bank of Nova Scotia. Abu Dhabi Commercial Bank Limited, BNP Paribas, Citibank, Deutsche Bank, societeGenerale and Standard Chartered Bank performed well whereas Bank of Bahrain and Kuwait and Oman International Bank performed very poorly. Coefficient of variation is low for Citibank and Standard Chartered Bank revealing consistent performance whereas high variation in profit per employee has been found for Bank of Bahrain and Kuwait and Abu Dhabi Commercial Bank Limited.

Table 1.2
Descriptive statistics for profit per employee of foreign sector banks
(Rs. in lakhs)

| Bank | Arithmetic Mean | Median | Standard Deviation (S.D.) | Coefficient of Variation (C.V.) |
|-----------------------------------|-----------------|--------|---------------------------|---------------------------------|
| Abu Dhabi Commercial Bank Limited | 14.94 | 12.13 | 33.33 | 2.23 |
| BNP Paribas | 21.23 | 12.64 | 24.29 | 1.14 |
| Bank of America | 73.96 | 60.44 | 47.45 | 0.64 |
| Bank of Bahrain and Kuwait | 4.94 | 6.85 | 13.67 | 2.77 |
| The Bank of Nova Scotia | 51.10 | 27.80 | 49.76 | 0.97 |
| Citibank | 27.86 | 23.20 | 10.49 | 0.38 |
| Deutsche Bank | 32.60 | 27.74 | 19.79 | 0.61 |
| Oman International Bank | 5.51 | .94 | 3.535 | .64 |
| SocieteGenerale | 16.41 | 22.73 | 17.97 | 1.10 |
| Standard Chartered Bank | 20.48 | 20.30 | 8.26 | 0.40 |

Source: Data has been compiled from various issues of Trend and Progress of Banking in India(Published by RBI)

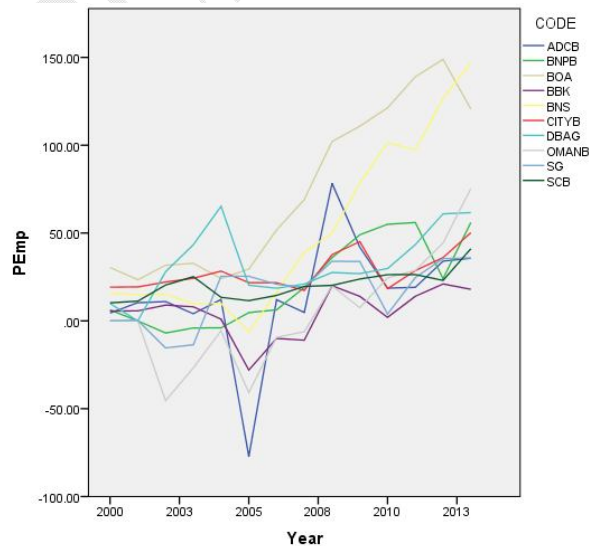


Figure 1.2: Profit per employee

CONCLUSION:

It can be concluded that mean and business per employee is highest for The Bank of Nova Scotia. Absolute variation is lowest for Bank of Bahrain and Kuwait. C.V is lowest is for Citibank. Mean and median profit per employee is highest for Bank of America. Absolute variation is lowest for Oman International Bank. C.V is lowest for Citibank.

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