



**ORIGINAL RESEARCH PAPER**

**Commerce**

**PERFORMANCE OF FOREIGN BANK VIS-A-VIS INDIAN BANK IN INDIA- A COMPARATIVE STUDY OF CITI BANK AND STATE BANK OF INDIA**

**KEY WORDS:** Performance, Indian bank, foreign bank, Profitability, NPA, Return on assets.

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**ABSTRACT**

Performance of banks is very crucial for the smooth working of any economy in the world. It is viewed as vital indicator of the economic condition of a country. Foreign banks have contributed extensively for the development of Indian economy just like Indian origin banks. This article attempts to throw light on the financial performance of SBI and CITI bank which are the leading public sector bank and foreign banks which are operating in India. The study uses interest earned, interest expended, operating expenses, net profit, capital adequacy ratio, NPA and return on assets as performance indicators. These data has been analysed using simple arithmetic mean, standard deviation and hypotheses testing. The study has given some valuable inputs on working of these banks.

**INTRODUCTION:**

The Indian banking sector is one of the most robust and active banking industries in the world. India, being a mixed economy, has given place to all types of players, like public, private, and foreign companies, in all industries; the banking sector is also no exception. The existence of multiple sectors assures healthy competition and quality service delivery for customers and all stakeholders. India is home to a few big banking companies in all types of ownership, like public and foreign banks. The study considers State Bank of India, which is the leading bank in the public sector in terms of business and profits, with CITI Bank being the leading foreign bank active in the Indian banking sector.

**Literature review:**

(Horen, 2012) discussed that the foreign banks held nearly one fifth of the market share in the OECD countries whereas they held nearly one half of market share elsewhere. These foreign banks had recorded lower profitability rates in the local countries when compared to their home turfs. They were the worst affected during the crisis slump when compare to the local banks.

(Manoj K Kashyap, 2013) Conducted an extensive survey on the road taken by foreign banks in India form their nascent stage to till date. They argue that the pace of growth of foreign banks are at the same pace at which Indian banks have grown since 2007 to 2012 with reference to lending and borrowing. But their businesses are more concentrated in the urban areas and these foreign banks have a higher NPA rate when compare to the local Indian banks.

(Vinila, 2017) conducted an extensive study on various foreign banks active in Indian banking sector and noted that the ratio of net profits, interest income earned and interest expended have increased to a considerable extent from 1991-92 to 2013-14 making India a very fertile land for banking business.

(Aggarwal, 2017) Stated that the opening of Indian banking sector to the foreign players has led to high level of competition among the banks in India. Furthermore it has increased productivity among banks in India, development of local industries, strengthening of financial system and productive use of financial resources.

(SYNTELLIS, 2023) has identified some of the key performance indicators for a banking company and mentioned that return on assets, net profit and capital adequacy ratios are very crucial in pointing the financial position of a bank.

(Panchal, 2023) Is of the opinion that foreign banks have gradually increased their market share India. He observed that the number of foreign bank branches have gone up by 273 branches in year 2007 to 861 branches in 2022 whereas the number of active foreign banks also increased from 29 to 45 in the same period. But their incomes have varied in the periods of 2019 to 2022.

**Objectives of Study:**

- 1) To study and compare the profitability of State Bank of India and CITI bank in terms of interest income, other incomes, operating expenses and net profit.
- 2) To study and compare the efficiency of State Bank of India and CITI bank in terms of Capital adequacy ratio , Non-performing assets and return on assets

**Hypotheses of the Study:**

- a) (H0) There is no significant difference between the performance of State Bank of India and CITI bank.
- b) (H1) There is a significant difference between the performance of State Bank of India and CITI bank.

**Methodology of the study:**

**a. Sources of data:**

The study is based on secondary data taken form financial statements of State Bank of India and CITI bank over a period of five years starting from 2018 to 2022.

**b. Plan of analysis:**

The collected data has been analysed using interest earned, other incomes, operating expenses, other expenses, net profit, capital adequacy ratio, NPA and return on assets as performance indicators. These data of both State Bank of India and CITI bank banks have been analysed using mean and CV. Further t-test is used for testing hypotheses and p-value is used to draw inferences. Lower the p value there is significant difference between the performances of two banks. So P =0.5 or greater than 0.5 is not significant, P=0.2- 0.5 significant, p-0.00-0.2 is highly significant.

**c. Limitations of the study:**

The study is limited only to interest earned, operating profit, net profit, NPA and return on assets. The suggestions are based on p value results derived from the above indicators.

**Profile of the banks:**

**State Bank of India:**

State Bank of India is an India-based banking and money related organizations association. The Organization's bits integrate Depository, Corporate/Discount Banking, Retail Banking and Protection Business. The Depository area recalls

the entire endeavour portfolio and trading for new economic accords and auxiliary arrangements. The Corporate/Discount Banking area incorporates the advancing activities of corporate records pack, business client's social event and pushed assets objective bundle. The Retail Banking area includes retail branches, which basically integrates individual monetary activities, including crediting activities to corporate clients, and moreover consolidates office business and robotized teller machines (ATMs). The Protection Business piece includes the eventual outcomes of SBI life insurance company Ltd. moreover, SBI General Insurance company Ltd. It is locked in with giving an extent of things and organizations to individuals, business tries, immense corporates, public bodies and institutional clients.

**CITI Bank:**

Citi started tasks in India a while back in 1902 in Kolkata and today is a huge unfamiliar financial backer in the Indian monetary market. As advertiser investor, Citi plays had a main impact in laying out significant market mediators like vaults, credit department, clearing and instalment foundations. Citi helped establish the groundwork of the Indian programming industry by laying out Citicorp Abroad Programming Ltd. also, iflex Arrangements Ltd.; it spearheaded the ITES business in monetary administrations through Citigroup Worldwide Administrations Ltd. (CGSL). Prophet procured Iflex in 2005 and CGSL was obtained by Goodbye Consultancy Administrations in 2008. Citi India added two additional green guaranteed structures to its office premises in 2012, and in 2013 moved its central command to The Primary Global Monetary Center (FIFC), a top notch harmless to the ecosystem building. Furthermore, Citi India, through its organization of Citi Arrangements Focuses, has been a main offshoring unit for Citigroup worldwide, giving business open doors in the space of innovation, handling, examination and monetary cycles.

**Results, analysis and findings:**

**1. Interest income earned:**

Table 01: Interest income earned by the banks (in lakhs)

Interest earned	2018	2019	2020	2021	2022	Result
SBI	220499 3156.00	2428686 535.00	257323 5922.00	2651506 338.00	2754572 904.00	H Sig
CITI	104757 2.00	1141001 .00	129491 4.00	1219522 .00	1185442 .00	
Interest earned	Mean	SD	CV	T value	P value	
SBI	252259 8971.00	2137089 81.46	8.47	2.29	0.08	
CITI	117769 0.20	91962.2 9	7.81			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

It is evident from the table that both SBI as well as CITI banks have experienced an increasing trend in interest earning the observation period. When CV of the banks are observed SBI has a higher CV showing variation in interest income generated than CITI bank. Testing results show a significant difference in the interest incomes of the banks.

**CONCLUSION:**

Both the banks need to increase their interest incomes.

**2. Other incomes:**

Table 02: Other incomes generated by the banks (in lakhs)

Other income	2018	2019	2020	2021	2022	Result
SBI	446006 871.00	367748 878.00	452214 780.00	434963 747.00	40563914 0.00	H Sig

	343353.00	382783.00	475281.00	395497.00	280597.00	
Other income	Mean	SD	CV	T value	P value	
SBI	421314 683.20	348777 69.44	8.28	1.91	0.12	
CITI	375502 20	71500. 31	19.04			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

Other incomes are considered as a supplementary source of income for a bank. The study shows that there is a stable increase in the incomes of SBI. CITI bank has a high CV of 19.04 which was due to the Corona pandemic which affected the global performance which in turn has effected the local performance in India as well. On an overall basis still there is no significant difference between the operating incomes of the banks which is evident from the P value.

**Conclusion:**

SBI has a stable other source of Income than CITI bank during the observation period.

**3. Interest expended:**

Table 03: Interest expended by the banks (in lakhs)

Interest expended	2018	2019	2020	2021	2022	Result
SBI	145645 6000.00	154519 7780.00	159238 7657.00	154440 6333.00	154749 7043.00	Sig
CITI	308695. 00	358901. 00	438551. 00	331020. 00	263571. 00	
Interest expended	Mean	SD	CV	T value	P value	
SBI	153718 8962.60	494651 27.18	3.22	1.025	0.36	
CITI	340147. 60	65137.3 0	19.15			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

Interest expended or interest expenses indicates the amounts paid by the banks on deposits which form one of the major source of expenses for a bank. In the above table it is observed State bank of India has maintained a very consistent interest expenditure in comparison to CITI bank. It is verified by the CV of 3.22

**Conclusion:**

The interest expenses pattern of State bank of India is more stable than CITI bank.

**4. Operating expenses**

Table 04: Operating expenses incurred by the banks (in lakhs)

Operating expenses	2018	2019	2020	2021	2022	Result
SBI	599434 464.00	696877 374.00	7517369 02.00	826522 235.00	933975 152.00	H Sig
CITI	399026 .00	424988 .00	421818. 00	426183 .00	476250 .00	
Operating expenses	Mean	SD	CV	T value	P value	
SBI	761709 225.40	126996 053.15	16.67	4.59	0.01	
CITI	429653 .00	28304. 08	6.59			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

Operating expenses covers the major expenses of any bank

from their regular banking activities and both banks. There is a high CV observed in SBI of 16.67 when compared to a CV of 6.59 for CITI bank. The P value of 0.01 shows that there is a highly significant difference in expenses of both the banks

**Conclusion:**

SBI has greater operating expenses when compared to CITI bank

**5. Net profit/ loss:**

Table 05: Net profit/loss made by the banks (in lakhs)

Net Profit	2018	2019	2020	2021	2022	Result
SBI	(65474537.00)	8622298.00	144881106.00	204104694.00	316759805.00	L Sig
CITI	340305.00	418530.00	491837.00	409285.00	372686.00	
Net Profit	Mean	SD	CV	T value	P value	
SBI	121778673.20	152640974.05	125.34	0.05	0.96	
CITI	406528.60	56921.09	14.00			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

State Bank of India experienced very high fluctuations in the observation period and had incurred loss in the year 2018 but recovered very quickly. CITI bank maintained a very stable profit margin during the observation period. The study indicates a high P value of 0.96 showing least significant difference in the profit levels of the banks

**Conclusion:**

Both banks have maintained similar profit margins.

**6. Capital adequacy ratio (CET1)**

Table 06: Capital adequacy ratio (in percentage)

CET 1 ratio	2018	2019	2020	2021	2022	Result
SBI	9.86	9.78	10.05	10.33	10.26	H Sig
CITI	16.32	15.60	14.45	13.81	15.74	
CET 1 ratio	Mean	SD	CV	T value	P value	
SBI	10.06	0.24	2.39	2.23	0.089	
CITI	15.18	1.02	6.75			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

Capital adequacy ratio indicates the relationship of a bank's capita with its assets. The ideal CET ratio suggested by the BASEL norms is 8%. State Bank of India is able to maintain an average CET ratio of 10.06 which is much lower when compared to 15.18 of CITI bank. Even in CET ratio the banks are showing a highly significant difference levels.

**Conclusion:**

Both banks have CET ratios above the ideal 8% but the CET ratio of CITI bank is much better than State Bank of India

**7. Return on assets ratio (ROA):**

Table 07: Return on assets (in percentage)

ROA	2018	2019	2020	2021	2022	Result
SBI	-0.190	-0.020	0.380	0.480	0.670	L Sig
CITI	0.223	0.257	0.255	0.184	0.163	
ROA	Mean	SD	CV	T value	P value	
SBI	0.26	0.36	135.48	0.38	0.723	
CITI	0.22	0.04	19.45			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

Return on assets shows the efficiency of a bank to generate income on their assets. It throws light on the usage of assets in the business. State Bank of India has shown high CV of 135.8%

indicating fluctuating return on assets whereas CITI bank has a lower CV of 19.45%. The P value of 0.723 indicates that there is no significant difference among the banks and both of them are generating sufficient return on their assets.

**Conclusion:**

Both banks have a constant rate of returns on their assets.

**8. Net NPA percentage**

Table 8: Net non-performing assets (percentage)

NPA %age	2018	2019	2020	2021	2022	Result
SBI	5.690	2.970	2.200	1.480	1.000	L Sig
CITI	5.500	5.510	5.560	6.500	6.320	
NPA %age	Mean	SD	CV	T value	P value	
SBI	2.67	1.85	69.20	0.002	0.99	
CITI	5.88	0.49	8.34			

(Source: Secondary data from Bank annual reports), (Table compiled by author)

Net NPA refers to the Gross NPA less deduction from provisions made to cover the NPAs. It also shows the preparedness of the bank to face loss from NPAs. State Bank of India has shown a higher fluctuations in NPA percentage with a CV of 69.2. But the overall picture shows a different state of affairs where the mean NPA percentage of State Bank of India is less than CITI bank indicating better quality assets.

**Conclusion:**

There is no significant difference in the volume of NPAs of the banks.

**Suggestions:**

- It is suggested to both banks to make efforts in improving the quality of lending so that the interest incomes are enhanced.
- Stress needs to be put on secondary and tertiary banking activities to improve non-interest incomes to supplement the interest incomes.
- The banks are also suggested to improve the quality of Savings bank, current accounts and other deposit services so that customer base can be improved and strengthened.
- Steps have to be taken to monitor the operating expenses so that cost cutting could be done to improve profit margins.
- Measures have to be taken to improve the quality of lending and borrowing so that net profit margin is enhanced by both the banks.
- Both the banks need to work on improving the capital adequacy ratios to assure prudent banking culture to their stakeholders.
- Assets of the banks need to be utilised to the optimum level to assure quality returns.
- The banks also need to work on the quality of lending so that the net NPAs could be reduced to the maximum possible extent.
- Both banks need to exchange ideas on new technologies in banking so that they can provide quality service to their customers.

**Directions for further research:**

This study was an attempt to compare the performance of one of leading foreign bank and leading nationalised bank in India. The study used secondary data from the annual reports of past performance of only two banks which can be extended to other active foreign banks in India. A study comparing Indian private sector banks with foreign banks could also be made to throw light on their performance as well.

**CONCLUSION:**

The advent of foreign banks post liberalisation was seen as a threat to the Indian banking industry, but Indian banks have proved that they are in no way backward in terms of service

quality and profitability to their foreign counterparts. As the saying goes “**Quality is a race which has beginning but no end**” banks both Indian and foreign need to strive hard to provide quality services to their customers to stay in the race.

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