International Journal of Commerce and Management Research
ISSN: 2455-1627, Impact Factor: RJIF 5.22
www.managejournal.com
Volume 2; Issue 3; March 2016; Page No. 143-147

A comparative study of financial performance: Deutsche bank & standard chartered bank

Dr. Nidhi
UILMS (University Institute of Law & Mgt. Science) Maharshi Dayanand University Rohtak, India

Abstract
The performance of banks has been a concern for various stakeholders. Foreign banks have brought the most up-to-date technology and new banking practices to India which has facilitated the domestic banks to develop their performance and provide better customer services. A company's financial performance can be determined by evaluating and analyzing the data provided in its annual reports and financial bulletin. FRA is one of the approach used to measure the operating efficiency of a bank. This research study is entirely secondary in nature. In this study, financial performance of Deutsche Bank and Standard chartered Bank is evaluated and compared. The study shows that DB has better ROA, Capital adequacy ratio, NPA, Cost income ratio, profit per employee but inadequate credit deposit ratio and non-interest income to interest income which is better in case of SCB.

Keywords: (DB) Deutsche Bank, (SCB) Standard chartered Bank and Financial Ratio Analysis (FRA).

Introduction

The bank plays an important role in the economic development of any country. Finance is life blood of any industry. India is the top 5 fastest growing economic county in the world. Currently there are 46 foreign banks operating in India. Foreign banks have brought up-to-date technology and new banking practices to India such as the first Automated Teller Machine (ATM) in the country was set up in 1987 by HSBC There are only few banks having various branches in India such as Standard Chartered Bank, the oldest foreign bank that came to India 150 years ago operating with 102 branches, HSBC bank with 50 branches, Citibank has 45 branches and ABN amro Bank which is known by Royal Bank of Scotland has 10 branches etc. Over the recent years, FRA, Regression Analysis (RA) and Frontier Analysis (FA) have been the three major methods used to evaluate operating efficiency of a bank.

Literature Review: Chaudhary G (2015), this study covers the performance comparison of private sector banks and the public sector banks and was found that total incomes of the banks have good performance since the last few years. The gross profit and the net profit also increased very rapidly. Mistry D and Savani V(2015), The objective of the study is to classify Indian private sector banks on the basis of their financial characteristics and to assess their financial performance. Kuen-Horng Lu and Min-Li Yang(2007), in this study the DEA has been used as the method for developing the efficient frontier and they found that the Non-Performing Loans/Gross Loans (NPL/GL) ratio of the high efficiency group is significantly lower than that of the low efficiency group. Mohan (2005), states that an efficient financial system contributes to resource generation, intermediation and allocation and hence contributes to economic growth and risk mitigation process. Vradi, Vijay, Mauluri and Nagarjuna (2006), study on measurement of efficiency of banks in India which concluded that in modern world performance of banking is more important to stable the economy in order to see the efficiency of Indian banks. Rajput N and Gupta M,(2011) this study makes an attempt to measure the efficiency change of foreign banks operating in India during 2005-2010. By using frontier based non-parametric technique, i.e., DEA, the result exhibits that the efficiency of FBs has shown continuous improvement following the route of deregulation with little drifts. Rajput N, Chopra K and Oberoi S,(2014) makes an attempt to measure and compare the efficiency scores of Public Sector Banks (PSBs), Private Sector banks and FBs operating in India during 2008-2013 using frontier based non-parametric technique, i.e., DEA. Shah,V.,(2015) discuss about the comparative analysis on performance of new private sector banks and the public sector banks of India during the period 2011-2015 on many key parameters such as the P/E Ratio, Dividend Payout ratio, Return on equity ratio, Capital adequacy ratio, Credit deposit ratio.

Objective of Study

- To study and compare the financial performance of SCB and DB Bank through ratios analysis.

Research Hypothesis

The main hypothesis of the present study is:

H0: There is no significant difference between financial performance of DB and SCB bank.

The sub hypotheses of the study are:

H0.1 There is no significant difference between Return on Assets ratio of DB and SCB bank.

H0.2 There is no significant difference between Capital Adequacy Ratio of DB and SCB bank.

H0.3 There is no significant difference between Net NPA ratio of DB and SCB bank.

H0.4 There is no significant difference between Cost to Income Ratio of DB and SCB bank.

H0.5 There is no significant difference between Credit Deposit Ratio of DB and SCB bank.

H0.6 There is no significant difference between Profit per Employee of DB and SCB bank.

Research Methodology

An effort has been made to assess, evaluate and compare the financial performance of SCB and DB Bank. The present study based on purely secondary data that has been collected from annual reports of both the banks, magazines and articles published in. The study covers the period of 5 years i.e. year 2010-11 to year 2014-15. Ratio analysis is applied to analysis and compares the financial performance. The key financial performance indicators that have been used in this study such as Non interest income as % of working, Interest income as % of working funds, Non-interest income to Interest Income, Capital Adequacy Ratio (CDR), Return on Assets (ROA), Net NPA ratio, Credit deposit ratio, Profit per employee and Cost Income Ratio. To test the hypothesis t-test is employed.

Data Analysis and Interpretation

Ratios

- **Return on Average Assets Ratio** it is an indicator used to assess the profitability of a firm's assets. It is most often used by banks and other financial institutions as a means to gauge their performance. ROAA is calculated by taking net income and dividing by average total assets. The final ratio is expressed as a percentage of total average assets.
- **Capital Adequacy Ratio** The capital adequacy ratio (CAR) is a measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures. It is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process.
- **Net NPA Ratio** NPA is a disorder resulting in non-performance of a portion of loan portfolio leading to no recovery or less recovery / income to the lender.
- **Cost to Income Ratio** Cost to income ratio represents the ability of management to income generate at low level of cost. Low level of cost to income ratio indicates better performance of bank and better management of bank.
- **Credit Deposit Ratio** Credit-Deposit Ratio is the proportion of loan-assets created by a bank from the deposits received. Credits are the loans and advances granted by the bank.
- **Profit per Employee** Profit per Employee represents the profit per employee. It shows the operating performance of banks. Higher the ratio indicates better operating performance of bank.

Test

Group Statistics					
	Foreign Banks	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Return on Assets (%)	Deutsche Bank	6	2.2217	.56418	.23032
	Standard chartered Bank	6	2.1683	.68496	.27964

There's a significant difference between the ROA of both the bank, the above table shows that DB has better ROA with less standard deviation as compared to the SCB bank.

Independent Samples Test

		Levene's Test for Equality of Variances		**t-test for Equality of Means**						
		F	**Sig.**	**t**	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**Std. Error Difference**	**95% Confidence Interval of the Difference**	
									Lower	**Upper**
Return on Assets (%)	Equal variances assumed	.184	.677	.147	10	.886	.05333	.36228	-.75387	.86054
	Equal variances not assumed			.147	9.646	.886	.05333	.36228	-.75791	.86457

In the above table the significance level is.o5 and the value of t-test is more than the significance level so the null hypothesis is rejected that there is no significant difference between performance of DB and SCB and the alternative hypothesis is accepted. It means there is significant difference between ROA ratio of DB and SCB.

Group Statistics

	Foreign Banks	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Capital Adequacy Ratio	Deutsche Bank	6	15.0233	.90895	.37108
	Standard chartered Bank	6	12.2183	.67372	.27504

A bank with a high capital adequacy ratio is considered safe and likely to meet its financial obligations. The above table shows that DB has better capital adequacy ratio as compared to the SCB bank, as the mean of DB is more than SCB bank.

Independent Samples Test

Levene's Test for Equality of Variances				t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Capital Adequacy Ratio	Equal variances assumed	.427	.528	6.073	10	.000	2.80500	.46190	1.77583	3.83417
	Equal variances not assumed			6.073	9.220	.000	2.80500	.46190	1.76391	3.84609

The significance level is.o5 and the value of t-test is more than the significance level so the null hypothesis is rejected that there is no significant difference between performance of DB and SCB and the alternative hypothesis is accepted. It means there is significant difference between capital adequacy ratio of DB and SCB.

Group Statistics

	Foreign Banks	N	Mean	Std. Deviation	Std. Error Mean
Credit Deposit Ratio	Deutsche Bank	6	95.3783	13.38396	5.46398
	Standard chartered Bank	6	90.9633	6.07792	2.48130

It is the ratio of how much bank lends out of the deposits it has mobilized. Low ratio indicates inadequate utilization of resources and high ratio indicates more reliance on deposits. CD ratio of DB is higher as compared to SCB which shows more dependency on deposits for lending and it leads to more deviations. SCB has maintained this ratio better than DB.

Independent Samples Test

Levene's Test for Equality of Variances				t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Credit Deposit Ratio	Equal variances assumed	2.263	.163	.736	10	.479	4.41500	6.00099	-8.95604	17.78604
	Equal variances not assumed			.736	6.978	.486	4.41500	6.00099	-9.78411	18.61411

In the above table the significance level is.o5 and the value of t-test is more than the significance level so the null hypothesis is rejected that there is no significant difference between performance of DB and SCB and the alternative hypothesis is accepted. It means there is significant difference between credit deposit ratio of DB and SCB.

Group Statistics

	Foreign Banks	N	Mean	Std. Deviation	Std. Error Mean
Non-interest income to Interest Income (%)	Deutsche Bank	6	35.8000	14.55898	5.94368
	Standard chartered Bank	6	36.9000	7.21554	2.94573

Non-interest income is bank and creditor income derived primarily from fees such as deposit and transaction fees, annual fees, check and deposit slip fees, etc. Higher the ratio better it is. The above table shows SCB has better non interest income to interest income as compared to DB.

Independent Samples Test

	Levene's Test for Equality of Variances			t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Non-interest income to Interest Income (%)	Equal variances assumed	2.024	.185	-.166	10	.872	-1.10000	6.63360	-15.88058	13.68058
	Equal variances not assumed			-.166	7.317	.873	-1.10000	6.63360	-16.64946	14.44946

In the above table the significance level is.o5 and the value of t-test is less than the significance level, so the null hypothesis is accepted that there is no significant difference between performance of DB and SCB and the alternative hypothesis is rejected.

Group Statistics

	Foreign Banks	N	Mean	Std. Deviation	Std. Error Mean
Net NPAs Ratio	Deutsche Bank	6	.2433	.27267	.11132
	Standard chartered Bank	6	.7983	.57860	.23621

High Net NPA ratio indicated the high quantity of risk and ideally ratio of Net NPA to Net advance should not be more than 3%. NPA ratio of DB bank is better than SCB bank and DB also involves less deviations.

Independent Samples Test

Levene's Test for Equality of Variances				t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Net NPAs Ratio	Equal variances assumed	5.497	.041	-2.125	10	.059	-.55500	.26113	-1.13683	.02683
	Equal variances not assumed			-2.125	7.116	.071	-.55500	.26113	-1.17043	.06043

In the above table the significance level is.o5 and the value of t-test is less than the significance level, so the null hypothesis is accepted that there is no significant difference between performance of DB and SCB and the alternative hypothesis is rejected.

Group Statistics

	Foreign Banks	N	Mean	Std. Deviation	Std. Error Mean
Profit per Employee	Deutsche Bank	6	5284.5000	1772.87775	723.77431
	Standard chartered Bank	6	3040.6667	863.38929	352.47720

It suggests the most valuable use of an organization's talent and shed low-profit employees. DB represents per employee better contribution towards profit with high standard deviation as compared to SCB bank.

Independent Samples Test

	Levene's Test for Equality of Variances			t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Profit per Employee	Equal variances assumed	4.002	.073	2.787	10	.019	2243.83333	805.04002	450.09240	4037.57427
	Equal variances not assumed			2.787	7.245	.026	2243.83333	805.04002	353.20771	4134.45896

In the above table the significance level is.o5 and the value of t-test is more than the significance level, so the null hypothesis is rejected that there is no significant difference between performance of DB and SCB and the alternative hypothesis is accepted.

Group Statistics

	Foreign Banks	N	Mean	Std. Deviation	Std. Error Mean
Cost to Income Ratio	Deutsche Bank	6	81.0133	22.95556	9.37157
	Standard chartered Bank	6	85.7683	28.38409	11.58775

Lower the cost income ratio, more profitable the bank and vice versa. There is an inverse relationship between the cost income ratio and banks profitability. DB has low cost income ratio as compared to the SCB which shows the efficient performance of DB.

Independent Samples Test

	Levene's Test for Equality of Variances			t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Cost to Income Ratio	Equal variances assumed	.293	.600	-.319	10	.756	-4.75500	14.90310	-37.96117	28.45117
	Equal variances not assumed			-.319	9.581	.757	-4.75500	14.90310	-38.15909	28.64909

In the above table the significance level is.o5 and the value of t-test is less than the significance level, so the null hypothesis is accepted that there is no significant difference between performance of DB and SCB and the alternative hypothesis is rejected.

Conclusion

It is important to study various parameters related to financial statements of banks. The following ratios are performed better in case of Deutsche bank, as Return on asset, capital adequacy ratio, Profit per employee, NPA ratio and cost to income ratio whereas credit deposit ratio and non interest income to interest income are better in Standard chartered bank. In this paper null hypothesis is rejected in case of ROA, Capital adequacy ratio, credit deposit ratios and Profit per employee which states that there is significant difference between DB and SCB on basis of these ratios whereas null hypothesis is accepted in case of NPA, Cost to income ratio and Non interest income to interest income which states that there is no significant difference between DB and SCB on basis of these ratios.

Reference

1. Lu KH, Yang ML, Hsiao FK, Lin HY. 'Measuring the operating efficiency of domestic banks with DEA', Int. J. Business Performance Management, 2007; 9(1): 22-42.
2. Rajput N, Gupta M. "Assessing the efficiency of foreign banks in Indian context", Banks and Bank Systems, 2011; 6(2).
3. Percin S, Ayan YT. "Measuring Efficiency Of Commercial Banks In A Developing Economy: The Case

Of Turkey", Investment Management and Financial Innovations, 2006; 3(2).
4. Rajput N, Chopra K, Oberoi S. "Efficiency of Foreign Banks Operating in India: DEA Analysis", Asian Journal of Finance & Accounting, ISSN 1946-052X, 2014; 6(2).
5. Ramani V. A Comparative Study of Financial Performance of Indian Banking Sector in Post Reform Period", ISSN 1751-3030.
6. Mistry D, Savani V. "A Comparative Study of the Profitability Performance in the Banking Sector: Evidence from Indian Private Sector Bank", XVI International Conference, ISBN no. 978-81-923211-7-2, 2015; 346-360.
7. Shah V. "An Analysis on the Performance of Private and Public Sector Banks in India", International Journal for Technological Research in Engineering, Volume 3, Issue 4, ISSN 2015; 2347-4718.
8. Chaudhary G. "Performance Comparison of Private Sector Banks with the Public Sector Banks in India" International Journal of Emerging Research in Management & Technology, ISSN: 2278-9359, 2015; 3(2).
9. www.moneycontrol.com
10. www.rbi.org.in
11. www.db.com
12. www.sc.com