

## Impact of Foreign Bank Entry on the Domestic Bank Performance in India : A DEA approach

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### Abstract

The purpose of this paper is to estimate empirically the impact of foreign banks entry on domestic bank performance in India. The present study identifies the gap that there is no study so far identifying the efficiency of foreign banks operating in India and the efficiency of the domestic banks exploring the impact of foreign bank entry on the domestic bank performance. For analyzing the trade in banking services, as stated in the objective, 44 foreign banks and 57 domestic banks have been identified. The relative efficiency of each bank identified has been calculated using Data Envelopment Analysis (DEA), an econometric tool. The period of the study is eight years from 2005 to 2013. The above banks are the best and consistent performing domestic banks, showing that there is not much impact on the entry of foreign banks on the performance of the domestic banks. The conclusion is that foreign banks entry is increasing competition in the host country. Study showed that domestic banks are performing better and consistently to survive the competition.

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### I. Introduction

INTERNATIONAL TRADE IN services was brought under the common multilateral rule, General Agreement on Trade in Services (GATS), with the Uruguay Round of trade negotiations. GATS is the first set of multilaterally negotiated and legally enforceable rules covering international trade in commercial services. Following the entry into force of GATS, there has been an increasing demand for detailed and relevant and internationally comparable statistical information on trade in services. GATS cover twelve major groups of services including financial services. Financial services broadly refer to the functions performed by financial institutions, viz. acceptance of deposits, lending, payment services, securities trading, asset management, financial advice/consultancy, settlement and clearing service, etc. and these functions carried out collectively with non-residents form international trade in financial services.

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With the liberal branch expansion policy, WOS would have access to those areas, which so far remained unexplored by foreign banks in India. Thus, there are ample growth opportunities for foreign banks under the WOS set up. RBI and the Government of India should come up with more of such policies.

### Notes

- 1 As per IMF's Balance of Payments Manual and International Investment Position Manual Sixth Edition (BMP6), a subsidiary is a direct investment enterprise (DIE) over which direct investor is able to exercise control, which is assumed to exist if the investor has more than 50% equity in the enterprise investment. An associate is a DIE over which the direct investor owns from 10 to 50% of the equity shares in the investment enterprise.

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**Annexure I**  
**List of Foreign and Domestic Banks -**  
**used in analysis for DEA for calculating Efficiency**

<b>S.No</b>	<b>Name of the Foreign Bank [DMUs]</b>
1	Bank Internasionaal Indonesia
2	Krung Thai Bank Public Company Limited
3	Mashreq Bank Psc
4	United Overseas Bank Ltd
5	Sberbank
6	National Australia Bank
7	Westpac Banking Corporation
8	Industrial And Commercial Bank Of China
9	Woori Bank
10	Jsc Vtb Bank
11	Antwerp Diamond Bank Nv
12	Bank Of Ceylon
13	Commonwealth Bank Of Australia
14	Ab Bank Limited
15	Oman International Bank S.A.O.G.
16	Credit Suisse Ag
17	Sonali Bank
18	Chinatrust Commercial Bank
19	State Bank Of Mauritius Ltd
20	Abu Dhabi Commercial Bank Ltd
21	Rabobank International
22	Ubs Ag
23	Sumitomo Mitsui Banking Corporation
24	Australia And New Zealand Banking Group Limited
25	Firststrand Bank Ltd
26	Shinhan Bank
27	Credit Agricole Corporate And Investment Bank
28	Bank Of Bahrain & Kuwait B.S.C.
29	Societe Generale
30	Bank Of Nova Scotia
31	Mizuho Corporate Bank Ltd
32	Jpmorgan Chase Bank National Association
33	The Bank Of Tokyo-Mitsubishi Ufj Ltd
34	Bnp Paribas
35	Barclays Bank Plc
36	Bank Of America N.T. And S.A.
37	American Express Banking Corp.
38	Dbz Bank Ltd.
39	The Royal Bank Of Scotland N.V.
40	Deutsche Bank Ag
41	Hongkong And Shanghai Banking Corpn.Ltd.
42	Citibank N.A
43	Standard Chartered Bank
44	Ufj Bank Ltd
<b>S.No</b>	<b>Name Of The Domestic Bank [Dmus]</b>
1	Nainital Bank Ltd
2	Ratnakar Bank Ltd
3	Development Credit Bank Ltd.
4	The Dhanalakshmi Bank Ltd
5	Catholic Syrian Bank Ltd
6	Lakshmi Vilas Bank Ltd

7	Tamilnad Mercantile Bank Ltd
8	City Union Bank Limited
9	South Indian Bank Ltd
10	Karnataka Bank Ltd
11	Karur Vysya Bank Ltd
12	Yes Bank Ltd.
13	Punjab And Sind Bank
14	Ing Vysya Bank Ltd
15	Jammu & Kashmir Bank Ltd
16	Federal Bank Ltd
17	State Bank Of Mysore
18	Dena Bank
19	Indusind Bank Ltd
20	State Bank Of Travancore
21	Vijaya Bank
22	State Bank Of Bikaner And Jaipur
23	Bank Of Maharashtra
24	Kotak Mahindra Bank Ltd.
25	State Bank Of Patiala
26	Corporation Bank
27	State Bank Of Hyderabad
28	IDBI Bank Limited
29	United Bank Of India
30	Andhra Bank
31	Indian Bank
32	Oriental Bank Of Commerce
33	Allahabad Bank
34	UCO Bank
35	Syndicate Bank
36	Indian Overseas Bank
37	Union Bank Of India
38	Central Bank Of India
39	Axis Bank Limited
40	Bank Of India
41	Canara Bank
42	Bank Of Baroda
43	ICICI Bank Limited
44	Punjab National Bank
45	HDFC Bank Ltd.
46	State Bank Of India
47	Bank Of Punjab Limited
48	Centurion Bank Of Punjab Ltd.
49	Bank Of Rajasthan Ltd
50	Bharat Overseas Bank Ltd
51	Ganesh Bank Of Kurundwad Ltd
52	Lord Krishna Bank Ltd
53	Sangli Bank Ltd
54	SBI Commercial & International Bank Ltd
55	United Western Bank Ltd
56	State Bank Of Indore
57	State Bank Of Saurashtra

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