ANALYSIS OF A STANDARD CHARTERED BANK'S FINANCIAL RESULTS: A CASE STUDY

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ABSTRACT

An examination of the outcomes of the many financial transactions that were carried out by Standard Chartered Bank is the subject of the debate that takes place in this article. The primary purpose of this study is to carry out extensive research on the standard chartered bank, which is the primary focus of this study. The years 2017 through 2022 were the focus of this particular research endeavor. Secondary data were taken from the annual reports of standard chartered financial organizations in order to achieve the objectives of this inquiry. After that, the data was analyzed using a number of ratios, such as the total investment to total asset ratio, the fixed asset to total asset ratio, the borrowings to whole asset ratio, the total reserve to total asset ratio, the interest expenditures to total expenses ratio, the total advance to total deposits ratio, and the total reserve to total asset ratio. It has been determined that the bank fulfills the requirements for adequate liquidity, earnings capacity, managerial efficiency, and capital. This conclusion was reached after the bank was subjected to an audit. This is the realization that was arrived at as a result.

INTRODUCTION

Standard Chartered Bank is a British bank headquartered in London with operations in more than seventy countries. It operates a network of over 1,700 branches and outlets (including subsidiaries, associates and joint ventures) and employs 73,000 people.Despite its British base, it has few customers in the United Kingdom and 90% of its profits come from Asia, Africa, and the Middle East. Because the bank’s history is entwined with the development of the British Empire its operations lie predominantly in former British colonies, though over the past two decades it has expanded into countries that have historically had little British influence. It aims to provide a safe regulatory bridge between these developing economies.It focuses on consumer, corporate, and institutional banking, and on the provision of treasury services.

STATEMENT OF THE PROBLEM

Financial performance analysis is a multi faceted approach to evaluating a bank's financial performance. Financial performance analysis removesroad locks and bottlenecks, instigating growth. Hence an attempt has been made to analyse the financial performance of the bank.

1. OBJECTIVES OF THE STUDY

- To analyse the financial performance of standard chartered bank using camel model.
- To offer suggestions based on the findings of the study.

2. SCOPE OF THE STUDY

It does not cover financial performance of any other foreign bank.

3. PERIOD OF STUDY

This study covers a period of five years from 2017-18 to 2021-22.

4. OPERATIONAL DEFINITION OF CONCEPTS

a) Bank- In this study bank refers to the standard chartered bank only.

b) Asset Liability Management

It is process of managing the assets and cash flows to reduce the bank's risk of loss from not paying aliability on time.

5. DATA COLLECTION

This study is mainly based on the secondary data. Secondary data were collected from the annual reports of theStandard Chartered Bank, theses, published and unpublished records.

6. DATA ANALYSIS

CAMELS Model is used for measuring the financial performance of the bank. CAMEL is a basically, a ratio- based model to evaluate the performance of a bank. The CAMELS ratings are a supervisory rating system originally developed in the U.S. The CAMEL stands for various criteria through which bank performance is measured.

C – CAPITAL ADEQUACY RATIO

A – ASSET QUALITY

M – MANAGEMENT EFFICIENCY

E – EARNINGS

L – LIQUIDITY RATIO

Rating factors	Parameters

C- capital adequacy	• Government securities to total investments
A- Asset quality	• Total investment to total asset ratio • Fixed asset to total asset ratio
M- Management efficiency	• Borrowing to total assets ratio
E- Earnings quality	• Interests income to total income • Interests expenses to interest income
L- liquidity	• Government securities to total assets • Total advances to total deposits

7. LIMITATION OF THE STUDY

The study has been limited to the period between 2017-2018 and 2021-2022. The study has been restricted to the role of Financial Performance Appraisal of Standard Chartered Bank.

8. REVIEW OF LITERATURE

Gaganjot Singh (1998) in his studyentitled "New Innovations in Banking Industry – A Study of New Private Sector Banks" views that the new private sector banks in India are using better technology and are offering better services to the customers.The new private banks have emerged as a model to the banking industry in terms of service levels, ambience, technology etc. As the public sector banks have already established a huge customer base, they become complacent and are slow to become customer friendly. They are also less innovative in the use of technology-assisted customer service. Because of their huge customer base they feel that they can withstand competitions from new generation banks.P. D. Jeromi (2002) who studied "The trends and issues of bank credit in Kerala" finds that the absolute rate of growth of credit is reasonably good. But in relation to deposits, per capita credit, credit per account, disbursement by all India Financial Institutions the level of credit is lower. He also observed that more attention should be given to mobilization of deposits than to expansion of credit.RudraSenSarma (2005) in his a study on "The cost and profit efficiency of Indian banks" during 1986-2003 During this period the cost efficiency of the banks improvedbut the profit efficiency decreased. Compared to foreign banks, domestic banks are found to be more efficient in terms of cost and profit.The focus of DhandapaniAlagiri's (2007) article title "Retail banking: challenges" is on the retail banking in India with increased consumer spending and increased challenges in the form of competition and technology up- gradation. He concluded that the most important issues for the new generation customers are product innovation and competitive packaging services. Retail banking increased the uses of the mobile phones and e-banking facilities for quick service. As a result the security and confidentiality have become very difficult to maintain. This has become a major problem for the banks in India. Another result of the study is that credit delivery mechanism has been improved considerably with the advent of technological advances.

9. RESULT AND DISCUSSION

TOTAL INVESTMENT TO TOTAL ASSETS

This ratio indicates the extent of deployment of assets in investment as against advances. This ratio is used asa tool to measure the percentage of total assets locked up in investments. A higher ratio shows the conservative policy of a bank to provide safeguards to the investments against NPAs.

Formula: -

$$\frac{\textbf{Total Investment}}{\textbf{Total Assets}} * 100$$

TABLE 1

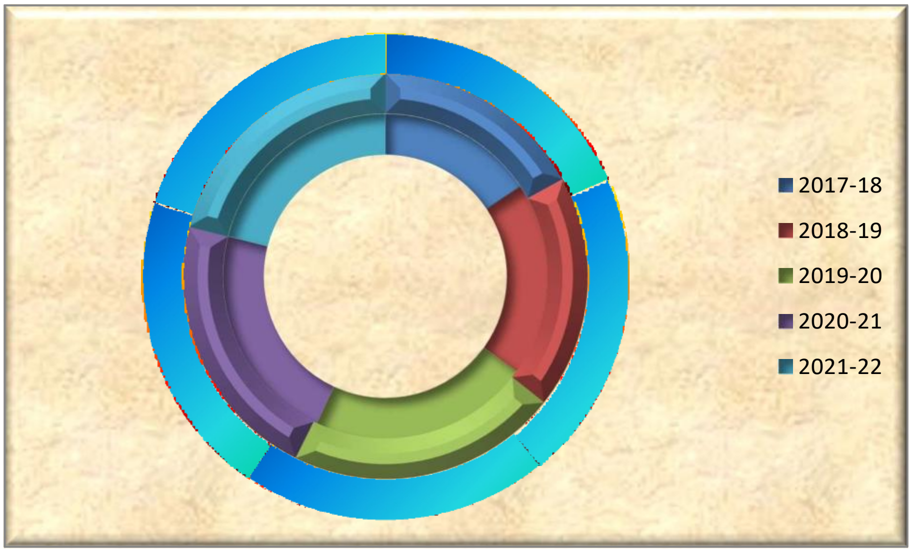
TOTAL INVESTMENT TO TOTAL ASSET RATIO

(Rs. in billion)

FINANCIAL YEAR	TOTAL INVESTMENT	TOTAL ASSET	RATIO %
2017-18	756747569	2842532406	26.62
2018-19	931725041	3105137684	30.00
2019-20	1063514995	3598590299	29.56
2020-21	1063514995	3598590299	29.56
2021-22	1016258805	3512976298	28.93

Source: Calculated

From the above table 1, it is clear that the ratio of total investment to total asset of thebank is increased from 26.62 during to 2017-18 to 28.93 during 2021-22.It is concluded that increase in the ratio of investment to total assets indicates conservativepolicy of the bank to provide safeguards to the investment against NPAs.



FIXED ASSETS TO TOTAL ASSET RATIO

Fixed assets are noncurrent assets, meaning the assets have a useful life of more than one Financial Year.

Total assets refer to the sum of the book values of all assets owned by the bank.

Formula: -

$$\frac{\textbf{Fixed asset}}{\textbf{Total Assets}} * 100$$

TABLE 2

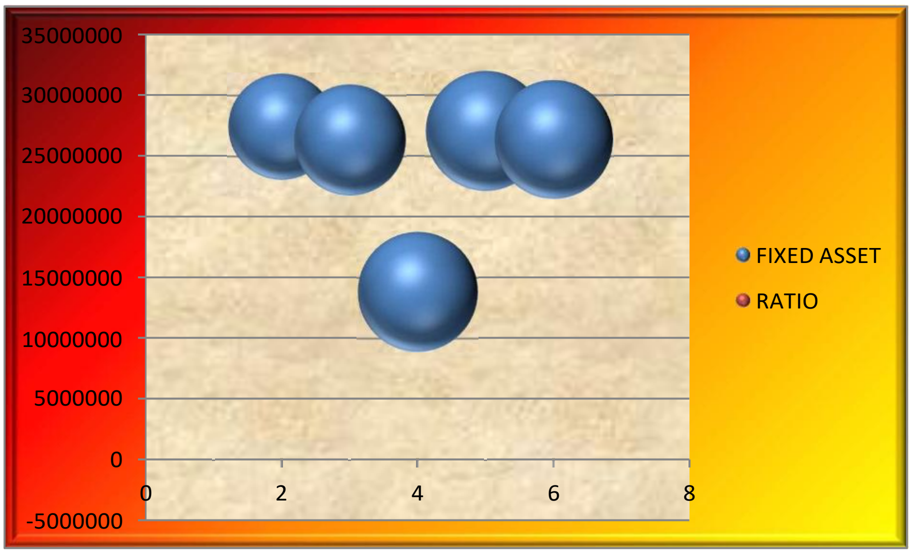
FIXED ASSET TO TOTAL ASSET RATIO

Rs. in billion

FINANCIAL YEAR	FIXED ASSET	TOTAL ASSET	RATIO %
2017-18	27405973	2842532406	0.9641
2018-19	26312185	3105137684	0.8473
2019-20	13810237	3598590299	0.3835
2020-21	27050389	3598590299	0.7516
2021-22	26351226	3512976298	0.7501

Source: Calculated

From the above table 2, it is clear that the ratio of fixed asset to total asset of the bank is decreasedfrom the 0.9641 during 2017-18 to 0.7501 during 2021-22.



It is concluded that increase in fixed assets to total assets ratio of the bank indicates that thebankhasinvested huge amount of funds in fixed assets.

BORROWINGS TO TOTAL ASSETS

Borrowings to total assets ratio shows the degree to which a bank has used debt to finance its assets.

Formula: -

Rs. in billion

<u>Borrowings</u> * 100Total Assets

TABLE 3 BORROWINGS TO TOTAL ASSETS