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

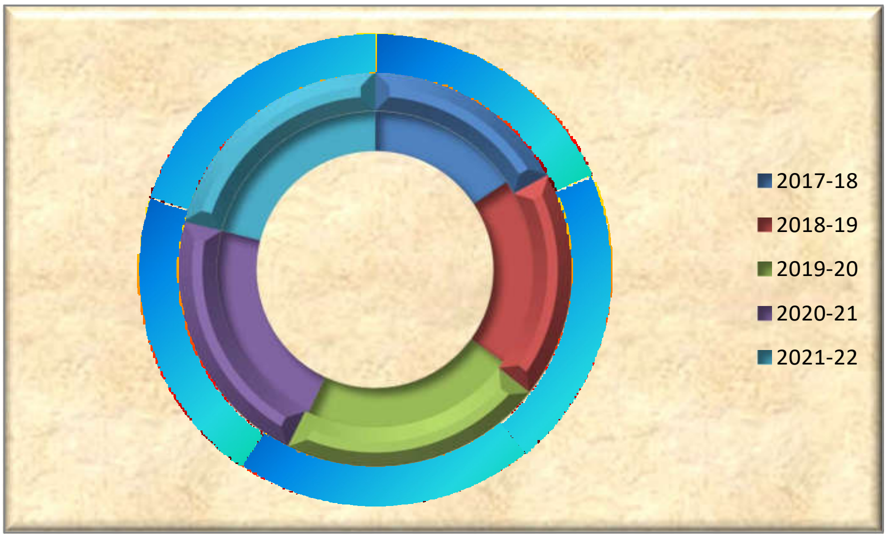
TOTAL INVESTMENT TO TOTAL ASSET RATIO

(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

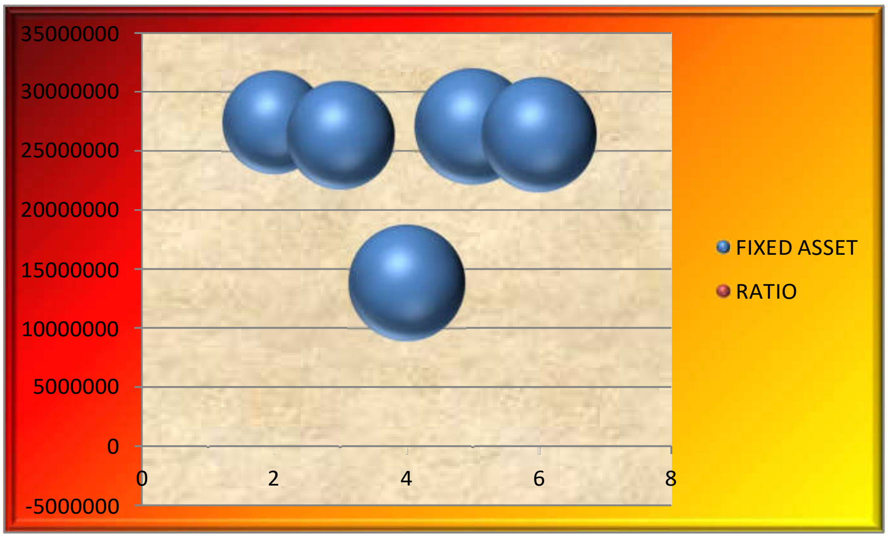
FIXED ASSET TO TOTAL ASSET RATIO

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: -

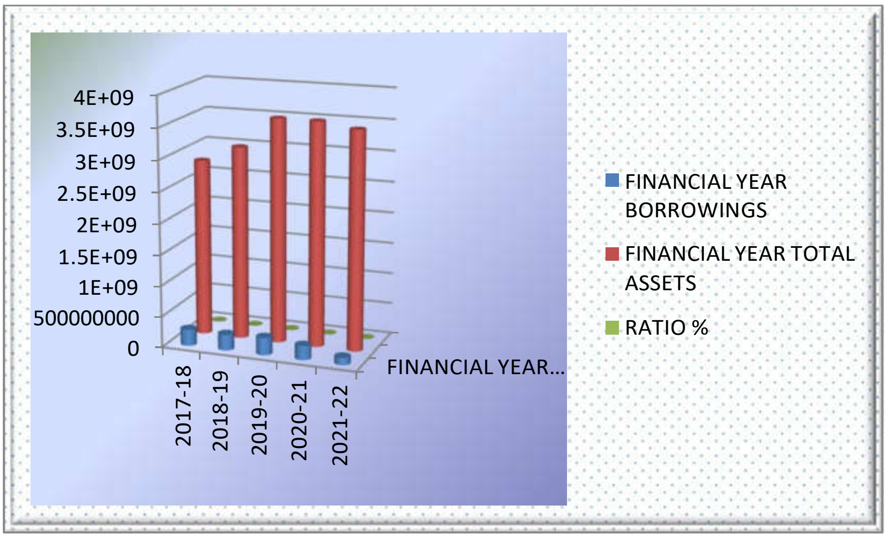
Rs. in billion

Borrowings * 100Total Assets

TABLE 3 BORROWINGS TO TOTAL ASSETS

FINANCIAL YEAR	BORROWINGS	TOTAL ASSETS	RATIO %
2017-18	264924909	2842532406	9.320
2018-19	257384884	3105137684	8.289
2019-20	282535460	3598590299	7.851
2020-21	228490965	3598590299	6.349
2021-22	117378299	3512976298	3.341

Source: Calculated



From the above table 3, it is clear that the ratio of borrowings to total assets of the bank decreasedfrom the 9.320 during 2017-18 to 3.341 during 2021-22.

It is concluded that decrease in borrowings to total assets ratio indicatesthat the bank assets areowned by shareholder than creditors.

INTEREST INCOME TO TOTAL INCOME RATIO

The Interest income to total income indicates the interest earned and total income of the bank. The excess revenue that is generated from the interest earned on assets over the interest paid out on the deposits is the net interest income. Interest income to total income ratio indicates how much interest is earned with respect to total deposit.

A high ratio is a good indicator (but a too high ratio is not necessarily a good indicator), while a low ratio might indicate that banks rely on non-interest source of funds.

Formula:

$$\frac{\textbf{Interest Income}}{\textbf{Total income}} * 100$$

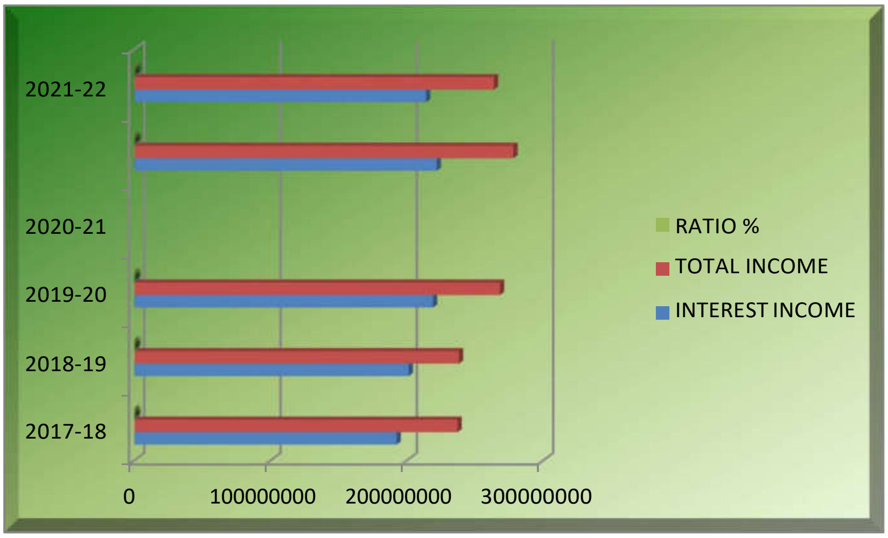
Table 4

INTEREST INCOME TO TOTAL INCOME R
Rs. in billion

FINANCIAL YEAR	INTEREST INCOME	TOTAL INCOME	RATIO %
2017-18	192260506	236969233	4.555
2018-19	201157713	238035865	4.788
2019-20	219056826	268032525	5.871
2020-21	221703589	277911215	6.161
2021-22	213916681	263636605	5.639

Source: Calculated

From the above table 4, it is clear that the ratio of interest income to total income of the bank is increased from the 4.555 during 2017-18 to 5.639 during 2021-2022.



It is concluded that the increase in interest income to total income of the bank indicates that the profitability ofthe bank is good.

INTEREST EXPENSES TO INTEREST INCOME

It represents interest payable on any borrowings – bonds, loans, convertible debt or lines of credit. It is essentially calculated as the interest rate times the outstanding principal amount of the debt.

Formula: -**Interest Expense*100**

Interest income

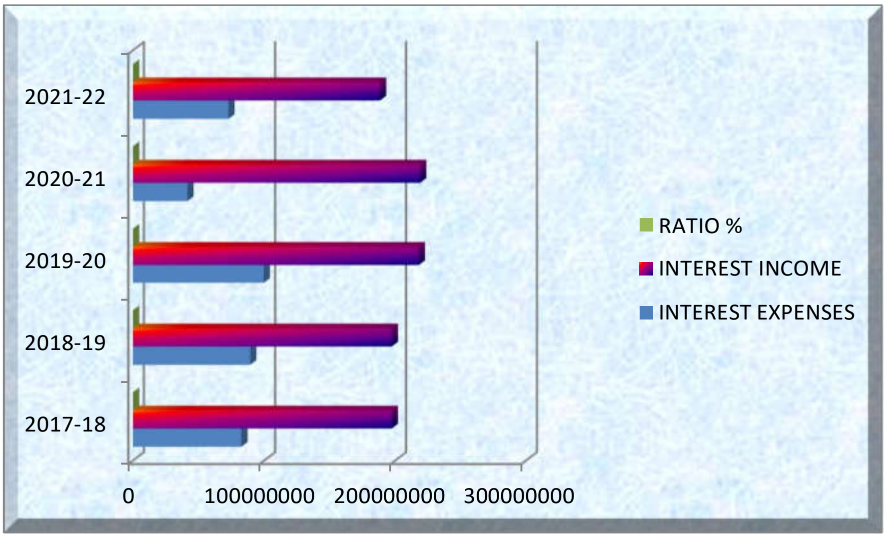
Table 5

INTEREST EXPENSES TO INTEREST INCOME
Rs. in billion

FINANCIAL YEAR	INTEREST EXPENSES	INTEREST INCOME	RATIO %
2017-18	82549192	197238683	41.85
2018-19	89344268	197238683	45.49
2019-20	99598423	218000246	45.68
2020-21	41419158	218969666	18.19
2021-22	72703108	188352027	38.59

Source: Calculated

From the above table 5, it is clear that the interest expenses to interest income of the bank decreased from 41.85 during 2017-18 to 38.59 during 2021-22. It is concluded that the bank is efficient in controlling interest expenses.



TOTAL ADVANCES TO TOTAL DEPOSITS

The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The loan-to-deposit ratio is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be.

Formula: - $\frac{\textbf{Total advances}}{\textbf{Total deposits}} \times 100$

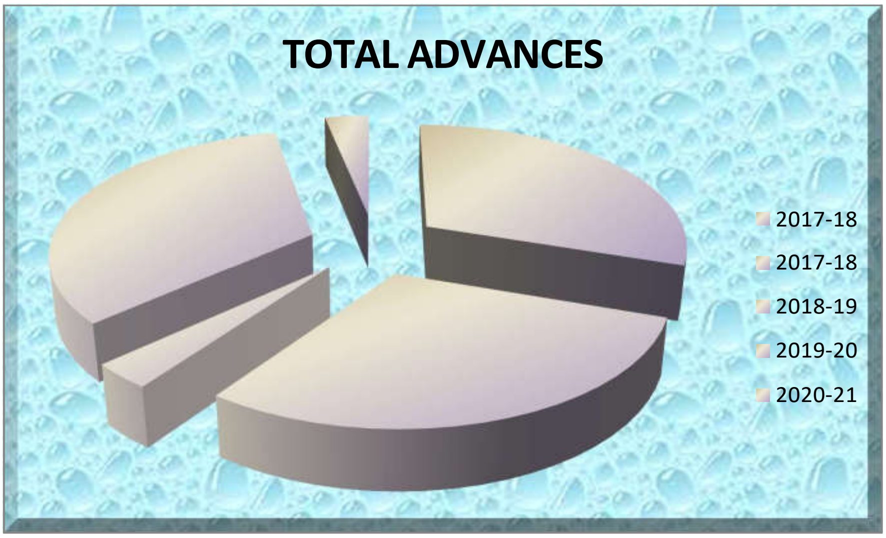
Table 6
TOTAL ADVANCES TO TOTAL DEPOSITS
Rs. in billion

FINANCIAL YEAR	TOTAL ADVANCES	TOTAL DEPOSITS	RATIO %
2017-18	1327950706	1637232070	81.109
2017-18	1310038677	1886949256	69.426
2018-19	143051799	2054820873	69.617
2019-20	1480375737	2127597347	69.579
2020-21	140054268	2252177957	64.384

Source Calculated

From the above table 6, it is clear from that the ratio of total advances to total deposit of the bankincreased from 81.109 during 2017-18 to 64.384 during 2021-22

It is concluded that the bank has enough liquidity to cover any unforeseen fund requirements.



TOTAL REVENUE TO TOTAL ASSET

Total revenue to total asset ratio measures the efficiency of a bank's assets to generate revenue.

Formula: Total Revenue*100

Total asset

TABLE 7TOTAL REVENUE TO TOTAL ASSET

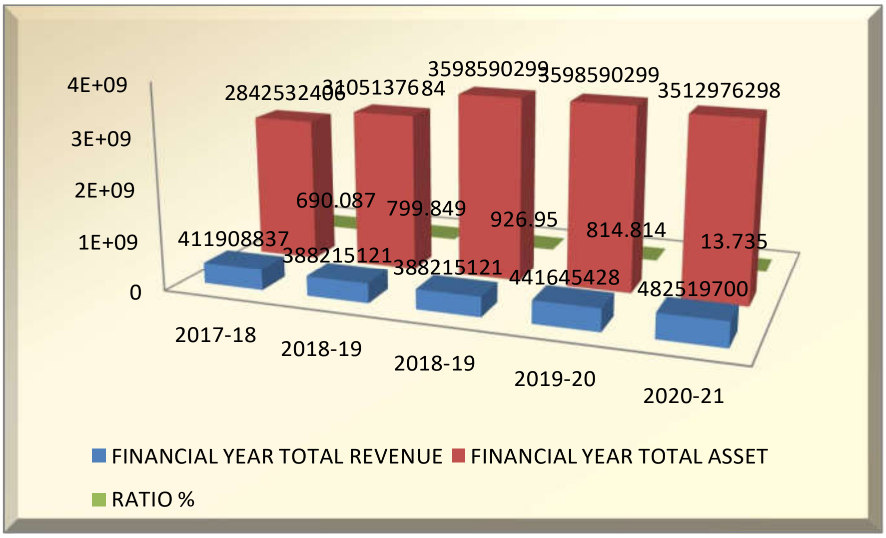
Rs. in billion

FINANCIAL YEAR	TOTAL REVENUE	TOTAL ASSET	RATIO %
2017-18	411908837	2842532406	690.087
2018-19	388215121	3105137684	799.849
2018-19	388215121	3598590299	926.95

2019-20	441645428	3598590299	814.814
2020-21	482519700	3512976298	13.735

Source Calculated

From the above table 7, it is clear that ratio of total revenue to total asset of the bank decreasedfrom 690.087 during 2017-18 to 13.735 during 2021-22.



10. SUMMARY OF FINDINGS AND SUGGESTIONS

- Increase in the ratio of investment to total assets indicates conservative policy of the bank to providesafeguards to the investment against NPAs.
- Increase in fixed assets to total assets of the bank indicates that the bank has invested huge amount offunds in the form of fixed assets.
- Decrease in borrowings to total assets ratio of the bank indicates that the bank assets are owned byshareholders than creditors.
- Increase in interest income to total income of bank indicates that the profitability of the bank is good.
- The interest expenses to interest income ratio of the bank decreased from41. 85 during 2017-18 to

  35.59 during 2021-22 indicatesthat the bank is efficient in controlling interest expended.
- The bank has enough liquidity to cover any unforeseen fund requirements.

SUGGESTIONS

1. The bank should concentrate on working capital management and capital budgeting to manage its fixed assetsefficiently.

2. The bank should focus on increasing interest earned and decreasing interest

expended to improve itsprofitability.

13. CONCLUSION

As a result of the investigation into the "Financial performance appraisal of standard chartered bank" that was carried out using the camel ratio, it has been determined that the capital adequacy, asset quality, management efficiency, earnings capacity, and liquidity of the bank are all in satisfactory levels. It is required to conduct an analysis of a number of different financial indicators and ratios in order to evaluate the monetary efficacy of any organization, including Standard Chartered Bank. These indicators and ratios include revenue, profitability, asset quality, capital adequacy, liquidity, and efficiency. In addition, aspects such as the current state of the market, the prevailing regulatory climate, and the competitive landscape need to be taken into account.I would suggest reviewing the most recent financial reports, investor presentations, and analyses from credible sources in order to gain the most accurate and up-to-date conclusion on the financial performance of Standard Chartered Bank. Another option would be to speak with financial specialists who focus their knowledge and experience on this particular field.

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