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**IMPACTS OF FOREIGN BANKS ON DOMESTIC BANKS BUSINESSES
OVERALL CASE STUDY ON DEVELOPING COUNTRIES**

MBA THESIS

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ABSTRACT

Foreign Banks participation have increased steadily across developing countries since the 1990s. Claessens et al., 2012, 2013 , comprehensively investigate the impact of foreign banks entry on domestic banks businesses. They notice that Foreign Bank entry impact the domestic banks' Income, Profit, Credit extension and Costs.

They find the conclusion that foreign banks improve the functioning of domestic banking markets through increase in market competition. As well, Robert et al., 2010, explore the drivers and consequences of foreign bank participation, paying focus particularly on the degree of foreign bank entry and impact. They develop theories, like local profit opportunities, the absence of barriers to entry, mechanism forces across developing countries. Coincidentally, they analyze that there has been positive influence of foreign banks entry that enhances and maintain the stability of domestic banking business.

Florida Veljanoska in 2011, developed a picture of multinational banks in developing countries by using broad range of statistical data, she admits that there are some negative consequences from foreign banks entry but less than benefits that arise from foreign banks penetration and bring new positive economic inputs in developing countries.

Moreover, Todd A. Gormley, 2005 and 2007 estimate the effect of foreign banks entry on credit access. Several researchers significantly study the impact of foreign banks on host countries, some have positive influences and some of them have negative consequences but the study is still in progress.

In many empirical studies, it advised positive effect of foreign banks entrance are confirmed. During a cross country study of 7900 banks from 80 countries for the period 1988-1995, Claessens et al., 2001 investigate that foreign banks presence tend to reduce overhead expenses, profitableness as well as margin for domestic banks.

In our research thesis, we examine the three major factors that give prominence to foreign banks which impact the local banks businesses. **1. Technology 2.Consumer Loans 3.Customer Services.**

We introduce a new comprehensive data based on survey questionnaires, for 55 banks locating in Germany, France, Turkey and Pakistan. In term of impact we document that technology, consumer loans and customer services are salient factors that affect the local banks businesses. If the domestic banks succeed to implement these three factors in their banking structure, they can excel into competitive market and would be able to stand with foreign banks in a competitive environment. In particular the bank managers can employ this analysis to identify the relative position of their banks as opposed to their foreign competitions.

This will enable the local banks to identify the most important competitive advantages/disadvantages compared to foreign banks and to develop measures to take advantage of their relative strengths points or to tackle with existing disadvantages. For that we develop hypothesis and get response from each bank's employees to approve our hypothesis. For our reliability and validity of data analysis we used the SPSS 17. Cronbach Alpha is used for testing reliability and factor analysis for validity of data analysis by using 5 point Likert scale.

Key Words: Foreign Banks, Technology, Consumer Loans, Customer Services, Domestic Banks Businesses.

Önsöz

Araştırma tezımızde yabancı bankalara verilmek üzere olan yerel bankaları etkileyecek uc factorı inceliyoruz,

- i. Teknoloji
- ii. Tüketici Kredileri
- iii. Müşteri Servisleri

Biz, almanyada , Fransa'da, Turkiyede ve Pakistan'da bulunan 55 banka için anketlere dayalı, yeni kapsamlı verilen tanıtıyoruz.

Etki etme bakımından yerel bankaların işlerini etkileyecek faktörler, Biz teknoloji, tüketici ve müşteri servisleri olarak belgeliyoruz. Eğer yerel bankalar bu uç faktör bankalarının bünyesinde uygulamakta başarı sağlanırsa, onlar pazarda rekabet üstünlüğü sağlayabilir ve yabancı bankalarla bir rekabet çevresinde bulunabilirler.

Biz hipotez geliştiririz ve her bankanın çalışanlarından cevaplar olarak hipotezimizi onaylarız. bizim güvenilirliğimiz ve verilerimizin geçerliliği için SPSS 17 programını kullandık.

5 noktalı likert tipi ölçek kullanılarak analiz edildi verilerin geçerliliği ait faktör analizinin ve güvenilirliğinin test edilmesi için cronbach alpha kullanıldı.

Anahtar Kelimeler: yabancı bankalar, teknoloji, tüketici kredileri, müşteri servisleri, yerel bankaların işleri üzerindeki etkiler

ABBREVIATIONS

- EEA (European Economic Area)
- IGFSR (The IMF Global Financial Stability Report)
- EBRD (EU Bank for Reconstruction and Development)
- OECD (Organization for Economic Co-operation and Development)
- MNB (Multinational Banks)
- SMEs (Small and Medium size Enterprises)
- CEE (Central and Eastern Europe)
- FBs (Foreign Banks)
- LDs (Less Developed Countries)
- DBs (Domestic Banks)
- CE (Central Europe)
- GDP (Gross Domestic Products)
- BIS (Banks for International Settlement)
- NPLs (Non-Performing Loans)
- GNI (Gross National Income)
- E.M (Emerging Markets)
- MEA (Middle East and Africa)
- IMF (International Monetary Fund)
- P.C (Percentage)
- BOP (Balance of Payment)

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CHAPTER # 1

1.1 INTRODUCTION

This chapter explains the role of foreign banks in the developing countries. It addresses varied factors that originally create foreign banks more stable and profitable. It throws come upon practices that contribute lots in their success in domestic environment. The key factors like technology, customer services and consumer loans are basic components mentioned very well to support my analysis in exploring the effect of foreign banks on domestic banks business.

The process of economic globalization that accelerated in 1990s has brought several changes to developing countries' financial sectors. Countries have displayed their stock markets to foreign investors, allowed domestic companies to cross-list and issue debt overseas, and welcome foreign direct investment into their domestic financial sectors. Once it involves the banking sector, arguably no modification has been as transformative because the increase in foreign bank participation in developing countries. Moreover in across developing countries, the share of bank assets command by foreign banks on average has increased from twenty two p.c in 1996 to thirty nine p.c in 2005. At the same time, foreign bank claims on developing countries, that alongside the loans extended by foreign bank branches and subsidiaries include cross-border loans, increased from ten % of GDP in 1996 to twenty six % in 2008.

Financial liberalization commenced since the 80th century has caused a radical modification within the financial systems of developing countries. We tend to understand the implementation of a deregulation method aimed to ascertain a market-based regulation that can improve the use of the obtainable funds.

Liberalization has been categorized into two parts; one is an external liberalization that aimed to get rid of controls on inflows and outflows of foreign capital and to promote the presence of foreign banks, and a domestic liberalization aimed to liberalize the interest rates and therefore the conditions granting of credits as well as develop the capital markets (Bouzidi Fathi, 2010: 103).

The presence of foreign banks in developing countries is taken into account as a part of the external financial liberalization. It is the results of the legal relaxation of the entry barriers that's supposed to encourage the installation of foreign banks. This is an answer for a country that suffers from inadequate domestic savings to attract foreign capital needed to finance economic development (Bouzidi Fathi, 2010: 103).

Several identical factors have contributed to the current development, we tend to mention specifically, the strategy adopted by these banks to monitor their prospects (multinationals) situated in these countries, the privatization of public banks failing since the Asian crisis "1997-1998" occurred (Bouzidi Fathi, 2010: 103).

There is an important research discussion encompassing the implications of foreign bank participation for developing countries as well as under developed countries. Promoters of this process argue that foreign banks will bring a lot of required capital with together technical skills, and products innovation in developing countries. Also, they cynosure the potential gains in terms of exaggerated competition and enhancements within the efficiency of the banking sector. On the opposite hand, the critics of foreign bank entry argue that foreign banks will destabilize the domestic banking sector as a result of variety of reasons.

First, foreign banks will “import” shocks from their home countries and/or unfold shocks from different developing countries during which they operate. Second, aggressive competition with foreign banks will threaten the survival of the domestic banks.

Finally, foreign banks will cause reduced access to finance for a majority of domestic companies and customers, if they solely focus on a high and elite section of the market. A number of things have recently led to a rise in FDI in the banking sector of developing countries (World Bank Report, 2006). Advances in telecommunications and information technology have enabled banks and different financial segments to better manage cross border activities. Moreover, banks have enlarged cross-border activities to serve a growing range of expatriates.

More recently, developing country banks have conjointly begun to expand across borders into other developing countries. South Africa’s magnified integration with the region, each in terms of trade as well as in terms of investment, has been a driving issue behind South Africa’s Standard Bank’s increased presence in southern and eastern Africa. What is more, Pakistan’s Habib Bank has targeted a well-established client base of expatriates through its branch network in South Asia (World Bank, 2006).

According to (Davies, 2002) and (Strachan, 2002) foreign banks account for 70 percent of the overall assets of the united kingdom banking sector, with regarding seventy percent incorporated subsidiaries of foreign banks or financial institutions, 372 European Economic Area (EEA) banks and regarding one hundred fifteen branches of non-EEA banks. Foreign banks created significant inroads into the U.S. market in the late 1970s and the 1980s. The assets of numerous foreign banks’ U.S. subsidiaries, branches, and agencies grew from \$27 billion in 1972 to \$1.1 trillion at the end of 1998—a 40-fold increase.

In distinction, the assets of domestically owned U.S. banks increase only 4.5 times, to \$3.6 trillion, over the same period (Haupt, 1999: 600-615). The 700 foreign bank subsidiaries and branches within the US controlled fully 23 % of U.S. banking assets at the end of 1998. This fast rise in assets pushed the foreign banks' share of business lending from 7.6 % to 27 % over the 1973–1997 period (Haupt, 1999: 600-615). International banks have access to a lot of investment alternatives and therefore are a lot of liable to “cut and run” than domestically owned banks, when their investments don't seem to be playing effectively (Juan Cárdenas, Juan Pablo Graf, Pascual O'Dogherty, 2008: 01-24).

Assets and liabilities can move quite pronto, generally at the push of a button, between the branch and the rest of the bank. In fair atmosphere, that's fine, however in times of crisis, the distinction between the branch and therefore the remainder of the bank, as well as the legal location of Banks's assets and liabilities, may perhaps become vital indeed (Bollard, 2003a). When foreign banks started operations in a host country, the method cited as foreign bank entry—they do thus by opening a branch or a subsidiary, either as a brand new (de novo) operation or by acquiring a domestic bank.

The uniform level of financial integration represent by this activity now a days will solely be compared to the extent before world war I. Between the time 1920 and 1980 multi countries that had allowed foreign bank entry restricted it and no country that had forbidden foreign entry allowed it. Since that point the setup has swung back toward entry into domestic countries, In many countries in Latin America and Eastern Europe foreign-controlled banks currently hold half of the the banking assets.

According to (Tschoegl, 2003: 02) there are two kinds of foreign banks that effect directly or indirectly to host countries domestic banks businesses, classic foreign banks and the innovators but innovators banks that we consider to as prospectors, first movers and restructurers.

Innovators entry into host country in order to bring opportunities but late on it creates crisis and drew some domestic banks into competition. The IMF Global Financial Stability Report (IGFSR, 2007) shows that in Eastern Europe, the overall assets of foreign banks increased from 25% in 1995 to 59% in 2005 and from 18% in 1995 to 38% in 2005 in Latin America. Academically, the positive impact of competition promoted by foreign banks is widely accepted in these emerging markets (e.g. Claessens et al., 2001: 891-911) , (Claessens and Laeven, 2004: 563–583) , (Levine, 2003: 05-21), (Yildirim and Philippatos, 2007b: 629–639) , (Claessens, 2009: 03-26), (Poghosyan and Poghosyan, 2010: 02-15) , (Jeon et al., 2011: 856–875).

However, in contrast to studies of foreign investment in real estate sectors, very little has been done to know whether or not there are knowledge spillovers from foreign banks to domestic banks as well as to competition effects. The strikingness of such understanding is clear, particularly when the break-out of the recent global crisis that raises certain issues relating to the market-driven model of those emerging markets.

In step with the EU Bank for Reconstruction and Development Transition Report (EBRD, 2009), there are signs of retardation down of transition progress. No doubt, any evident, even suggestive or in- direct, knowledge spillovers provides further argument for opening up the banking market. Recognizing the valuable expertise of East European and Latin American countries and also the limitation of the information, the aim is to entail future validation on knowledge spillovers associated with foreign investment in Report submitted by a Study Group established by the Committee on Global Financial system 2010.

The demand for banking services from international firms and aggressive emerging markets guarantees to underpin the longer term of international banking and its contribution to economic progress. In addition to extending monetary services, banks have a major player to play in promoting the cross border transfer of best follow and technological power in banking sector. In terms of the relations between foreign bank presence and financial sector development, patterns disagree by host country. Particularly, in high income and middle level income countries, foreign bank presence tends to possess associate insignificant relationship with credit extended.

However by considering in low income countries, foreign bank presence is related to less credit extended. In terms of economic stability, we discover that foreign banks usually reduced their domestic credit during 2009 more than domestic banks did. Foreign banks did enhance the soundness of domestic financial systems also in countries with majority foreign bank presence since their credit growth declined there but less than that of domestic banks (Stijn Claessens and Neeltje van Horen, January 2012: 05-06).

In terms of growth rates, variations between income groups and regions are considerable as well. In OECD and high income countries, the amount of foreign banks grew by 40 and 38 p.c severally between 1995 and 2009 whereas in emerging markets the amount of foreign banks grew by seventy two p.c, while foreign bank presence in developing countries increased by some 122 p.c over the same period. Growth rates over this era were far and away the very best in countries in Eastern Europe and Central Asia (225 percent), tracking by South Asia (120 p.c) Although, base was terribly low, foreign bank penetration during this region remains comparatively restricted, only fourteen percent. Latin America saw terribly robust growth early in the period.

After 1999, however, within the aftermath of Argentina and other financial crisis, several foreign banks exited the region and new entries remained restricted till a revived surge in investment within the region started in 2006 (Stijn Claessens and Neeltje van Horen, January 2012: 11).

In terms of home countries, variety of trends can be distinguished evidently; advanced countries tend to possess a lot of banks operational abroad than emerging markets and developing countries do. Especially, North America and Western Europe banks are active investors, covering sixty three p.c of all foreign banks within the sample period 2009.

Their importance of those regions as home countries is all the same somewhat declining, as their share accustomed by sixty six p.c in 1995 as well the number of foreign banks owned by OECD home countries grew by sixty one p.c over the sample period, those owned by emerging markets and developing countries grew by a hundred and fifteen, ninety and 103 p.c severally.

Consequently, there has been a rise in the share of foreign banks from emerging market and developing countries over the sample period, currently accounting for twenty seven p.c. In terms of growth, variations across regions are pronounced as well. Banks in Eastern Europe and Central Asia enhanced investments abroad the foremost, 240 p.c, and currently own eighty five foreign banks. Moreover banks in Sub-Saharan Africa sharply increased their foreign investments with the percentage 179, as did banks in North America and Middle East (134 percent). Latin American banks although saw a small decrease in outward investments (Stijn Claessens and Neeltje van Horen, January 2012: 11).

Research analysis on 2012, conducted by “Claessens and Neeltje” that contains statistical information on the possession of 5377 banks in 137 countries from 111 home countries. For every bank, ownership, domestic versus foreign, is set for every year the bank was active over the period 1995 to 2009, with all changes in ownership (from domestic to foreign and foreign to domestic) and all exits recorded. Important to research the factors behind the unfold and impact of foreign banks, the home country of the most investor of every bank is known. Using this information, the author illustrates salient trends in foreign bank presence over the past twenty years.

It shows that, albeit interrupted by the the global crisis, foreign bank presence has enlarged considerably in most countries, sometimes from none to foreign (Stijn Claessens and Neeltje van Horen, Jan 2012: 05). Banks holding 67 % market share (in terms of numbers) in a single decade. Additionally home countries became active as investors; in many emerging countries turning into vital “exporters.” though, with foreign bank presence starting from zero to 100%, substantial difference still exist.

An along with Pakistani banks, the number of foreign banks in operation in Islamic Republic of Pakistan at the end of June, 2012 has been 12 with 58 branches, that have offered robust competition to Pakistani banks and thereby contributed in upgrading the quality of banking within the country (State Bank of Pakistan Statistical Report, June 2012). Standard chartered Bank Pakistan is listed on the Karachi stock exchange, though 99% of its are owned by the bank’s parent. At 130 branches in twenty nine cities, its Pakistani retail branch network as well second largest for standard chartered Bank globally, second solely to its network in South Korea. Its success in Asian nation could be a case study in the virtues of a long-run investment horizon, and a lesson on however foreign banks will use technology to capitalize on growth in frontier markets (Farooq Termizi, March 2013).

Their growth, performance and expertness are so outstanding and commendable. This speaks volume of their efficiency, advance technology, innovative product and high customary of services currently in Islamic Republic of Pakistan, there's high sector concentration because the top 5 banks (out of total 44 banks) hold over 50 % of the industry assets, advances and deposits. The wave towards consolidation of banks is anticipated to reinforce competitive pressures, as example foreign banks are enhancing their stretch by acquisition of some strategic small banks that have a good branch network and few newer, comparatively smaller, private banks have unfolded their reach to most major cities.

These banks are currently providing clients and choice to diversify their business and not completely addicted to nationalize and large privatized banks that were the sole subgroups that had nation-wide branch network (Dr. Shamshad, 2006).

1.2 HOW BANKS GO MULTINATIONAL

Multinational banks (MNB) by precise meaning, are units that physically operate in more than one country. Multinational Banks have to be compelled to be different from international banks that act in cross-border operations and do not discover operations in various countries. There are two main ways by which foreign banks discovered its operations in rising market economies – 1) through cross-border mergers and acquisitions or via 2) Greenfield investment. Investment through mergers and acquisitions is too boot conscious of as investment through taking over. What this interpretation meaning is that foreign bank purchase existing banks in other emerging market economic countries or somewhere else. Initially, foreign bank buys small part of a domestic bank and over time expand their investment, until the majority ownership is inborn.

This approach might even be thought to be typical for enlargement into the transition economic countries, where the privatization of state owned banks, has taken place. In some countries, acquiring for existing bank suggests that getting around restrictions regarding Greenfields. As an example, in most cases in European nation foreign banks were needed, to take over existing troubled Polish banks, and procure licenses (EBRD, 1998).

Foreign banks increased credit accessibility in developing countries and created the delivery of credit more economical, and foreign creditors typically introduced superior lending technologies and marketing know-how. Large banks, from high-income countries specially, tend to perform well in less developed countries. In Emerging Europe particularly, wherever industrial banks were rare at the start of the 1990s, there have been substantial potency gains following foreign entry (EBRD Report, 2012: 48).

Foreign banks additionally generated positive spillovers to domestic banks, for example in terms of reputation risk management methodologies, whereas competition attended create bank lending cheaper. A number of these gains might at first have come back at the cost of reduced lending to small and medium-sized enterprises (SMEs), as foreign banks can target the “best” customers and leave tougher clients to domestic banks (EBRD Report, 2012: 48).

Foreign banks entrees are created many in an extremely different ways. The entry determines the type of operation and level of risk that the foreign bank can bear. Foreign banks can adopt a spread of organization forms once coming into host countries.

1.3 ENTRY OF FOREIGN BANKS THROUGH DIFFERENT WAYS

i. REPRESENTATIVE OFFICES

The foremost restricted, but most easily established organization kind. This setup does not accept deposits, nor can it build loans, they act as agents for foreign banks, and typically established to visualize the prospect of additional invest. They are able to build business and industrial loans but cannot build client loans or settle for deposit (Florida Veljanoska, 2011: 02-13).

ii. BRANCHES

Most significant organization kind is an associate integral a part of a parent bank, shared the facility to draw on the parent's capital base and provide a decent vary of services (Florida Veljanoska, 2011: 02-13).

iii. SUBSIDIARIES

Permissible to possess interaction in an exceedingly broader vary of economic services. In many countries they have authorization powers just like those of domestic banks and so regulated the same approach (Florida Veljanoska, 2011: 02-13).

The remainder of this paper is organized as follows;

CHAPTER # 2

Chapter 2 presents a literature review on the studies that describes the impact of foreign banks practices on the domestic banks business. Chapter 3 describes the methodology employed and the sample data used in this study. Chapter 4 describes the empirical and surveyed results, while the concluding remarks are discussed in the last section.

2.1 LITERATURE REVIEW

This chapter describes the impact of foreign bank practices on the domestic banks business with the help of various literatures. The literature is helpful for the better understanding of the issue. It clarifies the role of foreign banks in domestic economy and their impact on the overall banking sector. The contribution of the foreign banks towards improving the efficiency and business of the domestic banks is explained in detail to grasp the context of the issue. It supports the research discussion and analysis. This paper takes up the challenge by aiming to examine whether foreign bank entry stimulates domestic banks in the developing countries.

Between 1980-2000, many countries had allowed foreign bank entry in their economy. Since that time the situation has changed dramatically. Once the financial and currency crisis in 1990, several emerging market economies particularly in Latin America and Eastern and Central Europe, has unfolded their banking industry for foreign banks entry.

As results of liberalization financial markets became progressively integrated, and plenty of transnational banks have expanded their presence considerably in many growing market economies. In spite of the actual fact that world banks principally improve the potency, stability and competition within the banking sector, such entry might have some harmful facet effects (Florida Veljanoska, 2011: 02-13).

The entry of foreign banks brings giant advantages to host countries, economic system and economies at large. Advantages might be totally different, from efficient gains led to by new technologies, product & management techniques as well as from exaggerated competition stirred up by new entrants. Foreign banks even have larger access to resources from abroad; they have more stable funding and lending pattern than domestic banks. Another benefit comes with the fact that they hold a more geographically diversified credit portfolio and consequently would not be as affected during periods of depression in the host country.

In developing countries wherever wealth is extremely targeted, it's common that bank's board members, stockholders in addition as giant borrowers area unit closely connected. Foreign banks owe do not get involved in connected lending, together because they do not have related parties in the host country and their widely held equity structure does not encourage this kind of behavior. Foreign banks can have stabilizing character during the crisis in the host country, because they are considered to bring new and fresh capital whenever countries suffer from financial or real sector crisis. As we are able to see from the past literature, advantages for the host countries from the foreign banks entry are often giant and totally different.

Now, we'll try and summarize them. Improving the efficiency and profitability, although there are differences between the studies that examine the impact of foreign banks entry on the efficiency and profitability in host countries' banking sector, generally accepted fact is that foreign bank entry, increases efficiency and profitability in domestic banking system.

The reason is that foreign banks have superior credit technologies, better management, and expertise governance structures and are less open to government and political interference than domestic banks. First off, we have to differentiate the collision of foreign banks entry and the impact in developing countries, simply because the evidences are different.

Foreign bank entry refers to the method by which banks operate on the far side their national borders by establishing foreign subsidiaries and branches or by taking over banks already operating in the host market (Leung et al., 2003: 330). During the last twenty years variety of changes have occurred in the banking sector, like the institutional changes, the deregulation of the industry, the technological progress furthermore the liberalization of capital flow between domestic and foreign residents.

Foreign banks are profitable and economical than domestic banks in developing market economies, whereas in developed countries domestic banks are more profitable and economical than foreign banks.

These variations will reflect a differential impact on informational benefits, client base, bank procedures furthermore as totally different relevant regulative and tax regimes. There are solely few studies on the income and efficiency of the banking sector in the developing countries. (Green et al., 2004) identify the economy of scale and scope through the efficiency of domestic and foreign banks in CEE countries.

They realize that foreign banks aren't extremely totally different from domestic banks and bank ownership isn't a very important factor in reducing bank cost. (Green et al., 2004: 175-205.) , (Yildirim and Philippatos, 2002: 02-29) realize that foreign banks in transition countries are more efficient and economical, however by comparison less profit efficient relative to domestic banks. (Yildirim and Philippatos, 2002: 02-29) , (Zajc, 2002) found for 6 European transition economies, that foreign bank entry eliminates net-interest, financial gain and profit, and increase value of domestic banks.

In order to look at to what extent foreign banks are more economical and profitable in transition countries, (Naaborg et al., 2006, 2008) assess variety of indicators at mixture level for each foreign and domestic banks: the return on assets (ROA), after tax income and overhead costs.

The primary indicators reflect banks' gain and final one reflects operational efficiency of the banks. The introduction of foreign banks is a component of the banking reform. Foreign capital from or through international banks is anticipated to bridge the gap between domestic savings and investment. Moreover, foreign banks that operate internationally are expected to assist enhance competitive dominance and improve the structure of the country's banking system (Leung, 1997: 365–376).

Supporters of foreign direct investment (FDI) argue that foreign banks are a very important source of capital furthermore as skills, technology, and management know-how (Heiner schulz, 2004: 02). (Narsimham Committee, 1991) has emphasized that the liberal entry of foreign banks (FBs) would supply spillover edges to financial sector by rising competitive efficiency and by upgrading work culture and technology of the Indian banking system. (Claessens and Laeven, 2003: 563-83) found that larger foreign bank existence and fewer activity restrictions within the banking sector will result in a lot of competition in banking systems.

As far as the connection of foreign bank existence, domestic bank mediocre and financial and economic development is concerned, there are each positive and negative result of foreign bank participation on the domestic banking industry and economy (Claessens, Demirguc Kunt and Huizinga, 2001: 891-911) , (Goldberg, Deges and Kinney, 1999, 2000: 17-36).

In several less developed countries (LDCs), inefficient domestic banks and a lack of competition among lenders end in high borrowing costs and limited financial access for several firms (Todd A. Gormley, Feb 2007: 02).Range of developed countries, like the U.S.A, Japan, & those within the European community, argue that LDCs ought to permit foreign banks to enter into their economic regions and states.

Foreign bank entry might increase the provision of credit and improve efficiency by entering into developing countries. However, banking theories that incorporate data asymmetries demonstrate that bigger competition among banks may very well reduce some firm's access to credit. Moreover, the high cost of feat data regarding local firms might limit foreign banks to 'cream-skimming', wherever they offer loans solely to the foremost profitable local firms (Dell'Arricia and Marquez, 2004: 185-214) , (Sengupta,2006:503-506) and adversely have an effect on each domestic banks and also the corporations that depend on them (Gormley, 2013: 02-23).

Cross-country comparisons of foreign bank possession and also the mode of foreign entry more support the potential importance of acquisitions in reducing segmentation of the credit market (Gormley, 2010: 27-28). As an example this, It has been used on bank possession in 105 LDCs that was compiled by (Claessens and Van Horen, 2012a: 05-19).In the Claessens and Van Horen information, foreign bank entry is discovered in 92 of the 103 LDCs by 2003, and entry via acquisition is observed in 63 of these 92 countries.

In LDCs in which entry via acquisitions is allowed, foreign banks management, on average, 42.9% of the banking assets between 1995 and 2003, and more than half these assets were acquired via an acquisition.

However, in LDCs within which no acquisitions are discovered, foreign ownership is significantly less. In these countries, foreign banks solely own, on average, 35.9% of the banking assets; the distinction in ownership levels is statistically important at the 1/2 level (p -value = 0.004). An absence of acquisitions is additionally extremely correlative with a restricted entry by foreign banks. As of 2003, foreign banks management but five-hitter of the banking assets in two hundredth of the LDCs within which no acquisitions are ascertained, whereas this kind of restricted entry happens in mere 3rd of countries that enable mergers. The distinction is statistically important at the 1/2 level (p -value = 0.007).

Country-level bank regulations and institutions are associated with the cost of financial intermediation and bank behavior (Demirgüç Kunt, Laeven, and Levine, 2004: 593-622). Recent work by (Dell'Ariccia and Marquez, 2004: 185-214) and (Sengupta, 2006: 503-506) demonstrate that these variations among loaners will cause a segmentation of the market whereby the less-informed lender competes away less captive and less informationally-opaque firms from the domestic lender.

Moreover, (Gormley, 2006) demonstrates that this segmentation of the market will induce the better-informed domestic lenders to exit some markets entirely, thereby reducing credit access to corporations in these markets. (Gormley, 2006) suggests that reducing information barriers endemic to LDC (Less developed countries) credit markets might increase the vary of corporations that foreign banks are willing to finance upon entry and cut back the probability that informationally-opaque corporations are going to be adversely affected by their entry.

(Claessens, Demirguc Kunt, and Huizinga, 2001: 891-911) uncover proof that foreign bank entry is related to lower profit margins among domestic banks, whereas (Berger, Klapper, and Udell, 2001: 2127-2167) , (Haber and Musacchio, 2005: 02-22) and (Mian,2006: 1465-1505) give proof that foreign banks tend to finance solely larger, more established firms. (Clarke, Cull, and Peria, 2001: 02-21) realize that entrepreneurs in countries with high levels of foreign bank possession understand interest rates and access to loans as smaller constraints to their operations, whereas (Detragiache, Gupta, and Tressal, 2005: 02-42) realize that foreign ownership is negatively associated with mixture measures of banking sector performance. At intervals within European countries, (Giannetti and Ongena, 2005: 05-33) realize the share of foreign lending to be absolutely associated with firm level sales growth, particularly for larger corporations.

Foreign banks use their superior management skills and culture, whereas domestic banks (DBs) are supported a learning-by-doing method (Intarachote and Williams, 2003). A lot of significantly, empirical studies have disclosed the existence of a correlation between foreign ownership of banks and stability of the banking industry (Caprio and Honahan, 2000) and (Goldberg et al., 2000: 17–36).

One potential channel for the way foreign banks might foster such a restructuring method is spillover aspects from foreign to domestic banks, another potential channel may be the rise in competition. However, the gap from banking markets can even entail giant risks since domestic banks got to undertake immense investments to become competitive to foreign banks (Maria Lehner and Monika Schnitzer, 2006: 01-02).

(Buch, 2003: 851-869) sets up a theoretical model of foreign bank entry and finds empirical support for the hypothesis that enormous information barriers discourage entry of foreign banks.

(Hauswald and Marquez, 2003: 921-948) contemplate the chance of information spillovers from incumbent host country banks to potential entrants and show that, consequently, interest rates and bank profits decrease. (Kaas, 2004: 05-34) presents a model of special loan competition and arrives at the conclusion that foreign bank entry is mostly too low compared to the social optimum.

(Claeys and Hainz, 2006: 07-27) and (Van Tassel and Vishwasrao, 2005:03-27) examine however completely different entry modes of foreign banks have an effect on competition in an exceedingly liberalized banking market. Each approach implies that Greenfield entry ends up in a lot of competition and therefore lower interest rates within the host banking market.

(Boot and Marinc, 2006) which Coercer competition in terms of an increasing of banks operational within the market reduces banks reports to invest in better monitoring technologies. (Fries and Taci, 2005: 55-81) study the price efficiency of banks in Eastern European Countries and realize that costs of all banks are lower once the presence of foreign banks in an exceedingly country is high. (Martinez Peria and Mody, 2004: 511-537) distinguish between acquisition and Greenfield entry within the context of Latin America.

They realize that the rate uncover of foreign banks getting into via a de novo investment is less than that of banks getting into via the acquisition of a domestic country bank. Moreover, their analyses suggest that the next presence of foreign banks ends up in lower costs of all banks operating within the market.

In the last fifteen years there has been a speedy increase in the activity of foreign banks in many developing economies. In spite of that, foreign bank entry occurred in several developing and fewer countries, its pattern wasn't uniform (IMF, 2000).

In Latin America likewise as within the Central European (CE) countries, the share of foreign banks at the half of the 1990's was well below twenty per cent and a decade later the foreign banks controlled virtually seventy five per cent of total banking assets. Against this, in East Asia over a similar period, the average share rose solely from three to 7% (Barth, 2004: 205-548). The percentage of development of a country appears additionally to not be a noticeable determinant explaining foreign bank entries. Egypt or Bangladesh likewise countries, the foreign banks hold ten per cent of banking assets; on the opposite hand in Asian nation, European nation or Turkey over sixty % is in the foreign hands.

Other cross-country studies that compare the relative performance of foreign and domestic banks, realize that foreign banks have comparatively higher interest margins and profitableness and lower overhead costs in developing host countries (Panizza, and Yanez, 2007: 219-41). Those researchers find the consequence that foreign banks in developing countries are comparatively strong competitors in under-developed banking markets and may exert pressure on domestic banks to become more economical and competitive. Early case studies for countries in Latin America realize ends up in line with those from the cross-country empirical study. Foreign bank existence through the mid-1990s was connected to lower interest margins, overhead costs, and profitableness of domestic banks in Argentina (Clarke et al., 2000).

In South American country, foreign bank presence was connected to declining non-financial cost for domestic banks (Barajas, et al., 2000: 355-387). Case study proofs from individual countries in Eastern Europe and Central Asia also came into points to increased competition as results of foreign bank entry. Stochastic frontier analysis, identify the outcome of their research, foreign banks in Republic of Hungary were found to be more cost efficient than domestic banks, except in the medium-size vary (Kiraly, et al., 2000).

In Poland, foreign banks were found to be more cost efficient than domestic banks, beside those domestic banks that had a high share of foreign customers (Nikiel and Opiela, 2002: 255-71). Following the same time, foreign banks (and domestic banks that catered to a foreign clientele) weren't essentially more profit efficient than other banks. In all, the results from European country recommend that foreign bank entry contributed to accumulated competition, however in specific market niches.

Regional studies for Latin America and Eastern Europe yield a lot of ambiguous conclusions than country case studies. whereas a study on Argentina, Chile, Colombia, Mexico, and Republic of Peru reveals that operating foreign presence coincided with reductions in operative costs that, in turn, facilitate to slender spreads (Martinez Peria and Mody, 2004: 511-537), another study that used the H-statistic because the measure of competition, together with the same countries along with Brazil, Costa Rica, and Salvador, concludes that foreign bank presence weakened competition (Levy-Yeyati and Micco, 2007: 1633-47).

For Eastern Europe and Central Asia, whereas some studies based on cost estimations for 9 countries from 1995 to 1999 fail to verify that foreign banks are more cost efficient than domestic banks (Green et al., 2003, 2004: 175-205) a series of alternative studies yield opposite results. For instance, one study supported 319 banks across 10 countries finds that greater foreign bank presence is related to lower non-interest income, profits, as well as interest rates.

Stochastic frontier analysis unconcealed foreign banks to be more cost and profit efficient than domestic banks, particularly state-owned domestic banks (Bonin et al., 2005). Information envelope analysis on a larger set of banks from seventeen countries conjointly confirms that foreign banks were more efficient than their domestic counterparts in the half of the 1990s (Grigorian and Manole, 2006: 497-522).

A stochastic frontier analysis in Eastern Europe and Central Asia on 562 banks from 1993 to 2000 finds that foreign banks are more cost efficient than domestic banks, but less profit efficient (Semih, Yildirim, and Philippatos, 2007: 123–43). On balance, we have a tendency to read the results from Eastern Europe and Latin America as supporting improvement in competition attributable to foreign bank entry, particularly in terms of cost reduction. On the opposite hand, the proof from Asia is way less validating of the hypothesis that foreign banks facilitate to enhance competition in the domestic system.

In part, this might be a mirrored image of the restricted extent to that Asian countries have embraced foreign bank participation relative to other regions. At the intense are China and Asian nations, that severely restricted the entry and activities of foreign banks. Stochastic frontier analysis shows that foreign banks are less cost efficient and productive than domestic banks in India (Sensarma, 2006: 717-735).

In part, this could be explained by the dominance of India's state-owned banking sector. It conjointly comes as very little surprise that the profitability of the few foreign banks in China was below that of domestic banks from 1996 to 2004 (Wu, Chen, and Lin, 2007: 343-357).

Those authors argue that majority foreign owned banks don't have an effect on the operational performance of domestic Chinese banks. However, recent proof indicates that banks with greater (minority) foreign ownership shares and fewer state ownership are more cost and profit efficient than others in China (Berger, Hasan, and Zhou, 2009: 113-30) and Chinese banks that signed cooperation agreements with foreign strategic investors reduced their non-performing loans (NPLs) magnitude relations and increased their ratio of reserves to NPLs (Zhu et al., 2009).

Results from the last inclusive research may offer a sign of the potential competitive edges if China and Asian nation were to pursue a policy of larger openness to foreign banks. Results are more assertive, though still mixed for other Asian countries. In part, this might ensue to the Asian financial crisis and to the restricted extent to that Asian countries permissible foreign bank participation before the crisis. Both factors make it harder to identify any pro-competitive effects of foreign entry. For instance, in Korea foreign bank entry was related to lower costs ratios for domestic banks, however solely among larger banks that had nationwide reach (Lee, 2003: 42-65). As in Korea, exaggerated foreign bank presence together Philippines was related to enhancements in the efficiency and competitiveness of large domestic banks, whereas the profits of banks related to business groups declined and their efficiency failed to improve (Unite and Sullivan, 2002).

In the case of Thailand, family and inherited ownership of banks gave thanks to foreign and state ownership as results of the crisis. Identifying results based on movements in the Lerner index don't reveal substantial improvement in competition as results of this variation in ownership structure (Kubo, 2006). Of course, very little time had passed since the crisis and foreign banks were acquiring the foremost troubled domestic banks throughout this period.

A newer study indicates that foreign bank presence is related to reductions in personnel expenses, net interest margins, and return on assets (ROA) for domestic banks and that improvement on efficiency measures was highest for banks acquired by foreign banks (Heberholz, 2008: 215-244). Our overall view is that given the comparatively low levels of foreign bank participation in most Asian countries, relatively moderate competitive effects on the domestic banking sector should have been expected.

2.2 TRENDS IN FOREIGN BANKS INVESTMENT

Recently, new, comprehensive information on bank ownership, identifying also home country of foreign banks, for 137 countries over the period 1995–2009, (Claessens and Van Horen 2012: 03-35) have been completed, with key facts summarized in our previous session. The information shows some salient trends. Our paper documents have already been described, although foreign banks has been interrupted with global financial crisis, foreign bank existence, in terms of number and share among domestic banks, has enhanced substantially in most countries over the past 3 decades. Sometimes increases have been from zero to foreign banks holding sixty seven percent market shares during a single decade. Not several countries are ignored from this trend, however substantial variations still exist. Over the time, many home countries became active as investors, in many emerging countries turning into necessary ‘exporters’.

Having stock at the end of year 2007, just before the crisis, foreign banks had been possession on average about 20% of market shares in OECD countries, in terms of loans, deposits and profits, and near to 50% in emerging markets and developing countries.

In addition, in those countries with majority of foreign banks, foreign banks tend to be a lot of vital in mediation. In distinction, once diminished in numbers, foreign banks tend to be niche players. Foreign ownership, even so, is generally regional. This pattern has really become stronger over time with a lot of banks from developing countries that have a stronger tendency to remain within their own countryside, establishing a presence abroad.

2.3 DIFFERENCES BETWEEN DOMESTIC AND FOREIGN BANKS

Foreign banks differ from domestic banks in key balance-sheet differentiation. Notifying, foreign banks have higher capital and a lot of liquidity. In terms of performance, foreign banks underperform domestic banks in differently markets and developing countries; however don't perform otherwise in high-income countries. These variations potential replicate part variations in business ways between foreign and domestic banks but a lot of variations in host-country circumstances. Significantly, performance might disagree as a result of foreign banks have a lot of conservative portfolios and operate with less ease in some countries than domestic banks do (Claessens and Van Horen, 2011: 14-16). They have interaction comparatively less in traditional lending businesses, particularly when smaller.

2.4 IMPACT OF FOREIGN BANKS IN FINANCIAL SECTOR DEVELOPMENT

A crucial question has been the impact of foreign-bank activity on a number country's monetary development. Before the crisis, consensus accord was that the benefits greatly outweigh the costs in many dimensions. It had been usually thought of that foreign banks augment domestic competition, upgrade the standard of economic interposition, increase access to financial and economic services, as well as monetary and economic performance of their borrowers, improve the consumer services and make larger monetary stability (Cull and Martinez Peria, 2010: 02-23). The effects of foreign banks on development and efficiency are found to discriminate though. Restricted general development barriers can hinder the effectiveness of foreign banks. With plenty of restricted entry as a share of the host banking industry, fewer spillovers seem to arise and bigger foreign banks seem associated with larger effects on access to finance for small and medium sized enterprises, because of market commitment.

In addition, richer domestic banks show raising in credit growth. Through few literature analysis it has been noticed that foreign banks can have perverse effects. As a results of foreign banks 'cherry-pick' borrowers, Lower financial development has been seen in developing countries respectively undermine overall access to financial services, since cherry-picking worsen the remaining credit pool, and where relationship lending is incredibly important (Detragiache et al., 2008).

In developing economic markets and high-income countries, foreign-bank presence tends to possess an insignificant relationship with credit enlargement. Through pre-found empirical survey it has been justified that in developing countries, however, foreign-bank presence is related to less overall credit extended.

Indeed, within these countries a one variance increase in the foreign-bank share is related to a decline privately credit-to-GDP of 5 share points, economically very huge, since the mean of personal credit-to-GDP throughout this group of states is simply 19. Of course, typically this can be often not basically a causative relationship. In summary, whereas foreign bank presence might have a negative relationship with financial development, typically this can be often not a standard result. That's why; it is concisely to allow for variations in foreign bank presence, level of development, and different factors once considering the association between foreign banks, domestic credit creation, and different aspects of economic sector development.

The differences are also significance among the transition countries. In Uzbekistan or in Azerbaijan the share of foreign banks appears less than five per cent, whereas in such European countries as Hungary or Lithuania it amounts to virtually one hundred per cent. The discrepancies and variation are considered in the developed countries. In France, Germany or United States, the foreign-controlled banks grasp less than ten per cent of assets,

whereas in New Zealand or in Luxemburg they hold more than ninety per cent.

The significance financial system has been shown to be a vital ingredient for sustainable and established economic growth (Levine 2005: 867-062, World Bank, 2001). The theories on foreign banking has also seem that foreign bank participation can assist develop a better efficient, effective and sturdy financial set-up (Claessens et al., 2001: 891-911). Most evidences show that range of increased foreign banking is usually completely related to with the advance of the efficiency of the domestic banking sectors and helps developing countries financial systems. Mainly, research studies on the developing countries have shown that these countries have benefited from this trend at the most.

Therefore, from the policy views its significance to grasp what determines a favorable atmosphere that inspire cross-border activity and getting into foreign banks. Though the recent trends within the banking internationalization, twenty eight p.c of developing countries still have foreign bank participation below ten percent and sixty percent of developing countries have below fifty percent. Among these developing countries with the foreign bank assets below ten percent, the transition countries quantity to almost twenty percent and twenty five percent of the sample with the foreign bank participation below fifty percent (Van Horen, 2006: 47-53 and EBRD).

Because the expertise of some Central and Eastern European (CEE) transition countries have shown the foreign bank participation has turned out to be inevitable to create stable and economical financial set-up. For this reason, we might suppose that in other developing and transition countries, the getting into the foreign banks may additionally end up to be necessary within the close to future.

Today, the banking sectors of most transition countries are among those with the best share of foreign controlled banking asset in the world. It ranges from seventy per cent in Republic of Poland to almost one hundred percent in Slovakia (Allen ET al., 2006). The amendment within the share of foreign participation in banking in these countries from the early transition years to the later ones is significant. Hungary was the leader among the CE countries within the banking reforms. The government began the banking reforms even before the political changes. In the early era 1980s the Hungarian government permitted variety of foreign banks to line up operations, although, these banks competed with state-owned banks within the areas of foreign exchange and trade-related transactions.

The integral centralized mono-banking system was replaced by a two-tier banking industry as national bank of Hungary assumed the role of central bank in 1987. The new central bank was charged with following monetary policy, as well as exchange rate policy, and was created liable for the oversight of the banking sector. The second major tier composed of the specialty banks, freshly created commercial banks, and also the few already operating foreign banks (Hasan and Marton, 2003: 2249–71).

In Poland the reform of the banking system started in 1987, once the government allowed for creation of the joint-stock banks, however they were still owned by the state. Two years later a replacement banking law was introduced, that created a two-tier banking system in Poland. Altogether the CE countries as a method of making a two-tier banking system the commercial and retail operation was divested from the activity of national banks and transferred to new commercial banks. In Republic of Hungary the government started 3 new state-owned banks from the national bank of Hungary, in Poland 9 banks were created out of the national bank of Poland, whereas in the Czechoslovakia through divestment from the state bank of Czechoslovakia, four banks were established.

These mediums sized state-owned banks hereditary segments of the old network and employees of the household deposits, national and states banks, and loan portfolio comprising primarily of credits granted to the state enterprises of unknown quality.

They supplemented the already existing massive state-owned specialty banks. Those specialty banks existed severally from the central bank and performed specific functions on behalf of the government in the planned economies. A state savings bank with an intensive branch network was liable for collecting household deposits, though most savings was forced and done by the state.

An overseas trade bank handled all transactions involving foreign currency. An agricultural bank provided short funding to the agricultural sector. A construction bank funded long capital projects and infrastructure development (Bonin and Wachtel, 2003: 1-66).

On April twenty five, 1821, Prince regent Dom João VI set sail from Brazil to Portugal in an endeavor to manage a revolution that was current there, carrying with him an outsized a part of the deposits of the Banco do Federative Republic of Brazil, the colony's major financial institution.

The bank that was already in crisis as results of its close ties with the Portuguese Crown was left bankrupt as results of Joao's sanctions. Clearly, the priority that foreign banks could see once their home countries experience difficult times is neither unwarranted nor unexampled (Jonathon Adams-Kane, Julian A. Caballero, Jamus Jerome Lim Policy Research September, 2013: 02).

Indeed, over the long course of history, governments have usually weighed potential liquidity and growth benefits of foreign bank presence against fears that such banks could prove unreliable sources of capital in times of crisis. In developing countries, actuaries seeking to liberalize their financial sectors are habitually referred to as on to make a decision whether or not foreign banks are to be allowed into their domestic financial markets, and consequently if so, to what extent such banks have the freedom to work vis-à-vis domestic banks. Foreign bank presence in developing countries by asking whether or not foreign banks do so build completely different credit provision selections once their home economies are undergoing hard times.

Above all, we tend to examine whether or not the lending activity of majority foreign-owned financial institutions that fully fledged a crisis in their home countries disagree consistently in their institutions behavior relative to foreign-owned establishments that didn't, inside the overall setting of the world financial crisis of 2007/08.

Whether foreign-owned banks opt to reduce on their lending activity in such circumstances is way from transparent. Foreign subsidiaries suffering a financial crisis in their home country could opt to repatriate capital to an indisposed parent bank, however it's even as plausible that parent banks allocate plus portfolios toward markets comparatively less affected by the crisis. The problem of foreign bank lending throughout financial crisis is therefore, obviously, an empirical first hand question.

Our empirical exploration seeks to answer this question by wishing on a quasi-experimental difference-in-difference (DiD) approach. Our baseline sample attracts on a unique bank ownership dataset collected across countries and over time, and contains 361 foreign-owned banks based mostly in developing countries over the course of the recent 2007/08 world financial crisis and within the immediate pre- and post-crisis years (2006 and 2009).

We tend to outline our crisis “treatment” as a financial or banking crisis (Laeven and Valencia, 2012) knowledgeable experienced home country of the foreign-owned bank. Crucial for our identification strategy is that the undeniable fact that, whereas financial crisis practiced in the home economy could or closely tied to the performance of banks based mostly in the crisis economy, foreign subsidiaries of those banks are unlikely to have contributed to the crisis there, in order that the crisis event was an “import” from high-income countries.

From the angle of those banks, then, the financial crisis was primarily an exogenous event, even as it had been for different foreign banks placed inside the host economy, with the crucial distinction being that the previous group may after be subject to potential constraints resulting from the home-country crisis, such as the got to repatriate profits to their parent banks, in case foreign banks not facing similar shocks in their home economies wouldn't expertise.

We exploit this exogenous variation to know the result of a home-country crisis on foreign bank credit behavior in our baseline difference-in-difference specification. We have a tendency to additional refine our baseline estimate by scrutiny pairs (or small groups) of notably comparable foreign banks via a DiD style that matches them on variety of observables.

During a host of checks and balances, we have a tendency to think about different methods designed to isolate the causative effects of the crisis treatment, like the inclusion of extra bank and country-level controls, falsification tests that think about whether or not different non-crisis mechanisms could also be driving the results, and exploring numerous dimensions of no uniformity in the crisis result among the foreign banks.

These complementary methodologies so enable U.S.A. to each determine the causative result of a crisis during a foreign bank's home country on the amendment within the bank's loaning activity before and once the crisis, additionally as offer some sense of whether or not certain banks or country-specific characteristics could have contributed to the calculable average treatment result on the treated. This is not the case once the crisis originated from the foreign bank's home country. Thus, instead of increasing lending in a trial to diversify off from the shock practiced in their home countries, such banks in all probability repatriate capital to prop up the liquidity and enduring contraction in liquidity from their parents.

After we explore the difficulty of heterogeneousness among any foreign banks, we tend to conjointly realize proof suggesting that non-crisis foreign bank disposition could have helped offset reductions in post-crisis disposition by crisis-stricken foreign banks and domestic banks, which the crisis that round-faced foreign banks in Eastern Europe was particularly severe.

The empirical literature on bank possession and economic outcomes has grown up dramatically over the past decade. However, partly attributable to knowledge limitations, abundant of the literature tends to review a given country or region. A number of these studies have, like this one, been involved with foreign bank behavior throughout a crisis. For instance (Chava and Purnanandam, 2011) and (Schnabl, 2012) gave evocative proof of negative spillovers via foreign banks of the Russian crisis of 1998 to corporations within the U.S. and Peru, severally.

Within the setting of the crisis of 2007 and 2008, (Galindo et al., 2010) document negative spillovers of foreign banks in geographical region, (Popov and Udell, 2012) and (Ongena et al, 2012) in Eastern Europe, (Aiyar, 2012) and (Rose and Wieladek, 2011) within the United Kingdom, and (Cetorelli and Cartoonist, 2012b) within the USA.

Our main result's that foreign banks owned by countries experiencing crisis do in reality expertise a post-crisis amendment in their lending that's comparatively lower by between thirteen and 42 percentage points in our baseline, compared to non-crisis foreign banks. Hence, while foreign banks have, on average, been a compel for financial stability and efficiency in developing countries facing domestic financial crisis (Clarke et al., 2003: 25-59) , (De Haas and van Lelyveld, 2010: 1-25) , (Martínez-Peria et al., 2005), (Wu et al., 2011: 1128–1156).

Relatively few papers have thought of the precise issue of the influence of foreign bank ownership on credit across a wider vary of nations (Cetorelli and Goldberg, 2011: 41–76) , (Clarke et al., 2006) , (Detragiache et al., 2008).However, foreign bank presence in an economy is usually measured at a mixture level; instead of the bank and home country specific level we have a tendency to use (which permits USA to map banks to home-specific shocks).

To the extent that some papers have worked with bank level information, their bases for comparison are different (De Haas and Van Lelyveld, 2010: 1-25). As an example, prohibit their analysis to solely subsidiaries of the forty five wealthiest foreign banks, while (Galindo et al., 2010:1-25) focus on Latin American host countries. Similarly, (De Haas and Van Lelyveld, 2013: 02-20) and (Claessens and Van Horen, 2013: 02-19) are involved with benchmarking lending by foreign subsidiaries of multinational banks against that of domestic banks.

Since we have a tendency to have an interest within the effects of a crisis in the home country on lending activity by foreign banks, our study restricts itself to solely the set of foreign-owned banks in operation in developing countries, since we have a tendency to believe that foreign banks from non-crisis home countries supply the purest management group for our treatment of interest.

(Crystal et al, 2001) suggested that foreign ownership could give significance positive effects on the stability and development of emerging market banking systems. (Majnoni et al., 2003) indicated that in the case of Republic of Hungary foreign banks are more eminent in product innovation, provide a broader vary of financial services and have higher screening and monitoring procedures than domestic banks. (Clarke et al, 2001) advised that if foreign bank entry is broad enough to exert competitive pressure on domestic banks, this will benefit consumers.

Cross-country regressions have found that foreign banks operation in developing countries tend to be a lot of efficient than domestic banks which foreign entry is and cause a reduction in profitability and overhead expenses of domestic banks (Claessens et al., 2001) , (Claessens and Lee, 2002: 02-22). Similar findings are reported by country case studies, tho' there's some disagreement concerning size and strength of the effects of foreign entry (Barajas et al. 2000:355-387) , (Clarke et al., 2000: 331-54, Denizer, 2000).

(Heiner schulz, 2004: 07-23) the necessary contribution of foreign banks was the advance in asset quality of Mexican banks, that accelerated the reduction of debt within the banking system. (Claessens, Demirguc Kunt and Huizinga, 2001: 22) found that foreign banks win higher profits than domestic banks in developing countries, whereas the reverse is true in developed countries.

It's wide believed that the foreign banks, as compared to domestic banks, adopt higher management practices and possess higher organizational skill and technology know-how however consisting of these factors create the cluster of FBs a stronger performing artist than DBs in terms of efficiency and profitability. Foreign-owned non-public banks are expected to facilitate technology transfer, competition and efficiency in the banking sector of the host economy, so enhancing the efficiency of domestic savings, which can be intermediated into domestic investment.

In general, the categorization of getting each positive and negative effect suggests that the link between entry of foreign banks and gross domestic investment might not essentially be linear. It can be that gross domestic investment monotonically will increase or decrease with entry of foreign banks (Lensik, 2006: 569).

(Claessens, et al., 2001) through empirical observation inquires the impact of foreign bank entry on domestic banking businesses. They show that foreign bank entry reduces financial gain, profits & costs of domestic banks.

Foreign entry and bank competition are modeled because the reciprocal action between unsymmetrically informed principals. The entrant deploys collateral as a screening device to contest the incumbent's informational advantage. Both fascinating information ex ante and stronger legal protection ex post are shown to facilitate the entry of low-cost outside competitors into credit markets. The new comer's success in gaining borrowers of upper quality by giving cheaper loans will increase with its efficiency (cost) advantage. Some researcher's accounts for proof suggesting that foreign banks tend to lend additional to massive corporations thereby neglecting small and medium size enterprises. The investigation also analysis why this determined bias is stronger in emerging markets.

In the US., banks from completely different states were long viewed as foreign and multi states has been strictly forbidden entry by banks from different states till the mid-1970s. Even banks from different cities in a state were usually strictly forbidden from opening branches in different cities within the state. It absolutely was considering, the hometown bank was domestic, and banks from anyplace else (another states within US) were foreign (Morgan and strahan, 2003: 241).

On the positive aspect, it's argued that foreign-owned banks enhance the standard, pricing and availableness of monetary services (Levine, 1996: 224-254). Directly, foreign banks give increased services and investable funds; indirectly, the banks engender competition with domestic financial institutions (Murinde and Ryan, 2001: 135–69).

This increase in competition could stimulate domestic banks to cut back costs, increase potency and increase the range of financial services, leading to e.g., lower interest rate margins and profits.

In the presence of foreign banks domestic banks are pressured to enhance the standard of their services as well as to retain their market shares. Associate extension of those arguments relates to bank efficiency spillovers, which can contribute to more efficient domestic banking practices, could facilitate to diminish costs. Foreign banks could introduce new financial services.

The introduction of those services could stimulate domestic banks to additionally enhance such new services, raising the efficiency of financial intermediation of the domestic financial set-up. It shows that the effect of foreign entry is extremely completely different in developed versus developing countries. Earlier it was investigated that foreign banks have lower profits than domestic banks in developed countries, however the other is true in developing countries.

Second, their expected results counsel that associate exaggerated presence of foreign banks results in a lower profitability for domestic banks. Not amazingly, a priority among economists and policymakers notably in emerging markets, is that foreign banks “cream-skim” or “cherry-pick”, going away the worst risks to the domestic banks.

Associated issue is that foreign banks (also large domestic banks) tend to lend more to large corporations, thereby neglecting small and medium enterprises (SMEs) (Stiglitz, 2000: 437–454) , (Berger, Klapper, and Udell, 2001: 23–158). Testimonial in favor of this bias exists for the U.S. (Berger, Miller, Petersen, Rajan, and Stein, 2005: 237–269) and for developing countries like Argentina (Berger, Klapper, and Udell, 2001: 2127–2167) , (Clarke, Cull, and Martinez Peria, 2001: 02-21) realize that foreign bank entry improves finance conditions for domestic enterprises of all sizes, though larger domestic corporations profit is more.

One of the foremost striking developments in the banking sector in transition and developing countries have been the sharp increase of foreign bank entry throughout the last consecutive ten years. For example, the market share of foreign banks in Eastern Europe has gone up from on the average around 11percent in 1995 to around sixty fifth in 2003 (Claeys and Hainz, 2006: 07-27).The circumstance appearance similar in Latin America, & foreign bank entry is likewise on the increase in different emerging economies in Africa, Asia & the Middle East, Although at a slower pace (Clarke et al., 2003: 25-59).

Governments liberalize their banking markets with the intention to draw in new capital and to promote the restructuring of their usually rather inefficient banking network systems. One potential strait for the way foreign banks could foster such a restructuring method is effect from foreign to domestic banks; another potential channel might be the rise in competition (Goldberg, 2004: 02-15).

Banks differ with relevance screening talents. Foreign banks have excellent screening ability whereas, for simplicity, domestic banks within the closed economy are assumed to not have access to a screening technology.

Once the domestic banking market lending, foreign banks are given the likelihood to enter the market, either via acquisition of a domestic bank or through a Greenfield investment. Due to higher spillover effects from foreign to domestic banks, domestic banks gain access to a screening technology, although not as sophisticated as that of foreign banks. Domestic banks then have the selection to handle an investment so as to get the proper screening technology comparable to that of the foreign banks (Maria lehner, Monika Schnitzer, 2008: 1783-1791).

The issue of different market entry modes of foreign banks has additionally been addressed by (De Haas and Van Lelyveld in 2011: 02-11). Their studies implies that the credit provide of foreign banks remains stable throughout crisis periods within the host country which this result is especially driven by Greenfield Foreign banks.

Additionally, foreign banks could facilitate to enhance management of domestic banks, particularly if foreign banks directly participate in the management of a domestic bank, for instance in the case of a joint-venture or a takeover. (De Haas and Van Lelyveld, 2011: 02-22).

Foreign bank entrance can also contribute to a reduced influence of the government on the domestic financial sector, which can minimize the importance of directed credit policies. Several studies have examined the results of foreign banking on the domestic banking sector and also the economy as a full and mentioned the potential benefits (e.g., Levine, 1996: 224-254) , (Brealey and Kaplanis, 1996: 577-97) , (Peek and Rosengren, 2000: 30-45) , (Claessens et al., 2001) furthermore the costs related to foreign bank entry for the domestic market (e.g., Stiglitz, 1993:19–52), (Peek and Rosengren, 2000:45–62).

It has been empirically verified that a foreign bank of Asian origin, with a larger base and international expertise from having a lot of overseas markets can take a shorter time to enter and can survive for an extended time within in the market. Rapid growth each within the home country's trade in Hong Kong and in the Hong Kong banking sector itself will increase the chance of entry (Leung, Young and Fung, 2008: 509). There are variety of empirical papers investigate increasing competition in the lightweight of foreign bank entry. (Claessens et al., 2001) recommend that higher competitive pressure due to foreign bank entry implies a rise in the efficiency of host country banks and thus, higher profit in economies liberalizing their banking markets.

(Clarke et al., 2006: 774–795) realize proof that foreign bank presence implies lower funding obstacles for all companies in an exceedingly market. (De Haas and Naaborg, 2006: 159-99) conclude that due to augmented competition within the marketplace for large companies, foreign banks augmented their lending activities in the phase of small and medium enterprises and in retail banking.

(Fries and Taci, 2005: 55-81) study the cost efficiency of banks in Eastern European Countries and realize that the costs of all banks are lower once the presence of foreign banks in an exceedingly country is high. These results are confirmed by (Bhaumik and Dimova, 2004: 04-14). However, (Sabi, 1996: 179 -188) finds support for the hypothesis that foreign bank entry doesn't facilitate to enhance the performance of domestic banks.

(Martinez Peria and Mody, 2004: 511-537) distinguish between Acquisition and Greenfield entry in the context of Latin America. They find evidence that the interest rate unfold of foreign banks getting into via a de novo investment is below that of banks getting into via the acquisition of a host country bank.

Additionally, their analysis realize conclusion that a better presence of foreign banks ends up in lower costs of all banks in operation within the market. The Netherlands lower levels of economic development foreign bank entry are typically related to higher costs and margins for domestic banks. At high expected levels of economic development the results seem to be less clear, foreign bank entry is either related to a decline of costs, margins and profits of domestic banks, or aren't related to changes in these domestic bank variables (Robert Lensink & Niels Hermes, 2002).

Moreover, it's argued that the presence of foreign-owned banks tends to accelerate the method of financial system, particularly the essential supportive systems like accounting, auditing and transparency, financial regulation, and rating agencies. The presence of foreign banks is more expected to facilitate transfer of know-how in key areas like bank direction and risk management in financial institutions.

It is helpful to qualify these arguments by saying that the literature distinguishes among foreign-owned non-public banks, domestic-owned non-public banks and state-owned banks. Thus, these edges are related to foreign-owned non-public banks instead of state-owned banks (Lensink and Murinde, 2006: 571).

In many empirical studies it advised positive effects of foreign banks entrance are confirmed. As an example, during a cross-country study victimization 7900 bank observations from eighty countries for the 1988–1995 period, (Claessens et al., 2001) notice that foreign bank presence tends to cut back overall profitableness, margins as well as overhead expenses for domestic banks, and so enhance the efficiency of domestic banks. The findings of exaggerated competition and increased domestic bank efficiency are in step with the results obtained during a separate study by (Dermiguc Kunt et al., 1998) and (Gruben et al., 1999) present similar findings with reference to increased domestic bank efficiency in Argentina at mid-1990s.

In this context, foreign-owned banks (and alternative privately owned banks) contribute to more volatility of credit flows. Since foreign bank entrance may contribute to a reduced influence of the government, on the domestic financial sector, this result on the volatility of credit flows might happen directly or indirectly via the domestic banking sector.

In general, most of the critics of foreign bank entry suggest that the sequencing of any opening to foreign banks is crucial (Murinde and Ryan, 2001). The previous few years have seen a formidable liberalization of banking markets. While banks active in rather saturated, developed financial markets have hunted for new investment and growth opportunities, banks in several developing economies are in want for recent capital in the aftermath of banking crisis.

The privatization method in Eastern Europe provided more opportunities for international banks to expand abroad. Nowadays, in around four-hundredth of all developing countries, over five hundredth of banks are foreign owned. Amazingly, this figure rises to over eightieth in many Eastern European countries (Claessens et al., 2008).

(Claeys and Hainz, 2006: 07-27) analyze the impact of foreign entry on competition in the host country. In line with (Sengupta, 2007: 502–528) they assume that foreign banks have a cost advantage, despite the very fact that here in the form of a better screening technology, whereas domestic banks have an informational advantage regarding recent borrowers.

In distinction to (Sengupta, 2007: 502–528) it has been distinguished between 2 types of market entry: Greenfield investment and Acquisition. It comes behind from their analysis that the mode of entry determines the knowledge distribution between foreign and domestic banks which, in turn, affects the degree of competition.

(Claeys and Hainz, 2006: 07-27) conclude that Greenfield investment leads to more competition in the host country than acquisition. Our model builds on similar assumptions as (Dell’Ariccia and Marquez, 2004: 185-214) , (Sengupta, 2007: 502–528) and (Claeys and Hainz, 2006: 07-27) in this we have a tendency to conjointly assume an informational advantage of domestic banks and superior screening skills of foreign banks.

However, we have a tendency to don't target that foreign entry affects the host banking market and also foreign banks arrange to expand their business in abroad. Though the impact of foreign entry on host banking markets has been studied quite extensively, the enlargement of international banks and, even more, their entry mode choice has received surprisingly very little attention in the finance literature to this point. Our aim is to fill this void.

In distinction to (Sengupta, 2007: 502–528 2007) and (Claeys and Hainz, 2006:07-27) we have a tendency to expressly derive underneath that conditions a multinational bank expands via cross border lending, greenfield investment or acquisition. Our analysis sets in one step before (Sengupta, 2007: 502–528). We have a tendency to don't analyze how entry of foreign banks can be facilitated but whether or not and in which form the policy maker of the host country needs entry to take place. This permits us to derive some implications regarding the regulation of foreign bank entry (Maria Lehner, 2008:03).

(Buch and Lipponer, 2007: 805-826) and (García Herrero and Martínez Pería, 2007: 1613-1631) through empirical observation analyze the choice of multinational banks to expand abroad via cross border lending or via foreign direct investment, however don't expressly distinguish between greenfield investment and acquisition. They notice that the larger the host banking market, much a foreign direct investment is most popular over cross border activities.

(Van tassel and Vishwasrao, 2007: 742-3760) as well as (Beermann, 2007) came upon models to check the trade-off between Greenfield and acquisition entry. Van tassel and Vishwasrao bring that a multinational bank typically favors acquisition over de novo entry.

Beermann shows that the foremost efficient banks prefer to expand via acquisition of a host country bank whereas less efficient banks choose Greenfield entry. Globalization has brought forceful competition in the banking system in Islamic Republic of Pakistan. This competition has the tendency to bring out the best in the banking system. To stay competitive, they have the flexibility to be able to respond chop-chop with new products to fast-changing market desires. One major challenge is the way to meet the increasing expectations of customers. The retail banking system, especially, has become utterly remodeled. Previously, the branch office was the icon of retail banking.

Consumer access to the bank's financial services and products were typically restricted to the hours during which the branch was open and in operating hours, and services and products provided by the bank were relatively restricted. The branch office, as the place wherever customers did the bulk of their financial transactions, was the principal representative of the bank. However, new competitive pressures have emerged from non-banking institutions providing similar services and products and foreign banks coming into domestic markets.

Consumers became more smart in their purchasing, less loyal and reliable to specific bank and further demanding of products and services that fit their particular financial needs and time schedules. Hence, they need achieved the position to dictate once, where when, and how can conduct their financial affairs and transactions.

To retort and acknowledge to client and market demands, it's necessary to retail bankers offer larger convenience, confidence increase accessibility of financial services and products, and deliver at a quicker pace innovative and higher contender products and services. Meanwhile, total costs of operations, financial affairs and development should be maintained or eliminate (Ehikhamenor, 2003: 13).

The increasing cost of getting information domestic companies might sure foreign banks to 'cream-skimming', wherever they lend solely to the foremost profitable local companies (Dell'Arricia and Marquez, 2004), (Sengupta, 2006) and adversely have an effect on each domestic banks and also the companies that depend on them (Gormley, 2006). There are 3 indicators utilized in this study to find the impact of foreign banks on the domestic banks businesses in developing countries: **1) Technology, 2) Consumers Loans and 3) Customer Services**. There are 2 kinds of technologies: 'front office technology' and 'back office technology'.

In front office technology the banks deal directly with customers and back office technology includes services that are usually invisible to customers (Allen N. Berger, 2003: 141-176). Front office technology includes net banking, electronic payments technologies and back office technology includes info exchanges. Improved service quality and client satisfaction are shown to steer to higher productivity, multiplied loyalty, lower transaction cost, price-premium, favorable viva-voce, market share, repurchase intention, client retention and improved firm reputation (Mukherjee, Nath and Pal, 2003).

When we examine developments over time, banks from advanced countries have truly diminish regional and more international, probably owing to advances in telecommunication and alternative technologies and to economies of scale in the provision of some financial services.

Banks from emerging markets, relatively, became more regional; probably as a result of they need a stronger competitive advantage in countries physically and institutionally closer as compared with banks from advanced countries.

Technology is giving necessary competitive advantage. In recent years, banks are investing a lot of technology, not solely as a way to cut back costs and improve operations, however presumptively additionally as a key to profitability.

With technology, banks are able to improve on their management of customer relationships, contour operations, expand their activities, improve services and minimize risk exposures in a very turbulent market. Software package resolution helps to optimize branch delivery through facilitating the look of recent sites, relocations and closures supported a bunch of elaborated knowledge, like population demographics and density.

The Internet cash management service permits businesses to access balance and payment data, print statements and transfer cash between accounts via a bank's data processor. Cavano noted that with the arrival of the web, speed had begun to overtake trust in client relationships, and innovation had surpassed tradition, forming a replacement paradigm – the digital economy. He warned that banks that haven't unbroken pace with the most recent technology would discover that they'll not deliver the data or services demanded by the new digital economy.

Considering the crucial role that technology is taking part in the banking industry, Mark Hill suggested that technology ought to be treated like every investment in a bank's future success, that the investment must be planned an instituted in stages, that it ought to mirror long-run business strategies and have the commitment of bank executives, which it ought to be expected to produce a return on investment.

The banking sector is truly an older time beneficiary of the offerings of technology. According to (Grainger Smith and Oppenheim, 1994) technology has contended a central role in the development of the banking industry like; banks aren't contrary to the popular image, primarily in the cash business. They're in the data business. Their primary activities are the capture, distribution, analysis, and process of financial data.

Technology is that the second largest fixed cost incurred by banks when personnel. It's enabled banks to widen the vary of services offered to their customers and remodel their operational systems. It's additionally enabled banks to extend the degree of their services, operate at the next level of potency and notice economies of scale.

The western world has continued to dominate the world of technology and set the pace in the transformation of the world economy. The banking industry has in the last decade been characterized by increasing investment in technology. As an example, in 1992, U.K. recorded an average expenditure of 8.5 million Pound per financial institution. The level of investment in technology by American financial institutions was thought-about to be higher, representing regarding 20 percent of their total expenditure on fixed costs (Smith and Oppenheim, 1994).

Another example of the union of mobile banking and ATM technology was undraped at the start of August 2011, once Kuveyt Türk launched a replacement service referred to as Gold Send.

The service consists of mobile applications that permit users to withdraw gold from the bank's ATMs and branches, employing a mobile device. whereas it had been doable to use an ATM to withdraw gold in Turkey since the launch of the application meant that users could SMS a code to a loved one or friend elsewhere within the country or even from abroad, permitting them to withdraw the gold themselves while not

essentially having a checking account of their own. Kuveyt Turk declared the financial statement of 2013, total assets of the banks increased 16.8 percent and net profit became 146 million TL in the middle of 2013. It seems that presently bank growing steadily because of their efficient system.

The project was additionally notable for the approach it acknowledged ancient Turkish society and also the high status it still attaches to gold, and also the prevalence of mobile phones in Turkey. Meanwhile, Turkey's financial establishments have also embraced different separate trends, like the increase of social media. (Elliott Holley, 26 November 2013).

Fundamentally the year 2013, was undoubtedly a failure year for Turkish banks. This reason can easily be described through numerical data.

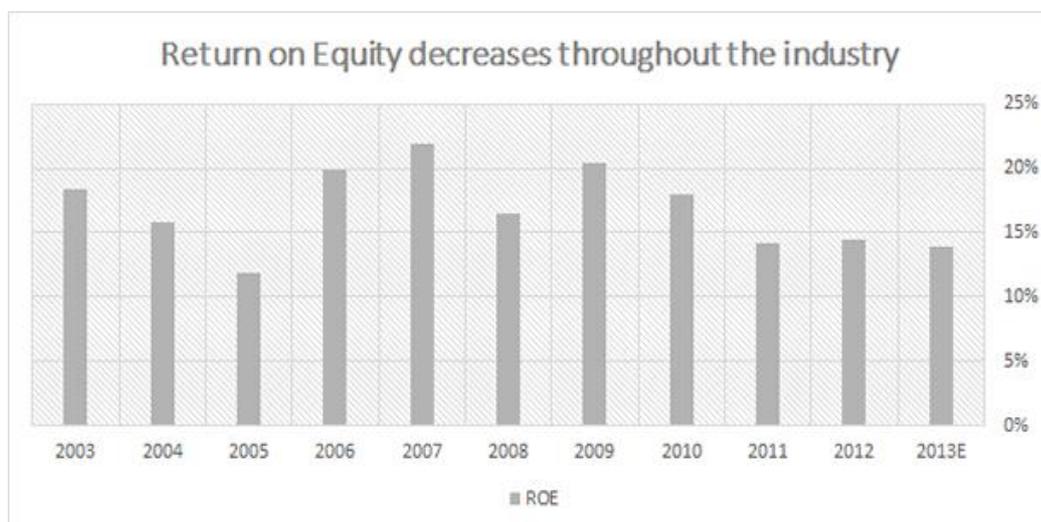


FIGURE-2.1, TURKISH BANKS RETURN ON EQUITY RATIO
STATISTICAL DATA

Source: Turkish marketnews.com, Monday 13 January 2014.

Here the above graph shows the decrease of profit for Turkish banks. The period between 2004 to 2010 is looking zenith with the average return on equity ratio 18 percent. After 2010, we can see it has not been increased above 15 percent. By looking above figure, we can say that Turkish banks

are not attractive for investors. Comparing to other emerging market banks, how do Turkish banks do well? The answer is not clear for them. In Turkey the banking industry is really underperformed compared to other sectors i.e., Telecommunication, Automobiles, with ROE about 25%.

Generally the insufficient profit is not only the one reason, also low capital adequacy ratio telling an ugly story.

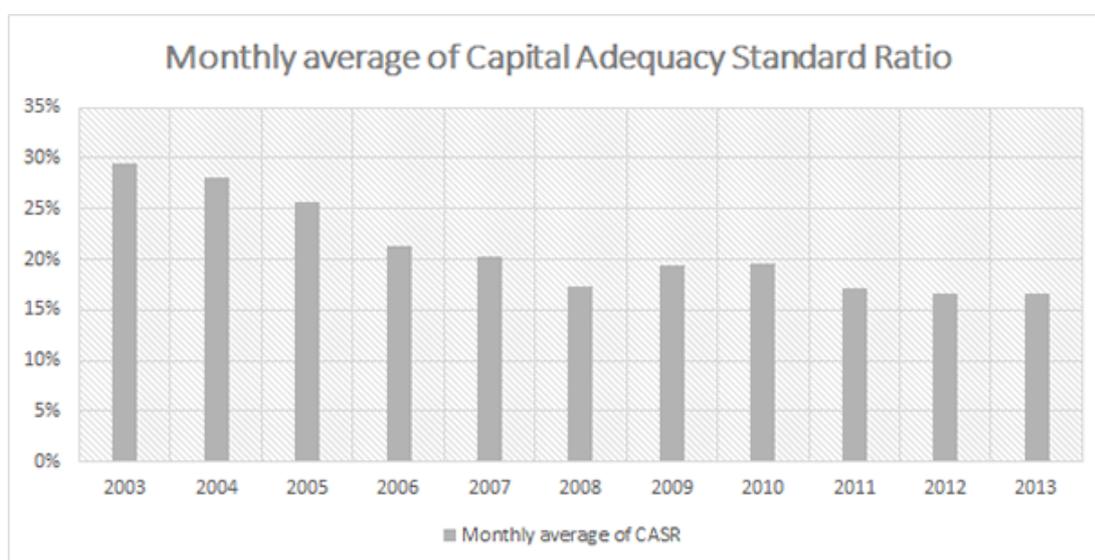


FIGURE-2.2, TURKISH BANKS CAPITAL ADEQUACY RATIO STATISTICAL DATA

Source: Turkish marketnews.com, Monday 13 January 2014.

Generally the Turkish financial sector has been known for its reassuring capital structure. The asset quality does not seem very good since past few years. According to economic analysis's , Turkish Banks could rollover their banking industry by investing in new technologies, collective investment schemes, expand working capital within their own company, make acquisitions, bringing new investors together in case of capital need, and making restrictions for acquisitions and mergers for foreign banks.

By mid-1990s, British banks had introduced a good variety of specialized technologies in advance banking sector. Of particular interest at that point was the loaning consultant code that helped financial establishments in codifying their data of their business.

Australian banks were equally increasing their technology investment (Freeman, 1996). For many years starting from 1995, the annual expenditure on the upgrading of technology and introduction of recent services was \$1.95 billion. The calculable expenditure for 1998 was \$2.1 billion. Then the banks were entering into smartcards and investing increasingly in Internet-based transactions.

By the year 1998, financial institutions in the West were spending between 7% and 15% of their revenue on technology (Caldwell,1998).The transformation of the banking sector by technology in the West and East Asia has become the normative course on that the banking sector in the third world is anticipated to maneuver.

For over a decade, the third world has, in fact, been warned to require advantage of the revolutionary advances in technology to strengthen economic and social changes if to have a place in global socio-economic relations that are progressively dominated by the growing information economy.

Some recent reports suggest that technology and online banking have given some banks a foothold in the extremely competitive market, and also the more progressive banks have outstripped others. In 1998, the top five of such banks ranked in terms of profit after tax were Citibank, Union Bank, First Bank, Zenith, and United Bank for Africa (African Business, 1998).Continuous innovation is seen as the core of promoting models in developing countries.

Businesses in developing countries are more and more looking forward to innovative technology to make new markets or penetrate existing markets (Chipp, Hoenig & Nel, 2006). By combining traditional physical facilities with latest telecommunications, businesses in developing countries are building distinctive ways in which to market products and services (Prahalad, 2006).

Within the banking industry, innovative technology based mostly products and services like Mobile Phone banking, telephone circuit telephone banking, internet banking and automatic teller machine (ATM). Banking aren't solely seen as innovative technologies for providing financial services to existing bank customers, however conjointly essential technologies in increasing the availability of banking products and services to poor consumers who are typically 'unbanked'.

Specially, the Mobile Phone is seen as a very important technology in increasing the availability of economic services to the 'unbanked' population (Leach, Beghin, Pickens & Moran, 2007).

(Chen, 2005: 307-318) as well as (Sheth and Sisodia, 2006), argue that these innovative technologies are driving the trend whereby customers are providing services for themselves (in alternative words, self-service technologies), which in future, the sole human interaction are going to be when the service is at first created and once it's finally terminated. This drive to permit customers to produce their own services presents many advantages.

For customers, the advantages embody an redoubled perception of management, raised speed in getting services, improved access to services and monetary savings incurred by exploitation these services; whereas for banks, the advantages embody reduced labor costs and/or the power to relocate staff to additional productive activities.

Participating technologies may additionally improve the organizations' name within and outside country among customers, as customers expect to accept new technologies and supply a competitive advantage (Meuter, Bitner, Ostrom & Brown, 2005: 61-83).

Research conducted in South Africa throughout 2007 indicated that forty second of the population has near detected of cellphone banking, whereas another twenty eighth failed to recognize what it meant in observe (Leach et al., 2007). it's therefore vital for the marketer to remember of the technology readiness in the market and the way this readiness are often used to encourage the utilization of cellphone banking by a broader base of specifically low-income individuals.

In fact, the world's biggest bank in market value is China's ICBC. The world top twenty five presently includes eight emerging market banks. Among these are 3 different Chinese banks (China Construction Bank, Agricultural Bank of China, & Bank of China), Brazilian banks (Itau Unibanco, Banco do brasil, and Banco Bradesco), and one Russian bank (Sberbank).

Whereas excess optimism may need inflated these market values, these banks are thought of to be sizeable with reference to different measures, additionally as in terms of assets, of these banks are assumed in the top seventy five worldwide, among them four Chinese banks in the top twenty.

In addition, lower down in the rankings, there's an extended list of smaller banks that along add up to quite a lot. In 2010, emerging market banks as a gaggle accounted for roughly thirty p.c of world profits, assumed to be third of world revenues, and 1/2 tier capital.

As an example, Brazil has currently overtaken the United Kingdom in terms of profits earned, In spite of getting associate asset base that's less than one-fifth as large as that of the United Kingdom. Not solely emerging market banks already well large; they're growing quick. In terms of value, the share of emerging market banks in the industry's total worldwide almost doubled between 2005 and 2010.

Whereas in 2005 all of the world's twenty five largest banks by capitalization were placed in advanced countries, presently eight are from emerging markets. In addition; asset growth has been spectacular in several emerging markets. In spite of the very fact that China once more first-rate the ranks, different emerging markets have seen splendid will increase in bank assets, as well as maintaining adequate capital ratios and ample deposit funding.

Loan growth was robust in several emerging markets within the period leading up to the financial crisis, and lots of banks in Asia, Africa, and Latin America predict that their loan books can still rise with double-digit numbers over consecutive few years (Neeitje Van Horen, 2012: 03-36).

Standard Bank of South Africa, as an example, generated nearly 1 / 4 of its profits from abroad, mainly the rest of Africa. Hungary's OTP Bank Nyrt expects business in its home market to contract this year amid powerful economic conditions; however come double-digit growth rates in its Russia and Ukraine retail business. So, how active are emerging market banks overseas? However has this modified over time, and what form of countries are these banks targeting?

Over the last twenty years, the world has witnessed an unexampled degree of foreign bank entry. Driven by globalizations and inflated financial integration, the amount of foreign banks nearly doubled, from 774 in 1995 to 1,334 in 2009.

Though most of this foreign investment is completed by banks from advanced countries, banks from emerging markets are active investors. Financial analysis depicts the entry of foreign banks, highlighting investments by advanced country banks and people by emerging market banks of the 1,088 entries that passed between 1995 and 2009, 312 were by emerging market banks.

Foreign banks from emerging markets are active investors over the whole sample period. Particularly in 1997 (41 percent) and 2006 (38 percent), they were liable for an oversized share of the new entries (Neeitje Van Horen, 2012: 03-36).

Over the period 1995-2009, the share (in terms of numbers) of foreign ownership by emerging market banks has stayed comparatively stable and secure, as each advanced country banks and emerging market banks inflated their overseas investment. In 2009 (the last year of our sample period), banks from 60 emerging markets owned 27 % of the foreign banks in terms of numbers, up from 24 % in 1995 (Neeitje Van Horen, 2012: 03-36).

In terms of assets, however, they owned solely five %, therefore emerging market banks still represent only little portion of total foreign banking assets. This means that, despite the fact that quite a few emerging market banks have interaction in foreign adventures, they apt to focus on little acquisitions, oft to service local customers abroad or to supply services to migrants.

As an example, bank of India (SBI) & ICICI Bank, India's largest privately owned bank, have both undertaken enlargement in Asia continent, Africa, and also the Middle East. The reason behind these expansions are to facilitate increasing trade and investment flows between India and different countries, to provide foreign currency denominated loans to the overseas

affiliates of Indian large corporations, and to provide remission and retail credit services for Indian expatriates (Neeitje Van Horen, 2012: 03-36).

In 1995, there have been 39 countries that had a foreign bank active however no foreign banks owned by a parent from an emerging market. By 2009, this range was all the way down to twenty four.

Similarly, in 1995, there have been twenty countries where emerging market banks represented over fifty % of the foreign banks active in the country; in 2009, there have been twenty six countries during this group. In fact, in some countries (Azerbaijan, Kuwait, Malawi, Mongolia, Namibia, Sudan, and Vietnam), all foreign banks are owned by parents from emerging markets and in some host countries; these banks are large players. As an example, the most important bank in Madagascar is Bank of Africa, headquartered in Mali. Meanwhile, in Burkina Faso, Bank of Africa & Eco bank, headquartered in Togo, are 2 of the six foreign banks active, and 2 of the most important ones in terms of assets.

Ownership by emerging market banks has distended not solely in terms of host countries, also in terms of the number of emerging market investors. Whereas in 1995 banks from forty five totally different emerging markets pursued banking activities in other countries, by the time 2009, banks from sixty emerging markets did so. Whereas in emerging market investors usually come from more developed emerging markets, like Argentina, Brazil, and South Africa, banks from low likewise as lower-middle-income countries, like Republic of Kenya, Nicaragua, and Asian nation, also are active as investors. In 2009, thirty % of emerging market foreign banks was owned by parents located in low- or lower-middle-income countries, up from twenty one % in 1995.

In 1995, most emerging market investors belonged to countries in Latin America (33 percent), however by 2009, this focus had shifted towards Eastern Europe (23 percent) and Central Asia and Sub-Saharan Africa (23 percent), largely due to disinvestment by banks from Argentina, Brazil, and Panama and to large-scale investments by banks from Republic of Hungary, Nigeria, Russia, and South Africa.

Excluding Panama, that is an offshore center, the foremost active and proactive investors in the year 2009 are larger banks from South Africa, Russia, Turkey, and Brazil, owning 31, 29, 21, and seventeen foreign banks, severally (Neeitje Van Horen, 2012: 03-35).

(Levine, 2001) analyzed the connection between financial liberalization and banking efficiency, finding that greater presence of foreign banks enhances the efficiency of the domestic banking industry by decreasing banks 'overhead costs and profits.

In a competitive banking world, each bank desires to make opportunity of borrowing funds at a rate that reflects consumer's ability to repay the loan. Consumer borrowing constitutes the most important fraction of the overall loan market in the US. For instance, in the second quarter of 1996, the full household borrowing ingrained \$5.187 billion whereas business borrowing (including corporate bonds ingrained \$4.270 billion (Federal Reserve Bulletin, 1996). Foreign banks introduced several loan practices that have developed the banking industry. These practices might embrace short term funding, house financing, automotive funding, mortgage and pledge.

Technological innovations in telecommunications and computer hardware, in computer software package, and in analytical tools for organizing and process data were each causative and sanction able factors in the development of worldwide banking.

Banks more and more will access data at lower costs, mechanically integrate this information, and mix the following information with alternative technologies to supply their clients with best services. On average, across developing countries, the share of domestic banks assets held by foreign banks has move from twenty two % in 1996 to thirty-nine % in 2005.

Meanwhile, Most of the foreign bank claims on developing countries, that beside the loans increased by foreign bank branches and subsidiaries comprise cross-border loans, increased from ten % of GDP in the year 1996 to 26 percent % in 2008 (Robert Cull and Martinez Peria, 2010: 02-10).

There is an important discussion encompassing the implications of foreign bank participation for developing countries. Supporters of this series of steps assert that foreign banks might bring abundant required capital further as technical skills, financial services, consumer loans, convenience and products innovation to developing countries.

Moreover, they highlight the importance potential attain in terms of enlarged competition and enhancements in the efficiency of the banking sector. On the opposite hand, the critics of foreign bank entry argue that foreign banks will destabilize the domestic banking sector as a result of variety of reasons.

First, foreign banks will “import” shocks from their home countries and/or unfold shocks from other developing countries within which they operate.

Second, aggressive competition with foreign banks can threaten and intimidate the survival of the domestic banks. Hence, foreign banks will result in decrease access to finance for a majority of domestic firms, industries domestic banks and clients, if they solely target a peak and selected section of the market.

While the share of assets held by foreign banks has increased speedily and attained importance levels in Eastern Europe (52 percent), Latin America (34 percent), and Sub-Saharan Africa (50 percent), foreign banks participation and schemes have remained constant at terribly low levels in South Asia (7.5 percent).

In East Asia, foreign bank entry has been grown since the mid-1990s, however it still entitles but twenty p.c of the financial system. During the last decade many growing market economies (EME) have raised restrictions on foreign direct investment (FDI) in their financial systems. At last, foreign possession of domestic institutions has been growing steady. During this recent era, in several Latin American as well as Central and Eastern European countries foreign banks control more than fifty p.c of their banking system's assets.

In China, Foreign Banks Lag Behind

Banks all over the world mobbing to china because of its fast turbine economy. Profit of foreign banks based in China fell rapidly in 2009 according to a report submitted by accounting firm KPMG.HSBC Holdings, Largest holding foreign bank in China. Their profit decline 60% in 2008. In contrast Chinese local banks posted double digit percentage of profit over the same period. The big difference among foreign and domestic own Chinese banks in China is the obstacles confronting foreign banks in china as they always try to rip the domestic economy. Foreign banks have been seen in trouble since they are reined in by Chinese limitations.

During the chines financial crisis, these restrictions helped to insulate the wealthy economic injection rather than to get subsidiaries from foreign banks. This helped to china economy to upgrade largely as hometown banks in china grow up in double percentage.

They also kept the foreign banks from their robust economy that increased 8.7% in 2009. Beijing solely state making further hard for foreign investor to succeed in their home country. China is acquiring local branches of foreign banks in order to reduce their loan to deposit ratio.

International banks have access to more investment alternatives and therefore are more prone to “cut and run” than domestically owned banks once their investments aren't acting as expected (Juan Cárdenas , Juan Pablo Graf , Pascual O’Dogherty, 2008: 01-24). Instead of earning interest, large commercial banks have shifted to commercialism financial services supported their intellectual know- how and skills.

Economies of scope in banking principally arise from data indivisibilities. Banks usually command unique information and insights into their customers' financial assets and liabilities. Much of this data was acquired throughout lending bank loaning activity and has been applied in the production of latest services.

The financial phenomenon known as securitization together aroused the event of global banking. Large commercial, industrial, and real estate borrowers more and more bypass banks raise funds directly in the world's securities markets. Banks are forced to either retrench their activities by specializing in loans to small businesses and retail customers or to deploy their experience so as to get new sources of financial gain.

(Barajas et al., 2000: 355-87) comparatively appraise the performance of foreign versus domestic banks in Colombia from 1985 to 1998. Overall so, the assorted strands of literature expressly deal whether or not foreign bank practices effects the domestic banks business. Finally, studies that compared the performance of foreign and domestic banks in developing countries yield totally different results.

2.5 MAJOR TRENDS IN THE HISTORICAL EVOLUTION OF INTERNATIONAL BANKING

Economic historians distinguish 3 “waves” that led to the advance of recent international banking. The primary wave that commenced within the 1830s was spurred by the underwriting securities business performed within the half of the 19th century by JPMorgan, Lehman Brothers and Goldman Sachs. These corporations helped finance USA railroads, similarly as states and municipalities, by merchandising the underwritten securities in London to European investors.

The second wave, begin in the 1960s and lasting 3 decades, was specifically associated with international banking transactions among developed countries. The third wave began within the half of the 1990s. By comparison the primary wave, it absolutely was related to intensive focus of branches and subsidiaries in developing countries. As compared with earlier waves, it's been more orienting towards retail business.

2.5.1 THE RISE OF INTERNATIONAL BANKING SINCE 1980s

International banking activity, after upgrading powerfully in the past decades, further accelerated within the years before the financial crisis. Measured by the growth of cross-border lending and as well as domestic claims of foreign banks, the size of international banking modified dramatically between 1985 and 2009. Total international bank lending as a share of GDP – a proxy for the economic process of banking activity – rose bit by bit from the mid- 1980s to the early 2000s.

The measure almost doubled between 2002 and 2008, even supposing its growth was interrupted by the recent financial crisis, it still remains close to peak levels until the first 2000s, and international lending activity closely tracked the growth of international trade. The speedy rise in international trade activity, with worldwide exports of goods associated services accounting for an ever increasing fraction of the globe economy, reflects an increasing level of real economic integration.

After the early 2000s, in contrast, international banking activity has distended expanded enlarged than trade. One clarification rationalization is that trade doesn't totally capture real economic integration. For example, a global growth of companies via foreign direct investments might have crystal rectifier to associate acceleration of international banking.

Another explanation is that the character of the growth of the international element of financial firms' balance sheets has modified. Indeed, intermediation chains in international finance appear to own long in the past decade, for example with the emergence of risk transfer and securitization markets so, the recent acceleration in the growth of international banking activities may signal a divergence between real and financial integration.

(Gelos and Roldos,2002: 40-56) show that despite the rise in concentration once foreign bank entry throughout 1994-1997 in countries like Mexico and Turkey, the intensity of competition failed to flip down. Further analysis for the Mexican banking system tested that in 1997-2002 there was a decline in competitive pressures (Liliana Solis & Joaquin Maudos, 2009: 1920-1931). However, in the case of Mexico it would be too early to see effects in competition arising from the bank mergers that additionally took place throughout those years.

International banking activity, once growing powerfully in the past decades, more accelerated in the years before the financial crisis. Measured by the enlargement of cross-border lending and also the domestic claims of foreign banks, the dimensions of international banking modified dramatically between 1985 and 2009. Total international bank lending as a share of proxy value for the globalization of banking activity – rose bit by bit (by annually) from the mid- 1980s to the first 2000s, before fast sharply within the years that followed. The measure nearly doubled between 2002 and 2008 and, despite the fact that its growth was interrupted by the recent monetary crisis; it still remains close to peak levels.

Until the early 2000s, international lending activity closely tracked the enlargement of international trade. The fast rise in international trade activity, with worldwide exports of products associated services accounting for an ever increasing fraction of the world economy, reflects an increasing level of real economic integration. After the early 2000s, in contrast, international banking activity has enlarged a lot of quicker than trade.

One doable rationalization is that trade doesn't absolutely capture real economic integration. For example, a global enlargement of firms via foreign direct investments could have led to an acceleration of international banking. Another rationalization is that the character of the enlargement of the international element of economic firms' balance sheets has modified.

Indeed, intermediation chains in international finance appear to own long in the past decade, for example with the emergence of risk transfer and securitization markets. Thus, the recent acceleration within the growth of international banking activities may signal a divergence between real and financial integration.

International banking activity is a crucial element of a broader method of financial economic process and integration. The acceleration of economic globalization and integration is illustrated on the premise of a measure developed by (Lane and Milesi-Ferretti, 2007). This measure is made because the add of country stocks of external assets and liabilities relative to Gross Domestic Product. Wholly, international financial integration has accelerated since the mid-1990s in the industrial countries, rising a lot of gradually within the remainder of the globe. Alternative indicators of economic structure growth and composition, as careful in motion. (Demirgüç Kunt, 2009) for example, shows a deepening of each financial markets and institutions in the past decade.

In the run-up to the recent crisis, this evident deepening manifested itself in low web interest margins, rising profitableness and, looking back, declining stability within the banking sectors of high-income countries. A key question is however this method has affected the contribution of international banking to real economic activity.

2.6 REGIONAL COMPOSITION OF INTERNATIONAL BANKING ACTIVITY

Not amazingly, international bank claims on developed countries so much exceed such claims on developing economies. Distinctively, overall volumes vis-à-vis developing countries are less than one fifth of these applying to developed countries. Claims on developing economies have moved from a flat mechanical phenomenon through the late 1990s to a lot of accelerated rate since then.

The international lending by banks in BIS reportage countries exhibits a transparent geographical pattern. Empirical evidence shows that industrial Europe has been the first destination for cross-border disposition activity for the past 3 decades. The United States is that the second largest destination, followed by different developed countries within the amount since 1990. Within the past decade, outstanding stocks of lending to offshore centers are adored or perhaps larger than lending to entire regions, for instance to Asia and Pacific countries, emerging Europe, or geographical region.

A consistent theme throughout the history of international banking has been the importance of international financial centers. Since the nineteenth century, internationally active banks have wanted a London branch. The trend has strong since the 1960s, as New York and numerous offshore center's (mainly jurisdictions that concentrate on hosting cross-border operations of foreign banks) conjointly became key locations.

Total deposits in offshore centers have increased six fold since 1996, with their value rising from simply over USD two hundred billion in 1996 to nearly USD 1.2 trillion in 2008, before dipping in the financial crisis. The 2002–08 periods, as a period of accelerated financial integration, conjointly saw the foremost fast enlargement of offshore activity.

As overall international banking has grown faster than the world real economy, the expansion of financial activity in offshore centers has outpaced that of domestic GDP. The median ratio of loans from non-resident banks to gross domestic product in offshore centers has quite doubled between 1996 and 2006. At constant time, offshore bank deposits have conjointly more than doubled as a share of domestic bank deposits. The variations across countries, as mirrored within the gap between the minimum and most values, are massive however comparatively stable over time.

Although several developing economies are embracing foreign bank entry, its causes and effects are still being in discussion. Recent cross-country analysis and country case studies recommend that in developing economies foreign banks seem to be more efficient than their domestic counterparts, and foreign entry appears to enhance the efficiency of domestic banks (Barajas and others, 2000: 355-87) , (Claessens et al., 2000) and (Kiraly et al., 2000). Therefore if policymakers in developing economies relied totally on the evidence from developed economies, they could underestimate the potential edges of foreign entry relatively to the detriment of the banking sector's development.

This text seeks to identify areas wherever information concerning the result of foreign bank entry in developing economies is restricted and puts forth an agenda for future analysis. With all, the studies surveyed here permit variety of preliminary conclusions concerning the causes and consequences of foreign bank entry in developing economies. What attracts foreign banks to a country? Foreign banks follow and keep in touch with their domestic clients abroad and pursue market opportunities in the host developing economies. Foreign banks are typically interested in countries with fewer restrictions on entry and bank activity.

In spite of that more analysis is required, initial evidence suggests that countries that impose greater restrictions reap fewer benefits than those that provide give playing field for foreign banks. That banks expand abroad? Several analysis studies have found that larger banks holding sustainable capital are possible to expand abroad. One cogent reason for this is often that larger banks are more possible to own clients (such as transnational companies) that demand banking services abroad. Moreover, large banks can be better ready to exploit the economies of scale related to increasing overseas. Banks that are more innovative, proactive and efficient also are possible to expand internationally. However restrictions on outward foreign direct investment reduce the chance that local banks can enter other countries.

What do foreign banks do once they arrive? though much empirical and analytical work is required on developing economies, foreign entry acquire sight to exert competitive pressure on forcing them to become additional efficient by lowering their costs. However this competition is commonly targeted in specific lines of business, that seem to vary among countries. Recent proof on the sort of lending undertaken by foreign banks indicates to discredit the notion that foreign entry would possibly minimize the access to credit for small and medium-size enterprises and corporations.

Empirical studies suggest that overall foreign banks don't threaten financial stability and sustainability. In spite of that foreign banks have the potential to transmit shocks from their home countries; their lending commonly doesn't decline substantially during local financial crisis, particularly with that there upon of domestic banks. Whether recent occurrence in Argentina, where some foreign banks don't will recapitalize subsidiaries, signal a modification in foreign bank behavior or an even response to bad government policies can certainly be the subject of future analysis in this space.

A number of studies have investigated through empirical observation the consequences of foreign bank entry on the efficiency of the financial sector. The proof usually proposes that raised entry, together with by foreign banks, is related to larger competition. As an example, employing an information set of regulatory restrictions applied in 107 countries in 1999, (Barth et al., 2004: 205-548) notice that tighter entry restrictions are related to lower bank efficiency (higher rate margins and overhead expenditures). (Claessens et al., 2001) notice that foreign bank entry tends to reduce profit margins in the banking sector. (Demirgüç Kunt et al., 2006) notice that larger bank concentration is related to lower bank efficiency in emerging economies. (Claessens and Laeven, 2010) notice that larger foreign bank entry and lack of entry and activity restrictions are related to a lot of competition. Moreover, there's proof that competitive pressures are larger in those areas wherever foreign banks are active.

Foreign bank entry can even facilitate countries recapitalize their banking systems in the aftermath of banking crisis, providing the premise for a revival of bank credit. For example, in 1995 the Mexican industry became insolvent as results of non-performing loans and therefore the terribly high interest rates that followed the collapse of the Mexican peso. Nevertheless appreciable government bailout, bank credit to the private sector failed to grow for many years. Because the system was opened to foreign participation, the sustainable capital structure and the removal of non-performing loans provided incentives for banks to resume lending. The magnitude relation of local claims of foreign-owned BIS reporting banks to credit provided by domestic banks in Mexico is 119%. Banks that are quite 500% foreign-owned control nearly 82 of banking sector assets.

2.7 DIFFERENCES IN BALANCE SHEET AND PERFORMANCE BETWEEN FOREIGN AND DOMESTIC BANKS

How do foreign banks differ from their domestic counterparts in numerous balance sheet and performance characteristics? For almost all balance sheet and profitability indicators we have a tendency to replicate on, foreign banks variant from domestic banks (with significance at the ten % level indicated by bold marked coefficients). Taking all countries in one platform, foreign banks on the average have lower loan to asset ratios compared to domestic banks, suggesting that foreign banks are less involve in lending than domestic banks and indulge more in different functions, less-traditional varieties of financial mediation.

However, in emerging markets the reverse is true. Loan to deposits ratio could be a proxy for the degree to that banks are active in traditional varieties of financial intermediation, i.e., lending. It additionally indicates the importance of wholesale funding relative to traditional deposits. The typical ratio is higher for domestic banks compared to foreign banks, following by notion that foreign banks are comparatively less active in lending matters. This can be significantly so for the cluster of developing countries. However, in emerging markets, foreign banks tend to possess higher loan to deposits ratio compared to domestic banks. This advises for thought that they're comparatively more functional in lending and also are ready to attract non-deposit sources of funding (including funding from their parent banks).

In all countries (except for the group of different high-income countries) foreign banks have important much assets than domestic banks. The distinction is especially high in OECD countries and fewer therefore in emerging markets.

One side, this implies that foreign banks operate guardedly compared to domestic banks, as they need greater liquidity buffers. On the opposite facet, since this liquidity also includes tradable securities, variable from government bonds to asset-backed securities; it most likely reflects the foreign banks' general greater activity in capital markets. Since a number of these activities were significance triggers for the recent financial crisis, the overall that means of the higher liquidity ratio in terms of financial stability is not so clear.

In terms of solvency, that is, the ratio of capital to (unweight) assets, foreign banks tend to be less leveraged compared to domestic banks, significantly in OECD and developing countries, and less so in other high-income countries and emerging markets. Also, foreign banks normally tend to own higher capital ratios (capital to weighted assets) than domestic banks do, varied across financial gain groups comparatively to those in leverage. The one exception is that in emerging and developing countries, foreign banks have similar leverage but higher capital adequacy ratios, which suggests that foreign banks hold portfolios with lower risk weights.

Finally, in other high-income countries and emerging markets, foreign banks use to supply less non-performing loans; perhaps as a result of they have an inclination to achieve better quality firms. Connectively, this advises that foreign banks are normally more conservative than domestic banks are with relevance their plus composition and capital buffers. In terms of performance, foreign banks tend to underperform domestic banks in emerging economic market particularly in developing countries. This might unexpected since foreign banks, with larger access to power, innovative and proactive technology and lower cost of funds provision, facility of loans than domestic banks, are typically believed to be more profitable in such markets. A number of this lower profit reflects variations in activities; in reality foreign banks have many conservative portfolios.

However, it's going to also reflect variations of origin of the foreign banks and variations in the ease by which foreign banks operate in emerging markets and developing countries. As evidence given by (Claessens and Van Horen, 2012: 03-35), the profit of foreign banks is significantly affected by domestic, host and institutional factors. They find, for instance, that foreign banks perform higher when from a high income country and once regulations in the host country are comparatively weak.

Moreover foreign banks from home countries with the same language and similar regulation as the host country tend to perform better. These factors could make a case for some of the variations in the simple averages.

2.8 HOW DO FOREIGN BANKS' MODE OF ENTRY AND ORGANIZATIONAL FORM AFFECT THEIR BEHAVIOR?

Foreign banks can enter developing economies by acquiring an existing domestic bank or by fixing de novo operations. As an organizational form, they can opt for a representative office, branch, an agency or a subsidiary of the parent bank. As an alternative, they may like better to lend directly to businesses in developing economies while not truly fixing operations there (so-called cross-border lending). Regulative restrictions and profit opportunities might influence foreign banks' mode of entry and organizational structure.

Most of the evidence on foreign banks' mode of entry and organizational form relates to banks from the United States operating abroad or to foreign banks in operation in that country. Though more analysis is required in developing economies, many problems are worth highlighting.

First, recent technological changes might enable banks concerned in cross-border consolidation to benefit from economies of scale arising from such transactions. Such advantages are seemingly to be passed on to consumers of financial services within the type of better financing conditions and greater access to finance. Especially, advances in electronic banking and credit grading may assuage fears that the usually sustainable banks ensuing from mergers and acquisitions can recoil from lending to few customers.

Second, though the proof from the united states indicates that de novo banks are seemingly to extend credit to fewer customers, in addition, it's unclear whether or not these findings can carry over to developing economies, as a result of de novo entrants in these markets tend to be neither really big nor small.

Third, subsidiaries would possibly seem to be the well-liked organizational structure for developing economies because they permit foreign banks to produce a wider varies of activities than branches and seem to produce an additional stable source of finance than cross-border lending though more analysis is required on this question. Existing evidence suggests that branches have interaction in a very narrower set of activities; however they need much direct access to the parent bank's capital than do subsidiaries, as illustrated by the recent decision of some foreign banks to not recapitalize their subsidiaries in Argentina.

The World Bank Research Observer, vol. 18, no. 1 (Spring 2003) One reason that foreign banks could recoil from lending to small businesses is that, as (Focarelli and Pozzolo, 2000) indicate, most banks with a world presence are giant. For large banks, organizational diseconomies could build it troublesome to provide relationship lending services to small businesses at an equivalent time that they're providing transaction lending and wholesale capital market services to their large clients (Berger et al., 2001b).

Foreign banks in Argentina, Chile, Colombia, and Peru usually lent a smaller share of their portfolio to small and medium-size enterprises than did similar domestic banks in the late 1990s (Clarke et al., 2002). However they realize further that variations between foreign and domestic banks were so much less pronounced among large banks than among small banks in all four countries.

In fact, in Chile and Peru their analysis suggests that larger foreign banks may need lent comparatively more to small and medium-size enterprises (as a share of total lending) than did large domestic banks, once different factors that have an effect on lending are controlled (Clarke et al., 2002).

Technological modification could make a case for this growth in lending by large foreign banks to small and medium-size enterprises. (Mester, 1997) argues that advances in credit marking, coupled with greater computer power and knowledge accessibility, would possibly modification small business lend.

These factors may cut back the necessity for banks to own a physical presence in all geographic areas within which they lend (Petersen and Rajan, 2000). They may additionally facilitate large foreign banks overcome the diseconomies and difficulties in lending to small borrower. (George Clarke et al., 2002) though foreign banks still target serving rich customers in most developing economies, advocates of foreign entry argue that it would still profit small borrowers. Besides the advantages related to greater banking efficiency, foreign bank penetration may indirectly improve small borrowers' access to credit through its result on domestic bank lending. Foreign bank competition for richer customers may displace some domestic banks, forcing them to hunt new market niches, like providing credit to small and medium-size enterprises.

(Bonin and Abel, 2000), in their descriptive account of Hungary's expertise with foreign bank penetration in recent years, show that as foreign bank presence hyperbolic; some smaller domestic banks sought after new market areas. Similarly, in an exceedingly survey of banks from 78 countries, (Jenkins, 2000) finds that among the banks that lent to small enterprises, 44 p.c cited changed market conditions and bigger competition in lending to large and medium-size enterprises as the two most significant reasons for doing therefore.

Still, the studies cited so far have didn't econometrically capture these indirect effects of foreign bank entry on access to credit. One doable reason is that it's troublesome to isolate the result of foreign bank penetration on domestic bank lending and access to credit from that of macroeconomic and technological changes. There are many challenges. Many developing economies, even developing countries have comparatively few commercial banks.

Comparable cross-country information on bank lending to small and medium-size enterprises don't seem to be promptly offered, particularly as a result of small domestic banks tend to be salient lenders to the present sector. As way as is thought, the study by (Clarke et al., 2001) is that the first to undertake to capture each the direct and indirect effects of foreign entry on access to credit.

From a survey of concerning 3,000 enterprises in 36 developing and transition economies with information on the degree of foreign bank penetration in these countries. Dominant for a large vary of macroeconomic, and firm-specific factors, they analyze whether or not borrowers' perceptions concerning interest rates and access to long-term credit are absolutely related to the presence of foreign banks.

If the potential benefits of foreign bank entry in developing economies, greater sector efficiency, competitive pressures forcing a set of domestic banks into new market niches, and new credit evaluation technologies outweigh the tendency of foreign banks to avoid lending to small and medium-size enterprises, all borrowers (including small ones) ought to rate access to credit as easier in countries with comparatively high foreign bank penetration.

Overall, empirical results strongly support the assertion that foreign bank penetration improves access to credit. Dominant for different factors, it has been found that enterprises in countries with larger foreign bank penetration tend to rate interest rates and access to long-term loans as smaller constraints on operations and growth than do enterprises in countries with less foreign penetration. The World Bank Research Observer, vol. 18, no. 1 (Spring 2003), there's robust proof that even small enterprises expertise an internet gain, and there's no proof that they're harmed by foreign entry.

Therefore recent proof suggests that foreign entry won't reduce access to credit for small and medium-size enterprises, as was first suspected. Indeed, foreign entry would possibly even increase lending thereto sector. That said, however, the empirical studies on this subject stay few and cover solely a small variety of countries and periods. Clearly, more analysis is required.

In some cases host countries offer incentives or establish needs for foreign banks to adopt specific modes of entry and structure forms. As an example, beginning in the Seventies Egypt allowable foreign entry solely through joint ventures with the state; although in recent years the govt. has begun divesting those shares (Caprio and Cull, 2000).

In different cases governments limit the amount of banking licenses, in order that foreign banks will enter solely by acquiring the license of a domestic bank through acquirement or merger. In still different cases, as in Argentina, there seem to be no robust incentives toward specific modes of entry or structure forms, and thus not all foreign banks build constant alternative.

(Berger et al., 2000) also perform an empirical analysis of cross-border banking potency in France, Germany, Spain, the United Kingdom, and also the United States in the 1990s. They notice that domestic banks in these countries have each higher cost efficiency and profit efficiency than foreign banks, though the variations don't seem to be continually statistically important. A priori, these findings are often understood as supporting the home field advantage of domestic banks. Once the authors disaggregate their results by nation of origin, however, they notice that domestic banks are more economical than foreign banks from most countries, are even as economical as foreign banks from some countries, and less economical than foreign banks from one country, the United States.

As a result of foreign banks are usually less economical than domestic banks in developed economies, the potency issues could limit the world consolidation in financial services. Together with cross-border consolidation, foreign entry in developing economies is probably going to coincide with larger consolidation among domestic banks in the host country's banking sector, a number of it most likely involving large banks. One space of specific concern may be the impact of consolidation (cross-border or domestic) on lending to small businesses.

The proof from the U. S. suggests that mergers and acquisitions involving large banks because a fall in credit to the present sector, given the informational disadvantages those enormous banks may face in lending.

Once again, however, technological enhancements will mitigate a number of these adverse effects. As an example, if scale economies related to consolidation cause a rise in online banking, this might improve access to some money services even for small customers. Moreover, as (Mester, 1997) argues, enhanced computer power, larger access to knowledge, and use of credit grading models will enable large banks to faucet the small business lending market.

2.9 THE FUTURE OF FOREIGN BANKING

In the medium term, developing countries are possible to extend their foreign investment as well. As documented, the number of banks from developing countries active as investors has already risen steadily over the past decades and account currently for concerning 30 % of all foreign investments. There are some incompatible trends, though with growth rates in developing countries surpassing those in advanced countries and an outsized a part of the population still unbanked, emerging market banks could favor to grow domestically, also owing to political pressures, instead of to expand abroad. Regulators in these countries may oppose foreign investment because it exposes banks to new foreign exchange and counterparty risks. In any case though, a lot of foreign bank enlargement from emerging markets is incredibly possible.

Our analysis suggests, however, that this enlargement is principally in alternative emerging markets and regional for each conjectural and structural reason. In terms of suppositious factors, growth opportunities and profit margins are possible higher in developing countries than in advanced countries. Related, an increasing range of emerging market firms are establishing presence in other emerging markets and providing incentives to increase their foreign network there still. In distinction, growth in advanced economies is anticipated to be low. Moreover, restrictive reforms could build it more difficult to line up a branch or subsidiary in advanced countries.

In case of structural factors, foreign bank entry is partly driven by economic integration, common language and proximity, creating regional investment a lot of attractive. Also, banks from developing countries have a competitive advantage in handling weak establishments. Indeed, as mentioned in Section three, 70 % of all foreign entry by emerging market banks was at intervals their own countryside.

CHAPTER # 3

3.1 SIGNIFICANCE OF RESEARCH STUDY

The present study is based on domestic owned banks. From the banking management point of view such an analysis could be helpful for bank managers. In particular, the bank managers can employ this analysis to identify the relative position of their banks as opposed to their foreign competitors. This will enable the local banks to identify the most important competitive advantages/disadvantages compared to foreign banks and to develop measures to take advantage of their relative strengths points or to tackle with the existing disadvantages.

We are studying the foreign banks entry in various countries to see how technology, consumer loans, and customer services affects domestic banks business. Current trends are that foreign banks are working competitively in the domestic environment; consumers are highly attracted by the service innovations they have brought in. In consumer loans factor the current trend is that foreign banks have introduced various forms of loans to increase the market share and investment level.

3.2 HYPOTHESIS TO BE INVESTIGATED

On the basis of conceptual frame work, the following testable hypotheses are

H₀: It is expected that modern technology gives prominence to foreign banks that impact the local banks business.

H₁: It is expected that modern technology is not important factor dominant to foreign banks on local banks.

H₀: It is expected that better customer service enhances the foreign banks existence that impact the local banks business.

H₁: It is expected that better customer service is insufficient factor for the foreign banks that could impact local banks business.

H₀: It is expected that attractive consumer loans offerings increase the market share of foreign banks that impact the local banks business.

H₁: It is expected that attractive consumer loans is inadequate component source for foreign banks to increase the market share that could impact the local banks business.

H₀: It is expected that none of above factor impact local banks business by foreign banks.

3.3 METHODOLOGY

This research study is conducted for the purpose of testing hypothesis developed to study the impact foreign banks practices on local banks business. This was done to explain the nature of certain relationships between the variables. The variables under study are associated with the problem, so it is a co relational study. The database includes commercial banks, savings banks, cooperative banks, bank holdings.

In building the database, many sources were used, including Bank scope, Individual banks, IMF, World Bank Annual Reports, Central bank publications, Banking regulation agencies, European banks annual reports , Middle East banks , Asian banks , World banks publications.

This allowed us to cover many more countries than many past papers have and to use cross-verify information. Data has been collected from the 100 respondents from various local banks in France, Germany, Turkey and Pakistan with the help of a survey. Questionnaires are developed to quantify the observations and give the study a direction. The rate of response was 100 %.

3.4 NAME OF BANKS WHERE EMPLOYEES GIVE THEIR RESPOND OF SURVEY QUESTIONNAIRES

NAME OF BANKS IN FRANCE

Bnp Paribas

Credit Mutuel

HSBC

Société Générale

Credit Agricole

Banque Populaire

Standard Chartered Banque

LCL Bank

La Poste Banque

NAMES OF BANKS IN GERMANY

Deutsche Bank

Barclays Bank

Royal Bank of Scotland

ABN AMRO

Metzler Bank

Sparda Bank

National Bank of Pakistan Frankfurt

Hypovereins Banks

Commerz Bank

Noris Bank

NAMES OF BANKS IN TURKEY

Türkiye İş Bankası
Ziraat Bankası
Garanti Bank
Akbank
Yapı ve Kredi Bankası
Halk Bankası
VakıfBank
Finansbank
Türk Ekonomi Bankası
Denizbank
HSBC Bank
ING Bank
Şekerbank
Kuveyt Bank

NAMES OF BANKS IN PAKISTAN

Bank AL Habib
Bank Alfalah
Askari Bank
Barclays Bank Pakistan
First Women Bank
Faysal Bank
Habib Bank Limited
Habib Metropolitan Bank
Habib Bank AG Zurich
JS Bank
Al Baraka Bank
MCB Bank Limited
Soneri Bank

Summit Bank
United Bank Limited
Samba Bank Limited
Allied Bank Limited
Standard Chartered Pakistan
Burj Bank
National Bank of Pakistan
Meezan Bank
Kasb Bank Ltd

Number of Samples used for data analysis: 100

TABLE-3.1, FREQUENCY ANALYSIS FOR TECHNOLOGY

Technology

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------|-----------|---------|---------------|--------------------|
| Valid | 1.00 | 96 | 96.0 | 96.0 | 96.0 |
| | 2.00 | 4 | 4.0 | 4.0 | 100.0 |
| Total | | 100 | 100.0 | 100.0 | |

Technology

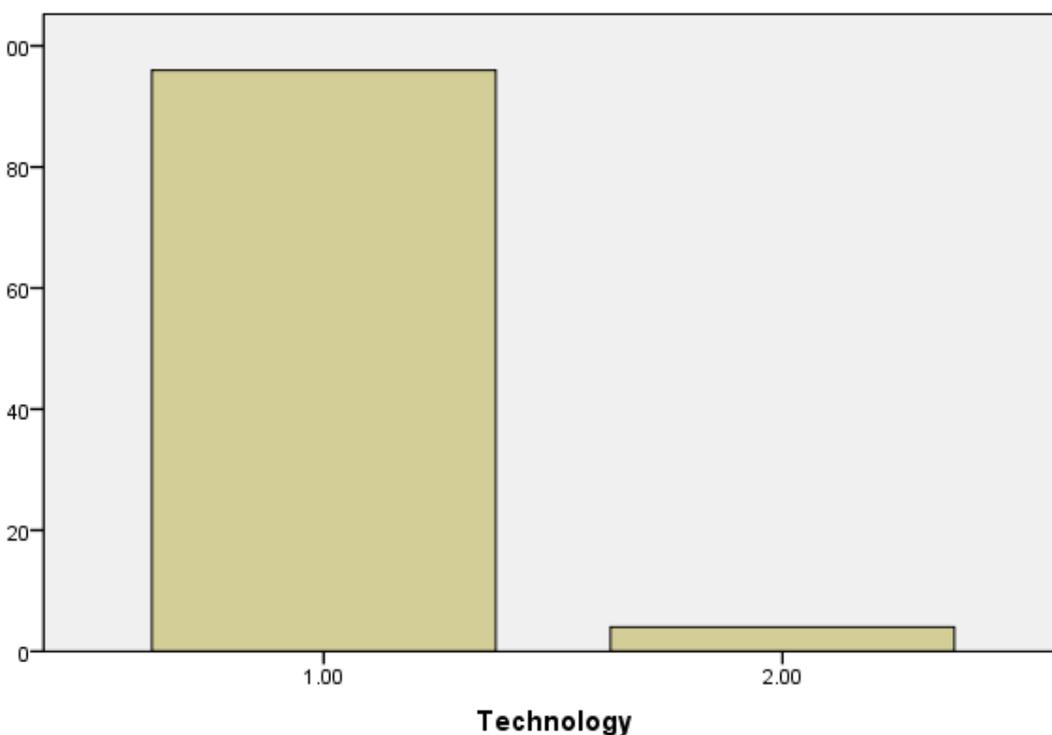
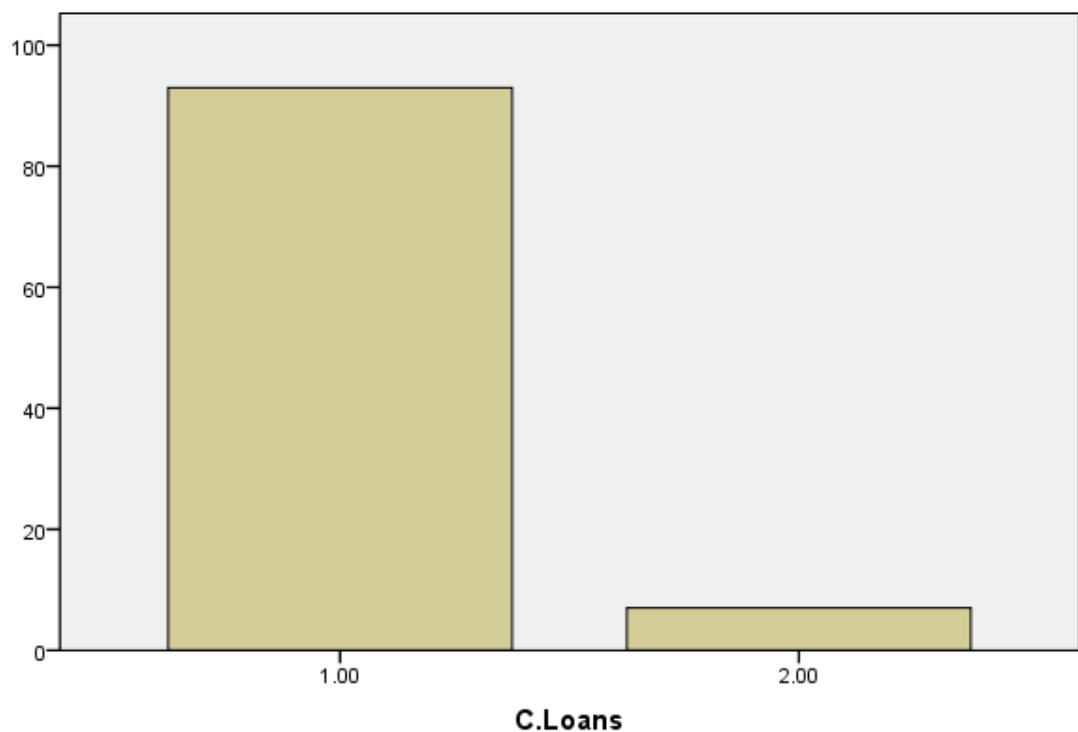


FIGURE-3.1, PERCENTAGE OF RESPONSE GIVEN BY EACH RESPONDENT FOR FACTOR TECHNOLOGY

Note: The technology is the first factor those impacting local banks businesses by foreign banks. In this factor the respondents are agree more than 90% that technology is the big factor through which foreign banks are prominent to local banks. The rate of respond is higher than 90 percent. It means population samples are strongly agreed for this component.

TABLE-3.2, FREQUENCY ANALYSIS FOR CONSUMER LOANS

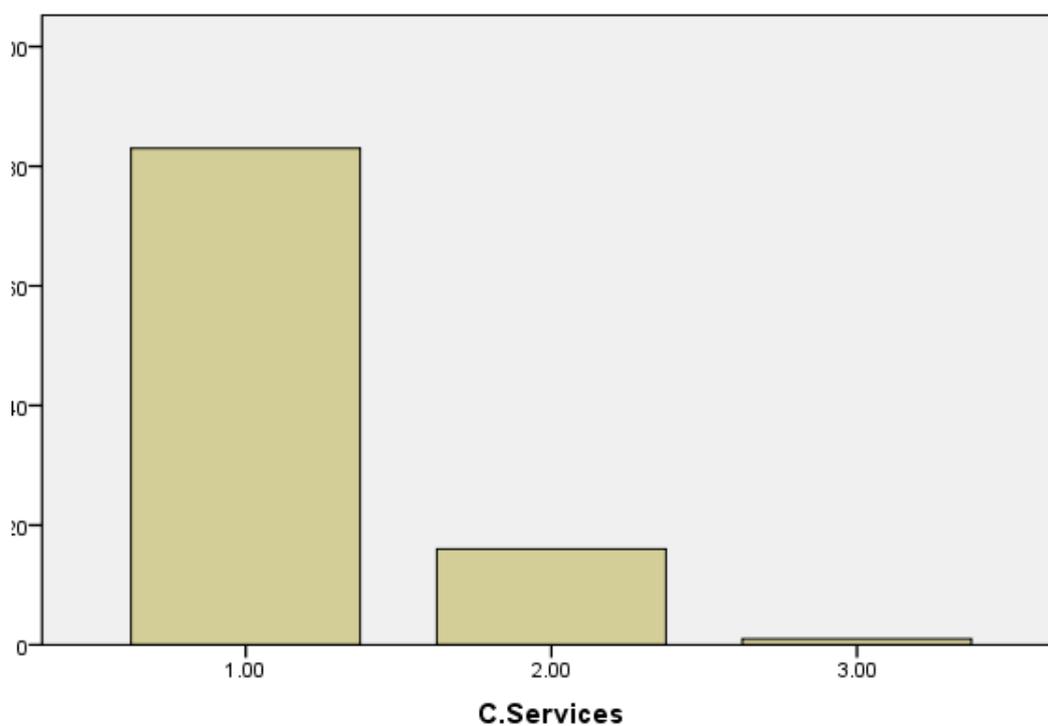
| C.Loans | | | | | |
|----------------|------|-----------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 1.00 | 93 | 93.0 | 93.0 | 93.0 |
| | 2.00 | 7 | 7.0 | 7.0 | 100.0 |
| Total | | 100 | 100.0 | 100.0 | |

**FIGURE-3.2, PERCENTAGE OF RESPONSE GIVEN BY EACH RESPONDENT FOR CONSUMER LOANS**

Note: In consumer loans, more than 80% are strongly agree with this factor. Foreign Banks are using different kind of loans facilities for host countries customers in order to catch maximum market shares in host countries and making down the performance of local banks businesses.

TABLE-3.3, FREQUENCY ANALYSIS FOR CUSTOMER SERVICES**C.Services**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | 1.00 | 83 | 83.0 | 83.0 | 83.0 |
| | 2.00 | 16 | 16.0 | 16.0 | 99.0 |
| | 3.00 | 1 | 1.0 | 1.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

**FIGURE-3.3, PERCENTAGE OF RESPONSE GIVEN BY EACH RESPONDENT FOR CUSTOMER SERVICES**

Note: Customer services is the factor that foreign banks maintain since the revolution of banking reform for foreign banks entrance in multi countries. About 80% are strongly agree and 20% are somewhat agree.

TABLE-3.4, STATISTICS ANALYSIS FOR TECHNOLOGY, CONSUMER LOANS AND CUSTOMER SERVICES**Statistics**

| | | Technology | C.Loans | C.Services |
|----------------|---------|------------|---------|------------|
| N | Valid | 100 | 100 | 100 |
| | Missing | 0 | 0 | 0 |
| Mean | | 1.0400 | 1.0700 | 1.1800 |
| Std. Deviation | | .19695 | .25643 | .41145 |

TABLE-3.5, FREQUENCY ANALYSIS FOR MANAGEMENT LEVEL

| Frequency Analysis | | | | | |
|--------------------|-------|-----------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 2.00 | 49 | 49.0 | 49.0 | 49.0 |
| | 3.00 | 23 | 23.0 | 23.0 | 72.0 |
| | 4.00 | 28 | 28.0 | 28.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

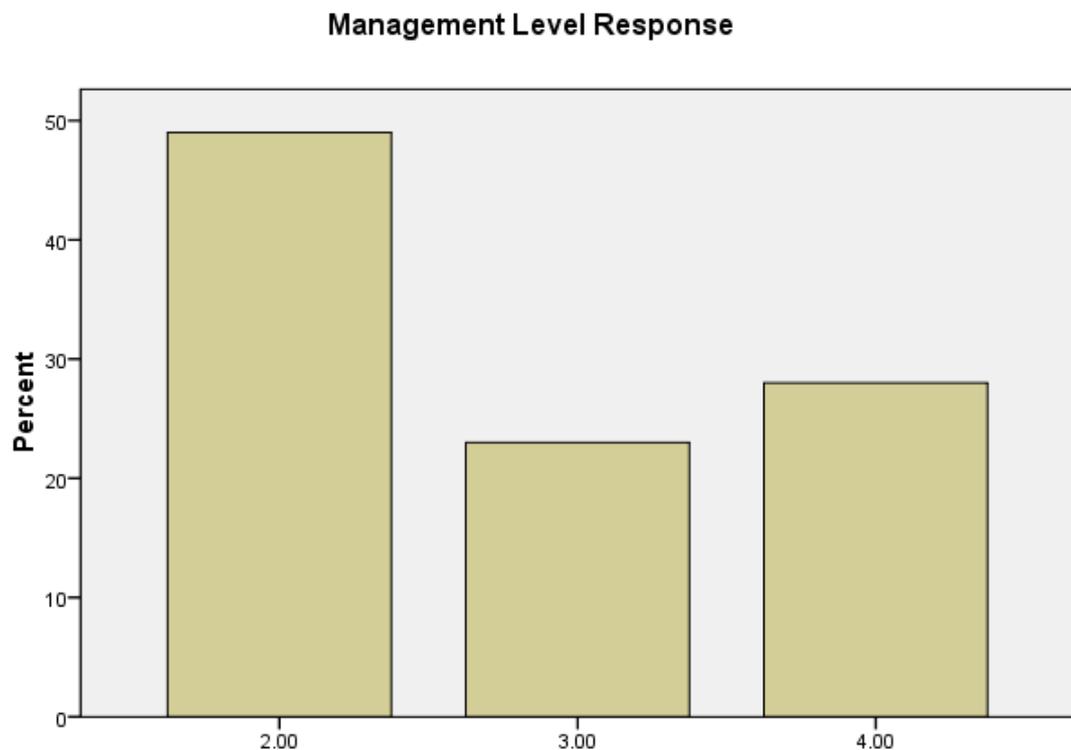


FIGURE-3.4, PERCENTAGE OF RESPONSE GIVEN BY TOP, MIDDLE AND FIRST LEVEL MANAGEMENT/MANAGERS

Note: The above Figure 3.4 describes the percentage of response given by each level of management. 2, 3 and 4 has been divided as “Top”, “Middle” and First level managers. By following figure, we can easily interpret that 49 percent of “top level managers give our survey questionnaires response, following 23 percent middle and 28 percent by first level managers. Coincident their percentage of response has been discussed in above figures. We assume that we divided management in three levels but their responses match with our expected hypothesizes result.

The study is conducted in the natural environment with minimal interference from the researcher. The respondents are chosen randomly and the data obtained from their questionnaires is analyzed to come up with the findings. Co relational studies are conducted in a non-contrived setting and so is the case with this research study.

The data for the study under research is collected once, during a time period of about 2 to 6 months, so this is a cross-sectional study. Since the elements in the population, have the same known chance of being selected as the sample subjects, so the findings obtained from the sample can be generalized for the entire population.

In order to analyze the information given in from the questionnaires various scales are applied. Measurement of the variables is an integrate part of research and important aspect of research design. Unless the variables are measured in some way in hypothesis cannot be tested and answers to complex issues cannot be found. In the questionnaire, regarding this research study, Likert scale has been applied in questionnaires.

The primary and secondary data collected, is analyze and interpreted to reach at the more genuine conclusion for assessing the effect of foreign banks practices on local banks business. Furthermore, Recommendations are given, which are exclusively based on observations as well as on the analysis and interpretations of the data collected.

CHAPTER # 4

4.1 SITUATIONAL ANALYSIS

In developing countries there is perfect competition in the banking sector. This competition leads the overall banking system towards more innovation and customer care offerings. External environment is providing platform full of opportunities. To stay in this competition banks are trying to enhance their abilities to fulfill customers demand in a more intellectual and convenient manner. This study is helpful for domestic banks to become first mover in terms of technology, consumer loans and customer services. This will help local banks to overcome the foreign competition.

4.2 MEASUREMENT

In this study I focused on foreign banks practices, including following factors; technology, consumer loans and customer services. These concepts were measured as follows:

4.2.1 Technology; In this scale I used rating options categorized as, 5= strongly disagree, 4= disagree, 3= neither agree nor disagree, 2= agree, 1= strongly agree. In our sample the Cronbach alpha is 0.710

4.2.2 Consumer Loans; In this scale I used rating options categorized as, 5= strongly disagree, 4= disagree, 3= neither agree nor disagree, 2= agree, 1= strongly agree. In our sample the Cronbach alpha is 0.804.

4.2.3 Customer services; In this scale I used rating options categorized as, 5= strongly disagree, 4= disagree, 3= neither agree nor disagree, 2= agree, 1= strongly agree. In our sample the Cronbach alpha is 0.739.

4.3 DATE ANALYSIS

The data was collected through survey questionnaires. These questionnaires were filled by the banks "Top level, Middle level and First level Managers from four different countries; France, Germany, Turkey and Pakistan. We divided France and Germany developed countries and Turkey and Pakistan developing countries, In this case we can find the quantitative and qualitative approaches of different managers in order to find the components impacting local bank businesses by foreign banks. The questionnaires addressed all the questions concerning the characteristics of technology, consumer loans and customer services. I applied Cronbach alpha for the reliability of my research data and then factor analysis for further analysis.

4.4 FORMAT OF MEASURE

1. We used internal consistency of measures.
2. It could be Interterm Consistency Reliability because this format useful to calculate Cronbach Alpha which is used for multipoint-scaled items and the factor analysis for our construct and validity of data.

4.5 VALIDITY

Convergent Validity is established when scored obtained with 2 different instruments measuring same concept are highly correlated using correlation coefficient and correlational analysis in the case of establishing concurrent and predictive validity. Validity can be established through correlational analysis, factor analysis and multitrait, multimethod matrix of correlations.

We used Factor analysis method for our further validity of research, Meanwhile We used Bartlette's test of Sphericity to examine the hypothesis. Item Statistics in each factor became also the part of our testing the hypothesis.

Note: Item Statistics includes Mean and Standard Deviation of each selected factor with or without extraction.

We used 5 point "Likert Scale" for our research questionnaires. Three factors by using 100 samples.

4.6 DATE COLLECTION METHOD

Primary data: (Individuals researcher's analysis)

Secondary data: Survey of local and foreign banks structure interview face to face meeting, Emails, cooperative trusted group of people assisted for our research survey. Personally administering questionnaires to group of individuals helped to established report with the respondents while introducing the survey, provide clarifications sought by the respondents on the spot.

4.7 DESIGN OF QUESTIONNAIRES

Questionnaires are systematic structured sample design. Each factor has been sub-categorized into different variables by using 5 point Likert scale.

4.8 RELIABILITY OF DATA

TABLE-4.1, SCALE: LIKERT, FACTOR: TECHNOLOGY

| CASE PROCESSING SUMMARY | | | |
|--------------------------------|----------|----------|----------|
| | | N | % |
| Cases | Valid | 100 | 100.0 |
| | Excluded | 0 | .0 |
| | Total | 100 | 100.0 |

TABLE-4.2, SCALE: LIKERT, FACTOR: TECHNOLOGY

| RELIABILITY STATISTICS | | |
|-------------------------------|--|------------|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
| .711 | .710 | 4 |

TABLE-4.3, SCALE: LIKERT, FACTOR: TECHNOLOGY

| ITEM STATISTICS | | | |
|------------------------|-------------|-----------------------|----------|
| | Mean | Std. Deviation | N |
| VAR00008 | 1.3100 | .54486 | 100 |
| VAR00009 | 1.3600 | .57770 | 100 |
| VAR00010 | 1.4100 | .68306 | 100 |
| VAR00011 | 1.5000 | .73168 | 100 |

TABLE-4.4, SCALE: LIKERT, FACTOR: TECHNOLOGY

| INTER ITEM CORRELATION MATRIX | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | VAR00008 | VAR00009 | VAR00010 | VAR00011 |
| VAR00008 | 1.000 | .316 | .306 | .165 |
| VAR00009 | .316 | 1.000 | .544 | .454 |
| VAR00010 | .306 | .544 | 1.000 | .495 |
| VAR00011 | .165 | .454 | .495 | 1.000 |

TABLE-4.5, SCALE: LIKERT, FACTOR: TECHNOLOGY

| SUMMARY ITEM STATISTICS | | | | | | | |
|-------------------------|-------|---------|---------|-------|-------------------|----------|------------|
| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
| Item Means | 1.395 | 1.310 | 1.500 | .190 | 1.145 | .007 | 4 |

TABLE-4.6, SCALE: LIKERT, FACTOR: TECHNOLOGY

| ITEM TOTAL STATISTICS | | | | | |
|-----------------------|----------------------------|--------------------------------|----------------------------------|------------------------------|----------------------------------|
| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
| VAR00008 | 4.2700 | 2.644 | .315 | .126 | .742 |
| VAR00009 | 4.2200 | 2.153 | .597 | .364 | .595 |
| VAR00010 | 4.1700 | 1.880 | .615 | .392 | .570 |
| VAR00011 | 4.0800 | 1.953 | .494 | .294 | .657 |

TABLE-4.7, SCALE: LIKERT, FACTOR: TECHNOLOGY

| SCALE STATISTICS | | | |
|------------------|----------|----------------|------------|
| Mean | Variance | Std. Deviation | N of Items |
| 5.5800 | 3.499 | 1.87045 | 4 |

TABLE-4.8, SCALE: LIKERT, FACTOR: CONSUMER LOANS

| CASE PROCESSING SUMMARY | | | |
|-------------------------|----------|-----|-------|
| | | N | % |
| Cases | Valid | 100 | 100.0 |
| | Excluded | 0 | .0 |
| | Total | 100 | 100.0 |

TABLE-4.9, SCALE: LIKERT, FACTOR: CONSUMER LOANS

| RELIABILITY STATISTICS | | |
|-------------------------------|---|-------------------|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
| .804 | .803 | 3 |

TABLE-4.10, SCALE: LIKERT, FACTOR: CONSUMER LOANS

| ITEM STATISTICS | | | |
|------------------------|-------------|-----------------------|----------|
| | Mean | Std. Deviation | N |
| VAR00002 | 1.7300 | .97292 | 100 |
| VAR00003 | 1.6500 | .96792 | 100 |
| VAR00004 | 1.7400 | .89465 | 100 |

TABLE-4.11, SCALE: LIKERT, FACTOR: CONSUMER LOANS

| INTER-ITEM CORRELATION MATRIX | | | |
|--------------------------------------|----------|----------|----------|
| | VAR00002 | VAR00003 | VAR00004 |
| VAR00002 | 1.000 | .671 | .406 |
| VAR00003 | .671 | 1.000 | .652 |
| VAR00004 | .406 | .652 | 1.000 |

TABLE-4.12, SCALE: LIKERT, FACTOR: CONSUMER LOANS

| SUMMARY ITEM STATISTICS | | | | | | | |
|--------------------------------|-------------|----------------|----------------|--------------|--------------------------|-----------------|-------------------|
| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
| Item Means | 1.707 | 1.650 | 1.740 | .090 | 1.055 | .002 | 3 |

TABLE-4.13, SCALE: LIKERT, FACTOR: CONSUMER LOANS

| ITEM-TOTAL STATISTICS | | | | | |
|------------------------------|---------------------------------------|---|---|---|---|
| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
| VAR00002 | 3.3900 | 2.867 | .598 | .452 | .788 |
| VAR00003 | 3.4700 | 2.454 | .789 | .623 | .576 |
| VAR00004 | 3.3800 | 3.147 | .578 | .427 | .803 |

TABLE-4.14, SCALE: LIKERT , FACTOR:CONSUMER LOANS

| SCALE STATISTICS | | | |
|-------------------------|-----------------|---------------------------|-------------------|
| Mean | Variance | Std. Deviation | N of Items |
| 5.1200 | 5.783 | 2.40488 | 3 |

TABLE-4.15, SCALE: LIKERT, FACTOR:CUSTOMER SERVICES

| CASE PROCESSING SUMMARY | | | |
|--------------------------------|----------|----------|----------|
| | | N | % |
| Cases | Valid | 100 | 100.0 |
| | Excluded | 0 | .0 |
| | Total | 100 | 100.0 |

TABLE-4.16, SCALE: LIKERT, FACTOR:CUSTOMER SERVICES

| RELIABILITY STATISTICS | | |
|-------------------------------|---|-------------------|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
| .739 | .740 | 3 |

TABLE-4.17, SCALE: LIKERT, FACTOR: CUSTOMER SERVICES

| ITEM STATISTICS | | | |
|------------------------|-------------|-----------------------|----------|
| | Mean | Std. Deviation | N |
| VAR00001 | 1.5000 | .73168 | 100 |
| VAR00002 | 1.4700 | .74475 | 100 |
| VAR00003 | 1.3900 | .61783 | 100 |

TABLE-4.18, SCALE: LIKERT, FACTOR: CUSTOMER SERVICES

| INTER-ITEM CORRELATION MATRIX | | | |
|--------------------------------------|-----------------|-----------------|-----------------|
| | VAR00001 | VAR00002 | VAR00003 |
| VAR00001 | 1.000 | .528 | .436 |
| VAR00002 | .528 | 1.000 | .498 |
| VAR00003 | .436 | .498 | 1.000 |

TABLE-4.19, SCALE: LIKERT, FACTOR: CUSTOMER SERVICES

| SUMMARY ITEM STATISTIC | | | | | | | |
|-------------------------------|-------------|----------------|----------------|--------------|--------------------------|-----------------|-------------------|
| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
| Item Means | 1.453 | 1.390 | 1.500 | .110 | 1.079 | .003 | 3 |

TABLE-4.20, SCALE: LIKERT, FACTOR: CUSTOMER SERVICES

| ITEM-TOTAL STATISTICS | | | | | |
|------------------------------|-----------------------------------|---------------------------------------|---|-------------------------------------|---|
| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
| VAR00001 | 2.8600 | 1.394 | .561 | .319 | .657 |
| VAR00002 | 2.8900 | 1.311 | .606 | .367 | .601 |
| VAR00003 | 2.9700 | 1.666 | .534 | .289 | .691 |

TABLE-4.21, SCALE: LIKERT, FACTOR: CUSTOMER SERVICES

| SCALE STATISTICS | | | |
|-------------------------|-----------------|-----------------------|-------------------|
| Mean | Variance | Std. Deviation | N of Items |
| 4.3600 | 2.899 | 1.70276 | 3 |

Interpretation: The values in the column labeled Corrected Item-Total Correlation are the correlations between each item and the total score from the questionnaires. In a reliable scale all items should correlate with the total. So, we're looking for items that don't correlate with the overall score from the scale, if any of these values are less than about .3 then we've got problems because it means that a particular item does not correlate very well with the scale overall. Items with low correlations may have to be dropped. For these data, all data have item-total correlations.

The values in the column labeled Alpha if Item is deleted are the values of the overall alpha if that item isn't included in the calculation. As such, they reflect the change in Cronbach's alpha that would be seen if a particular item were deleted. We're looking for values of alpha greater than the 0.70 because if the deletion of an item increases Cronbach's alpha then this means that the deletion of that item improves reliability. None of the items here would substantially affect reliability if they were deleted.

4.9 FACTOR ANALYSIS

4.9.1 PURPOSE OF FACTOR ANALYSIS

A factor analysis attempts to discover the unexplained factors that influence the co-variation among multiple observations. These factors represent implicit concepts that cannot be adequately measured by a single variable. For example, various measure of banking attitude may be influenced more than one underlying domestic banks business.

Factor analysis is especially popular in survey research, in which responses to each question represent an outcome. Because multiple questions often are related, underlying factors may influence subjective response.

In factor analysis, we would discuss following steps;

1. Overview
2. Basic Concept
3. Factor analysis model
4. Statistics associated with factor analysis

Factor Analysis is a general name devoting a class of procedures primarily used for data reduction and summarization. Factor analysis is an interdependence technique in that an entire set of interdependent relationship is examined without making the distinction between dependent and independent variables.

Factor analysis is used in the following circumstance

a. To identify underlying dimensions or factors that explains the correlations among a set of variables.

b. To identify a new smaller, set of uncorrelated variables to replace the original set of correlated variables in subsequent multivariate analysis (regression or discriminant analysis).

c. To identify a smaller set of salient variables from a larger set for use in subsequent multivariate analysis. (Find out which variables are more important for which the domestic banks are really bother about.

Note: Dimension reduction or date reduction is same thing

Principal component analysis

The total variance in the data is considered. The diagonal of the correlation matrix consists of unities and full variance is brought into factor matrix.

Principal components analysis is recommended when the primary concern is to determine the minimum numbers of factors that will account for maximum variance in the data for use in subsequent multivariate analysis. The factors are called principal components.

Common factor analysis

The factors are estimated based on the common variance. Communalities are inserted in the diagonal of the correlation matrix. This method is appropriate when the primary concern is to identify the underlying dimensions and the common variance is of the interest. This method is also known as principal axis factoring.

A priori determination

Sometimes, because of prior knowledge, the researcher knows how many factors to expect and thus can specify the number of factors to be extracted beforehand.

Determination based on eigenvalue

In this approach, only factors with eigenvalue represent the amount of variance associated with factor. Hence only factors with a variance greater than 1.0 are included. Factors with variance less than 1.00 are not better than a single variance, since due to standardization, each variable has a variance of 1.00. If the number of variance is less than 20, this approach will result in a conservative number of factors.

WHAT IS ROTATION

Although the initial or un-rotated factor matrix indicates the relationship between the factors and individual variables. It seldom results in factors that can be interpreted, because the factors are correlated with many variables. Therefore, through rotation, the factor matrix is transferred into a simple one that is easier to interpret.

In rotating the factors, we would like each factor to have nonzero, or significant, loadings or coefficient for only some of the variables. Likewise, we would like each variable to have nonzero or significant loadings with only a few factors if possible with only one. The rotation is called orthogonal rotation, if the axes are maintained at right angle.

Components matrix is not able to give us clear indicators or classifications very clearly which variables going only into one factor. It is a jumble up kind of matrix. That's why we do rotation through varimax.

It means that we rotate the axis of this graph or factor in such a way that variables are clearly going towards one or the other factors and clear cut distinction between the factors emergences. Factor becomes consistent within themselves and very different from each other. No variable having a high loading with more than one factor.

ROTATION MATRIX

The most commonly used method for rotation is the varimax procedure. This is an orthogonal method of rotation that minimizes the number of variables with high loadings or factor, thereby enhancing rotation results in factor that are uncorrelated.

FACTOR MATRIX BEFORE ROTATION

| Variables | 1 | 2 |
|-----------|---|---|
| 1 | x | |
| 2 | | x |
| 3 | x | |
| 4 | | x |
| 5 | x | |
| 6 | | x |

The rotation is called oblique rotation when the axes are not maintained at right angles, and the factors are correlated. Sometimes, allowing for correlations among factors can simplify the factor pattern matrix; Oblique rotation should be used when factors in the population are likely to be strongly correlated. A factor can then be interpreted in terms of the variable that loading high on it. Another useful aid in interpretation is to plot the variables, using the factor loadings as coordinately. Variables at the end of an axis are those that have high loadings on only that factor, and describe the factor.

FACTOR MATRIX AFTER ROTATION

| Variables | 1 | 2 |
|-----------|---|---|
| 1 | x | |
| 2 | x | x |
| 3 | x | |
| 4 | x | x |
| 5 | x | x |
| 6 | | x |

4.10 KMO AND BARTLETT'S TEST

Kmo test is an index which defines the measure of sampling adequacy. Kmo analysis gives us answer of our factor analysis whether the analysis on which we doing are adequet. if this measure is about 0.5 , then the factor analysis is acceptable. So from our KMO factor analysis , We got 0.645 which is higher than .50 and acceptable for factor adequacy analysis.

4.10.1 KMO MEASURE OF SAMPLING ADEQUACY

It is an index used to examine the appropriateness of factor analysis. High value (Between 0.50 and 1.00) indicate factor analysis is appropriate. Value below 0.50 implies that factor analysis may not be appropriate.

4.10.2 Bartlett's Test of Sphericity

Factor analysis is meaningful only if some of the variables are correlated. Significance value .000 which is less than 0.05 that means null hypothesis on 95% confidence level of this test is not acceptable and its alternative hypothesis which been accepted. It says that "yes" there is correlation between some of the variables. So our factor analysis is good of these accounts KMO and Bartlett's test.

4.11.1 BARTLETTE'S TEST OF SHPERICITY

Bartlett's test of sphericity is a test statistics used to examine the hypothesis that the variables are uncorrelated in the population. In other words, the population correlation matrix is an identity matrix, each variable correlates perfectly with itself ($r=1$) but has no correlation with the other variables ($r=0$). (Zero correlation with other variables).

**TABLE-4.22, STATISTICS ASSOCIATED WITH FACTOR ANALYSIS
KAISER-MEYER-OLKIN MEASURE OF SAMPLING ADEQUACY**

| | | |
|--|--------------------|---------|
| KAISER-MEYER-OLKIN MEASURE OF SAMPLING ADEQUACY | | .645 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 896.625 |
| | df | 300 |
| | Sig. | .000 |

Interpretation: In this test if significant value is less than 0.05, the null hypothesis is not acceptable and alternative hypothesis is acceptable hence factor analysis will be acceptable. Kaiser(1974) recommends accept values greater than 0.50. Values below than 0.50 suggests to either collect more data for research analysis or include variables more in a pre-defined data. In addition values between 0.5-0.7 is mediocre, values between 0.70-0.80 are good, values between 0.8 to 0.90 are great and above 0.90 are superb. For our data the value 0.645 is acceptable which falls into the range of mediocre,

so we should be confident that our data analysis is appropriate for our data conclusion. Bartlett's test measure the null hypothesis that original correlation matrix is an identity matrix. For factor analysis we need some relationship between variables and if the R-matrix were an identity matrix then all correlation coefficient would be zero. Therefore, we want this test to be significant. As already we achieved value less than 0.05. For these data Bartlett's test is significant and factor analysis is appropriate method to finalized our data conclusion.

4.12 COMMUNALITIES

Communalities are the amount of variance, a variable shares with all variables, this is also proportion of variance explained by common factor. It measures the percent of variance in a given variable explained by all factors. That is, the communalities is the squared multiple correlation for the variable using factors as predictors. Communality for the variable is the sum of squared factors loading for that variable (row) and thus is the percent of variance in a given variable explained by all the factors. For full orthogonal principal component matrix, the communality will be 1.00 and all of the variance in the variable will be explained by all the factors, which will be as many as there are variables. The "extracted" communalities are the percent of the variance in a given variable explained by the factors which are extracted, which will usually be fewer than all the possible factors, resulting in coefficient less than 1.00.

Principal component analysis just presume that all variance is common, thus before extraction the communalities are all 1 in each given variable. Extraction communalities inflate common variance in data structure. For instance, we can say that 58.7% of variance associated with question 1 is common or shared, variance.

TABLE-4.23, PRINCIPAL COMPONENT ANALYSIS

| COMMUNALITIES | | |
|---|----------------|-------------------|
| | Initial | Extraction |
| 1. Technology used by Foreign Banks is competitive edge over Local Banks | 1.000 | .587 |
| 2. Technological advancements bring more customers to the Foreign Banks | 1.000 | .691 |
| 3. Key to win trust of customers by Foreign Banks is Technology | 1.000 | .653 |
| 4. Introduction technology is a valuable approach of capturing the market by foreign banks in developing countries | 1.000 | .618 |
| 5. Technology brings more opportunities to excel in a competitive market | 1.000 | .504 |
| 6. Local banks need to improve technology to stay into competition | 1.000 | .697 |
| 7. Technology reduces time consumption | 1.000 | .663 |
| 8. Technology reduces the cost | 1.000 | .763 |
| 9. Technology reduce the Errors in Banking | 1.000 | .722 |
| 10. Being first mover in bringing technology can be a source of long term earnings | 1.000 | .651 |
| 11. Communication development brought by Foreign Banks helps overall banking system | 1.000 | .812 |
| 12. Foreign Banks have more loan varieties for customers to earning livelihood | 1.000 | .846 |
| 13. Attractive loan offers by Foreign Banks raise the living standard | 1.000 | .790 |
| 14. Various loan offers motivate customers to take the advantage of high risk high return | 1.000 | .842 |
| 15. Foreign Banks are willingly giving loans to increase market share | 1.000 | .809 |
| 16. Consumer loans play a vital role in increasing profits of banking sector | 1.000 | .807 |
| 17. Foreign Banks facilitate their customers to repay the loan easily | 1.000 | .787 |
| 18. Foreign Banks have better management practices and possess better organizational behavior towards customers | 1.000 | .792 |

| COMMUNALITIES | | |
|--|-------|------|
| 19. Flexible policies are the basic need for establishing long term relationship with the customers | 1.000 | .658 |
| 20. Quality services have a positive effect on customers' loyalty | 1.000 | .792 |
| 21. Quality services play essential role in strengthening the Foreign Banks' position in the market | 1.000 | .399 |
| 22. Various customer services introduced by Foreign Banks increase level of satisfaction | 1.000 | .751 |
| 23. Do you think that modern technology gives prominence to Foreign Banks that will affect the Local Banks business? | 1.000 | .704 |
| 24. Do you think that better customer service enhances the Foreign Banks existence that will affect the Local Banks business? | 1.000 | .673 |
| 25. Do you think that attractive consumer loan offerings increase the market share of Foreign Banks that will affect the Local Banks business? | 1.000 | .623 |
| Extraction Method: Principal Component Analysis. | | |

Interpretation: Communality is the proportion of variance accounted for by common factors or "communality". Of a variable. Communalities ranges from 0 to 1. Zero means that common factor does not explain any variance in a given set of data, 1 means that the common factor explain all variance. As well we are looking for higher numbers and result is satisfied.

4.13 FORMULATE THE PROBLEM

The objective of the factor analysis should be identified. The variance to be included in the factor analysis should be specified based on past research, theory and judgment of the researchers. It is important that the variables be appropriately measured on interval or ratio scale. An appropriate sample size should be used. As a rough guideline, there should be least four or five times as many observations (sample size) as there are variables.

The ratio of Eigen value is the ratio of explanatory importance of factors with respect to the variables, if a factor has a low Eigen value (<1.00), then it is contributing little to the explanation of variance in the variable and may be ignored as redundant with salient factors. The table shows 25 factors, one more each variable. However, only first nine are extracted for analysis because, under the extraction optimism, SPSS was told to extract only factors with eigenvalue of 1.00 or higher. The "initial eigenvalues" and extraction sum of squared loading" columns are the same except the latter only lists factors which have actually been extracted in the solution.

4.14 TOTAL VARIANCE EXPLAIN

Eigenvalue

It represents the total variance explained by each factor.

Factor loading

Factors loading are simple correlation between the variables.

Factor Matrix

It gives us the factor loading of all variables on the factor which has been extracted.

Factor Score

Factors Score are composite score estimated for each respondent on the derived factors.

Percentage of variance

The percentage of the total variance attributed to each factor.

Scree Plot

A scree plot is a plot of eigenvalue against the number of factors in order of extraction.

TABLE-4.24, THE “INITIAL EIGENVALUES” AND EXTRACTION SUM OF SQUARED LOADING BEFORE ROTATION

| TOTAL VARIANCE EXPLAINED : Note: 3.518/25=14.074 | | | | | | | |
|---|----------------------------|----------------------|---------------------|--|----------------------|---------------------|--|
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | |
| 1 | 3.518 | 14.074 | 14.074 | 3.518 | 14.074 | 14.074 | |
| 2 | 3.210 | 12.841 | 26.915 | 3.210 | 12.841 | 26.915 | |
| 3 | 2.543 | 10.174 | 37.089 | 2.543 | 10.174 | 37.089 | |
| 4 | 2.038 | 8.150 | 45.239 | 2.038 | 8.150 | 45.239 | |
| 5 | 1.635 | 6.539 | 51.779 | 1.635 | 6.539 | 51.779 | |
| 6 | 1.436 | 5.744 | 57.523 | 1.436 | 5.744 | 57.523 | |
| 7 | 1.160 | 4.640 | 62.163 | 1.160 | 4.640 | 62.163 | |
| 8 | 1.092 | 4.368 | 66.531 | 1.092 | 4.368 | 66.531 | |
| 9 | 1.000 | 4.000 | 70.531 | 1.000 | 4.000 | 70.531 | |
| 10 | .976 | 3.904 | 74.435 | | | | |
| 11 | .803 | 3.211 | 77.646 | | | | |
| 12 | .776 | 3.104 | 80.749 | | | | |
| 13 | .736 | 2.942 | 83.692 | | | | |
| 14 | .642 | 2.568 | 86.260 | | | | |
| 15 | .557 | 2.227 | 88.486 | | | | |
| 16 | .480 | 1.922 | 90.408 | | | | |
| 17 | .459 | 1.836 | 92.244 | | | | |
| 18 | .355 | 1.420 | 93.663 | | | | |
| 19 | .330 | 1.319 | 94.982 | | | | |
| 20 | .295 | 1.181 | 96.163 | | | | |
| 21 | .272 | 1.089 | 97.253 | | | | |
| 22 | .231 | .925 | 98.178 | | | | |
| 23 | .167 | .669 | 98.847 | | | | |
| 24 | .152 | .606 | 99.453 | | | | |
| 25 | .137 | .547 | 100.000 | | | | |

Extraction Method: Principal Component Analysis.

Interpretation: The above table No.4.24 tells us how many factors have been extracted by SPSS. First column gives us original number of variables. The number of original variables was 25. When we see the reading which has come, then reading only comes 9 out of 25. Hence, it clearly denotes that SPSS says that converting these 25 variables into new 9 original factors. Cumulative %, Last factor 70.53% of the variance in this particular data is being explained by 9 factor which is very good result because if we go through explain more than 60% of variance in any data through factor analysis that is good factor analysis and it shows to capture or going to explain more than half of the data. In this case 70.531% of the variance which is being explained is good acceptable figure for factor analysis. This table “initial solution” with the vector “Eigenvalue” that is the total variance explained by each factor. Any factor that has less than 1 eigenvalue has been disregarded because it does not explain the variance in that factor to represent it unique. Thus they are eliminated from the rest of analysis.

Note: That cumulative percentage is less than 100%, it is because of that all factors are not retained to final analysis if there are not all variance has to retain for analysis.

TABLE-4.25, TOTAL VARIANCE EXPLAINED AFTER ROTATION

| TOTAL VARIANCE EXPLAINED | | | | |
|--------------------------|----|-----------------------------------|---------------|--------------|
| Component | | Rotation Sums of Squared Loadings | | |
| | | Total | % of Variance | Cumulative % |
| Dimension | 1 | 2.860 | 11.439 | 11.439 |
| | 2 | 2.699 | 10.797 | 22.236 |
| | 3 | 2.500 | 10.001 | 32.238 |
| | 4 | 2.088 | 8.352 | 40.589 |
| | 5 | 1.979 | 7.916 | 48.505 |
| | 6 | 1.469 | 5.874 | 54.379 |
| | 7 | 1.425 | 5.702 | 60.081 |
| | 8 | 1.335 | 5.341 | 65.422 |
| | 9 | 1.277 | 5.109 | 70.531 |
| | 10 | | | |
| | 11 | | | |
| | 12 | | | |
| | 13 | | | |
| | 14 | | | |
| | 15 | | | |
| | 16 | | | |
| | 17 | | | |
| | 18 | | | |
| | 19 | | | |
| | 20 | | | |
| | 21 | | | |
| | 22 | | | |
| | 23 | | | |
| | 24 | | | |
| | 25 | | | |

Extraction Method: Principal Component Analysis.

Interpretation: The “rotation sum of squared loadings” gives the eigenvalue after rotation improves the interpretability of the factors ;(we used varimax rotation which minimize the variable and which also has high loadings on each given factor. Note that the total percent of variance explained is the same (see cumulative value factor 9, that is, 70.531%) but rotation changes the eigenvalues for each extracted factor count for a different percentage of variance explained , even though the total variance explained is the same. It shows only those factors that met with cut off criterion “Extraction Method”. In this case there are total 9 factors with eigenvalue greater than 1.SPSS extracted as many factors in a dataset as variables and rest of them exclude from the list. Factor 1 account for 11.439 percentage of variance in all 25 variables.

Note: Important components have been mentioned in red color.

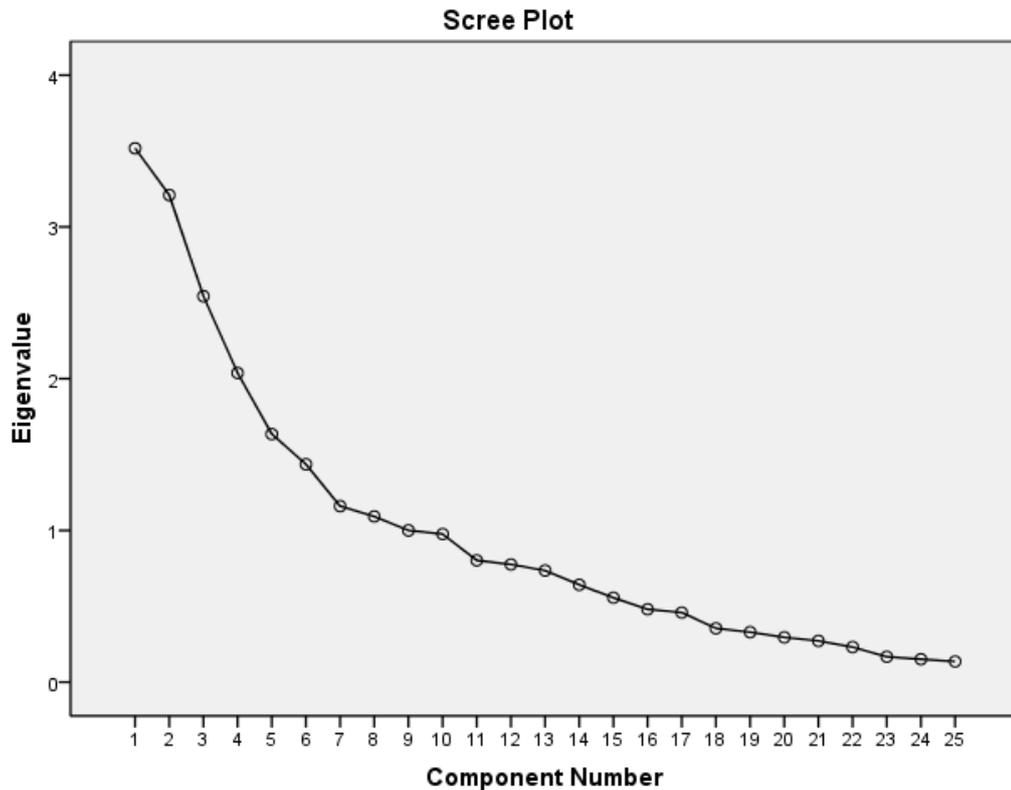


FIGURE-4.1, SCREE PLOT

Interpretation: The scree plot test, below plots the components as the X-Axis and the corresponding eigenvalues the Y-Axis. As one moves to the right, toward later component, the eigenvalue drop. When the drop ceases and the curve makes an elbow toward less steep decline, scree plot test says to drop all further components after the one starting the elbow. Where the “elbow” is somewhat subjective, but in this case one would probably decide only first 9 factors were retaining in the analysis.

4.16 COMPONENT MATRIX

TABLE-4.26, COMPONENT MATRIX BEFORE ROTATION

| Components | COMPONENT MATRIX | | | | | | | | |
|---|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1.Technology used by Foreign Banks is competitive edge over Local Banks | .008 | .079 | .065 | .076 | -.566 | -.149 | .023 | .439 | -.189 |
| 2.Technological advancements bring more customers to the Foreign Banks | -.061 | .099 | .162 | -.146 | .185 | .651 | -.399 | .040 | .104 |
| 3.Key to win trust of customers by Foreign Banks is Technology | .011 | .132 | .327 | -.101 | -.098 | .565 | .404 | .155 | -.045 |
| 4.Introduction technology is a valuable approach of capturing the market by foreign banks in developing countries | -.181 | -.002 | .362 | .007 | .353 | .387 | .282 | -.316 | .006 |
| 5.Technology brings more opportunities to excel in a competitive market | -.133 | .079 | .559 | -.190 | .212 | .077 | .158 | .063 | -.227 |
| 6.Local banks need to improve technology to stay into competition | -.101 | -.075 | .630 | -.295 | .306 | -.211 | -.120 | .210 | -.032 |
| 7.Technology reduces time consumption | .264 | -.035 | .511 | -.202 | -.011 | -.278 | -.310 | .010 | .342 |
| 8.Technology reduces the cost | .279 | -.246 | .593 | -.060 | -.260 | -.088 | .209 | -.171 | .346 |
| 9.Technology reduce the Errors in Banking | .462 | -.276 | .441 | .202 | -.380 | -.016 | .087 | -.141 | .160 |
| 10.Being first mover in bringing technology can be a source of long term earnings | .566 | -.363 | .315 | .239 | -.161 | .089 | .067 | -.021 | -.061 |
| 11.Communication development brought by Foreign Banks helps overall banking system | .730 | -.277 | .045 | .233 | .015 | .110 | -.049 | -.009 | -.362 |
| 12.Foreign Banks have more loan varieties for customers | .788 | -.289 | -.120 | .052 | .222 | .009 | -.016 | .119 | -.246 |

| TABLE-4.26, COMPONENT MATRIX BEFORE ROTATION, CONTINUE., | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Components | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 13. Attractive loan offers by Foreign Banks raise the living standard | .761 | -.060 | -.216 | -.185 | .306 | -.053 | .114 | .019 | -.127 |
| 14. Various loan offers motivate customers to take the advantage of high risk high return | .650 | .247 | -.243 | -.305 | .308 | -.014 | .240 | .063 | .222 |
| 15. Foreign Banks are willingly giving loans to increase market share | .472 | .549 | -.231 | -.401 | .040 | -.082 | .140 | .021 | .205 |
| 16. Consumer loans play a vital role in increasing profits of banking sector | .280 | .724 | -.059 | -.353 | -.189 | -.059 | -.060 | -.178 | .035 |
| 17. Foreign Banks facilitate their customers to repay the loan easily | .131 | .760 | .190 | -.077 | -.289 | -.062 | .030 | -.098 | -.228 |
| 18. Foreign Banks have better management practices and possess better organizational behavior towards customers | .152 | .790 | .233 | .245 | -.073 | -.013 | .030 | -.078 | -.133 |
| 19. Flexible policies are the basic need for establishing long term relationship with the customers | -.125 | .590 | .157 | .445 | .183 | -.076 | .049 | .038 | -.170 |
| 20. Quality services have a positive effect on customers' loyalty | .095 | .429 | .071 | .590 | .366 | .012 | -.156 | .087 | .283 |
| 21. Quality services play essential role in strengthening the Foreign Banks' position in the market | .016 | .224 | .155 | .511 | .005 | -.107 | .174 | -.130 | .068 |
| 22. Various customer services introduced by Foreign Banks increase level of satisfaction | -.168 | -.036 | -.140 | .258 | .125 | -.084 | .494 | .540 | .278 |
| 23. Do you think that modern technology gives prominence | -.056 | .049 | .553 | -.126 | .372 | -.359 | -.113 | .248 | -.186 |

| TABLE-4.26, COMPONENT MATRIX BEFORE ROTATION, CONTINUE., | | | | | | | | | |
|--|------|------|-------|-------|-------|------|-------|------|------|
| Components | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 24. Do you think that better customer service enhances the Foreign Banks existence that will affect the Local Banks business? | .201 | .226 | .087 | -.150 | -.280 | .426 | -.233 | .477 | .099 |
| 25. Do you think that attractive consumer loan offerings increase the market share of Foreign Banks that will affect the Local Banks business? | .424 | .075 | -.056 | .535 | .074 | .110 | -.317 | .052 | .166 |
| Extraction Method: Principal Component Analysis. | | | | | | | | | |
| a. 9 components extracted. | | | | | | | | | |

Interpretation: Number of component means how many factors have been extracted. Original components were 25 and components which has been created is only 9. By taking component Number 1. We conclude if I square first component column numbers and add subsequently then I will get 3.518 result. 3.518 are eigenvalue which is explained. And next of it is percentage value 14.074%, that able to explain 14.074% of the total variance. Factor analysis from SPSS doesn't consider factors which have less than 1 eigenvalue because less than 1 means, the factor is as well as good as variable only. It does not explain a great deal of variance and we are now down to 9 factors which are explaining 80% of the total data. Component matrix above gives the factors loadings. This is the central output for factor analysis. The factor loadings also called component loading in principal component analysis are the correlation coefficient between the variables (ROWS) and factor (COLUMNS). Factor loadings are the basis for inputting a label to the different factors. Loading above 0.6 are usually considered "HIGH" and those below 0.4 are LOW.

Note: Those variables 10, 11....14 in first component were coded so that high values correspondent to each respondent given for these variables.

Therefore, there is positive variable relationship among them and these variables has been kept in 1st component by the SPSS respond the positive effect to the factor. The 1st table below gives the un-rotated solution and 2nd rotation solution. Normally, the rotated solution will be significantly easier to interpret, indeed often the un-rotated matrix does not have valuable interpretation but for instructional purpose, we added it.

Note: Important components have been mentioned in red color.

TABLE-4.27, ROTATED COMPONENT MATRIX

| Components | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1.Technology used by Foreign Banks is competitive edge over Local Banks | -.031 | -.053 | .020 | .082 | -.010 | .012 | .757 | .000 | .059 |
| 2.Technological advancements bring more customers to the Foreign Banks | -.052 | -.053 | -.024 | -.098 | .060 | .177 | -.255 | .737 | -.179 |
| 3.Key to win trust of customers by Foreign Banks is Technology | -.012 | .065 | .019 | .128 | -.005 | .737 | .076 | .266 | .114 |
| 4.Introduction technology is a valuable approach of capturing the market by foreign banks in developing countries | -.089 | -.129 | .116 | .068 | .125 | .542 | -.513 | .023 | -.042 |
| 5.Technology brings more opportunities to excel in a competitive market | -.051 | -.046 | .043 | .029 | .537 | .448 | -.044 | .002 | -.077 |
| 6.Local banks need to improve technology to stay into competition | -.070 | -.052 | -.088 | .129 | .809 | .052 | -.054 | .067 | .007 |
| 7.Technology reduces time consumption | -.024 | .170 | -.029 | .533 | .469 | -.295 | -.031 | .172 | -.101 |
| 8.Technology reduces the cost | .005 | .031 | -.078 | .839 | .162 | .139 | -.033 | -.073 | .016 |
| 9.Technology reduce the Errors in Banking | .275 | -.093 | .052 | .780 | -.051 | .055 | .125 | -.025 | -.070 |
| 10.Being first mover in bringing technology can be a source of long term earnings | .566 | -.160 | .023 | .537 | -.023 | .094 | .080 | .021 | -.020 |
| 11.Communication development brought by Foreign Banks helps overall banking system | .859 | -.071 | .048 | .183 | -.070 | .022 | .076 | .014 | -.148 |
| 12.Foreign Banks have more loan varieties for customers to earning livelihood | .897 | .126 | -.097 | .054 | .011 | -.102 | -.025 | .006 | .045 |

TABLE-4.27, ROTATED COMPONENT MATRIX, CONTINUE.,

| Components | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 13.Attractive loan offers by Foreign Banks raise the living standard | .726 | .460 | -.131 | -.025 | .014 | -.064 | -.143 | -.076 | .050 |
| 14.Various loan offers motivate customers to take the advantage of high risk high return | .394 | .767 | -.047 | .002 | -.029 | -.018 | -.206 | .029 | .226 |
| 15.Foreign Banks are willingly giving loans to increase market share | .075 | .891 | .030 | -.037 | -.058 | -.035 | .020 | .045 | .016 |
| 16.Consumer loans play a vital role in increasing profits of banking sector | -.141 | .762 | .178 | -.020 | -.048 | .012 | .150 | .068 | -.379 |
| 17.Foreign Banks facilitate their customers to repay the loan easily | -.148 | .476 | .428 | -.015 | .058 | .218 | .365 | -.028 | -.412 |
| 18.Foreign Banks have better management practices and possess better organizational behavior towards customers | -.064 | .357 | .721 | -.013 | .055 | .183 | .196 | .027 | -.254 |
| 19.Flexible policies are the basic need for establishing long term relationship with the customers | -.096 | .029 | .747 | -.228 | .132 | .111 | .067 | -.063 | -.017 |
| 20.Quality services have a positive effect on customers' loyalty | .033 | .041 | .769 | -.034 | .029 | -.209 | -.216 | .234 | .226 |
| 21.Quality services play essential role in strengthening the Foreign Banks' position in the market | -.025 | -.079 | .561 | .167 | -.084 | .041 | -.029 | -.185 | .078 |
| 22.Various customer services introduced by Foreign Banks increase level of satisfaction | -.091 | -.034 | .116 | -.081 | -.034 | .088 | .123 | -.103 | .829 |
| 23.Do you think that modern technology gives prominence to Foreign Banks | .036 | -.043 | .115 | -.015 | .826 | -.023 | .026 | -.067 | .009 |

| TABLE-4.27, ROTATED COMPONENT MATRIX, CONTINUE., | | | | | | | | | |
|--|------|-------|-------|------|-------|-------|-------|------|------|
| Components | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 24. Do you think that better customer service enhances the Foreign Banks existence that will affect the Local Banks business? | .043 | .195 | -.031 | .048 | -.019 | .117 | .393 | .677 | .042 |
| 25. Do you think that attractive consumer loan offerings increase the market share of Foreign Banks that will affect the Local Banks business? | .381 | -.055 | .456 | .143 | -.199 | -.320 | -.054 | .314 | .050 |
| Extraction Method: Principal Component Analysis. | | | | | | | | | |
| Rotation Method: Varimax with Kaiser Normalization. | | | | | | | | | |
| a. Rotation converged in 14 iterations. | | | | | | | | | |

Interpretation: Component matrix does not give us clear which variable are went in which factor, that final answer or identification of the factors comes from rotated component matrix. Any factor variable which has got high loading with one factor, it has loaded only with this factor and should not appear in any other factor. It elaborates that how each item in the analysis correlate with each of 9 retained factors. The first Column of the factor 1, we see high values of correlation between variables and the factors variable numbers, 11, 12, 13 and 14 has .859, .897, 729 and .566 with first component.

If we see this result these variables are very closely matching and according to foreign banks perspectives, they are only 1 among all of them in first component talking about macho kind of appeal and sort of ego satisfaction. It's all about 11, 12, 13 & 14 numbers variables. Particular kind of behavioral people who have given these kind of rating points are really looking for these variable should be apply by domestic banks for to be dominated upon foreign banks.

Now in factor # 2, the highly important and correlated variables 14, 15, 16 these, three factors are statistical indicators show the numerical value of quantitative variables.

Looking at the rotation matrix, the 1st and 3rd factor has high loading from 9 factors and has moderate loading on these factors. Variables 14, 15 and 16 are associated strongly with 2nd factor.

Principal factors extraction with varimax rotation was performed through SPSS 17 on the 25 variables. 9 factors were extracted. The total variance accounted for by 9 factors was 70.543%. Community values were well defined by these factor solutions with all variable exceeding 0.45. Variables are ordered and grouped by size of loading to facilitate interpretation. Loading under 0.40 were left blank.

Note: Important components have been mentioned in red color.

CHAPTER # 5

5.1 CONCLUSION

Domestic banks need to respond creatively to foreign banks practices to attain the competitive edge and assure their stability in the tough banking environment. This is empirical study and surveyed based of foreign banks practices which affect the local banks business. It drew 100 contents analyzed with managers compared with three motives: These are technology, consumer loans and customer services.

All the variables have been compared with one another mean standard deviation; level of significance and Cronbach's alpha (to see the reliability of data) were taken under consideration to study the acquired data. The entire mentioned tools were used by the supportive software, SPSS 17.

H₀: In the present study our hypotheses on the technology; that modern technology gives prominence to foreign banks that will affect the local banks business. The Table 4.3 "Item Statistics" shows the "Mean" of technology has lower value than 2.5 which takes us to accept the hypotheses. It means that average response given by each bank is equal to theoretical expectation of a 1:1 ratio.

H₀: In the present study our hypotheses on the consumer loans; that are attractive consumer loans offerings increase the market share of foreign banks that will affect the local banks business. The Table 4.10 "Item Statistics" shows the "Mean" of Consumer loans has lower value than 2.5 which takes us to accept the hypotheses.

H₀: In the present study our hypotheses on the customer services; that are the better customer service enhances the foreign banks existence that will affect the local banks business. The Table 4.17 “Item Statistics” shows the “Mean” of work environment has lower value than 2 which takes us to accept the hypotheses

Similarly in Bartlette’s test of Sphericity, We have KMO value 0.645 (Table-4.22) that is higher than 0.50, its means that response collected to problem being addressed through study is constructive and validated. It also shows that our data is suitable for our data conclusion.it also denote that procedural collection of data is strong enough to find expected result.

The stylized facts relating to cross-border banking generally conclude that in developed nations foreign banks generally under-perform their domestic counter-parts, with the opposite occurring in developing nations (Berger, 2007; Berger et al., 2000).

BY utilizing SPSS 17, Factor analysis process, we find validated set of outcomes. Factor analysis is a tool that discover unexplained that influence among multivariate observations. We ‘ve found these factors through SPSS that have been influencing domestic banks business by the foreign banks and domestic should eliminate or get rid from these influences that cause non-dominance for domestic banks , domestic firms , domestic politics , and domestic economy. There are lots of variables we have selected for out observations and through survey questionnaires, we summarized original component from the set of unoriginal components that adequately measure our analysis. These components help to find solution for domestic banks in developing countries since they are undertaking from several decades and progressing is getting down due to incoming of foreign banks directly or indirectly.

It clearly means that there are some variable exist as correlated it is correlated with itself but not with other. Hence, our factor analysis is justified for this test.

There are total 25 factors but SPSS selected only 9 components among 25 factors whose eigenvalue is equal and higher than 1. It means that only 9 factors could represent among total variables and these 9 components have higher percentage of variance. Because we are looking variables that have high percentage of variance from total.

Rotated component matrix, First component, does has 4 variables among 25 that have high loading on 1st component. It means that these variables are enough to represent for our survey from 1st component.

Similarly , Component 3 has 4 variables loaded on it, subsequently , component 2 has 3 variables , and components 4 , 5 , 6 have 2 , 2 variables and at last components 7 , 8 , 9 have only 1 ,1 variables. Thus we can say that these components that high variable loading are most important factors for our questionnaires that may conclude out final outcomes which we need it.

After applying reliability and preferably factor analysis we reached to the following conclusion: that the significance level of variables is in acceptable range; that is non-have the value other than 0.000 which is lesser than 0.010.

My first null hypothesis that modern technology gives prominence to foreign banks that will affect the local banks business is accepted in the light of mean shown in Table 4.3. The result proves that foreign banks are gaining edge over local banks by utilizing latest technology. Local banks are making efforts to overcome foreign banks position in the market.

The need is to become more stable and to be strong economically, and financially compare to foreign banks. Foreign banks get assistance internationally whereas local banks have to depend upon their own resources.

My second null hypothesis that attractive consumer loans offerings increase the market share of foreign banks that will affect the local banks business is approved in the light of mean shown in Table 4.10. The result proves that foreign banks had made a difference by providing numerous consumer loans offering to capture the larger portion of the market. Those offerings helped in increasing the investment level which contributes to overall banking sector and economy.

My third null hypothesis that superior customer services enhances the foreign banks existence that will affect the local banks business is approved in the light of mean shown in Table 4.17. The result proves that improved customer services increased the customer's flow towards foreign banks. Customer's loyalty is a big issue in present market. Customers quickly switch to another bank if the previous is not providing services which they are required. Local banks are moving in a direction of providing more customers friendly services to conquer the foreign banks pressure.

5.2 RECOMMENDATIONS

- Domestic banks should make more investments to enhance technology. Advance technology gives necessary competitive advantage, not only a source of eliminating time, cost but also for improve operation and profitability. As an example UK recorded an average 8.5 million pound per financial institution in technology but by comparing American financial institutions is less.

- Domestic banks should be more in technological advancements to retain customers. Mark Hill suggested that investment in banking technology should be considered as investment in banking future success. Similarly, Grainger Smith and Oppenheim 1994 recommend early that now the banks are not in traditional success but in data business.

- Developing countries should continually invest in innovation products to make new markets or penetrating existing market. The number of robberies in Britain has dropped down by 90%. Drop has been attributed to greater investment in innovative technology such as CCTV, Emergency Alarms, protective screens etc. (BBC News, 27 december, 2013). Similar trend had been seen in last decade in US where FBI figure out banks robberies (3,870) less than before.

- Sharing technology, products and services could better provide financial services rather than single bank using single technology.

- According to Sheth et al., 2006, innovative technologies are going to be solely human interaction where the service is at first. Participating technology not only embodies with banking reputation but also contribute domestic industrial reputation. Domestic industrials could

represent better productive activities with impression of banking technology.

- In today's banking environment customer loyalty is in doubt, they quickly switch to another product or service if the existing is not fulfilling their desire. So local banks should keep in mind the changing attitude of the customers while offering their services.

- Domestic banks should provide wide range of products and services to increase their customers. Consumers became smarter in their purchasing, less loyal and reliable to specific banks and further demanding of services that fit their particular financial needs and time schedule. Hence, domestic banks need to achieve position to dictate once, where, when and how can conduct their financial affairs.

- Government should support domestic banks by putting quota of foreign banks share in the market. Domestic banks should maintain capital adequacy ratio and ample deposit funding. Loan growth should preserve "cherry-pick" borrowers as foreign banks doing since 2008.

- Local banks should provide high profit rates to attract customers. In Mexico, banks are advance in asset quality as they have accelerated management practices and possess higher organizational skills, consisting of these factors their banks are more efficient and profitability. Domestic banks should expect to implement these tactics.

- The foreign banks are gaining a competitive edge owing to their easy credit policies. Local banks should review their credit policies and start focusing on small business customer along with the executive customers. Associated issue is that foreign banks tend to lend more to large corporation, thereby neglecting small corporations. Local banks if improve financial conditions for domestic enterprises of all sizes, their

profitability ratio as well as capital adequacy ratio could be equal to foreign banks in host countries.

- At present bank is all about consumer banking. If you satisfy the customers in an intellectual and decent manner then it will be helpful for future long term relationship. Domestic banks should undertake personality development sessions to improve customer dealing.

- Domestic banks should arrange training sessions for the employees to have a better understanding of the operations and to counter act with the tough situations.

- To retort and acknowledge to clients, its necessary for domestic bankers to offer large, convenient, confidential accessibility of financial services and deliver at a quicker pace products and services, meanwhile total financial affairs should be balanced at the end.

- Domestic banks should take steps to motivate their employees by giving them various monetary incentives, maximizing their learning abilities through training programs and providing them better working environment. These steps in long run are helpful for local banks to give a tough competition to foreign banks, because future success of local banks depends highly upon their skilled and motivated employees.

- It is suggested that the local banks should be in the line of first movers not followers. Local banks should be capable enough that foreign banks should learn from them.

- Banks in developing countries suffer from the matter of size. Their sizes disable it to speculate in new technologies and banking techniques necessary to diversify their risks and diminish their total costs.

The size would be an element which can handicap domestic banks to compete with foreign banks.

- There should be limited extent to which developing countries embrace foreign bank participation. In case of India and China, which severely limited the foreign bank entry that's why Frontier analysis shows that foreign banks are less cost efficient and productivity is less than that India's state owned banks.

- Local banks should give flexible time line for their borrower, so they can pay back loan in time. For example, In Decembers 2003, Cuban Banks announced to lend less money and increase time line for private borrowers. People will be allowed to pledge their houses and jewelry against loans. Government increased time frame 5 to 10 years.

- When there is money to be made easily but no one looking! Most of foreign banks see their vision in line with future. They know trust is one thing customers looking for. Breaking the vision means break the whole organization. Local banks should keep their trust in line with customers. Barclay bank come top in 50 banks but still are worry how to keep their vision for long time. Barclays boss Antony Jenkins pays attention for bank vision. He said there had been progressive loss of trust in our organization but we need to hold it back soon.

- The default local banks should raise their capital through shareholders. China's Everbright bank makes their policy to raise fund through investment and via shareholders as bank has been in loan default. Sometime if policy does not implement successfully, the policy makers should reform or make new one. It could be only done if banks have Actuarialists? Local banks should keep in mind rather than to keep concentrate on customers, policy makers are the ones who can make organization offset in case of default. Local banks should alert every times.

- Domestic Banks should change in lending policies, making their industrial relationship stronger and should improve the credit access for all firms.

- Domestic banks should use “soft” information for their domestic clients in order to assess their credit worthiness. In this case foreign banks in host countries would be able to use hard information (e.g., Balance Sheet) to secure loans for host clients. As Tressel et al., in 2008 raised this theory valid. A study of 1600 banks across 100 developing countries concludes that foreign banks could access external liquidity from their parent banks but in return source of funding in host countries has little discretion on lending decision based on anything other than using hard information. For example to access the balance sheet or to check out the credit rating for each firm is typically hard work for foreigners and time consuming also.

- Technology spillover of new banking techniques and new management practices could lead domestic banks prominence in developing countries due to lower level of development of banks and banking systems.

- Foreign banks may weaken the loan portfolio of domestic banks which may need the demand of high loan-loss provisioning, i.e., high costs. In that case domestic banks should make small market niches in order to avoid competition with foreign banks and may increase their income and profit.

- Domestic banks should know derivative factors that influencing their customers. It could be technology know how, cheaper banking services, new financial products etc. For example in Mexico, a lot of banking operations are using in single banking office that are providing broader range of tailor made products for several corporations.

- Domestic banks should expect to strengthen the financial efficiency by improving solvency and liquidity functions in case of financial turbulence as foreign banks have been using these strategies for long time.

- Domestic banks should increase depositor's confidence by offering them attractive saving packages.

- Spillover effect causes the negative impact for domestic banks. Maria et al., 2006, assess this effect on local banks market system. Spillover effect from foreign to domestic country could bring market competition and make domestic bank inefficient. High spillover effect cause the competitive pressure for domestic banks market as some large domestic banks could stabilize their ability with respect to foreign banks but some dispose of their assets imperfectly. Domestic government or centralized agencies should control spillover effect efficiently.

- Domestic banks should provide superior knowledge of information about their domestic borrower because in case of foreign banks entry in host country , they could have less potential information about firms , borrows and investors so they could be degraded or reject by incumbent banks.

- Decision taken by domestic banks could impinge wider economic damage for their countries, especially if foreign banks concentration is high in those countries. For instance, in Bolivia a tightening credit policy cause to initiated by Spanish subsidiary and started to follow other foreign subsidiaries that worsen their sluggish economy already. So, Domestic banks financial policy should be relax able for their domestic clients.

- Small and medium size firms play a vital role in home countries also contributes 90% of GDP in domestic country. A large part of domestic employee and employment are also value added in their country. These firms also insignificant source of innovation, derivative products. Access to credit is crucial part for them and key suppliers for them are domestic owned banks. Domestic banks could get large number of shares by providing loan facilities for these firms as foreign banks is adopting this strategy already.

- If a subsidiary of a domestic financial institution fails, it is assumed that to maintain its reputation the parent bank will assure the solvency of the subsidiary. Domestic banks should ensure their clients that in case of liquidity risk we are obliged to cover your deposits in any case.

- In past experience, big investors are protecting their assets into foreign banks because they are more confidence to safe their money in foreign lockers. The secret of their strategic policies should be implemented by domestic owned banks in order to secure their home countries investors.

- It is arguable evidence that foreign banks play vital role during financial crisis in host countries, but Argentina financial crisis in 2001, Locaste finds that foreign banks play no stabilizing role in these circumstances. Host countries government are making easiest economic policies for foreign investors in case of crisis but this question is still in contradiction either, host government should use soft economic policies in case of crisis or not? They also find that non specialized banks in Asia enjoyed their profit margins and fewer non-performing loans during crisis but this issue is still discuss in point.

- Foreign banks using risk management techniques and more realistic provisioning against bad loans as these techniques has become sophistic in local banking culture and domestic banks should opt for these techniques.

5.3 SWOT ANALYSIS

| STRENGTH | WEAKNESS |
|---|---|
| <p>Domestic banks get strong in trade and investments through foreign banks.</p> | <p>Foreign banks underperform domestic banks.</p> |
| <p>Domestic banks increase income, profit and credit extension through foreign banks.</p> | <p>Foreign banks mainly concentrate the large enterprises in domestic market and neglect the small and medium size enterprises.</p> |
| <p>Domestic banks used to keep stability through influence of foreign banks.</p> | <p>Profit of domestic banks fluctuate by interference of foreign banks</p> |
| <p>Domestic banks become more cost efficient and profit efficient in case of foreign banks participation.</p> | <p>Foreign banks use their superior knowledge, management while domestic banks support learning by doing method.</p> |
| <p>Foreign banks introduce various loan facilities that develop the domestic industry.</p> | <p>Foreign banks capital adequacy ratio seem to be high in most developing countries.</p> |
| | <p>Foreign banks have excellent screening technology whereas domestic banks are assumed to not have access of technology.</p> |
| | <p>Consumers mostly move to foreign owned banks because their services seem reliable without any financial risk.</p> |
| | <p>Foreign banks use “soft information” for their domestic clients that enable them to capture higher market shares.</p> |
| | <p>Foreign banks sometime establish small market niche to find more customers</p> |
| | <p>Foreign banks use superior information knowledge</p> |

SWOT ANALYSIS

| OPPORTUNITIES | THREAT |
|--|--|
| <p>Foreign banks entrance brings economic input in host countries.</p> <p>Enable domestic banks to compete with foreign banks during market competition.</p> <p>During financial crisis, foreign banks give subsidiaries to host country.</p> <p>Liberalize market give opportunity to draw new capital for domestic financial institutions upon foreign banks entrance.</p> | <p>Foreign banks decrease the real economic input through influence of best technology, customer services and consumer loans.</p> <p>Foreign banks import shocks from their home countries that disturb the domestic business.</p> <p>Foreign banks have negative relationship with domestic financial development because the changes in credit extension and different aspects of economic sector development.</p> <p>Foreign banks win higher profit than domestic banks because parents' banks give capital in case of liquidity risk.</p> <p>Foreign banks weaken the loan portfolio for domestic banks.</p> <p>Spillover effect causes the negative impact for domestic banks.</p> |

CHAPTER # 6

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6.2 QUESTIONNAIRE

DEPARTMENT OF BUSINESS ADMINISTRATION

ISTANBUL AYDIN UNIVERSITY & FRANCOIS RABELAIS UNIVERSITY

Dear Participant,

This questionnaire is designed to study aspects of “IMPACTS OF FOREIGN BANKS ON DOMESTIC BANKS BUSINESSES”. The information you provide will help us better understand the qualitative and quantitative of our research work. Because you are the one who can give us a correct picture of how you experience your work life, I request you to respond to the questions frankly and honestly.

Your response will be kept strictly confidential. Only members of the research team will have access to the information you give. In order to ensure the utmost privacy, we have mentioned the name of bank, date, position and location information for each participant. This identification will be used by us to analyze our research or the completed questionnaires will not be made available to anyone other than the research team. A summary of result will be mailed to you after the data are analyzed.

Thank you very much for your time and cooperation. I greatly appreciate your staff and your help in furthering this research endeavor.

Cordially,
Muhammad Mehtab Azeem
MBA student

QUESTIONNAIRE

Name: _____

Date: /05/2013

Sex: Male FemaleBank Name:

Please give me your views about banking sector in developing countries. You are encouraged to be frank and constructive in your comments.

1. Which management level are you currently working in?

- Business Student
 Top-Level Management
 Middle-Level Management
 First-Level Management

| TECHNOLOGY | <u>I strongly agree</u> | <u>I somewhat agree</u> | <u>I have no opinion</u> | <u>I tend to disagree</u> | <u>I strongly disagree</u> |
|--|-------------------------|-------------------------|--------------------------|---------------------------|----------------------------|
| 2. Technology used by Foreign Banks is competitive edge over Local Banks..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. Technological advancements bring more customers to the Foreign Banks.... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4. Key to win trust of customers by Foreign Banks is Technology..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 5. Introducing technology in developing Countries like Pakistan is a valuable approach of capturing the market by Foreign Banks... <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 6. Technology brings more opportunities to excel in a competitive market..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 7. Local Banks need to improve Technology to stay into the competition..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 8. Technology reduces time consumption. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 9. Technology reduces the cost..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 10. Technology reduce the Errors in Banking | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

- | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 11. Being first mover in bringing technology can be a source of long term earnings.... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 12. Communication development brought by Foreign Banks helps overall banking system | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| CONSUMER LOAN | <u>I strongly agree</u> | <u>I somewhat agree</u> | <u>I have no opinion</u> | <u>I tend to disagree</u> | <u>I strongly disagree</u> |
|--|--------------------------------|--------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| 13. Foreign Banks have more loan varieties for customers to earning livelihood..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 14. Attractive loan offers by Foreign Banks raise the living standard..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 15. Various loan offers motivate customers to take the advantage of high risk high return. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 16. Foreign Banks are willingly giving loans to increase market share..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 17. Consumer loans play a vital role in increasing profits of banking sector..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 18. Foreign Banks facilitate their customers to repay the loan easily..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| CUSTOMER SERVICE | <u>I strongly agree</u> | <u>I somewhat agree</u> | <u>I have no opinion</u> | <u>I tend to disagree</u> | <u>I strongly disagree</u> |
|--|--------------------------------|--------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| 19. Foreign Banks have better management practices and possess better organizational behavior towards customers..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 20. Flexible policies are the basic need for establishing long term relationship with the customers..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 21. Quality services have a positive effect on customers' loyalty..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 22. Quality services play essential role in strengthening the Foreign Banks' position | | | | | |

in the market.....

23. Various customer services introduced by Foreign Banks increase level of satisfaction

| CORE QUESTIONS | <u>I strongly agree</u> | <u>I somewhat agree</u> | <u>I have no opinion</u> | <u>I tend to disagree</u> | <u>I strongly disagree</u> |
|-----------------------|--------------------------------|--------------------------------|---------------------------------|----------------------------------|-----------------------------------|
|-----------------------|--------------------------------|--------------------------------|---------------------------------|----------------------------------|-----------------------------------|

| | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 24. Do you think that modern technology gives prominence to Foreign Banks that will affect the Local Banks business?..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 25. Do you think that better customer service enhances the Foreign Banks existence that will affect the Local Banks business?.. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 26. Do you think that attractive consumer loan offerings increase the market share of Foreign Banks that will affect the Local Banks business?..... | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

THANK YOU FOR YOUR TIME AND COOPERATION

CHAPTER # 7

APPENDICES

TABLE-7.1, DEVELOPING COUNTRIES

| | | |
|----------------------------------|----------------------------|--------------------------------|
| Afghanistan | Guinea | Panama |
| Albania | Guinea-Bissau | Papua New Guinea |
| Algeria | Guyana | Paraguay |
| American Samoa | Haiti | Peru |
| Angola | Honduras | Philippines |
| Argentina | India | Romania |
| Armenia | Indonesia | Russian Federation |
| Azerbaijan | Iran, Islamic Rep. of | Rwanda |
| Bangladesh | Iraq | Samoa |
| Belarus | Jamaica | Sao Tome and Principe |
| Belize | Jordan | Senegal |
| Benin | Kazakhstan | Serbia |
| Bhutan | Kenya | Seychelles |
| Bolivia (Plurinational State of) | Kiribati | Sierra Leone |
| Bosnia and Herzegovina | Korea, Democ. P. Rep. of | Solomon Islands |
| Botswana | Kosovo | Somalia |
| Brazil | Kyrgyz Republic | South Africa |
| Bulgaria | Lao People's Democ. Rep. | South Sudan |
| Burkina Faso | Latvia | Sri Lanka |
| Burundi | Lebanon | St. Kitts and Nevis |
| Cambodia | Lesotho | St. Lucia |
| Cameroon | Liberia | St. Vincent and the Grenadines |
| Cape Verde | Libya | Sudan |
| Central African Republic | Lithuania | Suriname |
| Chad | Macedonia, the F.Y.R. of | Swaziland |
| Chile | Madagascar | Syrian Arab Republic |
| China | Malawi | Tajikistan |
| Colombia | Malaysia | Tanzania, United Republic of |
| Comoros | Maldives | Thailand |
| Congo, Democ. Republic of the | Mali | Timor-Leste |
| Congo, Rep. | Marshall Islands | Togo |
| Costa Rica | Mauritania | Tonga |
| Côte d'Ivoire | Mauritius | Tunisia |
| Cuba | Mexico | Turkey |
| Djibouti | Micronesia, Fed. States of | Turkmenistan |
| Dominica | Moldova | Tuvalu |
| Dominican Republic | Mongolia | Uganda |
| Ecuador | Montenegro | Ukraine |
| Egypt, Arab Rep. | Morocco | Uruguay |
| El Salvador | Mozambique | Uzbekistan |

| | | |
|-------------|-----------|-------------------------------------|
| Eritrea | Myanmar | Vanuatu |
| Ethiopia | Namibia | Venezuela, (Bolivarian Republic of) |
| Fiji | Nepal | Vietnam |
| Gabon | Nicaragua | West Bank and Gaza*) |
| Gambia, The | Niger | Yemen |
| Georgia | Nigeria | Zambia |
| Ghana | Pakistan | Zimbabwe |

Source: The names of the countries are based upon United Nations sources and World Bank Report 2013.

Note: The list of developing countries shown below is adhered to by the ISI, effective from 1 January till 31 December 2013. Countries are divided into developed or developing according to their Gross National Income (GNI) per capita per year. Countries with a GNI of US\$ 11,905 and less in 2010 are defined as developing (specified by the World Bank, September 2012).

TABLE-7.2, FOREIGN BANK PENETRATION, AGGREGATE BY INCOME LEVEL AND REGION, 2009

| | Country-based | | | | | | Group-based | | | |
|---------------------------------------|--|--|--|---|-------------------------------|---------------------------|--|--|--|---|
| | Foreign bank assets in total bank assets | Share EM foreign bank assets in total foreign assets | Number of foreign banks in total number of banks | Share EM foreign banks in total foreign banks | Total number of foreign banks | Total number of countries | Foreign bank assets in total bank assets | Share EM foreign bank assets in total foreign assets | Number of foreign banks in total number of banks | Share EM foreign banks in total foreign banks |
| <i>Income level</i> | | | | | | | | | | |
| Advanced countries | 0.23 | 0.22 | 0.29 | 0.17 | 376 | 27 | 0.13 | 0.05 | 0.25 | 0.18 |
| Emerging markets | 0.48 | 0.33 | 0.47 | 0.38 | 958 | 91 | 0.14 | 0.07 | 0.40 | 0.30 |
| Middle-income | 0.40 | 0.33 | 0.44 | 0.38 | 698 | 61 | 0.11 | 0.08 | 0.36 | 0.29 |
| Low-income | 0.65 | 0.52 | 0.52 | 0.48 | 131 | 21 | 0.35 | 0.45 | 0.47 | 0.53 |
| <i>Region (emerging markets only)</i> | | | | | | | | | | |
| East Asia and Pacific | 0.19 | 0.42 | 0.26 | 0.46 | 95 | 9 | 0.04 | 0.11 | 0.25 | 0.32 |
| Europe and Central Asia | 0.62 | 0.15 | 0.59 | 0.30 | 371 | 25 | 0.39 | 0.04 | 0.47 | 0.21 |
| Latin America and Caribbean | 0.42 | 0.37 | 0.44 | 0.32 | 232 | 19 | 0.30 | 0.04 | 0.39 | 0.25 |
| Middle East and North Africa | 0.26 | 0.24 | 0.27 | 0.42 | 57 | 6 | 0.16 | 0.14 | 0.36 | 0.46 |
| South Asia | 0.18 | 0.30 | 0.14 | 0.24 | 22 | 4 | 0.08 | 0.04 | 0.14 | 0.23 |
| Sub-Saharan Africa | 0.63 | 0.53 | 0.58 | 0.47 | 181 | 28 | 0.27 | 0.17 | 0.54 | 0.49 |
| <i>All countries</i> | <i>0.41</i> | <i>0.31</i> | <i>0.43</i> | <i>0.33</i> | <i>1,334</i> | <i>118</i> | <i>0.13</i> | <i>0.05</i> | <i>0.34</i> | <i>0.27</i> |

Source: Claessens and Van Horen, 2012.

Notes: Figures reported are ratios of number of foreign banks to total number of banks (in 2009) and foreign bank assets to total bank assets (average over 2007-2009) in each country, and the ratios of the number of emerging market foreign banks in total number of foreign banks and emerging market foreign bank assets to total foreign bank assets in each country. Further, Income and region classifications follow World Bank definitions as of 2009. Country-based figures are the simple average of the countries within a group ($(1/n)\sum_i [FB_i/(DB_i+FB_i)]$ for country i), whereas group-based figures are calculated from $\sum_i FB_i/(\sum_i DB_i+\sum_i FB_i)$ for country i within a group. FB and DB represent foreign bank and domestic bank respectively.

TABLE-7.3, NUMBER AND SHARE OF FOREIGN BANKS FROM HOME TO HOST REGIONS, 2009

| Number and share of foreign banks from home country present in host country | Advanced country banks | | | | | | | | | |
|---|------------------------|-------|--------|-------|--------|-------|--------|-------|--------|-------|
| | Host region | | | | | | | | | |
| | AMERICA | | ASIA | | EUROPE | | MEA | | Total | |
| Home region | Number | Share | Number | Share | Number | Share | Number | Share | Number | Share |
| AMERICA | 72 | 0.44 | 25 | 0.15 | 54 | 0.33 | 13 | 0.08 | 164 | 1 |
| ASIA | 13 | 0.22 | 37 | 0.62 | 10 | 0.17 | 0 | 0.00 | 60 | 1 |
| EUROPE | 121 | 0.17 | 53 | 0.07 | 450 | 0.64 | 84 | 0.12 | 708 | 1 |
| MEA | 2 | 0.09 | 4 | 0.17 | 7 | 0.30 | 10 | 0.43 | 23 | 1 |

| Number and share of foreign banks from home country present in host country | Emerging market banks | | | | | | | | | |
|---|-----------------------|-------|--------|-------|--------|-------|--------|-------|--------|-------|
| | Host region | | | | | | | | | |
| | AMERICA | | ASIA | | EUROPE | | MEA | | Total | |
| Home region | Number | Share | Number | Share | Number | Share | Number | Share | Number | Share |
| AMERICA | 55 | 0.96 | 0 | 0.00 | 2 | 0.04 | 0 | 0.00 | 57 | 1 |
| ASIA | 9 | 0.12 | 49 | 0.67 | 8 | 0.11 | 7 | 0.10 | 73 | 1 |
| EUROPE | 0 | 0.00 | 7 | 0.09 | 72 | 0.91 | 0 | 0.00 | 79 | 1 |
| MEA | 2 | 0.01 | 8 | 0.05 | 26 | 0.18 | 111 | 0.76 | 147 | 1 |

Source: Claessens and Van Horen, 2012.

Note: Countries are grouped in four geographical regions, irrespective of the income level of the countries. Unites States, Canada, with all countries in Latin America and the Caribbean include in “America”. *Asia* includes all countries in East, Central, and South Asia, Japan, Australia, and New Zealand comes in pacific countries. *Europe* includes all Western and Eastern European countries. *MEA* includes all countries in the Middle East and North and Sub-Saharan Africa.

TABLE-7.4, DESCRIPTIVE STATISTICS FOR THE SHARE OF ASSETS HELD BY FOREIGN BANKS ACROSS REGIONS, 2005

| Region | Minimum | Median | Maximum | Coefficient of variation |
|----------------------------|-----------------------|--------|-----------------------------------|--------------------------|
| | % | % | % | |
| | countries | | countries | |
| East Asia & Pacific | 0.0 | 15.6 | 44.3 | 1.0 |
| | Vietnam | | Korea, Rep. | |
| East Europe & Central Asia | 1.2 | 59.6 | 99.8 | 0.6 |
| | Uzbekistan | | Estonia | |
| Latin America & Caribbean | 0.0 | 30.7 | 95.3 | 0.8 |
| | Cuba, Guatemala | | Peru | |
| Middle East & North Africa | 0.0 | 10.7 | 34.0 | 1.1 |
| | Iran, Libya, Yemen | | Lebanon | |
| South Asia | 0.0 | 5.1 | 22.8 | 1.3 |
| | Bangladesh, Sri Lanka | | Pakistan | |
| Sub-Saharan Africa | 0.0 | 50.8 | 100.0 | 0.6 |
| | Ethiopia | | Madagascar, Mozambique, Swaziland | |

Source: Claessens et al. (2008a).

This table shows the minimum, median, maximum and coefficient of variation (standard deviation divided by the mean) of the share of assets held by foreign Banks in each region. The countries with the minimum and maximum share in each region are also reported.

TABLE-7.5, FOREIGN DIRECT INVESTMENT, NET (BOP*, CURRENT US\$)

| Country Name | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| World | | | | | |
| Afghanistan | -87,276,201.00 | -213,670,260.00 | -75,649,209.00 | | |
| Albania | -874,269,998.89 | -951,522,038.61 | -1,043,377,669.51 | -997,090,695.04 | -936,691,048.91 |
| Algeria | -2,276,000,000.00 | -2,546,000,000.00 | -2,044,000,000.00 | -2,027,471,932.85 | |
| American Samoa | | | | | |
| Andorra | | | | | |
| Angola | 890,672,963.88 | -2,198,545,055.42 | 4,567,640,566.41 | 5,116,413,413.76 | 9,638,709,259.42 |
| Antigua and Barbuda | -158,783,774.44 | -80,646,652.59 | -96,679,207.78 | -65,160,596.30 | -70,860,057.41 |
| Argentina | -8,334,630,000.00 | -3,305,612,521.14 | -6,880,957,946.04 | -9,231,930,944.68 | -11,232,329,169.04 |
| Armenia | -925,224,598.78 | -724,779,397.41 | -561,810,000.00 | -447,457,524.53 | -473,273,916.74 |
| Aruba | -12,031,526.29 | 33,155,896.40 | -155,612,571.46 | -464,713,917.03 | 142,796,611.32 |
| Australia | -10,400,416,167.05 | -11,617,642,412.00 | -7,273,555,243.74 | -50,354,366,688.91 | -40,155,360,275.44 |
| Austria | 22,934,098,025.20 | 385,247,229.55 | 9,970,598,353.08 | 14,923,397,823.16 | 12,289,609,228.63 |
| Azerbaijan | 540,824,000.00 | -147,181,000.00 | -331,155,000.00 | -932,582,000.00 | -812,407,000.00 |
| Bahamas, The | -860,156,197.03 | -663,960,000.00 | -871,970,000.00 | -594,982,000.00 | -360,217,300.00 |
| Bahrain | -173,519,631.14 | -2,048,638,923.12 | 178,271,544.02 | 112,765,957.45 | |
| Bangladesh | -1,009,623,163.99 | -713,383,102.55 | -916,648,540.95 | -1,134,654,833.83 | -1,177,356,014.65 |
| Barbados | -468,273,111.74 | -352,359,730.93 | -329,023,165.80 | | |
| Belarus | -2,157,300,000.00 | -1,774,200,000.00 | -1,342,800,000.00 | -3,876,900,000.00 | -1,308,100,000.00 |
| Belgium | 28,771,398,067.95 | -55,207,149,200.50 | -44,489,460,166.02 | -20,675,959,561.49 | 16,309,420,384.93 |
| Belize | -166,910,700.12 | -108,378,835.98 | -95,328,799.77 | -94,715,507.95 | -193,325,682.26 |
| Benin | -173,827,794.63 | -103,099,138.95 | -194,717,291.13 | | |
| Bermuda | 151,362,971.85 | 81,724,155.04 | -236,611,007.85 | -443,986,729.38 | |
| Bhutan | -3,097,097.25 | -6,544,516.79 | -18,990,259.63 | -16,402,330.97 | |
| Bolivia | -509,335,605.24 | -420,040,000.00 | -650,803,350.55 | -858,666,303.67 | -1,059,965,390.78 |
| Bosnia and Herzegovina | -965,405,030.76 | -231,998,611.54 | -248,079,122.21 | -375,883,098.02 | -596,307,427.80 |
| Botswana | -612,317,194.65 | -123,017,966.64 | 7,403,447.93 | -424,192,583.85 | -302,592,364.22 |
| Brazil | -24,601,090,273.61 | -36,032,806,300.00 | -36,918,923,577.01 | -67,689,141,256.44 | -68,093,253,944.59 |
| Brunei Darussalam | -222,184,549.49 | -325,586,827.79 | | | |
| Bulgaria | -9,179,244,609.96 | -3,535,417,639.08 | -1,285,676,036.49 | -1,619,005,648.67 | -1,669,004,092.71 |
| Burkina Faso | -103,839,781.74 | -71,077,878.92 | -38,150,366.72 | | |
| Burundi | -3,251,690.82 | -348,404.53 | -780,582.00 | -3,354,999.18 | -604,919.65 |
| Cambodia | -794,691,393.09 | -520,240,211.58 | -762,016,659.17 | -872,503,568.78 | -1,526,571,671.94 |
| Cameroon | -23,117,191.84 | -809,089,563.76 | -35,250,979.23 | | |
| Canada | 18,567,341,650.28 | 16,775,357,301.47 | 6,623,329,810.24 | 11,774,674,034.14 | 12,525,974,000.37 |
| Cape Verde | -213,833,531.95 | -125,193,356.87 | -116,171,216.77 | -100,816,372.48 | -70,088,055.63 |
| Cayman Islands | | | | | |
| Central African Republic | | | | | |

TABLE-7.5, FOREIGN DIRECT INVESTMENT, NET (BOP, CURRENT US\$) CONTINUE.,

| | | | | | |
|--------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
| Chad | | | | | |
| Channel Islands | | | | | |
| Chile | -7,108,656,693.62 | -5,654,421,897.64 | -5,912,443,086.12 | -2,557,416,719.13 | -9,232,973,456.46 |
| China | -114,792,373,681.87 | -87,167,067,369.50 | -185,749,835,191.82 | -231,651,578,090.29 | -191,125,044,577.38 |
| Colombia | -8,110,367,665.28 | -3,789,302,782.03 | 139,413,677.46 | -5,099,203,003.03 | -15,915,107,194.19 |
| Comoros | | | | | |
| Congo, Dem. Rep. | | | | | |
| Congo, Rep. | | | | | |
| Costa Rica | -2,072,325,085.00 | -1,339,038,362.00 | -1,440,854,971.29 | -2,097,789,751.50 | -1,859,355,396.40 |
| Cote d'Ivoire | -446,147,780.69 | -386,590,290.10 | -314,068,409.15 | | |
| Croatia | -4,714,246,809.35 | -2,047,019,331.14 | -601,103,957.49 | -1,527,990,109.08 | -1,521,022,949.28 |
| Cuba | | | | | |
| Curacao | | | | | |
| Cyprus | 1,311,920,630.48 | -3,128,161,543.73 | -114,390,836.58 | -85,714,313.70 | -1,586,128,665.50 |
| Czech Republic | -2,257,630,026.92 | -1,951,524,219.50 | -4,918,389,086.24 | -2,592,542,447.91 | -9,243,781,083.48 |
| Denmark | 12,133,094,650.27 | 1,942,771,756.86 | 11,520,015,740.55 | 407,042,825.37 | 4,160,376,104.99 |
| Djibouti | -227,654,582.18 | -96,859,684.56 | -36,501,032.52 | -79,000,230.70 | |
| Dominica | -56,548,262.96 | -42,420,685.56 | -24,341,705.19 | -14,192,972.59 | -19,647,797.78 |
| Dominican Republic | -2,870,000,000.00 | -2,165,400,000.00 | -2,297,800,000.00 | -2,371,100,000.00 | |
| Ecuador | -1,006,330,020.15 | -321,451,890.11 | -166,684,320.36 | -640,736,358.69 | |
| Egypt, Arab Rep. | -7,574,400,000.00 | -6,140,400,000.00 | -5,210,100,000.00 | 1,108,200,000.00 | -2,586,600,000.00 |
| El Salvador | -823,620,000.00 | -365,770,000.00 | -102,470,381.97 | -420,052,566.49 | -515,837,451.57 |
| Equatorial Guinea | | | | | |
| Eritrea | | | | | |
| Estonia | -618,602,267.52 | -335,670,841.78 | -1,461,781,712.11 | -1,832,123,815.50 | -557,230,213.36 |
| Ethiopia | -108,537,543.97 | -221,459,581.36 | -288,271,568.25 | -626,509,560.35 | |
| Faeroe Islands | | | | | |
| Fiji | -359,066,768.37 | -131,651,611.09 | -190,357,290.61 | | |
| Finland | 10,734,694,525.03 | 4,918,606,625.81 | 2,766,072,020.09 | 2,204,538,105.58 | 6,402,174,411.87 |
| France | 93,405,415,626.71 | 82,186,214,332.78 | 30,329,499,590.61 | 22,092,550,634.83 | 11,692,483,209.31 |
| French Polynesia | 16,084,071.62 | -14,049,750.89 | -26,500,373.14 | -97,077,221.49 | |
| Gabon | | | | | |
| Gambia, The | -78,614,989.73 | -39,447,343.71 | -37,366,207.68 | -36,178,721.37 | -33,524,673.52 |
| Georgia | -1,417,698,994.94 | -677,421,222.92 | -678,689,482.17 | -901,617,091.61 | -602,832,761.48 |
| Germany | 68,359,437,161.70 | 45,505,510,083.06 | 65,021,648,381.18 | 2,761,761,952.19 | 60,445,461,151.01 |
| Ghana | -2,714,916,343.70 | -2,365,640,000.00 | -2,527,350,000.00 | -3,196,890,000.00 | |
| Greece | -2,527,382,308.00 | -322,362,264.53 | 1,163,638,116.92 | 725,543,592.91 | -2,906,522,266.21 |
| Greenland | | | | | |
| Grenada | -134,832,583.33 | -102,556,362.96 | -60,420,861.11 | -42,648,183.70 | -30,231,435.56 |

TABLE-7.5, FOREIGN DIRECT INVESTMENT, NET (BOP, CURRENT US\$) CONTINUE.,

| | | | | | |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Guam | | | | | |
| Guatemala | -737,400,000.00 | -573,700,000.00 | -857,600,000.00 | -1,008,906,000.00 | -1,164,180,000.00 |
| Guinea | -318,240,000.00 | -140,850,000.00 | -101,350,000.00 | -955,240,000.00 | |
| Guinea-Bissau | -5,969,112.61 | -17,550,276.58 | -27,709,745.06 | | |
| Guyana | -178,000,000.00 | -164,000,000.00 | -198,000,000.00 | -246,800,000.00 | -276,124,000.00 |
| Haiti | -29,800,000.00 | -37,950,000.00 | -150,000,000.00 | -181,000,000.00 | -178,750,000.00 |
| Honduras | -1,007,343,558.62 | -505,263,098.49 | -848,036,239.75 | -996,693,901.00 | -1,052,154,618.00 |
| Hong Kong SAR, China | -9,956,594,156.08 | 3,667,674,306.65 | 15,721,643,054.24 | -229,107,860.41 | 9,407,276,849.21 |
| Hungary | -1,794,566,702.78 | -793,976,714.55 | -3,916,707,635.12 | -1,280,600,016.84 | -2,693,899,963.97 |
| Iceland | -4,997,978,607.06 | 2,208,721,325.73 | -2,738,257,349.66 | -1,077,468,806.27 | -3,912,555,548.83 |
| India | -24,149,749,829.71 | -19,485,789,182.69 | -11,013,000,000.00 | -17,354,000,000.00 | |
| Indonesia | -3,418,723,398.71 | -2,628,247,482.67 | -11,106,333,134.54 | -11,528,394,761.90 | -14,309,235,969.50 |
| Iran, Islamic Rep. | | | | | |
| Iraq | -1,822,100,000.00 | -1,526,400,000.00 | -1,271,300,000.00 | -1,716,000,000.00 | -2,910,000,000.00 |
| Ireland | 34,905,390,727.64 | 545,425,983.91 | -20,931,725,589.10 | -16,189,554,448.06 | -9,136,529,408.89 |
| Isle of Man | | | | | |
| Israel | -3,664,600,000.00 | -2,743,500,000.00 | 3,578,500,000.00 | -5,436,100,000.00 | -7,128,600,000.00 |
| Italy | 78,981,075,037.05 | 3,170,135,157.17 | 22,996,226,856.18 | 19,519,215,398.33 | 20,814,214,819.56 |
| Jamaica | -1,360,725,410.79 | -479,765,232.86 | -169,451,029.96 | -143,677,170.75 | -252,944,874.13 |
| Japan | 106,266,213,015.02 | 62,789,737,719.78 | 58,581,222,690.97 | 110,514,105,381.22 | 120,615,791,557.84 |
| Jordan | -2,813,926,351.94 | -2,340,704,225.35 | -1,622,394,366.20 | -1,442,676,056.34 | -1,491,971,830.99 |
| Kazakhstan | -13,117,906,080.00 | -10,083,300,957.01 | -3,665,239,041.08 | -9,272,752,094.50 | -12,440,328,354.13 |
| Kenya | -51,819,059.31 | -70,269,794.39 | -176,486,731.87 | -325,817,353.11 | |
| Kiribati | | | | | |
| Korea, Dem. Rep. | | | | | |
| Korea, Rep. | 16,940,500,000.00 | 14,948,000,000.00 | 22,184,300,000.00 | 16,410,000,000.00 | 18,628,100,000.00 |
| Kosovo | -500,230,651.82 | -393,488,927.40 | -454,181,771.52 | -539,305,295.29 | -272,977,856.14 |
| Kuwait | 9,096,510,276.51 | 7,468,230,975.34 | 1,074,578,704.59 | 8,039,550,406.52 | 5,710,219,139.42 |
| Kyrgyz Republic | -377,120,091.40 | -189,644,600.00 | -437,610,900.00 | -693,589,500.00 | -372,141,300.00 |
| Lao PDR | -227,770,000.00 | -318,598,209.09 | -278,805,903.12 | -300,743,507.13 | |
| Latvia | -1,092,000,000.00 | -150,200,000.00 | -351,200,000.00 | -1,395,400,000.00 | -796,300,000.00 |
| Lebanon | -3,346,465,470.38 | -3,677,830,198.76 | -3,793,230,221.93 | -2,731,387,287.05 | |
| Lesotho | -113,762,266.21 | -101,808,258.92 | -115,927,436.89 | -136,069,926.10 | |
| Liberia | -394,536,077.41 | -217,803,415.74 | -452,342,327.62 | -1,312,748,380.14 | |
| Libya | 1,776,900,000.00 | -206,000,000.00 | 938,000,000.00 | 56,900,000.00 | |
| Liechtenstein | | | | | |
| Lithuania | -1,637,511,213.17 | 233,702,932.10 | -805,422,840.06 | -1,053,197,897.09 | -425,560,872.12 |
| Luxembourg | 27,735,834,273.25 | 24,188,315,122.77 | -18,885,138,448.27 | -41,465,611,730.59 | -21,513,575,591.55 |
| Macao SAR, China | -3,138,030,558.37 | -186,383,666.24 | -3,931,201,354.62 | -1,484,518,548.93 | |

TABLE-7.5, FOREIGN DIRECT INVESTMENT, NET (BoP, CURRENT US\$) CONTINUE

| | | | | | |
|--------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
| Macedonia, FYR | -600,501,725.13 | -185,527,828.15 | -209,063,090.10 | -463,364,442.62 | -140,066,689.18 |
| Madagascar | | | | | |
| Malawi | -176,874,037.60 | -50,460,877.98 | -54,710,016.04 | -82,806,903.14 | |
| Malaysia | 7,827,500,376.05 | 6,626,128,851.69 | 4,464,001,483.36 | 2,989,026,889.33 | 7,147,825,588.18 |
| Maldives | -181,255,431.77 | -157,963,586.77 | -216,468,945.68 | -256,462,914.96 | -283,976,829.77 |
| Mali | -179,676,319.12 | -749,367,372.43 | -398,496,177.70 | | |
| Malta | -474,523,616.94 | -259,855,165.20 | -767,698,474.78 | -244,845,331.63 | -47,792,851.81 |
| Marshall Islands | | | | | |
| Mauritania | | | | | |
| Mauritius | -325,298,218.48 | -218,842,081.51 | -13,843,292,553.23 | 1,079,516,520.02 | 600,533,078.29 |
| Mexico | -26,488,554,870.00 | -8,046,605,115.00 | -6,819,258,036.00 | -9,464,705,175.00 | 11,871,896,220.00 |
| Micronesia, Fed. Sts. | | | | | |
| Moldova | -695,380,000.00 | -138,570,000.00 | -193,900,000.00 | -260,450,000.00 | -139,430,000.00 |
| Monaco | | | | | |
| Mongolia | -838,455,402.71 | -569,803,703.98 | -1,629,695,679.22 | -4,620,100,550.97 | -4,407,767,452.73 |
| Montenegro | -864,854,806.73 | -1,503,532,215.13 | -731,284,343.00 | -538,285,643.88 | -580,186,431.69 |
| Morocco | -2,150,359,074.57 | -1,491,300,236.01 | -660,648,391.08 | -2,273,342,436.68 | -2,482,392,469.60 |
| Mozambique | -591,603,229.51 | -889,668,592.71 | -1,018,690,512.64 | -2,659,423,915.31 | -5,229,047,812.75 |
| Myanmar | -863,880,447.31 | -1,078,972,200.98 | -901,133,534.88 | -1,000,557,266.04 | |
| Namibia | -742,612,010.45 | -562,650,517.51 | -712,262,968.63 | -948,833,834.73 | |
| Nepal | -995,123.93 | -38,176,181.11 | -87,799,641.89 | -94,022,274.70 | -91,996,289.68 |
| Netherlands | 57,553,390,330.14 | -5,984,846,494.34 | 77,022,197,773.51 | 24,120,337,304.49 | 473,892,374.41 |
| New Caledonia | -1,682,638,467.58 | -1,123,991,097.79 | -1,786,574,689.01 | -1,704,102,581.28 | |
| New Zealand | -3,930,113,081.41 | -593,955,184.55 | 9,034,716.98 | -1,767,217,125.19 | -3,204,383,218.35 |
| Nicaragua | -626,100,000.00 | -434,200,000.00 | -508,000,000.00 | -967,900,000.00 | -810,000,000.00 |
| Niger | -316,054,798.92 | -725,889,350.69 | -1,000,054,471.39 | | |
| Nigeria | -7,145,016,212.09 | -7,029,701,167.90 | -5,133,465,521.39 | -8,025,110,602.20 | -5,564,172,195.35 |
| Northern Mariana Islands | | | | | |
| Norway | 13,304,040,507.73 | 18,034,504,909.57 | 6,292,096,611.61 | 7,168,628,477.87 | 10,336,148,443.36 |
| Oman | -2,367,490,247.07 | -1,400,000,000.00 | -130,039,011.70 | -215,864,759.43 | -143,042,912.87 |
| Pakistan | -5,389,000,000.00 | -2,267,000,000.00 | -1,971,000,000.00 | -1,246,770,000.00 | -766,680,000.00 |
| Palau | | | | | |
| Panama | -2,196,200,000.00 | -1,259,300,000.00 | -2,362,500,000.00 | -2,755,000,000.00 | -3,019,800,000.00 |
| Papua New Guinea | 30,591,591.76 | -418,816,685.88 | -28,720,688.24 | | |
| Paraguay | -208,700,000.00 | -94,700,000.00 | -227,700,000.00 | -245,666,666.67 | -270,800,000.00 |
| Peru | -6,187,851,654.63 | -6,019,939,960.91 | -8,188,742,277.91 | -8,119,297,978.88 | |
| Philippines | -1,285,000,000.00 | -1,604,000,000.00 | -682,000,000.00 | -1,277,000,000.00 | -952,000,000.00 |
| Poland | -10,365,000,000.00 | -8,460,000,000.00 | -6,861,000,000.00 | -11,552,000,000.00 | -3,604,000,000.00 |
| Portugal | -1,906,802,943.36 | -1,935,661,636.52 | -9,962,592,947.78 | 3,646,376,847.26 | -6,939,732,361.97 |

TABLE-7.5, FOREIGN DIRECT INVESTMENT, NET (BoP, CURRENT US\$) CONTINUE

| | | | | | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Puerto Rico | | | | | |
| Qatar | | | | 6,114,324,725.27 | 1,513,076,923.08 |
| Romania | -13,606,000,000.00 | -4,934,000,000.00 | -2,963,000,000.00 | -2,557,000,000.00 | -1,905,000,000.00 |
| Russian Federation | -19,120,300,000.00 | 6,697,500,000.00 | 9,448,500,000.00 | 11,767,100,000.00 | -2,516,000,000.00 |
| Rwanda | -103,346,051.88 | -118,670,000.00 | -42,332,000.00 | -106,210,000.00 | -159,814,904.84 |
| Samoa | -45,899,093.79 | -2,034,681.37 | -5,337,187.86 | -24,499,634.68 | |
| San Marino | | | | | |
| Sao Tome and Principe | -79,048,800.06 | -15,349,708.02 | -50,544,775.60 | -31,855,092.12 | -22,182,552.65 |
| Saudi Arabia | -35,958,243,929.33 | -34,280,396,666.67 | -25,325,858,000.00 | -12,878,361,333.33 | -7,780,825,000.00 |
| Senegal | -271,367,962.95 | -242,910,483.10 | -263,880,604.81 | | |
| Serbia | -2,714,476,536.61 | -1,880,754,975.38 | -1,151,815,648.65 | -2,532,729,956.73 | -301,933,267.57 |
| Seychelles | -116,881,484.55 | -113,087,341.38 | -153,675,290.51 | -136,777,198.08 | |
| Sierra Leone | -57,623,740.47 | -110,845,502.47 | -238,437,429.33 | -714,974,887.73 | |
| Singapore | -5,387,809,048.36 | -888,406,276.03 | -28,281,455,314.42 | -29,673,331,057.43 | -33,570,856,095.09 |
| Sint Maarten (Dutch part) | | | | | |
| Slovak Republic | -2,979,922,569.56 | 441,861,701.70 | -876,896,849.76 | -1,597,851,682.39 | -2,937,346,747.02 |
| Slovenia | -431,278,193.47 | 901,916,249.29 | -567,879,774.66 | -897,272,004.40 | -240,865,770.66 |
| Solomon Islands | -91,144,003.08 | -116,753,322.28 | -235,608,044.59 | -140,957,746.63 | |
| Somalia | | | | | |
| South Africa | -11,764,417,771.61 | -4,042,389,083.36 | -1,385,573,670.27 | -6,042,705,282.41 | -353,439,926.06 |
| South Sudan | | | | | |
| Spain | -3,926,329,889.16 | 2,378,551,232.48 | -3,280,994,807.87 | 10,145,188,076.66 | -31,426,935,831.33 |
| Sri Lanka | -690,500,000.00 | -384,000,000.00 | -435,059,000.00 | -895,920,000.00 | |
| St. Kitts and Nevis | -177,906,026.67 | -130,750,839.26 | -116,268,480.00 | -109,632,707.04 | -100,443,035.56 |
| St. Lucia | -161,210,706.30 | -146,397,591.11 | -121,296,972.59 | -96,848,043.70 | -106,921,100.74 |
| St. Martin (French part) | | | | | |
| St. Vincent and the Grenadines | -159,243,360.00 | -110,221,666.30 | -97,218,108.89 | -85,623,860.37 | -125,325,930.74 |
| Sudan | -6,704,912,323.03 | -5,566,468,221.93 | -6,114,042,610.63 | -2,615,777,721.72 | -2,487,568,923.76 |
| Suriname | 231,400,000.00 | 93,400,000.00 | 247,700,000.00 | -72,895,402.67 | -69,287,407.76 |
| Swaziland | -113,670,312.38 | -58,689,385.68 | -131,753,961.99 | | |
| Sweden | -6,843,496,190.95 | 16,416,196,636.84 | 21,110,030,892.45 | 18,348,983,556.52 | 16,991,445,228.25 |
| Switzerland | 27,583,648,234.97 | -2,754,790,739.11 | 46,170,552,187.39 | 35,000,675,718.72 | 39,812,665,156.75 |
| Syrian Arab Republic | -1,465,623,386.28 | -2,569,548,271.53 | -1,469,196,863.48 | | |
| Tajikistan | -375,787,400.00 | -15,819,400.00 | 14,727,100.00 | -11,142,170.00 | |
| Tanzania | -1,383,260,000.00 | -952,630,000.00 | -1,840,053,811.54 | -1,229,403,284.59 | -1,706,946,137.43 |
| Thailand | -4,445,056,066.12 | -683,125,957.09 | -4,487,865,221.19 | 459,882,613.95 | 4,855,807,645.11 |
| Timor-Leste | -39,697,970.75 | -49,930,822.91 | -28,515,977.97 | -47,074,658.30 | |
| Togo | -39,820,881.46 | -11,113,833.89 | -48,641,465.18 | | |
| Tonga | -4,166,115.95 | 36,248.77 | | | |

TABLE-7.5, FOREIGN DIRECT INVESTMENT, NET (BOP, CURRENT US\$) CONTINUE.,

| | | | | | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Trinidad and Tobago | -2,100,800,000.00 | -709,100,000.00 | -549,400,000.00 | -155,700,000.00 | |
| Tunisia | -2,600,674,976.50 | -1,525,244,857.53 | -1,334,497,694.56 | -432,666,011.58 | -1,554,269,128.78 |
| Turkey | -17,211,000,000.00 | -7,110,000,000.00 | -7,572,000,000.00 | -13,698,000,000.00 | -8,483,000,000.00 |
| Turkmenistan | | | | | |
| Turks and Caicos Islands | | | | | |
| Tuvalu | | | | | |
| Uganda | -728,860,900.65 | -841,570,802.75 | -539,747,540.70 | -895,293,858.00 | -1,721,169,095.22 |
| Ukraine | -9,903,000,000.00 | -4,654,000,000.00 | -5,759,000,000.00 | -7,015,000,000.00 | -6,627,000,000.00 |
| United Arab Emirates | | | | | |
| United Kingdom | 69,639,832,014.01 | -30,059,868,961.48 | -23,245,497,432.18 | 55,905,425,381.38 | 13,996,059,684.35 |
| United States | 18,990,000,000.00 | 159,938,000,000.00 | 95,231,000,000.00 | 178,782,000,000.00 | 221,879,000,000.00 |
| Uruguay | -2,116,600,570.64 | -1,512,181,816.43 | -2,348,781,860.80 | -2,543,749,363.27 | -2,718,407,964.54 |
| Uzbekistan | | | | | |
| Vanuatu | -37,208,624.30 | -32,090,449.59 | -41,745,401.07 | -58,358,476.94 | |
| Venezuela, RB | -143,000,000.00 | 4,405,000,000.00 | -73,000,000.00 | -4,919,000,000.00 | -756,000,000.00 |
| Vietnam | -9,279,000,000.00 | -6,900,000,000.00 | -7,100,000,000.00 | -6,480,000,000.00 | -7,168,000,000.00 |
| Virgin Islands (U.S.) | | | | | |
| West Bank and Gaza | -59,786,039.23 | -315,821,408.35 | -103,364,611.90 | -606,079,157.53 | |
| Yemen, Rep. | -1,554,624,167.88 | -129,193,634.16 | 93,325,353.29 | 712,813,328.95 | |
| Zambia | -938,600,000.00 | -425,601,000.00 | -633,900,000.00 | -1,106,300,000.00 | -889,200,000.00 |
| Zimbabwe | | | | | |

Source: World Bank Report, 2013

BOP*=Balance of Payment

TABLE-7.6, NUMBER OF BANKS BY HOST COUNTRY, AGGREGATES BY INCOME LEVEL AND REGION

| | | 1995 | | 2000 | | 2005 | | 2009 | |
|--|----------|--------|-------|--------|-------|--------|-------|--------|-------|
| | | Number | Share | Number | Share | Number | Share | Number | Share |
| All countries | | | | | | | | | |
| | Domestic | 3,120 | 0.80 | 2,993 | 0.74 | 2,805 | 0.70 | 2,576 | 0.66 |
| | Foreign | 774 | 0.20 | 1,058 | 0.26 | 1,175 | 0.30 | 1,334 | 0.34 |
| | Total | 3,894 | 1 | 4,051 | 1 | 3,980 | 1 | 3,910 | 1 |
| Income groups | | | | | | | | | |
| <i>OECD</i> | | | | | | | | | |
| | Domestic | 1,044 | 0.81 | 1,070 | 0.79 | 1,087 | 0.78 | 1,054 | 0.76 |
| | Foreign | 237 | 0.19 | 280 | 0.21 | 315 | 0.22 | 332 | 0.24 |
| | Total | 1,281 | 1 | 1,350 | 1 | 1,402 | 1 | 1,386 | 1 |
| <i>Other high-income</i> | | | | | | | | | |
| | Domestic | 73 | 0.70 | 67 | 0.66 | 61 | 0.59 | 63 | 0.59 |
| | Foreign | 32 | 0.30 | 34 | 0.34 | 42 | 0.41 | 44 | 0.41 |
| | Total | 105 | 1 | 101 | 1 | 103 | 1 | 107 | 1 |
| <i>Emerging markets</i> | | | | | | | | | |
| | Domestic | 1,456 | 0.82 | 1,293 | 0.73 | 1,143 | 0.70 | 1,001 | 0.64 |
| | Foreign | 330 | 0.18 | 473 | 0.27 | 488 | 0.30 | 569 | 0.36 |
| | Total | 1,786 | 1 | 1,766 | 1 | 1,631 | 1 | 1,570 | 1 |
| <i>Developing countries</i> | | | | | | | | | |
| | Domestic | 547 | 0.76 | 563 | 0.68 | 514 | 0.61 | 458 | 0.54 |
| | Foreign | 175 | 0.24 | 271 | 0.32 | 330 | 0.39 | 389 | 0.46 |
| | Total | 722 | 1 | 834 | 1 | 844 | 1 | 847 | 1 |
| Region | | | | | | | | | |
| <i>East Asia and Pacific</i> | | | | | | | | | |
| | Domestic | 254 | 0.82 | 272 | 0.81 | 289 | 0.81 | 282 | 0.75 |
| | Foreign | 57 | 0.18 | 64 | 0.19 | 69 | 0.19 | 95 | 0.25 |
| | Total | 311 | 1 | 336 | 1 | 358 | 1 | 377 | 1 |
| <i>Eastern Europe and Central Asia</i> | | | | | | | | | |
| | Domestic | 664 | 0.85 | 602 | 0.72 | 500 | 0.61 | 418 | 0.53 |
| | Foreign | 114 | 0.15 | 234 | 0.28 | 317 | 0.39 | 371 | 0.47 |
| | Total | 778 | 1 | 836 | 1 | 817 | 1 | 789 | 1 |
| <i>Latin America and Caribbean</i> | | | | | | | | | |
| | Domestic | 596 | 0.75 | 479 | 0.65 | 395 | 0.65 | 367 | 0.61 |
| | Foreign | 198 | 0.25 | 256 | 0.35 | 217 | 0.35 | 232 | 0.39 |
| | Total | 794 | 1 | 735 | 1 | 612 | 1 | 599 | 1 |
| <i>Middle East and North Africa</i> | | | | | | | | | |
| | Domestic | 143 | 0.82 | 131 | 0.77 | 116 | 0.71 | 101 | 0.64 |
| | Foreign | 32 | 0.18 | 40 | 0.23 | 48 | 0.29 | 57 | 0.36 |
| | Total | 175 | 1 | 171 | 1 | 164 | 1 | 158 | 1 |
| <i>South Asia</i> | | | | | | | | | |
| | Domestic | 133 | 0.93 | 143 | 0.91 | 148 | 0.91 | 139 | 0.86 |
| | Foreign | 10 | 0.07 | 15 | 0.09 | 15 | 0.09 | 22 | 0.14 |
| | Total | 143 | 1 | 158 | 1 | 163 | 1 | 161 | 1 |
| <i>Sub Saharan Africa</i> | | | | | | | | | |
| | Domestic | 213 | 0.69 | 229 | 0.63 | 209 | 0.58 | 152 | 0.46 |
| | Foreign | 94 | 0.31 | 135 | 0.37 | 152 | 0.42 | 181 | 0.54 |
| | Total | 307 | 1 | 364 | 1 | 361 | 1 | 333 | 1 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: The regions represent the regional classification as used by the World Bank.

TABLE-7.7, NUMBER OF FOREIGN BANKS BY HOME COUNTRY, AGGREGATES BY INCOME LEVEL AND REGION

| | 1995 | 2000 | 2005 | 2009 |
|---|------|-------|-------|-------|
| <i>All countries</i> | 774 | 1,058 | 1,175 | 1,334 |
| <i>Income groups</i> | | | | |
| <i>OECD</i> | 550 | 738 | 813 | 884 |
| <i>of which:</i> | | | | |
| <i>Western Europe</i> | 389 | 539 | 625 | 686 |
| <i>North America</i> | 123 | 162 | 153 | 159 |
| <i>Japan, Australia and New Zealand</i> | 38 | 37 | 35 | 39 |
| <i>Other high-income</i> | 33 | 47 | 52 | 71 |
| <i>Emerging markets</i> | 147 | 201 | 225 | 279 |
| <i>Developing countries</i> | 38 | 56 | 67 | 77 |
| <i>Region</i> | | | | |
| <i>East Asia and Pacific</i> | 39 | 57 | 58 | 71 |
| <i>Eastern Europe and Central Asia</i> | 25 | 55 | 69 | 85 |
| <i>Latin America and Caribbean</i> | 64 | 76 | 65 | 62 |
| <i>Middle East and North Africa</i> | 38 | 53 | 64 | 89 |
| <i>South Asia</i> | 12 | 13 | 15 | 17 |
| <i>Sub Saharan Africa</i> | 29 | 37 | 57 | 81 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: The regions represent the regional classification as used by the World Bank. The sum of foreign banks does not completely correspond with the total number of foreign banks in Table. This discrepancy is caused by the fact that when a foreign bank is owned by an international investor, no home country has been assigned. In addition, for some foreign owned banks, no home country could be determined. Therefore those banks could not be categorized in an income group or region.

TABLE-7.8, NUMBER AND SHARE OF FOREIGN BANKS FROM HOME REGIONS TO HOST REGIONS, 1995 AND 2009

| Number and share of foreign banks from home country present in host country | 1995 | | | | | | | | | |
|---|--------------------|-------|------|-------|-----|-------|-----|-------|-------|-------|
| | <i>Host region</i> | | | | | | | | Total | |
| | AMERICA | | ASIA | | EUR | | MEA | | | |
| | Nr. | Share | Nr. | Share | Nr. | Share | Nr. | Share | Nr. | Share |
| <i>Home region</i> | | | | | | | | | | |
| AMERICA | 118 | 0.63 | 19 | 0.10 | 40 | 0.21 | 10 | 0.05 | 187 | 1 |
| ASIA | 15 | 0.17 | 50 | 0.56 | 15 | 0.17 | 9 | 0.10 | 89 | 1 |
| EUR | 92 | 0.22 | 38 | 0.09 | 235 | 0.55 | 60 | 0.14 | 425 | 1 |
| MEA | 2 | 0.03 | 4 | 0.06 | 15 | 0.22 | 46 | 0.69 | 67 | 1 |

| Number and share of foreign banks from home country present in host country | 2009 | | | | | | | | | |
|---|--------------------|-------|------|-------|-----|-------|-----|-------|-------|-------|
| | <i>Host region</i> | | | | | | | | Total | |
| | AMERICA | | ASIA | | EUR | | MEA | | | |
| | Nr. | Share | Nr. | Share | Nr. | Share | Nr. | Share | Nr. | Share |
| <i>Home region</i> | | | | | | | | | | |
| AMERICA | 127 | 0.57 | 25 | 0.11 | 56 | 0.25 | 13 | 0.06 | 221 | 1 |
| ASIA | 22 | 0.17 | 86 | 0.65 | 18 | 0.14 | 7 | 0.05 | 133 | 1 |
| EUR | 121 | 0.15 | 60 | 0.08 | 522 | 0.66 | 84 | 0.11 | 787 | 1 |
| MEA | 4 | 0.02 | 12 | 0.07 | 33 | 0.19 | 121 | 0.71 | 170 | 1 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: Countries are grouped in four geographical regions irrespective of the income level of the countries. We include United States, Canada, and all countries in Latin American and the Caribbean in "America", "Asia" includes all countries in East, Central, and South Asia and the Pacific covers Australia, Japan and New Zealand. In "Europe" we include all Western and Eastern European countries "MEA" includes all countries in the Middle East and North and Sub-Saharan Africa.

TABLE-7.9, IMPORTANCE FOREIGN BANKS IN LOCAL BANKING SYSTEM 2007

Country-based figures are the simple average of the countries within a group ($(1/n)\sum_i[\text{FBi}/(\text{DBi}+\text{FBi})]$ for country i), whereas group-based figures are obtained from $\sum_i\text{FBi}/(\sum_i\text{DBi}+\sum_i\text{FBi})$ for country i within a group. FB and DB represent foreign bank and domestic bank respectively.

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

| | <i>Group-based</i> | | | <i>Country-based</i> | | |
|-----------------------------|--|--------------------------------------|--|--|--------------------------------------|--|
| | Foreign bank loans in total bank loans | bank deposits in total bank deposits | Foreign bank profits in total bank profits | Foreign bank loans in total bank loans | bank deposits in total bank deposits | Foreign bank profits in total bank profits |
| <i>All countries</i> | 0.12 | 0.11 | 0.15 | 0.41 | 0.40 | 0.42 |
| <i>Income groups</i> | | | | | | |
| <i>OECD</i> | 0.10 | 0.08 | 0.11 | 0.21 | 0.20 | 0.22 |
| <i>Other high-income</i> | 0.46 | 0.59 | 0.62 | 0.26 | 0.25 | 0.30 |
| <i>Emerging markets</i> | 0.17 | 0.15 | 0.19 | 0.44 | 0.42 | 0.44 |
| <i>Developing countries</i> | 0.24 | 0.25 | 0.24 | 0.49 | 0.49 | 0.50 |

TABLE-7.10, DIFFERENCES IN BALANCE SHEET BETWEEN FOREIGN AND DOMESTIC BANKS (2007)

| | Loan to assets | Loan to deposits | Liquidity | Solvency | Capital ratio | LLR to assets | ROA |
|-----------------------------|-------------------|---------------------|-------------|-------------|------------------|------------------|-------------|
| <i>All countries</i> | | | | | | | |
| Domestic | 0.58 | 1.19 | 0.22 | 0.12 | 0.16 | 0.02 | 0.01 |
| Foreign | 0.49 | 1.11 | 0.33 | 0.15 | 0.22 | 0.02 | 0.01 |
| <i>Income groups</i> | | | | | | | |
| <i>OECD</i> | | | | | | | |
| Domestic | 0.65 | 1.28 | 0.17 | 0.09 | 0.13 | 0.01 | 0.01 |
| Foreign | 0.43 | 1.16 | 0.37 | 0.11 | 0.17 | 0.01 | 0.01 |
| <i>Other high-income</i> | | | | | | | |
| Domestic | 0.57 | 0.96 | 0.26 | 0.12 | 0.18 | 0.02 | 0.02 |
| Foreign | 0.50 | 1.06 | 0.31 | 0.13 | 0.16 | 0.01 | 0.02 |
| <i>Emerging markets</i> | | | | | | | |
| Domestic | 0.51 | 1.15 | 0.25 | 0.15 | 0.18 | 0.03 | 0.02 |
| Foreign | 0.54 | 1.24 | 0.29 | 0.15 | 0.22 | 0.02 | 0.01 |
| <i>Developing countries</i> | | | | | | | |
| Domestic | 0.54 | 1.08 | 0.26 | 0.16 | 0.22 | 0.03 | 0.02 |
| Foreign | 0.49 | 0.88 | 0.35 | 0.18 | 0.27 | 0.03 | 0.01 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

TABLE-7.11, PRIVATE CREDIT AND FOREIGN BANKS (2007)

| | All countries | OECD | EM | DEV | |
|-----------------------------|----------------------|----------------------|-------------------|----------------------|----------------------|
| Share foreign banks | -0.173** (0.022) | -0.597** (0.035) | -0.112 (0.723) | -0.032 (0.778) | -0.147*** (0.008) |
| Share foreign banks squared | | 0.468* (0.083) | | | |
| GDP per capita | 0.000*** (0.000) | 0.000*** (0.000) | 0.000 (0.891) | 0.000 (0.907) | 0.000 (0.753) |
| Inflation | -0.007*** (0.000) | -0.006*** (0.000) | 0.113 (0.242) | -0.025*** (0.000) | -0.004*** (0.001) |
| Creditor information | 0.022 (0.175) | 0.025 (0.116) | -0.033 (0.767) | -0.011 (0.599) | 0.029** (0.018) |
| Enforcement | -0.000 (0.510) | -0.000 (0.790) | 0.012 (0.515) | -0.003** (0.021) | -0.001** (0.026) |
| Number of observations | 111 | 111 | 22 | 39 | 46 |
| R2 | 0.64 | 0.65 | 0.08 | 0.27 | 0.44 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: The table reports the results of a cross-section regression over a sample of 111 countries. The dependent variable is private credit to GDP averaged over the period 2005-2007. Share foreign banks equals the assets held by foreign banks as a share of total assets in the country. GDP per capita is GDP in US dollars divided by the population. Inflation is the log difference in the consumer price index. Creditor information captures the cost to banks of obtaining information about borrowers and enforcement measures the number of days it takes to enforce a basic business contract. All regressors are based on 2004 values.

The model is estimated using OLS and the standard errors are robust. Robust p- values appear in parentheses and ***, **, * correspond to the one, five and ten percent level of significance, respectively.

TABLE-7.12, IMPORTANT FOREIGN BANKS IN LOCAL BANKING SYSTEM 2007

| | All countries | | OECD | EM | DEV |
|----------------------------|-----------------|-----------------|---------------|---------------|------------------|
| Share foreign banks | -0.173** | -0.597** | -0.112 | -0.032 | -0.147*** |
| | (0.022) | (0.035) | (0.723) | (0.778) | (0.008) |
| Share foreign banks | | 0.468* | | | |
| | | (0.083) | | | |
| GDP per capita | 0.000** | 0.000*** | 0.000 | 0.000 | 0.000 |
| | (0.000) | (0.000) | (0.891) | (0.907) | (0.753) |
| Inflation | - | - | 0.113 | - | -0.004*** |
| | (0.000) | (0.000) | (0.242) | (0.000) | (0.001) |
| Creditor | 0.022 | 0.025 | -0.033 | -0.011 | 0.029** |
| | (0.175) | (0.116) | (0.767) | (0.599) | (0.018) |
| Enforcement | -0.000 | -0.000 | 0.012 | - | -0.001** |
| | (0.510) | (0.790) | (0.515) | (0.021) | (0.026) |
| Number of | 111 | 1 | 22 | 3 | 46 |
| R2 | 0.64 | 0 | 0.08 | 0 | 0.44 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: The table reports the results of a cross-section regression over a sample of 111 countries. The dependent variable is private credit to GDP averaged over the period 2005-2007. Share foreign banks equals the assets held by foreign banks as a share of total assets in the country. GDP per capita is GDP in US dollars divided by the population. Inflation is the log difference in the consumer price index. Creditor information captures the cost to banks of obtaining information about borrowers and enforcement measures the number of days it takes to enforce a basic business contract. All regressors are based on 2004 values. The model is estimated using OLS and the standard errors are robust. Robust p-values appear in parentheses and ***, **, * correspond to the one, five and ten percent level of significance, respectively.

TABLE-7.13, THE GLOBAL FINANCIAL CRISIS AND CREDIT GROWTH OF FOREIGN AND DOMESTIC BANKS

| | (1) | (2) | (3) | (4) | (5) | (6) |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------------|
| Foreign*2008 | 0.021 (0.219) | 0.039* (0.053) | 0.014 (0.481) | 0.018 (0.498) | 0.050* (0.052) | 0.007 (0.882) |
| Foreign*2009 | - (0.000) | - (0.002) | - (0.000) | - (0.022) | - (0.035) | -0.162*** (0.000) |
| Foreign * 2008 * OECD country | | -0.066* (0.081) | | |) | |
| Foreign * 2009 * OECD country | | -0.002 (0.959) | | | | |
| Foreign * 2008 * Majority foreign | | | 0.027 (0.44) | | | |
| Foreign * 2009 * Majority foreign | | | 0.09 4** | 0.004 (0.899) | | |
| Foreign * 2008 * OECD home | | | | -0.012 (0.634) | | |
| Foreign * 2009 * OECD home | | | | 0.004 (0.913) | | |
| Foreign * 2008 * Crisis home | | | | | -0.047 (0.111) | |
| Foreign * 2009 * Crisis home | | | | | -0.029 (0.234) | |
| Foreign bank * 2008 * Deposits | | | | |) | 0.024 (0.735) |
| Foreign bank * 2009 * Deposits | | | | | | 0.185*** (0.007) |
| Deposits * 2008 | -0.003 (0.939) | -0.008 (0.819) | -0.004 (0.909) | -0.003 (0.945) | -0.006 (0.865) | -0.010 (0.790) |
| Deposits * 2009 | 0.156** (0.000) | 0.155** (0.000) | 0.152** (0.000) | 0.155** (0.000) | 0.154** (0.000) | 0.095** (0.010) |
| Size * 2008 | - (0.055) | - (0.041) | - (0.048) | - (0.056) | - (0.076) | -0.008* (0.052) |
| Size * 2009 | - (0.066) | - (0.065) | - (0.038) | - (0.077) | - (0.083) | -0.008** (0.037) |
| Solvency * 2008 | 0.535** (0.000) | 0.531** (0.000) | 0.533** (0.000) | 0.536** (0.000) | 0.518** (0.000) | 0.532*** (0.000) |
| Solvency * 2009 | 0.336** (0.003) | 0.336** (0.003) | 0.333** (0.003) | 0.335** (0.003) | 0.328** (0.004) | 0.325*** (0.004) |
| Liquidity * 2008 | 0.200** (0.000) | 0.207** (0.000) | 0.202** (0.000) | 0.200** (0.000) | 0.195** (0.001) | 0.200*** (0.000) |
| Liquidity * 2009 | 0.107* (0.056) | 0.108* (0.058) | 0.112* (0.046) | 0.106* (0.059) | 0.104* (0.062) | 0.106* (0.058) |
| Number of observations | 12,781 | 12,781 | 12,781 | 12,781 | 12,781 | 12,781 |
| R2 | 0 | 0.59 | 0 | 0.59 | 0 | 0.59 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: The table reports the results of a panel regression over the period 2005-2009. The dependent variable is the log difference in total lending of bank i in country j at time t. Foreign is a dummy variable which is one if the bank is foreign owned. OECD country is a dummy which is one if the host country is an OECD country. Majority foreign is a dummy which is one if foreign banks hold over 50 percent of all assets in the country. OECD home is a dummy which is one if the home country of the foreign bank is an

OECD country. Crisis home is a dummy which is one if the home country of the foreign bank experienced a banking crisis in 2007 or 2008. Deposits is the ratio of deposits to liabilities, size is the log of total assets, solvency is defined as equity to total assets and liquidity equals liquid to total assets. All regressors are based on 2007 values. All regressions include bank and country-year fixed effects. The model is estimated using OLS and the standard errors are clustered by bank. Robust p-values appear in parentheses and ***, **, * correspond to the one, five and ten per cent level of significance, respectively.

TABLE-7.14, COMPARATIVE POSITION OF NUMBER OF BANKS AND BRANCHES IN THE COUNTRY
(Numbers)

| Group or Type of Bank | Jun- | | Dec-11 | | Jun-11 | |
|---------------------------|-----------|------------|-----------|-------------|-----------|-------------|
| | Bank | Branche | Bank | Branche | Bank | Branche |
| 1. Pakistani Banks | 31 | 9,7 | 31 | 9,71 | 32 | 9,34 |
| i. Public Sector | 9 | 2,2 | 9 | 2,26 | 9 | 2,18 |
| <i>a. Commercial</i> | 5 | 1,7 | 5 | 1,71 | 5 | 1,64 |
| <i>b. Specialized</i> | 4 | 5 | 4 | 5 | 4 | 5 |
| ii. Domestic | 22 | 7,4 | 22 | 7,45 | 23 | 7,15 |
| 2. Foreign Banks* | 13 | 55 | 13 | 60 | 12 | 58 |
| Total | 44 | 9,8 | 44 | 9,77 | 44 | 9,39 |

* Foreign Banks includes six Indian Bank's Branches

Source: Statistics on schedule banks in Pakistan. State bank of Pakistan Report, June 2012

TABLE-7.15, BASELINE SAMPLE OF HOST COUNTRIES (DEVELOPING COUNTRIES), AND CORRESPONDING NUMBER OF FOREIGN AND DOMESTIC BANKS

| Country | Foreign | Domestic | Country | Foreign | Domestic |
|---|---------|----------|--------------|---------|----------|
| <i>Host Countries</i> | | | | | |
| (51 countries, 361 foreign banks; 738 domestic banks) | | | | | |
| Algeria | 5 | 3 | Kenya | 5 | 15 |
| Angola | 4 | 4 | Lebanon | 3 | 20 |
| Argentina | 15 | 41 | Lithuania | 5 | 3 |
| Armenia | 6 | 2 | Macedonia | 2 | 3 |
| Belarus | 4 | 4 | Malaysia | 11 | 22 |
| Bolivia | 4 | 6 | Mauritius | 6 | 3 |
| Bosnia & Herz. | 8 | 5 | Mexico | 14 | 19 |
| Botswana | 3 | 5 | Moldova | 2 | 7 |
| Brazil | 26 | 52 | Nepal | 2 | 10 |
| Bulgaria | 7 | 7 | Pakistan | 7 | 11 |
| Cameroon | 5 | 1 | Panama | 17 | 9 |
| China | 5 | 58 | Paraguay | 7 | 3 |
| Colombia | 5 | 6 | Peru | 6 | 5 |
| Congo, Dem. Rep. | 4 | 1 | Romania | 15 | 3 |
| Costa Rica | 5 | 34 | Russia | 23 | 168 |
| Côte d'Ivoire | 4 | 1 | Senegal | 5 | 1 |
| Dominican Rep. | 2 | 27 | Sierra Leone | 2 | 3 |
| Ecuador | 2 | 13 | South Africa | 7 | 19 |
| Egypt | 9 | 10 | Tanzania | 11 | 4 |
| El Salvador | 4 | 2 | Tunisia | 5 | 8 |
| Georgia | 4 | 2 | Turkey | 10 | 11 |
| Guatemala | 3 | 10 | Uganda | 9 | 1 |
| Honduras | 3 | 7 | Uruguay | 13 | 3 |
| India | 6 | 48 | Venezuela | 3 | 11 |
| Indonesia | 16 | 18 | Zambia | 6 | 1 |
| Kazakhstan | 6 | 8 | | | |

TABLE-7.16, BASELINE SAMPLE OF HOME COUNTRIES BY CRISIS AND NON-CRISIS STATUS, WITH CORRESPONDING NUMBER OF BANKS

| Country | Banks | Country | Banks | Country | Banks |
|--|-------|------------------------|-------|------------------------|-------|
| <i>Crisis countries*</i> (17 countries; 208 banks) | | | | | |
| Austria | 10 | Ireland | 1 | Portugal [†] | 7 |
| Belgium | 3 | Italy | 6 | Slovenia [†] | 1 |
| Denmark | 1 | Latvia | 1 | Spain | 16 |
| France [†] | 28 | Luxembourg | 3 | United Kingdom | 46 |
| Germany | 13 | Netherlands | 18 | United States | 38 |
| Greece | 14 | Nigeria | 2 | | |
| <i>Non-crisis countries</i> (49 countries; 153 banks) | | | | | |
| Argentina | 4 | Honduras | 1 | Panama [‡] | 6 |
| Australia | 2 | Hong Kong [‡] | 2 | Peru | 2 |
| Azerbaijan | 1 | Hungary | 3 | Russia | 9 |
| Bahrain [‡] | 6 | India | 9 | Saudi Arabia | 1 |
| Botswana | 2 | Indonesia | 1 | Singapore [‡] | 6 |
| Brazil | 9 | Israel | 4 | South Africa | 9 |
| Canada | 8 | Japan | 10 | Sweden | 1 |
| China | 1 | Jordan | 1 | Switzerland | 4 |
| Colombia | 4 | Kazakhstan | 1 | Thailand | 1 |
| Costa Rica | 2 | Kenya | 4 | Togo | 5 |
| Croatia | 1 | Korea, Rep. | 2 | Turkey | 5 |
| Dominican Rep. | 2 | Lebanon [‡] | 2 | UAE | 4 |
| Ecuador | 1 | Libya | 4 | Uruguay | 3 |
| Egypt | 1 | Liechtenstein | 1 | Uzbekistan | 1 |
| Estonia | 1 | Malaysia | 1 | Venezuela | 1 |
| Finland | 1 | Mauritius [‡] | 1 | | |
| Guatemala | 1 | Mexico | 1 | | |

* As defined by Laeven and Valencia (2012).

[†] Borderline banking crisis.

[‡] Offshore financial center

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

TABLE-7.17, PERCENTAGE OF FOREIGN BANKS AMONG TOTAL BANKS, BY COUNTRY

| Country | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| EAP | 20 | 20 | 19 | 19 | 19 | 20 | 20 | 20 | 19 | 19 | 19 | 19 | 24 | 25 | 25 |
| Cambodia | 14 | 14 | 14 | 29 | 29 | 43 | 43 | 38 | 33 | 33 | 40 | 38 | 38 | 38 | 38 |
| China | 13 | 14 | 11 | 10 | 10 | 9 | 9 | 8 | 8 | 7 | 7 | 6 | 15 | 18 | 19 |
| Indonesia | 26 | 27 | 28 | 29 | 31 | 33 | 31 | 34 | 32 | 33 | 35 | 36 | 50 | 50 | 52 |
| Malaysia | 27 | 25 | 25 | 25 | 25 | 26 | 32 | 29 | 29 | 30 | 30 | 32 | 33 | 33 | 33 |
| Mongolia | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Philippines | 12 | 13 | 13 | 14 | 16 | 17 | 16 | 14 | 12 | 14 | 14 | 14 | 15 | 15 | 13 |
| Thailand | 11 | 11 | 6 | 6 | 12 | 12 | 12 | 17 | 17 | 17 | 15 | 15 | 14 | 19 | 19 |
| Vietnam | 11 | 10 | 10 | 10 | 10 | 10 | 10 | 9 | 12 | 12 | 12 | 9 | 9 | 9 | 9 |
| ECA | 9 | 11 | 14 | 17 | 19 | 22 | 23 | 26 | 27 | 29 | 33 | 37 | 40 | 42 | 42 |
| Albania | 25 | 40 | 50 | 63 | 63 | 75 | 75 | 75 | 70 | 73 | 82 | 77 | 85 | 83 | 83 |
| Armenia | 17 | 17 | 17 | 23 | 36 | 36 | 38 | 42 | 42 | 46 | 54 | 69 | 69 | 73 | 80 |
| Azerbaijan | 5 | 10 | 10 | 14 | 14 | 14 | 14 | 10 | 10 | 10 | 10 | 10 | 15 | 16 | 16 |
| Belarus | 12 | 16 | 15 | 15 | 15 | 24 | 30 | 32 | 36 | 36 | 45 | 45 | 53 | 55 | 55 |
| Bosnia-Herzegovina | 11 | 17 | 20 | 18 | 22 | 28 | 41 | 43 | 44 | 46 | 54 | 52 | 58 | 57 | 57 |
| Bulgaria | 22 | 28 | 31 | 36 | 46 | 44 | 48 | 54 | 54 | 54 | 61 | 70 | 67 | 67 | 67 |
| Croatia | 4 | 12 | 17 | 22 | 27 | 30 | 33 | 34 | 26 | 28 | 32 | 35 | 43 | 43 | 43 |
| Estonia | 9 | 8 | 9 | 13 | 33 | 50 | 50 | 50 | 43 | 57 | 71 | 71 | 71 | 71 | 71 |
| Georgia | 0 | 0 | 0 | 0 | 18 | 25 | 18 | 18 | 25 | 23 | 33 | 55 | 58 | 67 | 67 |
| Kazakhstan | 21 | 16 | 25 | 35 | 32 | 33 | 32 | 36 | 32 | 32 | 36 | 36 | 39 | 39 | 39 |
| Kyrgyzstan | 50 | 25 | 50 | 43 | 38 | 38 | 38 | 38 | 50 | 63 | 63 | 63 | 57 | 57 | 57 |
| Latvia | 13 | 17 | 27 | 29 | 32 | 29 | 27 | 32 | 32 | 41 | 45 | 50 | 57 | 62 | 62 |
| Lithuania | 0 | 0 | 0 | 9 | 18 | 50 | 56 | 67 | 67 | 67 | 67 | 67 | 70 | 70 | 70 |
| Macedonia | 9 | 15 | 15 | 15 | 21 | 36 | 38 | 38 | 44 | 44 | 47 | 50 | 64 | 71 | 71 |
| Moldova | 8 | 8 | 21 | 27 | 31 | 31 | 31 | 38 | 38 | 38 | 38 | 38 | 44 | 44 | 44 |
| Romania | 19 | 21 | 32 | 39 | 45 | 57 | 57 | 63 | 70 | 70 | 74 | 81 | 85 | 81 | 81 |
| Russia | 7 | 7 | 8 | 9 | 9 | 9 | 9 | 12 | 13 | 14 | 15 | 16 | 17 | 19 | 19 |
| Serbia & Montenegro | 3 | 3 | 3 | 3 | 6 | 9 | 17 | 18 | 26 | 34 | 43 | 60 | 63 | 60 | 61 |
| Turkey | 11 | 11 | 12 | 13 | 14 | 15 | 14 | 19 | 20 | 20 | 24 | 38 | 43 | 43 | 43 |
| Ukraine | 4 | 4 | 9 | 12 | 14 | 16 | 18 | 19 | 19 | 23 | 28 | 34 | 37 | 43 | 45 |
| Uzbekistan | 20 | 27 | 25 | 23 | 23 | 21 | 20 | 20 | 20 | 19 | 18 | 18 | 24 | 24 | 24 |
| LAC | 28 | 30 | 33 | 35 | 36 | 37 | 37 | 38 | 38 | 38 | 38 | 39 | 41 | 42 | 42 |
| Antigua & Barbuda | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 17 | 17 | 17 | 17 | 33 | 33 | 33 |
| Argentina | 22 | 24 | 29 | 32 | 37 | 37 | 37 | 34 | 36 | 35 | 34 | 34 | 35 | 35 | 35 |
| Barbados | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Bolivia | 27 | 27 | 29 | 42 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 40 | 40 | 40 | 40 |
| Brazil | 23 | 25 | 29 | 33 | 34 | 35 | 35 | 35 | 36 | 36 | 35 | 36 | 36 | 37 | 38 |
| Chile | 48 | 48 | 50 | 48 | 52 | 52 | 48 | 44 | 44 | 39 | 41 | 41 | 48 | 48 | 48 |
| Colombia | 20 | 23 | 27 | 29 | 28 | 29 | 29 | 29 | 25 | 23 | 24 | 28 | 28 | 28 | 28 |
| Costa Rica | 14 | 14 | 14 | 16 | 19 | 18 | 20 | 20 | 20 | 20 | 21 | 22 | 21 | 18 | 18 |
| Cuba | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dominican Rep. | 5 | 5 | 5 | 5 | 5 | 5 | 7 | 9 | 11 | 12 | 12 | 10 | 10 | 10 | 10 |
| Ecuador | 18 | 17 | 18 | 18 | 22 | 23 | 18 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 19 |
| El Salvador | 18 | 25 | 46 | 46 | 46 | 54 | 58 | 58 | 67 | 67 | 73 | 82 | 90 | 90 | 90 |
| Guatemala | 11 | 11 | 17 | 17 | 20 | 21 | 21 | 21 | 23 | 22 | 23 | 26 | 36 | 41 | 41 |
| Haiti | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Honduras | 19 | 19 | 22 | 22 | 22 | 26 | 30 | 35 | 35 | 41 | 41 | 41 | 58 | 56 | 56 |
| Jamaica | 30 | 30 | 30 | 30 | 33 | 33 | 50 | 63 | 63 | 71 | 71 | 71 | 71 | 71 | 71 |
| Mexico | 32 | 38 | 44 | 44 | 43 | 49 | 48 | 56 | 56 | 54 | 50 | 47 | 46 | 48 | 48 |
| Nicaragua | 17 | 17 | 33 | 33 | 36 | 50 | 57 | 50 | 50 | 50 | 40 | 67 | 67 | 83 | 83 |
| Panama | 64 | 63 | 62 | 60 | 60 | 58 | 58 | 62 | 60 | 60 | 60 | 60 | 61 | 64 | 65 |

| | | | | | | | | | | | | | | | |
|----------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Paraguay | 50 | 52 | 50 | 57 | 60 | 58 | 61 | 63 | 62 | 62 | 62 | 62 | 64 | 64 | 62 |
| Peru | 33 | 39 | 42 | 48 | 50 | 59 | 63 | 63 | 60 | 60 | 57 | 60 | 63 | 63 | 63 |

TABLE-7.17, PERCENTAGE OF FOREIGN BANKS AMONG TOTAL BANKS, BY COUNTRY CONTINUES,

| Country | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Trinidad & Tobago | 43 | 43 | 50 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 56 | 56 | 56 | 67 | 67 |
| Uruguay | 77 | 77 | 77 | 74 | 74 | 73 | 76 | 81 | 79 | 77 | 77 | 81 | 81 | 81 | 81 |
| Venezuela | 10 | 15 | 16 | 25 | 25 | 25 | 24 | 28 | 22 | 24 | 26 | 26 | 24 | 26 | 22 |
| MENA | 20 | 19 | 20 | 22 | 22 | 25 | 25 | 26 | 27 | 27 | 31 | 35 | 38 | 38 | 39 |
| Algeria | 17 | 17 | 17 | 29 | 25 | 45 | 45 | 53 | 53 | 53 | 57 | 57 | 64 | 64 | 64 |
| Egypt | 6 | 6 | 9 | 13 | 16 | 16 | 19 | 19 | 19 | 19 | 24 | 44 | 52 | 52 | 52 |
| Iran | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jordan | 11 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 20 | 30 | 30 | 30 | 40 | 40 |
| Lebanon | 29 | 29 | 30 | 32 | 31 | 33 | 33 | 35 | 35 | 33 | 37 | 38 | 41 | 39 | 39 |
| Libya | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Morocco | 36 | 36 | 31 | 38 | 38 | 38 | 38 | 33 | 40 | 44 | 40 | 40 | 40 | 40 | 50 |
| Oman | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tunisia | 36 | 36 | 33 | 33 | 33 | 38 | 38 | 44 | 44 | 44 | 50 | 50 | 50 | 50 | 50 |
| Yemen | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OHI | 31 | 31 | 31 | 32 | 34 | 34 | 34 | 39 | 40 | 41 | 41 | 41 | 42 | 42 | 42 |
| Bahrain | 57 | 57 | 57 | 50 | 50 | 50 | 43 | 43 | 50 | 60 | 58 | 58 | 57 | 60 | 56 |
| Cyprus | 50 | 53 | 53 | 53 | 53 | 53 | 56 | 62 | 60 | 60 | 60 | 60 | 61 | 61 | 61 |
| Hong Kong | 63 | 63 | 63 | 63 | 67 | 67 | 68 | 74 | 76 | 78 | 78 | 78 | 78 | 77 | 79 |
| Iceland | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Israel | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 20 | 8 | 8 | 8 | 8 | 8 | 8 |
| Kuwait | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 11 | 11 | 11 | 11 |
| Qatar | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Saudi Arabia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Singapore | 38 | 38 | 38 | 43 | 48 | 45 | 45 | 50 | 55 | 55 | 55 | 55 | 57 | 57 | 55 |
| Slovenia | 13 | 13 | 13 | 15 | 17 | 22 | 22 | 32 | 32 | 33 | 35 | 35 | 35 | 35 | 35 |
| United Arab Emirate | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 18 | 21 | 21 |
| OECD | 21 | 22 | 22 | 23 | 24 | 24 | 25 | 26 | 27 | 27 | 27 | 27 | 28 | 28 | 28 |
| Australia | 36 | 36 | 41 | 41 | 41 | 46 | 46 | 46 | 46 | 42 | 40 | 40 | 38 | 38 | 38 |
| Austria | 4 | 5 | 5 | 5 | 5 | 7 | 7 | 8 | 8 | 9 | 10 | 10 | 10 | 10 | 10 |
| Belgium | 35 | 35 | 34 | 35 | 37 | 38 | 42 | 42 | 42 | 41 | 42 | 42 | 42 | 43 | 47 |
| Canada | 41 | 41 | 44 | 44 | 44 | 41 | 41 | 41 | 42 | 42 | 42 | 42 | 42 | 42 | 42 |
| Czech Republic | 39 | 39 | 39 | 44 | 52 | 52 | 54 | 54 | 57 | 57 | 55 | 59 | 64 | 67 | 67 |
| Denmark | 1 | 1 | 1 | 3 | 3 | 5 | 9 | 9 | 12 | 12 | 10 | 9 | 9 | 8 | 10 |
| Finland | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 11 | 11 | 11 | 20 | 22 | 22 | 22 |
| France | 7 | 7 | 7 | 6 | 7 | 8 | 8 | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 6 |
| Germany | 10 | 10 | 11 | 10 | 10 | 11 | 12 | 13 | 13 | 12 | 13 | 13 | 13 | 14 | 14 |
| Greece | 17 | 15 | 8 | 8 | 8 | 15 | 14 | 13 | 18 | 24 | 24 | 35 | 31 | 31 | 31 |
| Hungary | 67 | 68 | 73 | 75 | 78 | 78 | 81 | 79 | 86 | 85 | 85 | 90 | 93 | 93 | 92 |
| Ireland | 82 | 83 | 83 | 84 | 80 | 81 | 85 | 89 | 89 | 89 | 89 | 90 | 90 | 90 | 90 |
| Italy | 3 | 3 | 3 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 7 | 10 | 10 | 10 |
| Japan | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 1 |
| Korea (South) | 0 | 0 | 0 | 0 | 6 | 6 | 12 | 13 | 18 | 24 | 24 | 24 | 24 | 24 | 24 |
| Luxembourg | 98 | 98 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 |
| Netherlands | 47 | 48 | 48 | 52 | 52 | 48 | 50 | 50 | 50 | 50 | 47 | 47 | 42 | 39 | 39 |
| New Zealand | 57 | 67 | 67 | 67 | 67 | 67 | 60 | 60 | 60 | 70 | 70 | 70 | 70 | 70 | 70 |
| Norway | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Poland | 30 | 38 | 42 | 50 | 61 | 62 | 67 | 70 | 69 | 69 | 75 | 73 | 69 | 68 | 69 |
| Portugal | 17 | 17 | 17 | 17 | 17 | 20 | 23 | 27 | 27 | 31 | 30 | 30 | 30 | 32 | 33 |

| | | | | | | | | | | | | | | | |
|-------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Slovakia | 41 | 43 | 42 | 42 | 43 | 58 | 71 | 88 | 94 | 89 | 89 | 88 | 88 | 88 | 87 |
| Spain | 4 | 4 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 5 | 5 | 7 | 7 | 7 | 7 |
| Sweden | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Switzerland | 26 | 25 | 24 | 24 | 24 | 24 | 24 | 23 | 24 | 23 | 22 | 24 | 24 | 24 | 24 |

TABLE-7.17, PERCENTAGE OF FOREIGN BANKS AMONG TOTAL BANKS, BY COUNTRY CONTINUES,

| Country | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| United Kingdom | 42 | 45 | 46 | 47 | 48 | 48 | 48 | 49 | 51 | 53 | 54 | 54 | 56 | 57 | 57 |
| United States | 15 | 16 | 16 | 15 | 17 | 19 | 21 | 21 | 21 | 23 | 24 | 24 | 27 | 29 | 32 |
| SA | 7 | 8 | 8 | 9 | 9 | 9 | 9 | 8 | 8 | 8 | 9 | 12 | 13 | 14 | 14 |
| Bangladesh | 0 | 5 | 5 | 5 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| India | 6 | 7 | 7 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 10 | 11 | 12 | 12 | 12 |
| Nepal | 36 | 31 | 31 | 25 | 25 | 25 | 22 | 15 | 15 | 15 | 15 | 15 | 13 | 13 | 13 |
| Pakistan | 5 | 5 | 9 | 9 | 14 | 19 | 14 | 13 | 12 | 12 | 16 | 31 | 36 | 40 | 40 |
| Sri Lanka | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SSA | 32 | 32 | 33 | 34 | 37 | 38 | 39 | 39 | 40 | 41 | 43 | 50 | 51 | 54 | 54 |
| Angola | 50 | 40 | 40 | 40 | 50 | 50 | 50 | 50 | 44 | 44 | 50 | 50 | 50 | 50 | 50 |
| Benin | 60 | 60 | 67 | 67 | 71 | 71 | 71 | 71 | 63 | 63 | 67 | 67 | 67 | 67 | 67 |
| Botswana | 60 | 60 | 60 | 43 | 43 | 44 | 44 | 44 | 44 | 50 | 50 | 44 | 44 | 50 | 50 |
| Burkina Faso | 80 | 83 | 83 | 86 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 89 | 89 | 100 | 100 |
| Burundi | 20 | 20 | 20 | 17 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 25 | 50 | 50 |
| Cameroon | 50 | 50 | 43 | 43 | 38 | 56 | 56 | 56 | 56 | 56 | 56 | 60 | 70 | 80 | 89 |
| Congo | 50 | 60 | 60 | 60 | 60 | 60 | 67 | 67 | 67 | 67 | 67 | 71 | 71 | 83 | 86 |
| Cote d'Ivoire | 57 | 63 | 56 | 56 | 56 | 56 | 70 | 70 | 73 | 73 | 73 | 77 | 75 | 77 | 71 |
| Ethiopia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ghana | 56 | 55 | 46 | 46 | 54 | 54 | 58 | 54 | 54 | 60 | 65 | 58 | 53 | 53 | 53 |
| Kenya | 24 | 24 | 24 | 24 | 24 | 27 | 26 | 26 | 28 | 28 | 30 | 30 | 29 | 35 | 35 |
| Madagascar | 75 | 75 | 75 | 80 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Malawi | 33 | 33 | 33 | 33 | 33 | 29 | 43 | 43 | 43 | 43 | 43 | 43 | 29 | 29 | 29 |
| Mali | 20 | 17 | 17 | 29 | 38 | 38 | 43 | 38 | 38 | 38 | 38 | 44 | 44 | 56 | 56 |
| Mauritania | 0 | 0 | 0 | 0 | 17 | 17 | 17 | 14 | 14 | 14 | 14 | 14 | 25 | 38 | 38 |
| Mauritius | 60 | 64 | 73 | 73 | 73 | 75 | 69 | 67 | 73 | 73 | 71 | 71 | 67 | 62 | 62 |
| Mozambique | 33 | 33 | 80 | 83 | 100 | 100 | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 91 | 91 |
| Namibia | 60 | 50 | 50 | 50 | 50 | 50 | 50 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 |
| Niger | 75 | 75 | 75 | 75 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 86 | 86 | 86 | 86 |
| Nigeria | 5 | 5 | 5 | 5 | 6 | 9 | 9 | 8 | 9 | 6 | 3 | 11 | 11 | 11 | 11 |
| Rwanda | 17 | 17 | 17 | 17 | 17 | 0 | 0 | 0 | 0 | 33 | 50 | 50 | 43 | 57 | 57 |
| Senegal | 50 | 50 | 50 | 50 | 60 | 60 | 64 | 64 | 64 | 64 | 64 | 85 | 85 | 83 | 83 |
| Seychelles | 33 | 33 | 33 | 25 | 25 | 25 | 25 | 25 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| South Africa | 18 | 17 | 16 | 16 | 16 | 14 | 16 | 17 | 17 | 17 | 22 | 22 | 22 | 22 | 22 |
| Sudan | 11 | 11 | 11 | 11 | 10 | 10 | 10 | 0 | 9 | 15 | 15 | 23 | 31 | 31 | 31 |
| Swaziland | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Tanzania | 55 | 54 | 53 | 50 | 56 | 58 | 58 | 55 | 57 | 64 | 68 | 68 | 70 | 70 | 70 |
| Togo | 33 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 40 | 33 | 33 | 33 | 33 |
| Uganda | 47 | 53 | 56 | 60 | 67 | 67 | 67 | 71 | 71 | 71 | 71 | 79 | 79 | 76 | 82 |
| Zambia | 56 | 56 | 56 | 56 | 56 | 56 | 63 | 63 | 63 | 71 | 75 | 75 | 88 | 100 | 100 |
| Zimbabwe | 30 | 27 | 27 | 27 | 33 | 25 | 23 | 21 | 20 | 20 | 21 | 25 | 33 | 33 | 33 |
| TOTAL | 21 | 22 | 23 | 25 | 26 | 27 | 28 | 29 | 29 | 30 | 31 | 32 | 34 | 35 | 35 |

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

TABLE-7.18, PERCENTAGE OF FOREIGN BANK ASSETS AMONG TOTAL BANK ASSETS, BY COUNTRY

| Country | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EAP | 3 | 2 | 2 | 4 | 3 | 3 |
| Cambodia | 17 | 27 | 33 | 56 | 56 | 54 |
| China | .. | .. | .. | 2 | 2 | 1 |
| Indonesia | 30 | 32 | 26 | 34 | 31 | 32 |
| Malaysia | 18 | 17 | 17 | 19 | 18 | 18 |
| Mongolia | .. | 11 | 9 | 8 | .. | .. |
| Philippines | .. | 1 | 2 | .. | .. | .. |
| Thailand | 3 | 3 | 2 | 5 | 7 | 6 |
| Vietnam | .. | 2 | 1 | 1 | 1 | 2 |
| ECA | 27 | 23 | 28 | 29 | 30 | 28 |
| Albania | .. | .. | .. | 93 | 94 | .. |
| Armenia | .. | 46 | 58 | 65 | 70 | 79 |
| Azerbaijan | 1 | 1 | 1 | 3 | 2 | 3 |
| Belarus | .. | 14 | 12 | 19 | 19 | 18 |
| Bosnia-Herzegovina | 67 | 87 | 90 | 91 | 92 | 93 |
| Bulgaria | 72 | 71 | 77 | 76 | 80 | 79 |
| Croatia | 88 | 92 | 90 | 90 | 90 | 91 |
| Estonia | 95 | 99 | 98 | 97 | 99 | 99 |
| Georgia | 13 | 32 | 66 | 66 | 66 | 64 |
| Kazakhstan | 27 | 24 | 5 | 13 | 15 | 17 |
| Kyrgyzstan | .. | 91 | .. | .. | .. | .. |
| Latvia | 51 | 58 | 64 | 65 | 66 | 66 |
| Lithuania | 91 | 92 | 92 | 92 | 93 | 92 |
| Macedonia | 54 | 54 | 56 | 63 | 69 | 70 |
| Moldova | 31 | 30 | 31 | 38 | 45 | 49 |
| Romania | 54 | 55 | 87 | 89 | 89 | 85 |
| Russia | .. | 7 | 10 | 11 | 13 | 12 |
| Serbia & Montenegro | 61 | 70 | 85 | 82 | 75 | 75 |
| Turkey | .. | .. | 18 | 18 | 16 | 14 |
| Ukraine | 28 | 28 | 42 | 46 | 58 | .. |
| Uzbekistan | .. | .. | .. | .. | .. | .. |
| LAC | 35 | 38 | 38 | 35 | 35 | 31 |
| Antigua & Barbuda | .. | .. | .. | .. | .. | .. |
| Argentina | 29 | 27 | 26 | 28 | 29 | 28 |
| Barbados | 100 | 100 | 100 | 100 | 100 | 100 |
| Bolivia | 36 | 37 | 18 | 18 | 16 | 15 |
| Brazil | 19 | 24 | 26 | 26 | 22 | .. |
| Chile | .. | .. | .. | .. | 37 | 34 |
| Colombia | 10 | 18 | 14 | 14 | 13 | 9 |
| Costa Rica | 26 | 27 | 29 | 36 | 37 | 31 |
| Cuba | 0 | 0 | 0 | 0 | 0 | 0 |
| Dominican Rep. | 12 | 13 | 12 | 11 | 7 | 10 |
| Ecuador | 12 | 11 | 12 | 13 | 13 | 5 |
| El Salvador | 69 | 80 | 80 | 97 | 97 | 96 |
| Guatemala | 11 | 11 | 12 | 13 | 28 | 29 |
| Haiti | 0 | 0 | 0 | 0 | 0 | 0 |
| Honduras | 31 | 32 | 30 | 47 | 46 | 40 |
| Jamaica | 84 | 87 | 87 | 88 | 95 | 96 |
| Mexico | 82 | 83 | 81 | 79 | 76 | 75 |
| Nicaragua | 31 | 22 | 49 | 48 | 68 | 55 |
| Panama | 47 | 46 | 54 | 65 | .. | .. |
| Paraguay | 68 | 63 | 60 | 58 | 62 | 39 |
| Peru | 41 | 49 | 48 | 48 | 50 | 50 |

TABLE-7.18, PERCENTAGE OF FOREIGN BANK ASSETS AMONG TOTAL BANK ASSETS, BY COUNTRY

| Country | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Trinidad & Tobago | 13 | 13 | 13 | 14 | 56 | 54 |
| Uruguay | 50 | 75 | 87 | 47 | 48 | .. |
| Venezuela | 31 | 30 | 29 | 25 | 26 | .. |
| MENA | 10 | 13 | 15 | 17 | 17 | 24 |
| Algeria | 5 | 8 | 8 | 7 | 8 | 14 |
| Egypt | 10 | 12 | 21 | 25 | 25 | 23 |
| Iran | 0 | 0 | 0 | 0 | 0 | 0 |
| Jordan | 2 | 14 | 16 | 17 | 22 | 23 |
| Lebanon | .. | .. | .. | 33 | 35 | 36 |
| Libya | 0 | 0 | 0 | 0 | 0 | 0 |
| Morocco | .. | .. | .. | 19 | 18 | 34 |
| Oman | 0 | 0 | 0 | 0 | 0 | 0 |
| Tunisia | 20 | 29 | 27 | 27 | 28 | .. |
| Yemen | 0 | 0 | 0 | 0 | 0 | 0 |
| OHI | 45 | 44 | 44 | 42 | 42 | 43 |
| Bahrain | 69 | 67 | 65 | 69 | 65 | 55 |
| Cyprus | 16 | 20 | 22 | 22 | 23 | 19 |
| Hong Kong | .. | 91 | 91 | 91 | 91 | 92 |
| Iceland | 0 | 0 | 0 | 0 | 0 | 0 |
| Israel | .. | .. | .. | 9 | 9 | .. |
| Kuwait | 0 | .. | 11 | 9 | 7 | 8 |
| Qatar | 0 | 0 | 0 | 0 | 0 | 0 |
| Saudi Arabia | 0 | 0 | 0 | 0 | 0 | 0 |
| Singapore | .. | 2 | 10 | 10 | 3 | 2 |
| Slovenia | 21 | 25 | 25 | 24 | 26 | 25 |
| United Arab Emirates | 3 | 3 | 1 | 1 | 2 | 2 |
| OECD | 10 | 12 | 12 | 13 | 12 | 12 |
| Australia | .. | .. | 5 | 5 | 3 | 2 |
| Austria | 24 | 21 | 16 | 19 | 22 | 20 |
| Belgium | .. | 13 | 14 | 13 | 15 | 50 |
| Canada | 4 | 4 | 4 | 4 | 4 | 5 |
| Czech Republic | 84 | 83 | 84 | 85 | 84 | 86 |
| Denmark | 7 | 20 | 19 | 18 | 18 | 20 |
| Finland | .. | 55 | 65 | 65 | 67 | 65 |
| France | .. | 5 | 5 | 6 | 6 | 6 |
| Germany | 5 | 24 | 14 | 11 | 12 | 12 |
| Greece | 4 | 4 | 14 | 14 | 14 | 14 |
| Hungary | 65 | 63 | 61 | 64 | 67 | 64 |
| Ireland | .. | 62 | 62 | 61 | 60 | 56 |
| Italy | .. | 1 | 6 | 7 | 6 | 6 |
| Japan | 0 | 0 | 0 | 0 | 0 | 0 |
| Korea (South) | 24 | 23 | 19 | 18 | 20 | 19 |
| Luxembourg | 100 | 100 | 100 | 95 | 96 | 95 |
| Netherlands | .. | 7 | 9 | 10 | 3 | 2 |
| New Zealand | .. | .. | 84 | 80 | 78 | 79 |
| Norway | .. | 33 | 16 | 17 | 16 | 16 |
| Poland | 72 | 76 | 75 | 74 | 72 | 68 |
| Portugal | .. | 16 | 15 | 15 | 15 | 15 |
| Slovakia | 95 | 94 | 93 | 92 | 92 | 88 |
| Spain | .. | 2 | 2 | 2 | 2 | 2 |
| Sweden | 14 | 0 | 0 | 0 | 0 | 0 |
| Switzerland | 2 | 4 | 4 | 4 | 5 | 5 |

TABLE-7.18, PERCENTAGE OF FOREIGN BANK ASSETS AMONG TOTAL BANK ASSETS, BY COUNTRY

| Country | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| United Kingdom | 9 | 12 | 12 | 14 | 19 | 15 |
| United States | 20 | 20 | 21 | 23 | 19 | 18 |
| SA | 5 | 5 | 8 | 8 | 7 | 8 |
| Bangladesh | 2 | 2 | 3 | 2 | 2 | 3 |
| India | 4 | 4 | 4 | 4 | 5 | 5 |
| Nepal | 22 | 14 | 20 | 16 | 14 | 13 |
| Pakistan | 29 | 23 | 48 | 50 | 51 | 53 |
| Sri Lanka | 0 | 0 | 0 | 0 | 0 | 0 |
| SSA | 12 | 25 | 26 | 28 | 26 | 28 |
| Angola | 50 | 48 | 49 | 50 | 52 | 57 |
| Benin | .. | 45 | 54 | 46 | 49 | .. |
| Botswana | 77 | 77 | 69 | 72 | 66 | 66 |
| Burkina Faso | 77 | 79 | 80 | 76 | 100 | 100 |
| Burundi | 42 | 40 | 36 | 58 | 64 | .. |
| Cameroon | 74 | 71 | 74 | 85 | .. | .. |
| Congo | 45 | 46 | 61 | 67 | 74 | .. |
| Cote d'Ivoire | 89 | 89 | .. | .. | .. | .. |
| Ethiopia | 0 | 0 | 0 | 0 | 0 | 0 |
| Ghana | .. | .. | .. | 58 | 60 | 65 |
| Kenya | 46 | 46 | 43 | 37 | 44 | 44 |
| Madagascar | 100 | 100 | 100 | 100 | 100 | 100 |
| Malawi | 49 | 46 | 46 | 29 | 31 | 30 |
| Mali | 25 | 28 | 30 | 40 | 52 | .. |
| Mauritania | 5 | 3 | 0 | 4 | 10 | .. |
| Mauritius | 37 | 44 | 58 | 69 | 60 | 52 |
| Mozambique | .. | 99 | 99 | 100 | 100 | 100 |
| Namibia | .. | 44 | 35 | 35 | 44 | 40 |
| Niger | 68 | 72 | 74 | 69 | .. | .. |
| Nigeria | .. | .. | 5 | 4 | 2 | 3 |
| Rwanda | 41 | 62 | 60 | 48 | 56 | .. |
| Senegal | 56 | 62 | 94 | 92 | 93 | 90 |
| Seychelles | 57 | 52 | 57 | 60 | 67 | 27 |
| South Africa | .. | 22 | 21 | 23 | 21 | 22 |
| Sudan | .. | 1 | 8 | 21 | 23 | 22 |
| Swaziland | 82 | 80 | 81 | 83 | 81 | 88 |
| Tanzania | .. | 92 | 93 | 94 | 80 | 78 |
| Togo | 53 | 50 | 48 | 46 | 51 | .. |
| Uganda | 88 | 89 | 95 | 95 | 86 | 89 |
| Zambia | 70 | 70 | 72 | 89 | 100 | 100 |
| Zimbabwe | .. | .. | .. | .. | .. | .. |
| TOTAL | 11 | 12 | 13 | 14 | 13 | 13 |

Source: World Bank Report, IMF 2013, Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: Foreign bank asset share is only reported when asset information is available in Bank scope for more than 60 percent of the banks active in the country in that year. Since asset information is lacking in Bank scope for the vast majority of banks before 2004, we do not report asset shares for any country before that year.

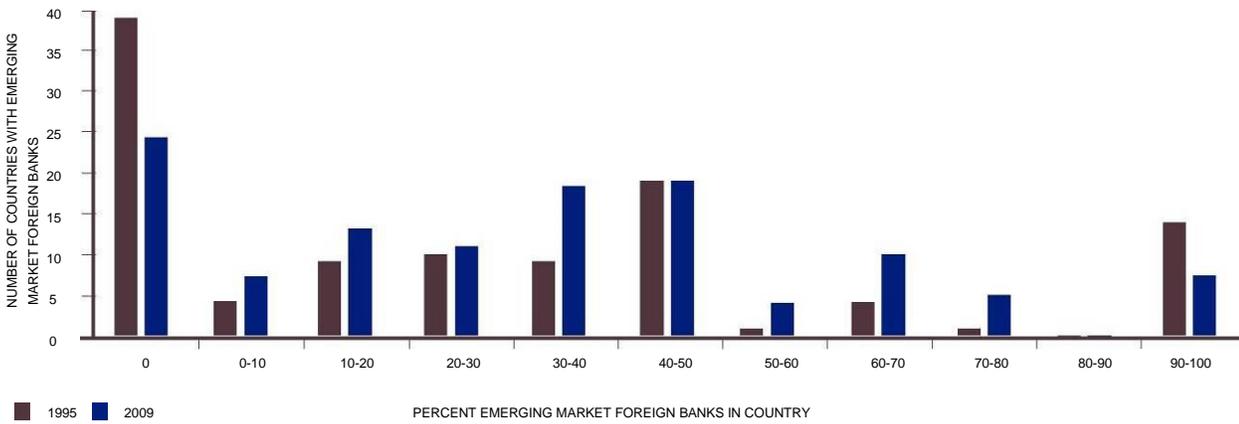


FIGURE-7.1, CONCENTRATION OF EMERGING MARKET FOREIGN BANKS, 1995 AND 2009

Source: Claessens and Van Horen, 2012.

Note: A foreign bank is one that has at least 50 percent foreign ownership. An emerging market foreign bank is a foreign bank whose largest shareholder comes from an emerging market.

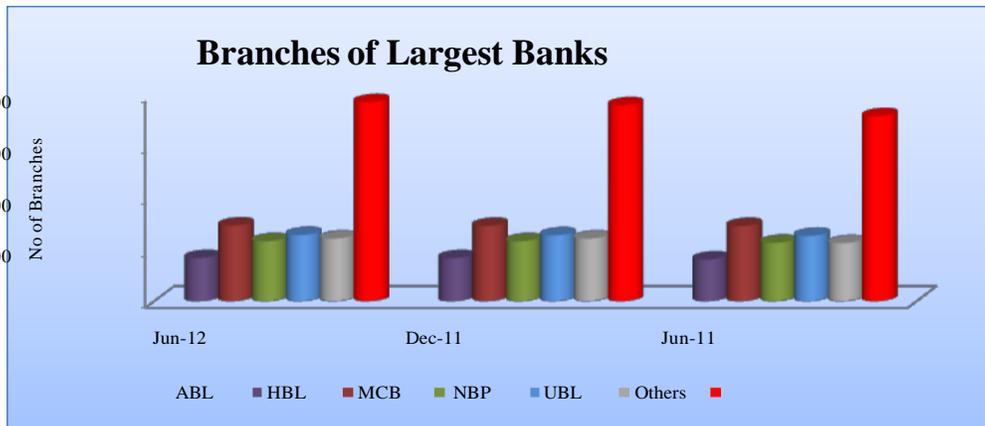


FIGURE-7.2, BRANCHES OF LARGEST BANKS

Source: Statistics on schedule banks in Pakistan. State bank of Pakistan Report June, 2012

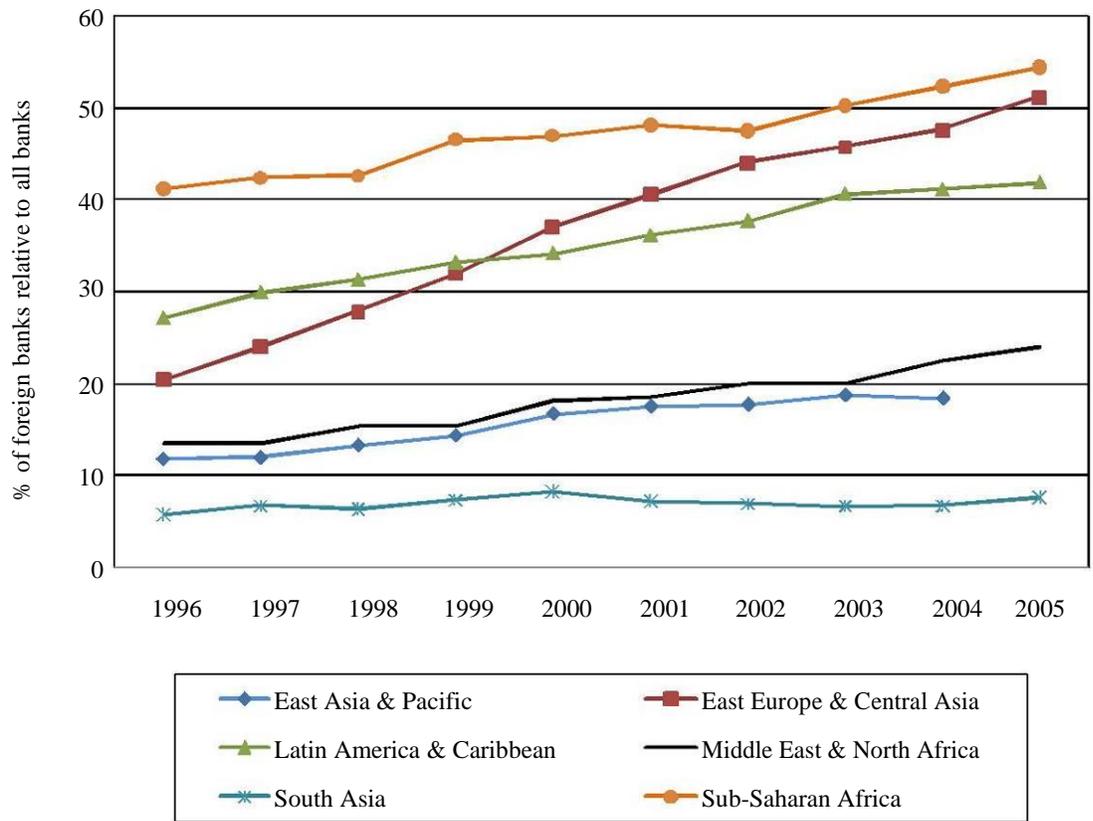


FIGURE-7.3, NUMBER OF FOREIGN BANKS RELATIVE TO ALL BANKS ACROSS DEVELOPING COUNTRIES

Source: Claessens et al. (2008a).

Note: This figure shows the average number of foreign banks (expressed as percentage of total banks) in each region at each point in time.

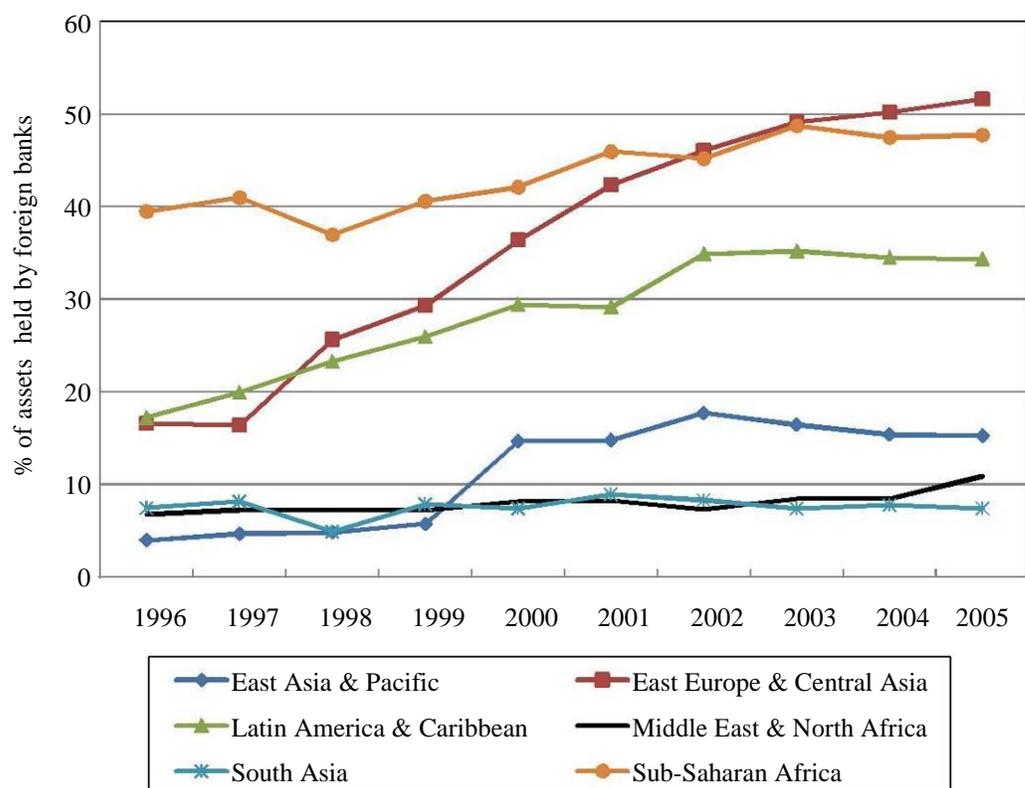


FIGURE-7.4, SHARE OF ASSETS HELD BY FOREIGN BANKS ACROSS DEVELOPING COUNTRIES

Source: Claessens et al. (2008a).

Note: This figure shows the average share of assets held by foreign banks (expressed as percentage of total assets) in each region at each point in time.

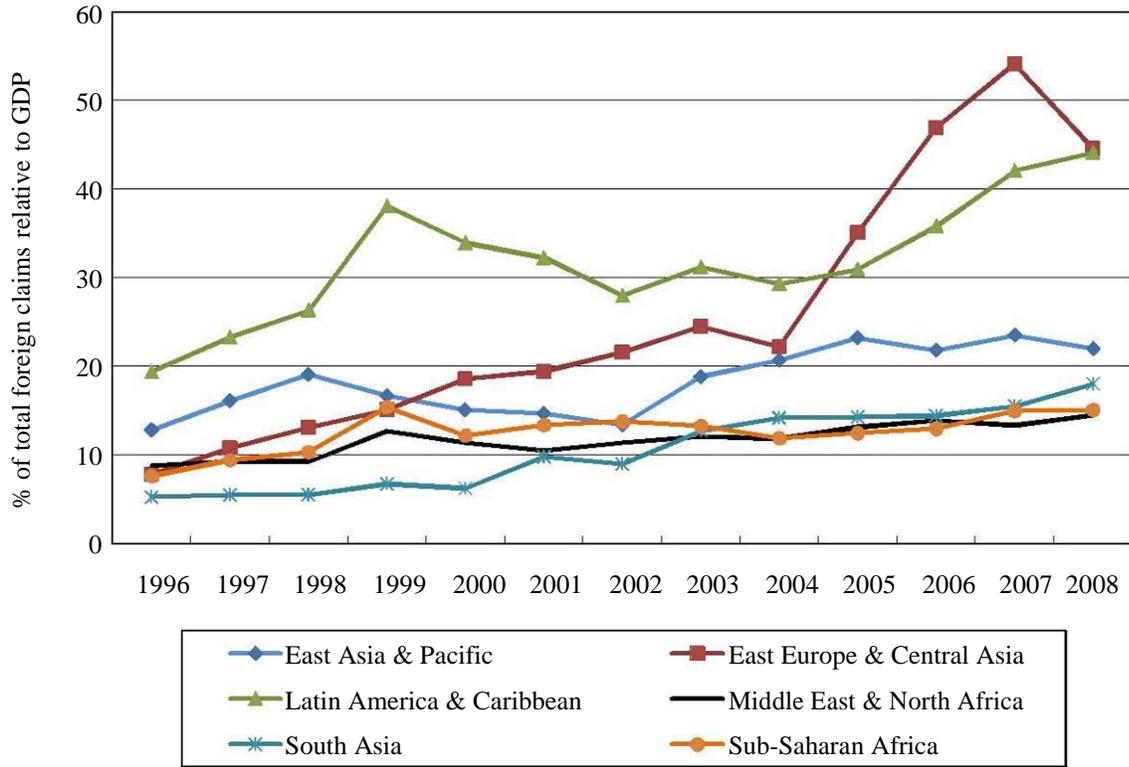
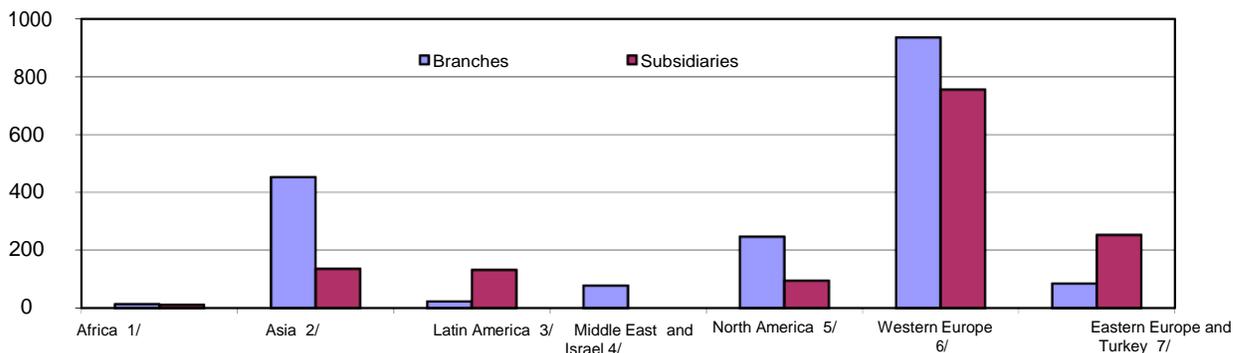


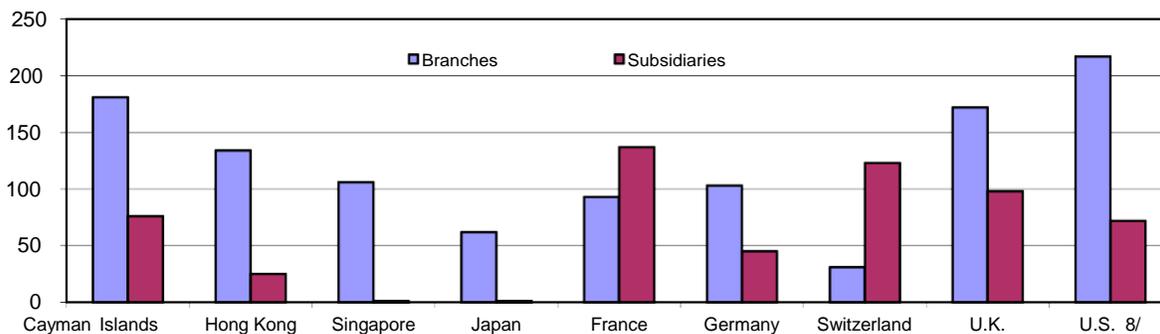
FIGURE-7.5, TOTAL FOREIGN CLAIMS RELATIVE TO GDP ACROSS DEVELOPING COUNTRIES

Source: BIS Consolidated Banking Statistics.

Panel A. Number of Foreign Branches and Subsidiaries across Different Regions



PANEL B. NUMBER OF FOREIGN BRANCHES AND SUBSIDIARIES IN SELECTED FINANCIAL CENTERS



PANEL C. PERCENTAGE OF FOREIGN BRANCHES AND SUBSIDIARIES BY TOTAL ASSETS IN SELECTED FINANCIAL CENTERS

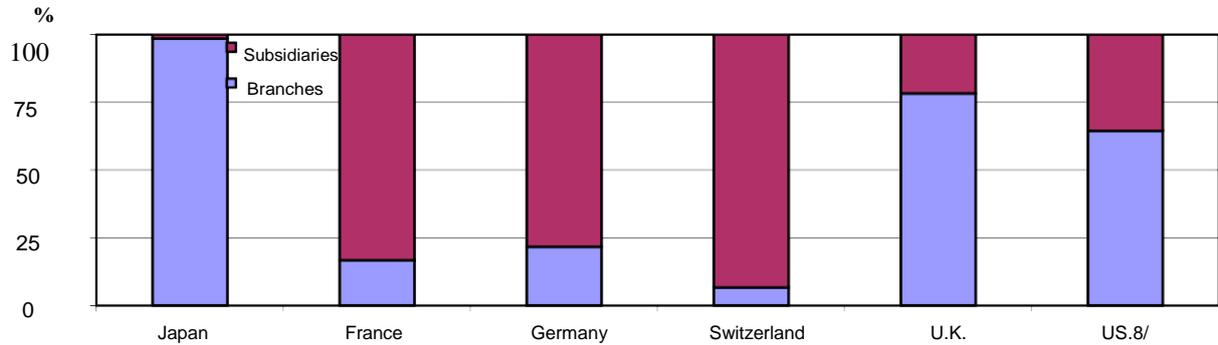


FIGURE-7.6, FOREIGN BRANCHES AND SUBSIDIARIES

Source: Central banks, supervisory and regulatory agencies.

1/ Africa include South Africa and Nigeria.

2/ Asia include China, Australia, Indonesia, India, Korean, Japan, Philippines, New Zealand, Malaysia, Thailand and Singapore.

3/ Latin America include Brazil, Argentina, Colombia, Chile, Paraguay, Mexico, and Peru.

4/ Middle East include Oman, Kuwait, Bahrain, Saudi Arabia, Qatar and United Arab Emirates.

5/ North America cover Canada and United States.

6/ Western Europe includes Austria, Cyprus, Belgium, France, Denmark, Finland, Germany, Italy .Greece, Ireland, Luxembourg, Netherland, Malta, Portugal, Switzerland, Sweden, and Spain.

7/ Eastern Europe and Turkey covers Bulgaria, Estonia, Czech Republic, Latvia, Hungary, Poland, Lithuania, Slovenia, Romania, Slovakia, Russia, and Turkey.

8/ Branches of foreign banks include insured state and federal branch, uninsured federal and state agency, uninsured federal and state branch, while subsidiaries of foreign banks include agreement corporate banking and corporate investment, edge corporate-banking coincident Edge corporate investment, National bank, federal savings bank, New York Investment Company, non-depository trust co-member, state member and non-member bank, state savings bank.

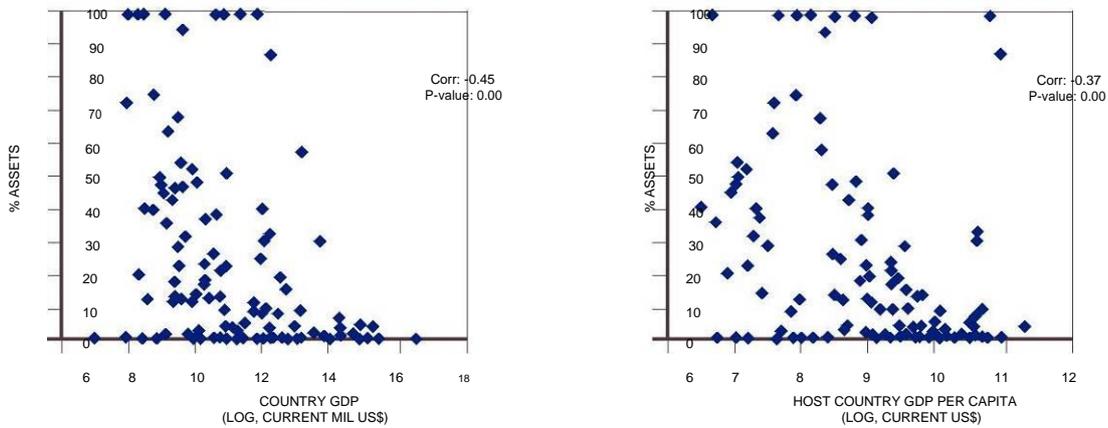


FIGURE-7.7, PERCENT OF FOREIGN BANK ASSETS HELD BY EMERGING MARKET FOREIGN BANKS BY GDP AND GDP PER CAPITA

Sources: Claessens and Van Horen, 2012 and World Bank Development Indicators.

Note: Percent of foreign bank assets held by emerging market foreign banks and host country GDP and GDP per capita are averaged over 2007-2009.

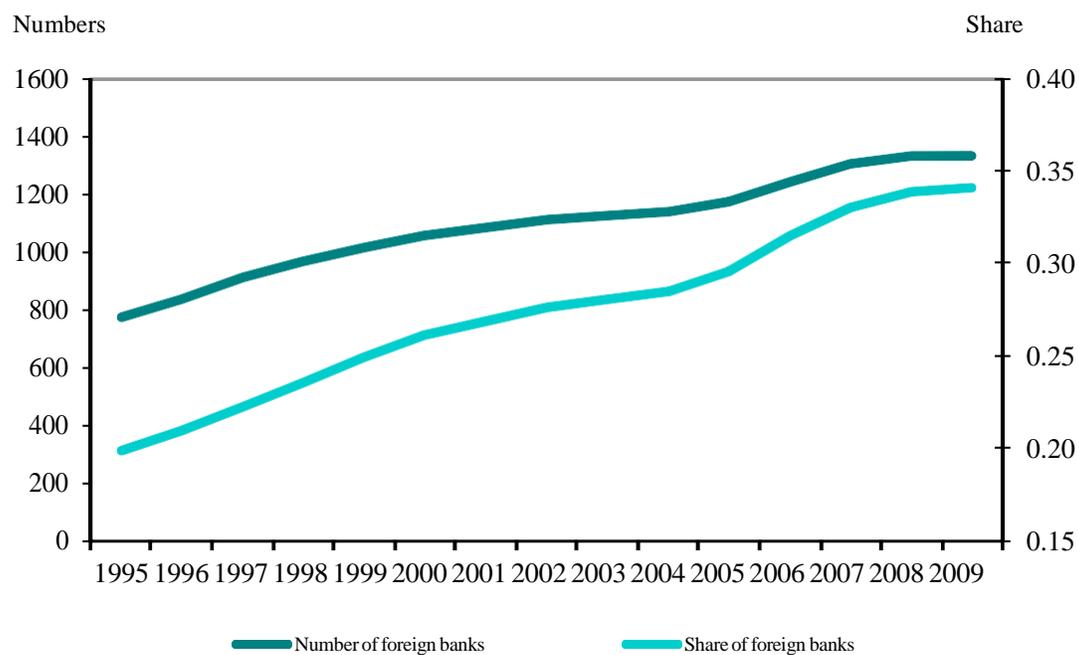


FIGURE-7.8, NUMBER AND SHARE OF FOREIGN BANKS, 1995 - 2009

Source: World Bank Report, IMF Report 2013, Foreign Banks :Trends , Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

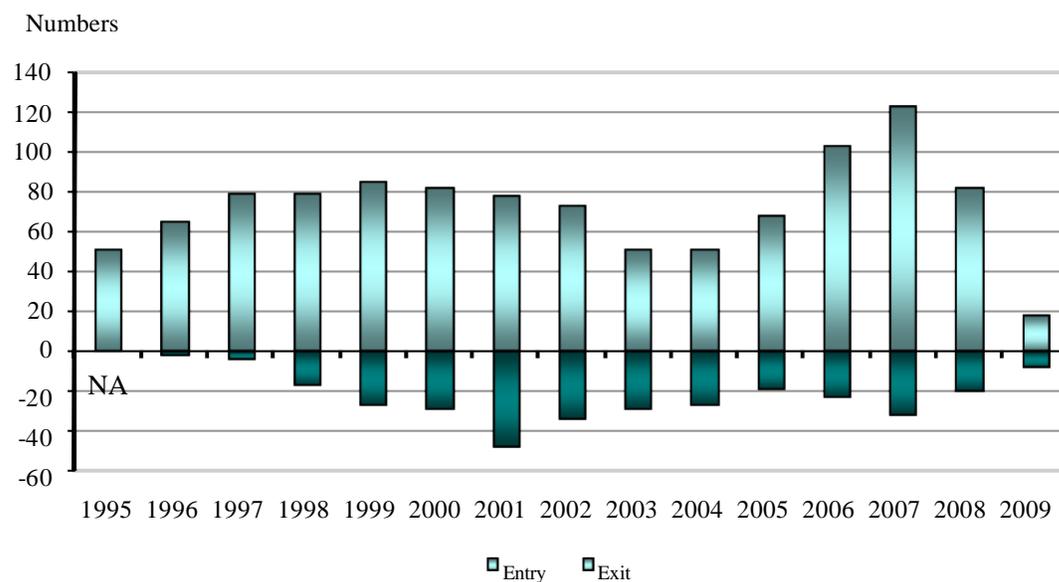


FIGURE-7.9, NUMBER OF ENTRIES AND EXITS OF FOREIGN BANKS

Source: World Bank Report, IMF Report 2013, Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: As the database starts in 1995 the number of foreign banks that exited the market in that year cannot be determined.

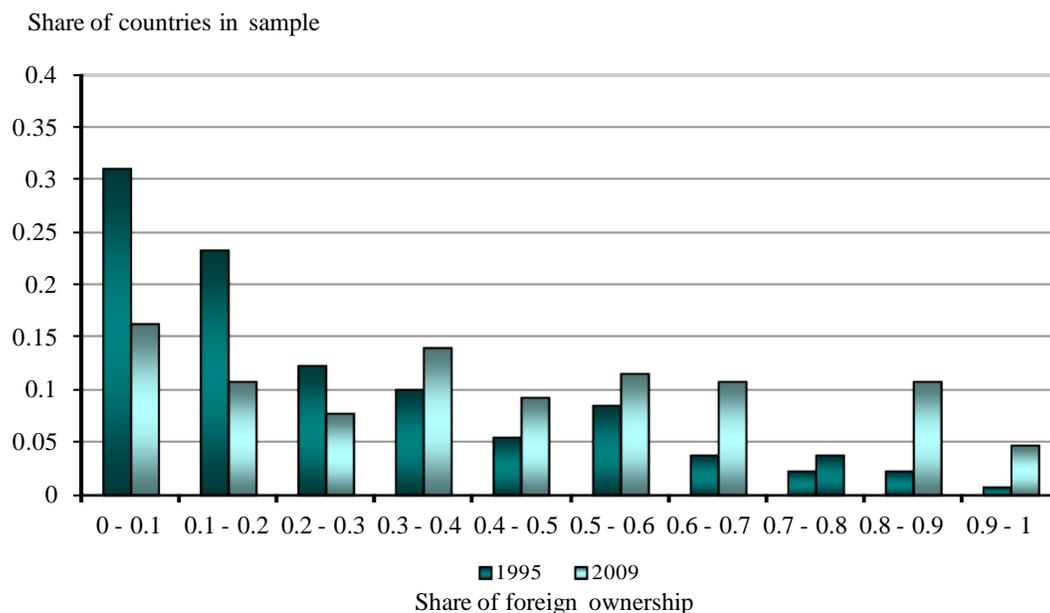


FIGURE-7.10, RELATIVE FOREIGN BANK PRESENCE ACROSS HOST COUNTRIES, 1995 AND 2009

Source: World Bank Report, IMF Report 2013, Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: The figure shows the relative importance of foreign banks in the host countries' banking systems. For each host country the share of foreign banks (in numbers) is determined in 1995 and 2009. The figure depicts the distributions of these shares.

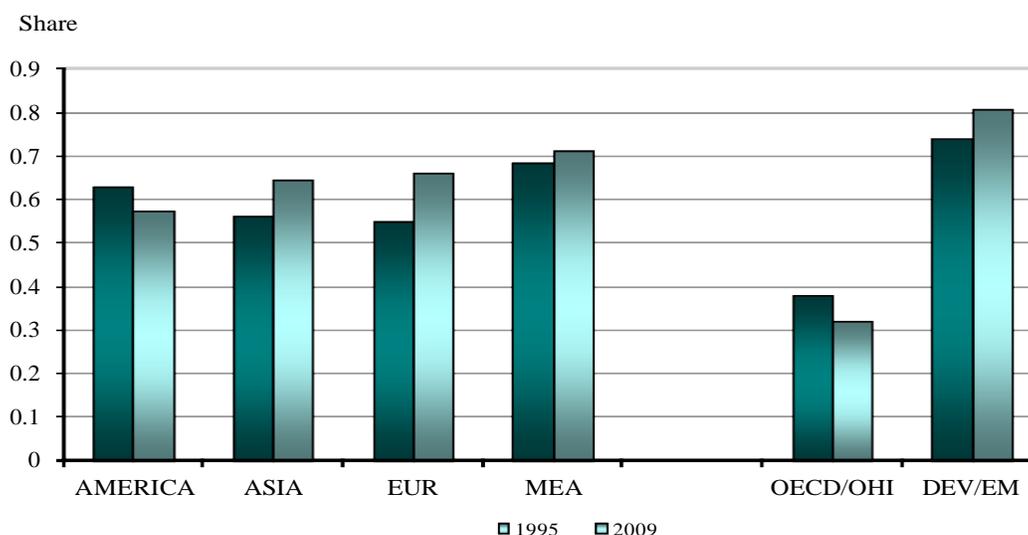


FIGURE-7.11, SHARE OF FOREIGN BANKS IN INVESTING IN OWN REGION, 1995 AND 2009

Source: World Bank Report, IMF Report 2013, Foreign Banks: Trends , Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2012

Note: The first four column pairs show for each of the four regions the share of foreign banks from the region investing in host countries located in that same region (e.g. banks from the United States investing in Canada or any Latin American country). Countries are grouped in four geographical regions irrespective of the income level of the countries. The continent "America" includes United States, Canada and also all countries in Latin American and the Caribbean, Similarly "Asia" includes all countries in Central, South and East Asia and the Pacific countries including Japan, Australia and New Zealand. "Europe" includes all Western and Eastern European countries "MEA" includes all countries in the Middle East and North and Sub-Saharan Africa. In the last two set of column we firstly grouped the foreign banks according to the income level of the home country (OECD/OHI or DEV/EM) and then determined for each of the banks whether it invested in its own region or not (e.g. an American owned foreign bank is included in the group OECD/OHI; if it has invested in one of the countries included in the region "America" the investment is considered regional).

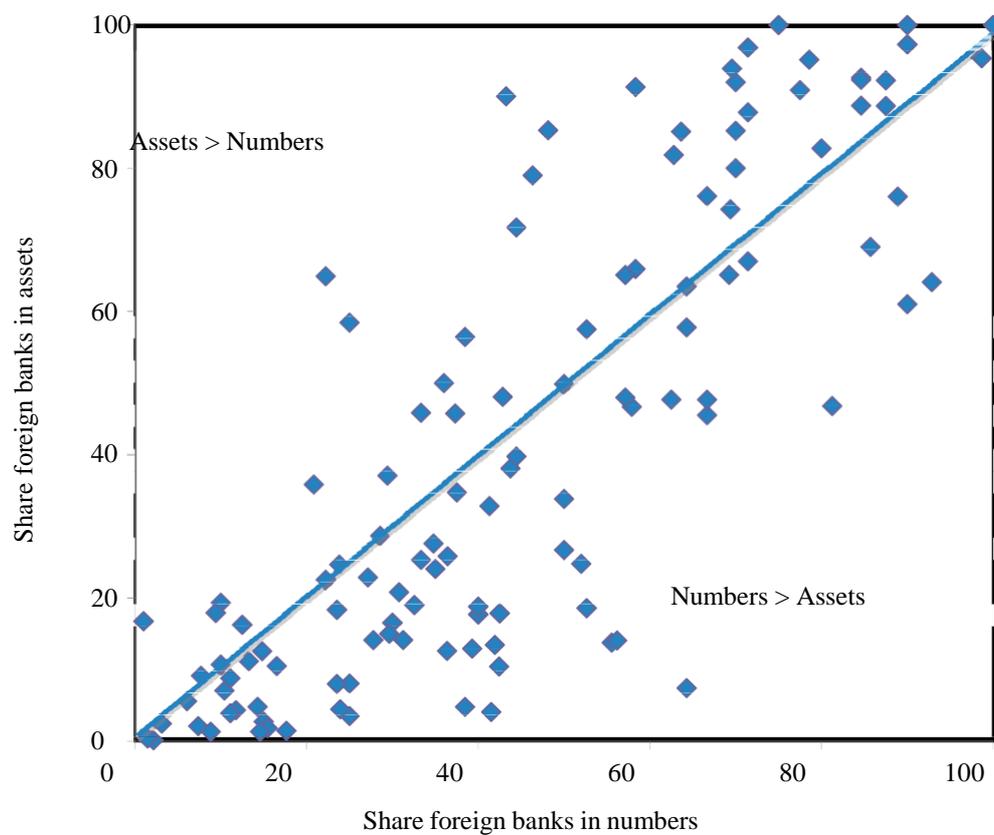
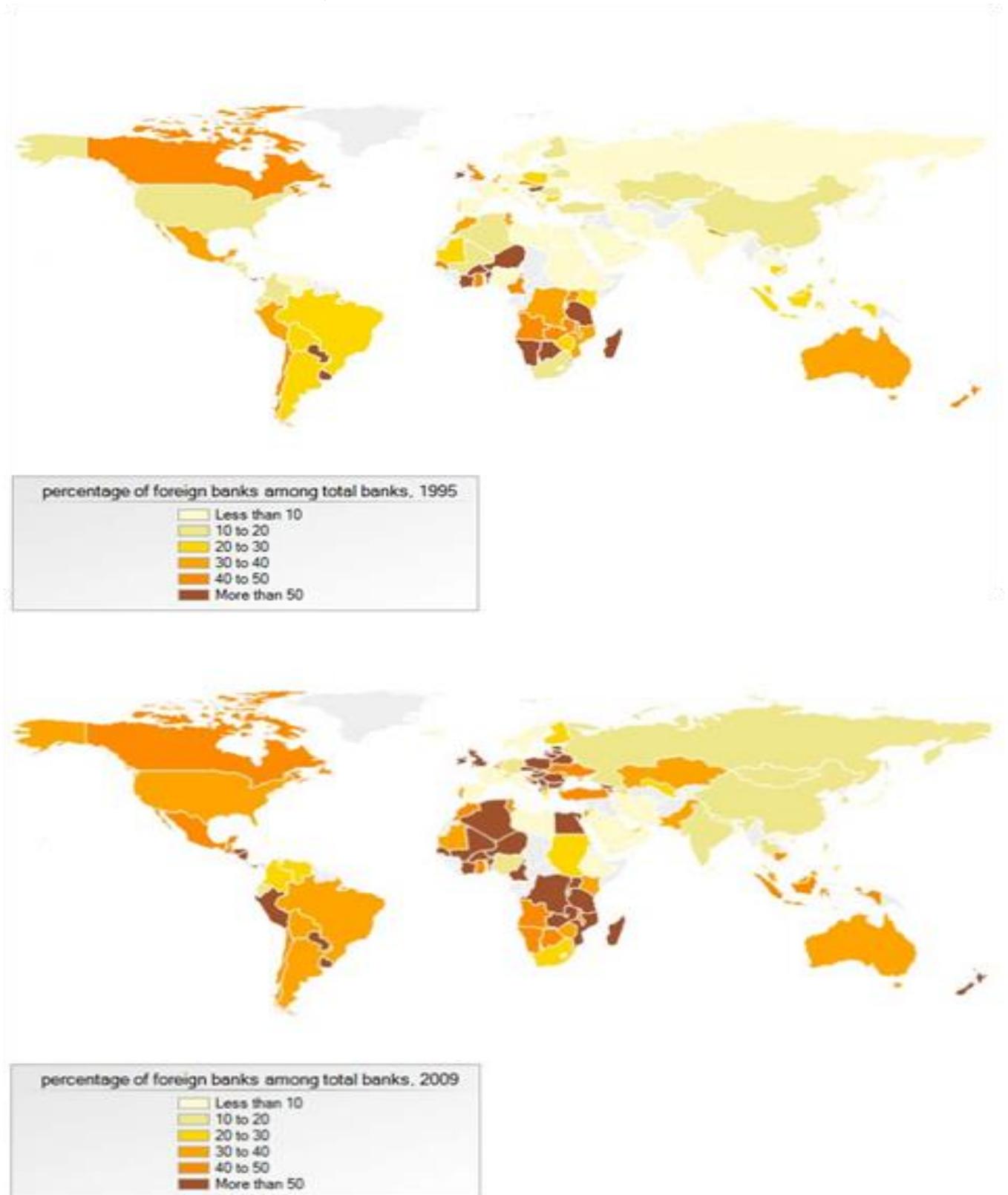


FIGURE-7.12, RELATIVE IMPORTANCE FOREIGN BANKS (2007)

Source: World Bank Report, IMF Financial Report 2013, Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2013

MAP: FOREIGN BANK PRESENCE, 1995 AND 2009



Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2013

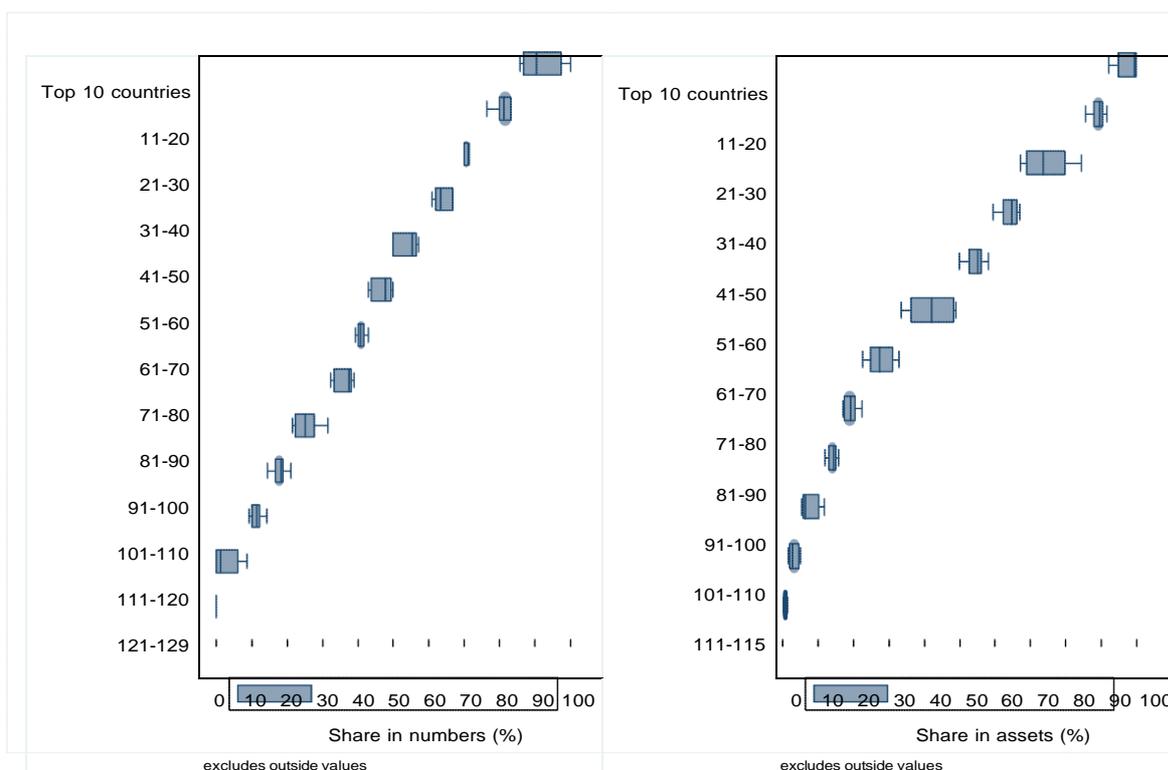


FIGURE-7.13, FOREIGN BANK PRESENCE BY TOP HOST COUNTRIES, 2009

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2013

Note: The figure ranks all host countries by the share of foreign banks in the domestic banking system in terms of numbers (left pane) and assets (right pane) as of 2009. For each group of ten host countries it shows the median, quartiles and minimum and maximum.

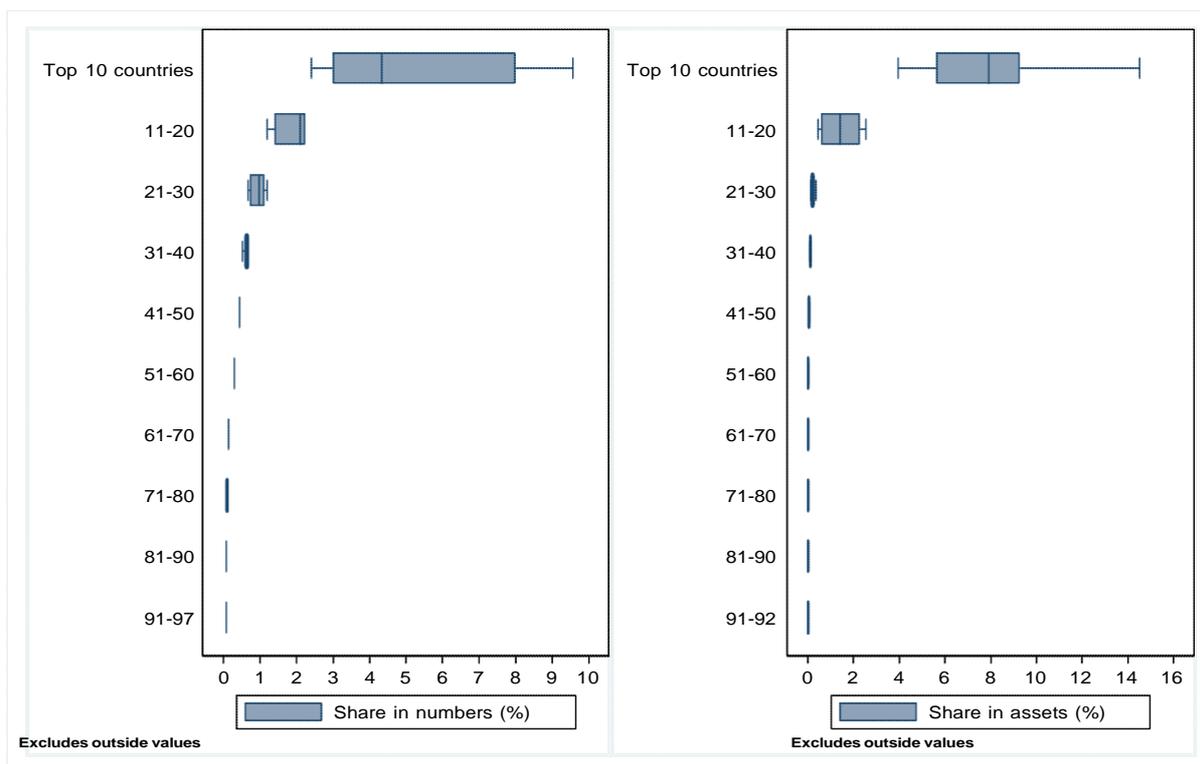
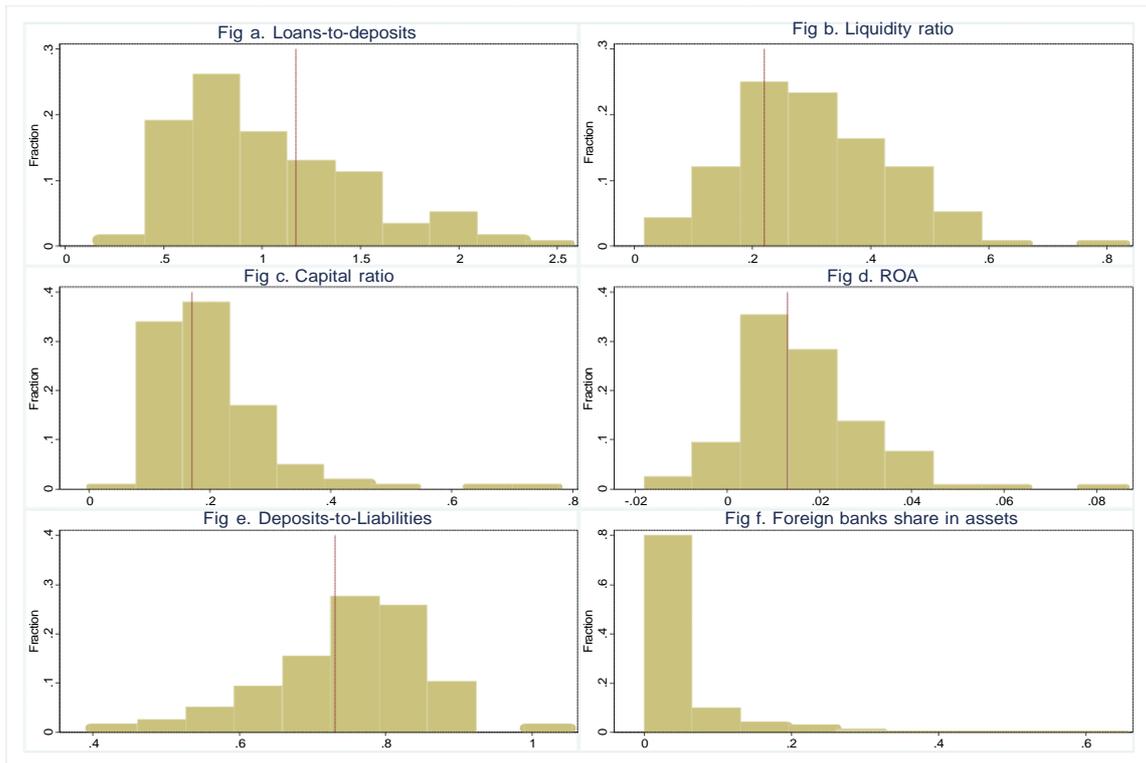


FIGURE-7.14, FOREIGN BANK EXPORTS BY TOP HOME COUNTRIES, 2009

Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2013

Note: The figure ranks all home countries by the share of foreign banks from that country in total foreign banks active in terms of numbers (left pane) and assets (right pane) as of 2009. For each group of ten home countries it shows the median, quartiles and minimum and maximum

BALANCE SHEET AND PERFORMANCE
MEASURES OF FOREIGN BANKS, 2007



Source: Foreign Banks: Trends, Impact and Financial Stability, Stijn Claessens and Neeltje Van Horen January, 2013

Note: The vertical red lines represent the averages across domestic banks. Loans to deposits equal total loans to deposits. Liquidity ratio measures liquid assets divided by total assets. Capital ratio equals the capital divided by risk-weighted assets. ROA measures return on assets. Deposits to liabilities equal deposits divided by liabilities. Foreign bank share in assets equals total assets of a foreign bank divided by total assets in the banking system of the country in which the bank is located. All balance sheet and performance measures are measured in 2007.

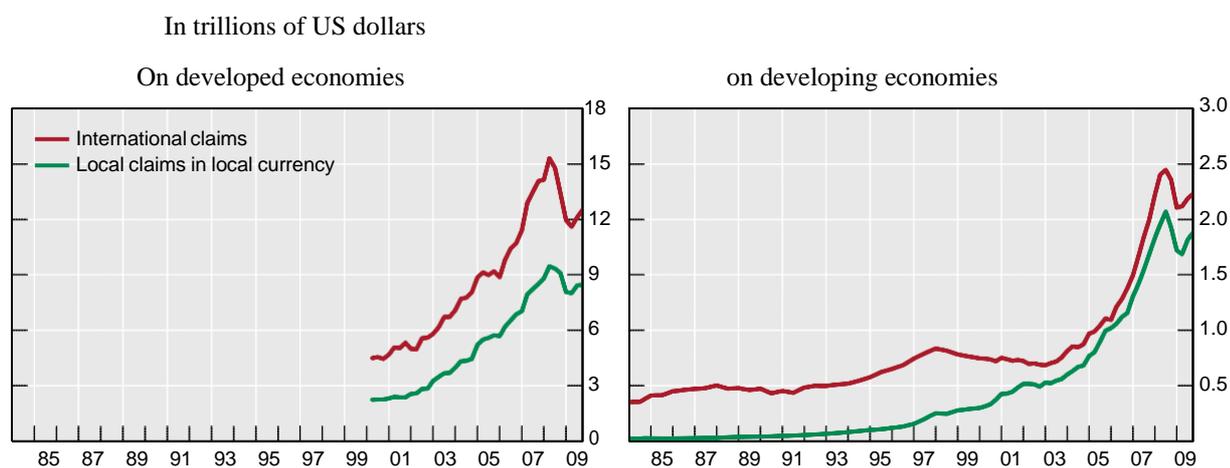


FIGURE-7.15, INTERNATIONAL BANK CLAIMS AND LOCAL CLAIMS IN LOCAL CURRENCY

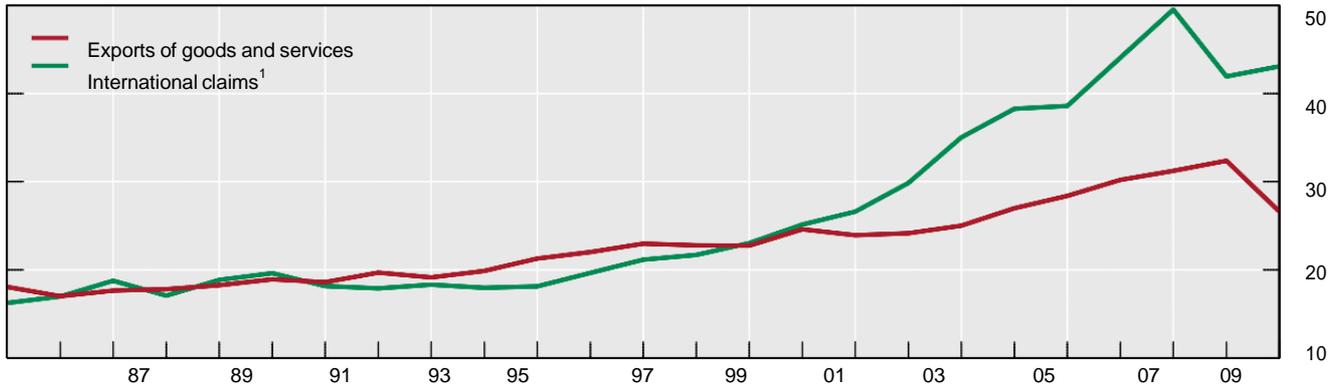


FIGURE-7.16, RATIO OF INTERNATIONAL TRADE AND BANKS' INTERNATIONAL CLAIMS TO GLOBAL GDP

IN PER CENT

1 The series are based on current exchange rates vis-à-vis the US dollar. Foreign claims comprise cross-border claims and local claims in all currencies. Inter-office accounts are excluded.

Sources: IMF, World Economic Outlook Database for World GDP; BIS international banking statistics.

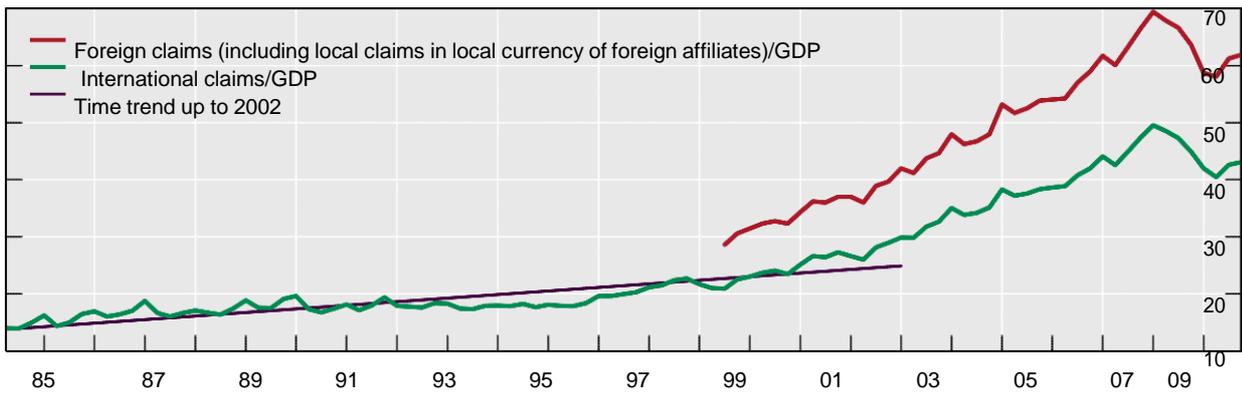


FIGURE-7.17, RATIO OF BANKS' INTERNATIONAL POSITIONS TO GLOBAL GDP¹ IN PER CENT

¹ The series are based on current exchange rates vis-à-vis the US dollar. International claims comprise cross-border claims and local claims in foreign currencies. Foreign claims comprise cross-border claims and local claims in all currencies. Inter-office accounts are excluded.

Sources: IMF, World Economic Outlook Database for World GDP; BIS international banking statistics.

CHAPTER # 8

DEFINITIONS

8.1 ECONOMIC SHOCKS

An event that produces a major modification inside an economy, despite occurring outside of it. Economic shocks are unpredictable and generally impact offer or demand throughout the markets.

An economic shock might be available a range of forms. A shock within the supply of staple commodities, like oil, will cause costs to skyrocket, creating it costly to use for business functions. The fast devaluation of a currency would produce a shock for the import/export industry as a result of a nation would have problem transferal in foreign products.

8.2 EXPATRIATE

An individual living in a country aside from their country of citizenship, typically temporarily and for work reasons. An expatriate also can be a private who has relinquished citizenship in their home country to become a national of another. If your employer sends you letter of offer from your job position in its New York office to work for an extended amount in its London office, once you're in London, you'd be thought-about an expatriate or "expat."

8.3 DE NOVO INVESTMENT

New, fresh, simply starting. A de novo establishment depository financial institution could be a freshly chartered institution. De novo branching refers to opening a new branch workplace as hostile buying an existing branch or opposed to branches through a merger of institutions.

8.4 GREENFIELD INVESTMENT

A form of foreign direct investment wherever a parent company starts a brand new venture in an exceedingly foreign country by constructing new operational facilities from the bottom up. Additionally to putting together new facilities, most parent firms also produce new long-run jobs within the foreign country by hiring new workers. This is opposite to a brown field investment.

Green field investments occur when international firms enter into developing countries to make new factories and/or stores. Developing countries usually provide prospective firms tax-breaks, subsidies and different forms of incentives to line up green field investments. Governments usually see that losing tax revenue government income could be a little value to pay if jobs are created and information and technology is gained to boost the country's human capital.

8.5 TRANSITION ECONOMY AND TRANSITION ECONOMIC COUNTRIES

A transition economy or transitional economy is an economy that is changing from a centrally planned economy to a free market. Transition economies countries normally undergo economic liberalization, wherever market forces set prices rather than a central planning organization. Consequently, trade barriers are removed, there's a push to privatize state-owned businesses and resources, and a financial sector is formed to facilitate macroeconomic stabilization and also the movement of private capital.

The method has been applied in China, the previous Russia and Communist bloc countries of Europe, and plenty of third world countries and elaborated work has been undertaken on its economic and social effects.

8.6 P-VALUE

The level of marginal significance inside a statistics hypothesis test, representing the chance of the incidence of a given event. The p-value is employed as an alternate to rejection points to produce the littlest level of significance at that the null hypothesis would be rejected. If P-value smaller, then stronger the proof is in favor of the alternative hypothesis. P-values are calculated using p-value tables, or spreadsheet or through statistical software.

Because totally different researchers use different levels of significance once examining an issue, a reader could generally have issue scrutiny results from 2 totally different tests.

For example, if 2 studies of returns from 2 specific assets were done using 2 totally different significance levels, a reader couldn't compare the chance of returns for the 2 assets probability. For easy comparison, researchers can usually feature the p-value within the hypothesis check and permit the reader to interpret the statistical significance themselves. This is often referred to as a p-value approach to hypothesis testing.

8.7 STOCHASTIC FRONTIER ANALYSIS

It is a parametric technique that uses customary production function methodology.

The approach expressly recognizes that production perform represents technically most possible output level for a given level of output. The stochastic Frontier Analysis (SFA) technique is also utilized in modeling practical relationships wherever you've got theoretical bounds:

- Estimation of cost functions and also the study of cost efficiency
- Estimation of revenue functions and revenue efficiency

This method is additionally utilized in the estimation of multi-output and multi-input distance functions Potential for applications in different disciplines.

8.8 COST EFFECIENCY / COST EFFECTIVE

Bringing the most effective doable profits or benefits for the lowest possible costs.

8.9 PROFIT EFFECIENCY

Profit efficiency could be a macro-economic thought utilized in assessing whether or not an economy, business or supply chain is expending an optimally balanced level of rent for the utilization of capital.

Economies wherever an excessive amount of profit is being extracted are over-paying the owners of capital at the expense of different contributors to a productive economy or business. Economies and Industries that offer depleted come backs to the owners of capital ought to notice that capital is moved to alternate investments wherever the return is bigger. Profit efficient economies and industries area unit paying the minimum profit to owners of capital needed to keep up the best level and distribution of capital investment.

This idea has importance once discussing the relative outcome efficiency of industries like the USA Health Care System that has high client costs, high government subsidy and nevertheless has comparatively poor health outcomes. This business is alleged to be profit inefficient as compared to European health care models that have less client and government inputs and nevertheless higher outcomes.

The distinction seems to be that the extent of rent paid to capital investors within the USA system could be a bigger proportion of the productive price of the business. Similar observations are created regarding the USA financial System's impact on the USA economy as an entire. The increasingly more profit inefficient USA economy is that the primary reason for its speedy decline as an economic major power.

8.10 DIFFERENCE IN DIFFERENCE APPROACH

Difference in differences (sometimes 'Difference-in-Differences', [1] 'DID', [2] or 'DD'[3]) is a technique utilized in econometrics that measures the result of a treatment at a given period in time. It's typically used to measure the modification induced by a selected treatment or event, tho' it should be subject to certain biases (mean reversion bias, etc.). In distinction to a within subjects estimate of the treatment effect (that measures the difference in an outcome when after before treatment or a between-subjects estimate of the treatment effect (that measures the difference in an outcome between the treatment and management groups), the DID figure represents the distinction between the pre-post, within-subjects variations of the treatment and management teams.

8.11 LIQUIDITY

The degree to that which quality or security are often bought or sold-out within the market while not affecting the asset's price. Liquidity is characterized by a high level of commercialism activity. Assets which will be simply bought or sold-out are referred to as assets. The flexibility to convert in cash quickly. Also referred to as "marketability. "There is no specific liquidity formula; but, liquidity is commonly calculated by using liquidity ratios. It's safer to invest in assets than illiquid ones because it's easier for a capitalist to induce his/her cash out of the investment.

Examples of assets that are simply converted into cash embrace blue chip and securities industry securities.

8.12 LEVERAGE

The use of varied financial instruments or borrowed capital to extend the potential return of an investment.

The quantity of debt used to finance a firm's assets. A firm with considerably a lot of debt than equity is taken into account to be extremely leveraged.

Leverage is most typically utilized in real estate transactions through the employment of mortgages to get a home.

Leverage is often created through choices, futures, margin and alternative financial instruments. For instance, say you have got \$1,000 to take a position.

This quantity might be endowed in ten shares of Microsoft stock, however to extend leverage, you may invest the \$1,000 in 5 choices contracts. You'd then management five hundred shares rather than simply ten.

8.13 TIER 1 CAPITAL RATIO

A comparison between a banking firm's core equity capital and total risk - weighted assets. A firm's core equity capital is understood as its Tier one capital and is that the measure of a bank's financial strength supported the total of its equity capital and disclosed reserves, and generally non-redeemable, non-cumulative preference shares.

A firm's risk-weighted assets embody all assets that the firm holds that are consistently weighted for credit risk. Central banks generally develop the weighting scale for various plus categories, like cash and coins that have zero risk, versus a letter or credit that carries a lot of risk.

Regulators use the Tier one capital ratio to grade a firm's capital adequacy united of the subsequent rankings: well-capitalized, adequately capitalized, undercapitalized, considerably undercapitalized, and critically undercapitalized. A firm should have a Tier one capital ratio of 6 p.c or bigger, and not pay any dividends or distributions that might have an effect on its capital, to be classified as well-capitalized. Corporations that area unit graded undercapitalized or below area unit prohibited from paying any dividends or management fees. Additionally, they're needed to file a capital restoration arrange.

8.14 LIQUIDITY RATIO

A class of economic metrics that's would not to verify a company's ability to pay off its short-terms debts obligations. Generally, the upper the worth of the ratio, the larger the margin of safety that the corporate possesses to cover short-run debts.

Common liquidity ratios counts the Quick ratio, the Current ratio as well as Operating cash flow ratio. Different analysts take into account different relevant assets in calculating liquidity. Few analysts can solely calculate the sum of cash and equivalents divided by current liabilities as a result of they feel that they are the foremost liquid assets, and would be the most doubtless to be used to cover short-term debts in an emergency. A company's ability to turn short-term assets into cash to cover debts s likely most importance when creditors are seeking payment.

Most frequently the bigger Bankruptcy analysts and mortgage originators formulate the liquidity ratios to find whether or not a company is going to be ready continuing as a going concern.

8.15 CAPITAL ADEGUECY RATIO

A measure of a bank's capital. It's expressed as a share of a bank's risk weighted credit exposures. Also called "Capital to Risk Weighted Assets ratio (CRAR)."This ratio is employed to safeguard depositors and promote the steadiness and efficiency of financial systems round the world.

Two kinds of capital are measured: tier one capital, which might absorb losses while not a bank being needed to stop trading, and tier 2 capital, which might absorb losses within the event of a winding-up and then provides a lesser degree of protection to depositors. A measure of a bank's capital. It's expressed as a share of a bank's risk weighted credit exposures.

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8.16 ECONOMY OF SCALE

The cost advantage that arises with exaggerated output of a product. Economies of scale arise as a result of the inverse relationship between the number produced and per-unit fixed costs; i.e. the larger the number of a

good produced, the lower the per-unit fixed cost as a result of these costs are shared over a bigger range of products.

Economies of scale may additionally cut back variable costs per unit as a result of operational efficiencies and synergies.

“Economies of scale” could be a straightforward idea that may be incontestable through an example. Let’s suppose that you are a small business owner and are considering printing booklet. The printer quotes a worth of \$5,000 for five hundred booklet, and \$10,000 for 2,500 copies. Whereas five hundred booklets can value you \$10 per brochure, 2,500 can solely value you \$4 per booklet.

During this case, the printer is passing on a part of the value advantage of printing a bigger range of brochures to you. This value advantage arises as a result of the printer has identical initial set-up value no matter whether or not the quantity of brochures printed is five hundred or 2,500. Once these costs are lined, there's solely a marginal further value for printing every extra leaflet.