IMPACT OF FOREIGN BANKS ON INDIAN ECONOMY

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Abstract

The liberalization has invited many foreign banks and foreign capital into the Indian economy (Massand Ajay B., Gopalakrishna B. V. (2016)). However, the aim set for the liberalization and the entry of foreign banks is yet to be tested. This study discovers the effect of foreign banks on Indian economy. The entire foreign banks and macroeconomic factors were chosen for the study. Data on all foreign banksand macroeconomic factors from 2008-2018 were collected from secondary sources to measure how Advances, Investments, Profitability, Overheads and Non-Performing Assets affects the Indian economy. Factor analysis and regression analysis was made to find the effect of foreign banks on Indian economy.

1. Introduction

The world has become a global market. The impact of globalization, privatization and liberalization has totally changed the style of banking sector in India. Banks are essential instruments of accelerated growth in a developing economy. Banking system plays a very important role in the economic life of the nation. The health of the economy, which is closely related to the soundness of its banking, is now an essential part of our economic system. The Indian banking sector was well-developed even prior to its political independence in 1947. After independence, the development of banking sector picked up momentum. Since 1991, public and private sector banks are co-existing and providing banking service to the customers. They are playing very important role in overall economic development. The Indian banking system has transformed in recent years due to globalization in the world market, which has resulted in fierce competition. The new economic policy of globalization has opened the financial markets of India to the outside world and infused competitiveness therein. Indian banking is operating in highly

deregulated, liberalized and competitive environment. Competitive pressure is building up for Indian banks both from within and outside. The financial sector plays a crucial role in mobilizing a community's saving and channelling them into effective investment avenues in the country.

2. Review of the literature

Eduardo Borensztein et al. (1995) in their research paper titled "How Does Foreign Direct Investment Affect Economic Growth". They studied in a cross-country regression frame work, utilizing data on FDI flow from industrial countries to 69 developing countries over the last two decades. Their result suggests that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment, however higher productivity of FDI holds only when the host county has a minimum threshold stock of human capital, necessary raw materials and supporting infrastructure.

Gan, Lee, Yong and Zhang (2006) examined the relationship between stock prices and macroeconomic variables for New Zealand. The variables are long-run and short-run interest rate, inflation rate, exchange rate, GDP, money supply and domestic retail oil price. Their findings suggest that there exists a long-term relationship between stock prices and selected variables in New Zealand. However, the Granger causality test suggests that New Zealand stock exchange is not a good indicator for macroeconomic variables in New Zealand.

Andreas Johnson (2006) investigated "The Effects of FDI Inflows on Host Country Economic Growth". This paper discusses and models the potential of FDI inflows to affect host country economic growth. The paper argues that FDI should have a positive effect on economic growth as a result of technology spillovers and physical capital inflows. Performing both cross-section and panel data analysis on a dataset covering 90 countries during the period 1980 to 2002, the empirical part of the paper finds indications that FDI inflows enhance economic growth in developing economies but not in developed economies.

Abdul Khaliq (2007) "Foreign Direct Investment and Economic Growth: Empirical Evidence from Sectoral Data in Indonesia". The paper investigates the impact of foreign direct investment (FDI) on economic growth using detailed sectoral data for FDI inflows to Indonesia over the period 1997-2006. In the aggregate level, FDI is observed to have a positive effect on economic growth. However, when accounting for the different average growth performance

across sectors, the beneficial impact of FDI is no longer apparent. When examining different impacts across sectors, estimation results show that the composition of FDI matters for its effect on economic growth with very few sectors shows positive impact of FDI and one sector even showing a robust negative impact of FDI inflows (mining and quarrying). The sectors examined are farm food crops, livestock product, forestry, fishery, mining and quarrying, non-oil and gas industry, electricity, gas and water, construction, retail and wholesale trade, hotels and restaurant, transport and communications, and other private and services sectors.

Stijn Claessens and Neeltje van Horen(2012) examined the impact of the global financial crisis on banking globalization. The discussion has mainly been focused on the collapse in cross-border bank flows globally (e.g., Milesi-Ferretti and Tille, 2011) and the fragmentation of financial markets within the euro zone (e.g., ECB, 2014). It is clear that the need to restore balance sheets and profitability, and meet stiffer capital requirements and other regulatory changes aimed at strengthening banking systems have incentivized European and, to a lesser extent, American banks to reduce their international operations. This paper shows that in terms of local foreign bank presence, i.e., local "brick and mortar" operations, the global banking system has not become more fragmented. Rather, the crisis has accelerated a number of structural transformations, leading to a global banking system with a larger variety of home countries active abroad and one that while globally less, is regionally more integrated.

Sufian and Kamarudin (2012) identified bank specific characteristics and macroeconomic determinants of profitability in the Bangladesh's banking sector over the years 2000 to 2010 using a sample of 31 commercial banks in Bangladesh. The determinants were identified using multiple regression analysis. The results revealed that the macroeconomic determinants significantly influenced profitability. The relationship between economic growth and bank performance is negative and significant, while the coefficient of inflation was significant and positive.

3. Statement of the problem

The foreign banks have become a significant internal element of Indian financial and banking system. In the emerging financial and banking circumstances of openness, economic liberalization, globalization and promotion of greater economic efficiency, the need for an

expanded role and operation of foreign banks has gained further assistance in India. India had liberalized its banking sector to achieve high competition, profitability and efficiency of domestic banks. Foreign Direct Investment is allowed up to a maximum limit of 74 per cent in the private banking sector of India. On the other hand, Foreign Direct Investment and Portfolio Investment in the public or nationalized banks in India are subjected to a limit of 20 per cent in totality. FDI limits in the banking sector of India were increased with the aim to bring in more FDI inflows in the country along with the incorporation of advanced technology and management practices.

The level of impact of foreign banks on Indian economy is not explored after the financial crisis period. Hence, the present study is attempted to analyze the impact of bank internalization on the Indian economy. This raises the following question:

➢ What is the effect of foreign banks on domestic banks, Indian economy?

4. Objective of the study

➢ To evaluate the influence of Foreign Banks on Indian Economy.

5. Hypothesis of the study

H_0: There is no significant effect of performance of Foreign Banks on Indian Economy.

6. Methodology

The present study is analytical in nature.

7. Sources of data

Data were collected from secondary sources for this study. The data has been collected from RBI Statistical Report.

8. Period of the study

The study period of this paper is ten years from 2008-2009 to 2017-2018.

9. Tools used for the analysis

Factor analysis and regression analysis was made to find the effect of foreign banks on Indian economy.

10. Results and discussions
Analysis of the influence of foreign banks on Indian Economy

Table 1
List of variables used for factor analysis

No.	Variables	Notation
X1	Net interest margin	NII
X2	Return on assets	ROA
X3	Return on equity	ROE
X4	Non-performing Assets	NPA
X5	Overheads	OH
X6	Investments in India	IIN
X7	Advances in India	AII
X8	Advances to priority sector	Adv_Prio_Sec
X9	Advances to public sector	Adv_Pub_Sec

Table 2

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.573
Bartlett's Test of Sphericity	Approx. Chi-Square	177.727
	Df	36
	Sig.	.000

Above table 2 reveals the two tests which indicate the aptness of the data for factor analysis. Two tests, namely Kaiser-Meyer-Olkin measures of sampling adequacy (KMO) & Bartlett's Test of Sphericity have been applied to test whether the relationship among the variables has been significant or not. Bartlett's Test of Sphericity is used to test whether the data are statistically significant or not. With the value of test statistic and the associated significance level, it shows that there exists a high relationship among the variables (Not >0.05). The value of KMO measure of sampling adequacy is 0.573, which shows that the factor analysis may be considered as an appropriate technique for analyzing the data. The value of chi-square = 177.727, df = 36 is significant (p< 0.000) which further shows the appropriateness of data for factor analysis.

Table 3
Communalities

	Initial	Extraction
Net interest margin	1.000	.999
Return on assets	1.000	.996
Return on equity	1.000	.997
Non-Performing Assets	1.000	1.000
Overheads	1.000	.990
Investments in India	1.000	.989
Advances in India	1.000	.987
Advances to priority sector	1.000	.998
Advances to public sector	1.000	1.000

Extraction Method: Principal Component Analysis.

The above table 3 shows the communalities of the variables used for factor analysis. Communality is the extent to which an item correlates with all other items. Higher communalities are better. If communalities for a particular variable are low (between 0.0 - 0.4), then that variable may struggle to load significantly on any factor. If all of the variables are high in extraction of communalities, then variables with high values are well represented in the common factor space.

Table 4
Factors Derived by Principal Component Analysis Method Using Kaiser Criterion
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.152	79.467	79.467	7.152	79.467	79.467	4.480	49.778	49.778
2	1.000	11.108	90.575	1.000	11.108	90.575	2.303	25.589	75.368
3	.526	5.841	96.416	.526	5.841	96.416	1.308	14.535	89.902
4	.218	2.424	98.840	.218	2.424	98.840	.794	8.817	98.719
5	.060	.669	99.508	.060	.669	99.508	.071	.789	99.508
6	.024	.269	99.777						
7	.017	.193	99.970						
8	.002	.026	99.996						
9	.000	.004	100.000						

Extraction Method: Principal Component Analysis.

The above table 4 results the principal component analysis (PCA) method which provides the relationship between the extracted factors and the variables included in the analysis. It is technically termed as factor loadings. The value of the factor loadings though indicates the relationships clearly but it is unable to group all the variables clearly identified with the factors. First factor consists of higher variance i.e. 49.778. Hence, researcher is unable to extract the orthogonal factors. By continuing with these extractions, researcher is not able to fully eliminate the problem. So, the unrotated and rotated matrix is performed.

Table 5

Rotated component matrix

	Component				
	1	**2**	**3**	**4**	**5**
Advances to public sector	**0.941**	-0.249	0.174	0.110	0.773
Advances to priority sector	**0.893**	-0.290	0.266	0.209	0.459
Advances in India	**0.884**	-0.194	0.270	0.306	0.392
Investments in India	0.659	**0.875**	-0.369	0.242	0.162
Net interest margin	-0.439	0.165	**0.816**	0.224	0.255
Return on assets	0.547	-0.276	**0.936**	-0.179	-0.107
Return on equity	0.348	-0.373	**0.828**	-0.349	-0.221
Overheads	0.310	-0.343	0.199	**0.864**	0.562
Non-Performing Assets	-0.521	0.333	-0.385	-0.684	**0.844**

The above table 5 explains that the principal components analysis and rotated factor loading method is used to identify the factors. From the above table, it is observed that out of 9 variables, 5 factors namely, Advances, Investments, Profitability, Overheads and Non-Performing Assets have been identified by the rotation method.

Table 6

Factor	Variables	Name assigned to the factor
F1	Advances to public sector	Advances
	Advances to priority sector	
	Advances in India	
F2	Investments in India	Investments
F3	Net interest margin	Profitability
	Return on assets	
	Return on equity	
F4	Overheads	Overheads
F5	Non-performing Assets	Non-Performing Assets

The above table 6 elucidates that the derived five factors have been named on their common features. Factor 1 is named as ADVANCES as this group of variables are highly driven by advances of Foreign banks, whereas Factor 2 is named as INVESTMENTS as this variable Investments in India. Factor 3 is named as PROFITABILITY as the variables of this group is related with the profitability of foreign banks. Factor 4 is named as OVERHEADS as this variable is Expenses of foreign banks. Factor 5 is named as NON-PERFORMING ASSETS (NPA) as this variable is Non-performing Assets.

Analysis of the influence of foreign banks on Gross Domestic Product

H_0: There is no significant effect of foreign banks on Gross Domestic Product

Table 7

Model Summary of foreign banks on Gross Domestic Product for the period 2009-2018

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.975[a]	.951	.911	.0607802	2.577

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances
b. Dependent Variable: Gross Domestic Product

The above table 7 results model summary for influence of foreign bank's variables on Gross Domestic Product. When GDP is a dependent variable, R= 0.975, which means that there is a strong relationship. R-square is 0.951, indicating that 95.1 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.911, implying that the model has accounted for 91.1 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 2.577, indicating that the model is suffering from auto-correlation.

Table 8

ANOVAof foreign banks on Gross Domestic Product for the period 2009-2018

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.434	5	.087	23.472	.001[b]
	Residual	.022	6	.004		
	Total	.456	11			

a. Dependent Variable: Gross Domestic Product
b. Predictors: (Constant), Non-performing Assets, Overheads, Profitability, Investments, Advances

The above table 8 shows the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is less than 0.05 which considers GDP as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the Hypothesis is rejected. It is concluded that there is significant effect of foreign banks variables on GDP.

Table 9

Coefficientsof foreign banks on Gross Domestic Product for the period 2009-2018

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	**Std. Error**	**Beta**		
1	(Constant)	4.823	.018		274.882	.000
	Advances	.161	.018	.790	8.774	**.000**
	Investments	-.033	.018	-.162	-1.799	.122
	Profitability	.067	.018	.330	3.668	**.010**
	Overheads	.089	.018	.438	4.860	**.003**
	Non-Performing Assets	.004	.018	.021	.238	.820

a. Dependent Variable: Gross Domestic Product

The regression model is

GDP= 4.823+0.161ADV+0.067PROF+0.089OH

The above table 9 reveals the coefficients for the impact of foreign banks' variables on Gross Domestic Product. It implies that Advances, Profitability and Overheads are significant at 5 per cent significance level. Beta values show that Advances, Profitability, Overheads and Non-performing Assets have positive relationship with GDP. Investments of foreign banks have negative relationship with GDP. Advances, Profitability and Overheads of foreign banks has positive relationship GDP which means the Advances lend by foreign banks, profitability of foreign banks and Expenses of foreign banks influences the Gross Domestic Product. Non-performing Assets have positive but insignificant impact on GDP. Investments have negative relationship and insignificance with GDP.

Analysis of the influence of foreign banks on Foreign Exchange Reserve

H_0: There is no significant effect of foreign banks on Foreign Exchange Reserve

Table 10

Model Summaryof foreign banks on Foreign Exchange Reserve for the period 2009-2018

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.983[a]	.966	.938	.0414225	1.312

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances
b. Dependent Variable: Foreign Exchange Reserve

The above table 10 results model summary for influence of foreign bank's variables on Foreign Exchange Reserve. When FER is a dependent variable, R= 0.983 which means that there is a strong relationship. R-square is 0.966, indicating that 96.6 per cent of

performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.938, implying that the model has accounted for 93.8 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 1.312, indicating that the model is suffering from auto-correlation.

Table 11

ANOVAof foreign banks on Foreign Exchange Reserve for the period 2009-2018

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.295	5	.059	34.425	.000[b]
	Residual	.010	6	.002		
	Total	.306	11			

a. Dependent Variable: Foreign Exchange Reserve

b. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

The above table 11 elucidates the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is less than 0.05 which considers FER as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the hypothesis is rejected. It is concluded that there is significant effect of foreign banks variables on FER.

Table 12

Coefficientsof foreign banks on Foreign Exchange Reserve for the period 2009-2018

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.161	.012		347.973	.000
	Advances	.148	.012	.889	11.870	**.000**
	Investments	-.042	.012	-.251	-3.344	**.016**
	Profitability	.037	.012	.222	2.969	**.025**
	Overheads	.040	.012	.242	3.229	**.018**
	Non-performing Assets	.011	.012	.068	.901	.402

a. Dependent Variable: Foreign Exchange Reserve

The regression model is

FER= 4.161+0.148ADV-0.042+0.037PROF+0.040OH

The above table 12 layouts the coefficients for impact of foreign banks' variables on Foreign Exchange Reserve. It implies that Advances, Investments, Profitability and

Overheads are significant at 5 per cent significance level. Beta values show that Advances, Profitability, Overheads and Non-performing Assets have positive relationship with FER. Investments of foreign banks have negative relationship with FER. Advances, Profitability and Overheads of Foreign banks have positive relationship FER which means the Advances lend by Foreign Banks, profitability of Foreign Banks and Expenses of Foreign banks influence the Foreign Exchange Reserve. Non-performing Assets have positive but insignificant impact on FER. Investments has negative relationship but significant with FER.

Analysis of the influence of foreign banks on Foreign Direct Investment by India

H_0: There is no significant effect of foreign banks on Foreign Direct Investment by India

Table 13

Model Summary of foreign banks on Foreign Direct Investment by India for the period 2009-2018

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.810[a]	.657	.371	.1451156	2.549

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

b. Dependent Variable: Foreign Direct Investment by India

The above table 13 results model summary for influence of foreign bank's variables on Foreign Direct Investment by India. When FDI by India is a dependent variable, R= 0.810 which means that, there is a relationship. R-square is 0.657, indicating that 65.7 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.371, implying that the model has accounted for 37.1 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 2.549, indicating that the model is suffering from auto-correlation.

Table 14

ANOVAof foreign banks on Foreign Direct Investment by India for the period 2009-2018

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.242	5	.048	2.297	.170[b]
	Residual	.126	6	.021		
	Total	.368	11			

a. Dependent Variable: Foreign Direct Investment by India

b. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

The above table 14 depicts the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is more than 0.05, which considers

FDI by India as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the hypothesis is accepted. It is concluded that there is significant effect of foreign banks' variables on FDI by India.

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Table 15

Coefficients of foreign banks on Foreign Direct Investment by India for the period 2009-2018

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.725	.042		65.041	.000
	Advances	.017	.044	.094	.392	.709
	Investments	-.045	.044	-.246	-1.027	.344
	Profitability	-.059	.044	-.323	-1.350	.226
	Overheads	-.126	.044	-.691	-2.890	**.028**
	Non-Performing Assets	-.014	.044	-.076	-.316	.762

a. Dependent Variable: Foreign Direct Investment by India

The regression model is

FDI by IND = 2.725-0.126OH

The above table 15 views the coefficients for impact of foreign banks' variables on Foreign Direct Investment by India. It implies that Overheads is significant at 5 per cent significance level. Beta values show that Advances have positive relationship with FDI by India. Investments, Profitability and NPA of foreign banks have negative relationship with FDI by India. Overheads of foreign banks have positive relationship on FDI by India, which means the Expenses of Foreign banks influence the Foreign Direct Investment by India.

Analysis of the influence of foreign banks on Foreign Institutional Investment

H_0: There is no significant effect of foreign banks on Foreign Institutional Investment

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Table 16

Model Summaryof foreign banks on Foreign Institutional Investment for the period 2009-2018

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.899[a]	.809	.649	.1854142	3.024

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

b. Dependent Variable: Foreign Institutional Investment

The above table 16 provides model summary for influence of foreign bank's variables on Foreign Institutional Investment. When FII by India is a dependent variable, R= 0.899, which means that there is a solid relationship. R-square is 0.809, indicating that 80.9 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.649, implying that the model has accounted for 64.9 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 3.024, indicating that the model is suffering from auto-correlation.

Table 17

ANOVAof foreign banks on Foreign Institutional Investment for the period 2009-18

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.872	5	.174	5.074	.036[b]
	Residual	.206	6	.034		
	Total	1.078	11			

a. Dependent Variable: Foreign Institutional Investment

b. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

The above table 17 delivers the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is less than 0.05, which considers FII as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the Hypothesis is rejected. It is concluded that there is significant effect of foreign banks' variables on Foreign Institutional Investment.

Table 18

Coefficientsof foreign banks on Foreign Institutional Investment for the period 2009-18

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.203	.054		59.838	.000
	Advances	.148	.056	.473	2.652	**.038**
	Investments	-.082	.056	-.263	-1.476	.190
	Profitability	.162	.056	.518	2.904	**.027**
	Overheads	.088	.056	.280	1.569	.168
	Non-performing Assets	-.128	.056	-.410	-2.296	.061

a. Dependent Variable: Foreign Institutional Investment

The regression model is

FII = 3.203+0.148ADV+0.162PROF

The above table 18 yields the coefficients for impact of foreign banks' variables on Foreign Institutional Investment. It implies that Advances and Profitability are significant at 5 per cent significance level. Beta values show that Advances, Profitability and Overheads have positive relationship with FII. Investments of foreign banks have negative relationship with FII. Advances and Profitability of foreign banks have positive relationship with FII, which means the Advances lent by foreign banks and profitability of Foreign Banks influence the Foreign Institutional Investment.

Analysis of the influence of foreign banks on Foreign Direct Investment to India

H_0: There is no significant effect of foreign banks on Foreign Direct Investment to India

Table 19

Model Summaryof Foreign Banks on Foreign Direct Investment to India for the period 2009-2018

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.948[a]	.899	.816	.0980663	1.400

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances
b. Dependent Variable: Foreign Direct Investment to India

The above table 19 presents model summary for influence of foreign bank's variables on Foreign Direct Investment to India. When FDI to India is a dependent variable, R= 0.984, which means that there is a relationship. R-square is 0.899, indicating that 89.9 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.816, implying that the model has accounted for 81.6 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 1.400, indicating that the model is suffering from auto-correlation.

Table 20

ANOVAof foreign banks on Foreign Direct Investment to India for the period 2009-2018

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.516	5	.103	10.732	.006[b]
	Residual	.058	6	.010		
	Total	.574	11			

a. Dependent Variable: Foreign Direct Investment to India

b. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

The above table 20 shows the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is less than 0.05, which considers FDI to

India as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the Hypothesis is rejected. It is concluded that there is significant effect of foreign banks' variables on FDI to India.

Table 21

Coefficientsof foreign banks on Foreign Direct Investment to India for the period 2009-2018

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.186	.028		112.554	.000
	Advances	.201	.030	.881	6.802	**.000**
	Investments	-.064	.030	-.281	-2.173	**.073**
	Profitability	.022	.030	.098	.756	.478
	Overheads	-.016	.030	-.069	-.534	.612
	Non-Performing Assets	.040	.030	.175	1.349	.226

a. Dependent Variable: Foreign Direct Investment to India

The regression model is

FDI to IND = 3.186+0.201ADV-0.064INV

The above table 21 comes up with the coefficients for impact of foreign banks' variables on Foreign Direct Investment to India. It implies that Advances and Investments are significant at 5 per cent significance level. Beta values show that Advances, Profitability and NPA have positive relationship with FDI to India. Investments of foreign banks have negative relationship with FDI to India. Advances of foreign banks have positive relationship FDI to India which means the Advances lent by foreign banks influence the Foreign Direct Investment to India.

Analysis of influence of foreign banks on Exports

H_0: There is no significant effect of foreign banks on Exports

Table 22

Model Summaryof foreign banks on Exports for the period 2009-2018

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.988[a]	.976	.956	.0471197	1.608

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

b. Dependent Variable: Exports

The above table 22 results model summary for influence of foreign bank's variables on Exports. When Exports is a dependent variable, R= 0.988, which means that there is a

solid relationship. R-square is 0.976, indicating that 97.6 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.956, implying that the model has accounted for 95.6 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 1.608, indicating that the model is suffering from auto-correlation.

Table 23

ANOVAof foreign banks on Exports for the period 2009-2018

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.537	5	.107	48.354	.000[b]
	Residual	.013	6	.002		
	Total	.550	11			

a. Dependent Variable: Exports

b. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

The above table 23 displays the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is less than 0.05, which considers Exports as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the hypothesis is rejected. It is concluded that there is significant effect of foreign banks' variables on Exports.

Table 24

Coefficientsof foreign banks on Exports for the period 2009-2018

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.049	.014		297.641	.000
	Advances	.193	.014	.861	13.550	**.000**
	Investments	-.048	.014	-.214	-3.374	**.015**
	Profitability	.063	.014	.281	4.430	**.004**
	Overheads	.073	.014	.327	5.154	**.002**
	Non-performing Assets	-.011	.014	-.049	-.779	.466

a. Dependent Variable: Exports

The regression model is

Exp = 4.049+0.193ADV-0.048INV+0.063PROF+0.073OH

The above table 24 renders the coefficients for impact of foreign banks' variables on Exports. It implies that Advances, Investments, Profitability and Overheads are significant at 5 per cent significance level. Beta values show that Advances, Profitability and Overheads have positive relationship with Exports. Investments of foreign banks have negative

relationship with Exports. Advances, Profitability and overheads of foreign banks have positive relationship with Exports, which means that the Advances lent by foreign banks, Profitability of Foreign banks and Expenses of Foreign Banks influence the Exports.

Analysis of the influence of foreign banks on Stock Market Turnover

H_0: There is no significant effect of foreign banks on Stock Market Turnover

Table 25

Model Summaryof foreign banks on Stock Market Turnover for the period 2009-2018

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.923[a]	.853	.730	.0747684	2.292

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

b. Dependent Variable: Stock market Turnover

The above table 25 portrays model summary for influence of foreign bank's variables on Stock Market Turnover. When Stock Market Turnover is a dependent variable, R= 0.923, which means that there is a solid relationship. R-square is 0.853, indicating that 85.3 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.730, implying that the model has accounted for 73 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 2.292, indicating that the model is suffering from auto-correlation.

Table 26

ANOVAof foreign banks on Stock Market Turnover for the period 2009-2018

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.194	5	.039	6.936	.018[b]
	Residual	.034	6	.006		
	Total	.227	11			

a. Dependent Variable: Stock market Turnover

b. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

The above table 26 reveals the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is less than 0.05, which considers Stock market Turnover as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the hypothesis is rejected. It is concluded that there is significant effect of foreign banks' variables on Stock market Turnover.

Table 27

Coefficientsof foreign banks on Stock Market Turnover for the period 2009-2018

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.814	.022		84.058	.000
	Advances	-.070	.023	-.487	-3.109	**.021**
	Investments	.001	.023	.009	.058	.956
	Profitability	-.054	.023	-.377	-2.407	.053
	Overheads	-.079	.023	-.551	-3.513	**.013**
	Non-performing Assets	.059	.023	.411	2.623	**.039**

a. Dependent Variable: Stock market Turnover

The regression model is

SMT = 1.814-0.070ADV-0.079OH+0.059NPA

The above table 27 depicts the coefficients for impact of foreign banks' variables on Stock Market Turnover. It implies that Advances, Overheads and NPA are significant at 5 per cent significance level. Beta values show that Investments and Non-performing Assets have positive relationship with Stock Market Turnover. Advances and overheads of foreign banks have negative relationship with Stock Market Turnover. Non-performing Assets of Foreign banks have positive relationship with Stock Market Turnover, which means that the unrecoverable lendings of foreign banks have positive effects on Stock Market Turnover.

6.4.8 Analysis of the influence of foreign banks on Inflation

H_0: There is no significant effect of foreign banks on Inflation

Table 28

Model Summary of foreign banks on Inflation for the period 2009-2018

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.752[a]	.565	.203	.1367032	2.029

a. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

b. Dependent Variable: Inflation

The above table 28 illustrates the model summary for influence of foreign bank's variables on Inflation. When Inflation is a dependent variable, R= 0.752, which means that there is a relationship. R-square is 0.565, indicating that 56.5 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.203, implying that the model has accounted for 20.3 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 2.029, indicating that the model is suffering from auto-correlation.

Table 29

ANOVAof foreign banks on Inflation for the period 2009-2018

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.146	5	.029	1.562	.300[b]
	Residual	.112	6	.019		
	Total	.258	11			

a. Dependent Variable: Inflation

b. Predictors: (Constant), Non-Performing Assets, Overheads, Profitability, Investments, Advances

The above table 29 provides the ANOVA for foreign banks for the study period of 2009 to 2018.The significant value for the above model is less than 0.05, which considers Stock Inflation as dependent variable and NPA, Overheads, Profitability, Investments and Advances as Independent variables. Hence, the Hypothesis is rejected. It is concluded that there is significant effect of foreign banks' variables on Inflation.

Table 30

Coefficientsof foreign banks on Inflation for the period 2009-2018

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.868	.039		21.984	.000
	Advances	.041	.041	.265	.984	.363
	Investments	-.055	.041	-.360	-1.336	.230
	Profitability	-.016	.041	-.104	-.386	.713
	Overheads	-.061	.041	-.399	-1.483	.189
	Non-performing Assets	-.068	.041	-.443	-1.645	.151

a. Dependent Variable: Inflation

The above table 30 supplies the coefficients for impact of foreign banks' variables on Inflation. It implies that Advances, Investments, Profitability, Overheads and Non-performing Assets are not having significance level. Beta values show that Advances have positive relationship with Inflation. Investments, Profitability, Overheads and Non-performing Assets of foreign banks have negative relationship with Inflation.

11. Conclusion

This study presents evidence on the scale of foreign banks' participation in national economy. This study analyzed the influence of foreign banks on Indian economy. The significant effect of foreign banks' penetration in our economy is still at an infant stage that its positive consequences have started to appear in Indian economy.

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