

Impact of Globalization on Scheduled Commercial Banks with Reference to Agriculture Sector

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Abstract: *Globalization in India is generally taken to mean 'integrating' the economy of the country with the world economy. The real thrust to the globalization process was provided by the new economic policy introduced by the Government of India in July 1991.*

The Indian banking sector has emerged as one of the strongest drivers of India's economic growth. The Indian banking industry (US\$ 1.22 trillion) has made an outstanding advancement in last few years, even during the times when the rest of the world was struggling with financial meltdown. India's economic development and financial sector liberalization have led to a transformation of the Indian banking sector over the past two decades.

The Indian banking sector plays a key role in the economic development of nation. It has Rs.82,994 billion as total assets/liabilities. It collected deposits Rs.64,537 billion and sanctioned loans and advances Rs.50,346 billion in the year march 2012.

The scheduled commercial banks were playing a key role in the economic development of India. The objectives of the research paper are to assess the Impact of globalization on scheduled commercial banks with reference to agriculture sector. The period for the analysis of the data has been taken for three decades i.e., from 1981-81 to 2010-11. Based on the secondary information it is analysed and concluded with suggestions.

Key words: *Globalization, Scheduled Commercial Banks, Agriculture Sector Credit.*

I. Introduction

Globalization means the dismantling of trade barriers among nations and the integration of the nations' economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. The term globalization has been increased in usage since the mid 1980s and specifically since the mid 1990s. Globalizing processes are affected by business and work organization, economics, socio-cultural resources, and the natural environment.

Bitter experiences from East India Company and British rule made India to be cautious about the advent of globalization. This has been the root cause for the delay in liberalization in India. As part of globalization the economic reform packages were introduced in India in July 1991.

Globalization in India is generally taken to mean 'integrating' the economy of the country with the world economy. The real thrust to the globalization process was provided by the new economic policy introduced by the Government of India in July 1991. This globalization has led to an 'Unequal Competition' - a competition between 'giant Multi-National Corporations (MNC's) and dwarf Indian enterprises'.

II. Impact of Globalization on Indian Banking Sector

The Indian banking sector has emerged as one of the strongest drivers of India's economic growth. The Indian banking industry (US\$ 1.22 trillion) has made an outstanding advancement in last few years, even during the times when the rest of the world was struggling with financial meltdown. India's economic development and financial sector liberalization has led to a transformation of the Indian banking sector over the past two decades.

Today Indian Banking is at the crossroads of an invisible revolution. The sector has undergone significant developments and investments in the recent past. Most of banks provide various services such as Mobile banking, SMS Banking, Net banking and ATMs to their clients. Indian banks, the dominant financial intermediaries in India, have made high-quality progress over the last five years, as is evident from several factors, including annual credit growth, profitability, and trend in gross non-performing assets (NPAs).

The financial sector reforms have brought about significant improvements in the financial strength and the competitiveness of the Indian banking system. The prudential norms, accounting and disclosure standards, risk management practices, etc. are keeping pace with global standards, making the banking system resilient to global shocks.

The banking sector plays a key role in the economic development of nation. It has Rs.82,994 billion as total assets/liabilities. It collected deposits Rs.64,537 billion and sanctioned loans and advances of Rs.50,346 billion in the year march 2012. It sanctioned loans and advances mainly to industry sector (Rs.19659 billion), services sector (Rs.10330 billion), personal loans (Rs.7683 billion) and agriculture and allied services (Rs.5226 billion). Indian banking sector has issued 17.65 million of credit cards and 278 million debit cards with 95686 numbers of ATMs up to 2012. The Indian banking sector plays a key role in the development of rural areas. The total banking outlets opened were 1,81,753 in villages.

III. Objectives and Methodology

The objective of the research paper is to assess the Impact of globalization on scheduled commercial banks with reference to agriculture sector. For the purpose of evaluation, this research paper is divided into two parts. The impact of globalization on banking industry in India has been discussed in the first part. In the second part, the scheduled commercial banks performance was evaluated with reference to agriculture sector credit and suggestions have been offered to improve its performance. The period for the analysis of the data has been taken from 1981-82 to 2010-11 and analyzed based on secondary information. The study period has been divided into two parts; pre-liberalization (1981-82 to 1991-92) and post liberalization (1991-92 to 2010-11) to know the impact of globalization on banking sector.

IV. Impact of Globalization on Scheduled Commercial Banks

Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. For the purpose of assessment of performance of banks, the Reserve Bank of India categorized them as public sector banks, old private sector banks, new private sector banks and foreign banks.

The total SCBs in 1969 were 73, in 1997 they were 297 and in 2002 the total SCBs were 294. Among them 196 were RRB's. The SCBs in India are a combination of public sector banks, private sector banks and foreign banks. The public sector banks play a major role in SCBs.

The total SCBs employees, bank group wise in 2010-11 were 10,50,885 (100%). Among them 3,00,628 (28.61%) were of State Bank of India and its Associates employees; 4,75,060 (45.21%) were of nationalized bank employees; 79,886 (7.60%) employees were from regional rural banks; 24,240 (2.31%) employees were from Foreign Banks and 171071(16.27%) employees were from private sector banks.

A. Growth of Assets and Liabilities of Scheduled Commercial Banks: Table 1 explains the total assets and liabilities of scheduled commercial banks during 1991-92 to 2010-11. The total assets and liabilities in 1991-12 were Rs. 3415.24 billion and they increased to Rs. 71835.22 billion in 2010-11 excluding RRB's assets and liabilities.

The growth rate of assets and liabilities from 1991-92 to 1996-97 was 96.98%; from 1996-97 to 2001-02 growth rate was 128.25%; from 2001-02 to 2010-11 it was 107.62%. The growth rates were indicating the impact of globalization on scheduled commercial banks which was positive. The globalization impact was useful for the growth of SCBs.

Particulars / Year	1991-92	1996-97	2001-02	2006-07	2010-11
Capital	40.53	165.78	214.73	295.59	592.43
Reserves and Surplus	49.94	271.87	638.19	1896.16	4506.48
Deposits	2654.63	5377.64	12026.99	26969.34	56164.32
Borrowings	225.74	234.44	1073.80	2430.08	6739.25
Other Liabilities and Provisions	444.40	677.64	1414.79	3008.34	3832.73
Total Liabilities	3415.24	6727.36	15355.13	34599.46	71835.22
Cash and Balances with RBI	354.74	609.30	867.60	1952.64	4587.83
Balances with Banks	136.74	470.05	1175.18	1582.98	1912.06
Investments	987.36	2238.80	5880.58	9509.77	19160.53
Loans and Advances	1598.08	2756.35	6457.43	19812.35	42987.04
Fixed Assets	19.91	108.55	200.83	313.63	540.93
Other Assets	318.41	544.32	773.50	1428.09	2646.81
Total Assets	3415.24	6727.36	15355.13	34599.46	71835.22

The deposits of SCBs in 1991-92 were Rs. 2654.63 billion and they increased to Rs. 56,164.32 billion in 2010-11. The growth rate of deposits from 1991-92 to 1996-97 was 102.59%; from 1996-97 to 2001-02 growth rate was 123.65%; from 2001-02 to 2006-07 growth rate was 124.25% and from 2006-07 to 2010-11 it was 108.25%.

The loans and advances were in 1991-92 was Rs. 1598.08 billion they increased to Rs. 6457.42 billion in 2001-02 and they further increased to Rs. 42,987.04 billion in 2010-11. The growth rate from 1991-92 to 1996-97 was 72.46%; from 1996-97 to 2001-02 it increased to 134.28%. From 2001-02 to 2006-07 the increased growth rate was 206.82% and from 2006-07 to 2010-11 it was 116.97%. The impact of globalization on SCBs deposits and loans advances was appreciable. Particularly the impact from 2006-07 to 2010-11 was remarkable.

B. Increase in the Number of Branches of Scheduled Commercial Banks: Table 2 demonstrates the increase in number of branches of SCBs based on population group wise like rural, semi-urban, urban and metropolitan. In the year 1982 the total branches were 39,177. They increased to 60,570 in 1992 and they increased to 97,111 in 2012. Among total 97,111 branches 35,850 were in rural, 25,439 in semi-urban, 18,625 in urban and 17,197 in metropolitan. In the period of globalization the decade 2002-12 has recorded 46.71% growth rate of branches when compared to the 1992-2002 which was 9.27% only.

Year	Rural	Semi-Urban	Urban	Metropolitan	Total
1982	20401	8809	5693	4274	39177
1987	30209	10637	7218	5795	53859
1992	35269	11356	8279	5666	60570
1997	32915	13766	9340	7529	63550
2002	32380	14747	10477	8586	66190
2007	30343	16524	13023	12352	72242
2012	35850	25439	18625	17197	97111

Table 2A explains that the total branches of SCBs in 2012 were (excluding RRB's) 81,240 (100%). Among total branches nationalized banks branches were 48636 (59.87%); State Bank group branches are 18,836 (23.18%) and private & foreign banks branches were 13,774 (16.95%).

The total ATMs of SCBs in 2012 was 95686 (100%). Among them nationalized banks ATMs were 31,050 (32.45%); State Bank group ATMs were 27143 (28.37%) and private & foreign banks ATMs were 37,493 (39.18%).

Name of the Bank	Branches (excluding RRB's)					ATMs		
	Rural	Semi Urban	Urban	Metropolitan	Total	On-Site	Off-Site	Total
Nationalised Banks(20)	15606	12154	10744	10132	48636	18277	12773	31050
State Bank Group (6)	6582	5619	3504	3125	18830	15735	11408	27143
Total public sector banks	22188	17773	14248	13257	67466	34012	24181	31050
Private & foreign Banks	1588	4695	3630	3861	13774	13533	23960	37493
Scheduled Commercial Banks total	23776	22468	17878	17118	81240	47545	48141	95686

C. Deposits of Scheduled Commercial Banks: Table 3 demonstrates that the deposits growth of SCBs in rural areas from 1982 to 1992 was 466.29%; from 1992 to 2002 the growth was 345.94% and from 2002 to 2011 the growth was 209.41%. The deposits growth of SCBs in semi-urban areas from 1982 to 1992 was 343.72%; from 1992 to 2002 was 361.24% and from 2002 to 2011 the growth was 233.42%.

The deposits growth of SCBs in urban area from 1982 to 1992 was 382.16%; from 1992 to 2002 growth was 362.68% and from 2002 to 2011 the growth was 334.68%. The deposits growth of SCBs in metropolitan from 1982 to 1992 was 466.98%; from 1992 to 2002 was 396.09% and from 2002 to 2011 growth was 521.87%.

Table 3 : Deposit Of Scheduled Commercial Banks - According To Population Group
Amount in Rupees Billion) (No. of Accounts in Thousands)

Year	Rural		Semi-urban		Urban		Metropolitan	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1982	41537.00	63.13	46169.00	105.00	35966.00	114.67	32514.00	175.45
1987	73664.00	155.22	72068.00	230.32	60759.00	282.08	49689.00	415.82
1992	114808.00	357.50	101949.00	465.91	83449.00	552.89	69553.00	994.77
1997	116693.00	737.70	110129.00	980.45	88645.00	1125.78	81112.00	2161.64
2002	132999.54	1594.23	117393.59	2149.90	94621.68	2554.78	94974.54	4935.01
2007	149662.69	2530.14	132808.24	3573.95	113421.84	5325.92	123306.45	14540.43
2011	250253.64	4932.66	212043.09	7168.31	168036.91	11105.13	179795.71	30689.41

D. Advances and Non-Performing Assets of SCBs: The SCBs gross advances & NPA's during 1996-97 to 2010-11 based on public sector banks, old private sector banks, new private sector banks and foreign banks in India were shown in the table 4. The SCBs total advances in 2010-11 were Rs.40,114.35 billion (100 %) among that the public sector banks advances were Rs. 30,798.03 billion (76.77 %), the old private sector banks advances were Rs.1872.96 billion (4.67%), the new private sector banks advances were Rs. 5450.14 billion (13.59%) and the foreign banks in India advances were Rs. 1993.21 billion (4.97%).

The public sector banks advances share among total SCBs advances in 1996-97 was 80.95%; in 2001-02 it was 74.80%; in 2006-07 it was 72.77%. The old private sector banks advances share among total SCBs advances in 1996-97 was 7.19%; in 2001-02 it was 6.47%; in 2006-07 it was 4.72%. It showed decline in advances share. The new private sector banks advances share among total advances of SCBs in 1996-97 was 2.74%; in 2001-02 was 11.29%; in 2006-07 it was 16.16%.

Table 4: Scheduled Commercial Banks - Bank Group-Wise Gross Advances & NPA's

Year/Banks	1996-97	2001-02	2006-07	2010-11
Public Sector Banks Advances	2442.14 (80.95)	5093.68 (74.80)	14644.93 (72.77)	30798.04 (76.77)
Non-Performing Assets	435.77 (92.13)	564.73 (79.70)	389.68 (77.19)	746.14 (76.20)
Old Private Sector Banks Advances	217.02 (7.09)	440.57 (6.47)	948.72 (4.72)	1872.96 (4.67)
Non-Performing Assets	23.25 (4.91)	48.51 (6.84)	29.69 (5.88)	36.99 (3.78)
New Private Sector Banks Advances	82.57 (2.74)	769.01 (11.29)	3252.73 (16.16)	5450.14 (13.59)
Non-Performing Assets	2.17 (0.46)	68.11 (9.61)	62.87 (12.45)	145.41 (14.85)
Foreign Banks In India Advances	275.25 (9.12)	506.31 (7.44)	1278.72 (6.35)	1993.21 (4.97)
Non-Performing Assets	11.81 (2.49)	27.26 (3.85)	22.63 (4.48)	50.68 (5.7)
Scheduled Commercial Banks Advances	3016.98 (100.00)	6809.58 (100.00)	20125.10 (100.00)	40114.35 (100.00)
Non-Performing Assets	473.00 (100.00)	708.61 (100.00)	504.86 (100.00)	979.22 (100.00)

Advances share of the foreign bank in India among SCBs total advances in 1996-97 was 9.12%; in 2001-02 it was 7.44%; in 2006-07 it was 6.35%. It shows negative growth. The NPA's in 1996-97 were Rs. 473.00 billion; in 2001-02 they were Rs.708.61; in 2006-07 they were Rs.504.86 billion and in 2010-11 they were Rs. 979.22 billion. The NPA's share in total advances of SCBs in 1996-97 was 15.68%; in 2001-02 it was 10.41%; in 2006-07 it was 2.51% and in 2010-11 it was 2.44%. The NPA's share was decreasing which is a healthy indication.

V. Scheduled Commercial Banks' Advances to Agriculture

Agricultural credit plays a vital role in supporting agricultural production in India. Agricultural credit is considered as one of the most basic input for conducting all agricultural development programmes. In India there is an immense need for proper agricultural credit.

In recent years, the falling share of agricultural credit as a proportion of total credit has been characterized. The agriculture credit was useful to provide infrastructure like power at subsidised costs; arrangements for the supply of bought out inputs like seeds, fertilizers and tractors. The corresponding arrangements for credit provision through SCBs were first and foremost step.

Scheduled Commercial Banks' Advances to Agriculture: The direct and indirect finance advances of SCBs to agriculture from 1981-82 to 2010-11 was shown in table 5. It is clear from table 5 that the total direct and indirect finances to agriculture by SCBs during 1981-82 was Rs. 52.88 billion and it increased to Rs.5071.76 billion in 2010-2011.

The growth rate from 1981-82 to 1991-92 was 256% from 91-92 to 2001-02 was 244.23% and from 2001-02 to 2010-11 the growth rate of total direct or indirect finance to agriculture by SCBs was 682.45%

The total direct finance in 1981-82 was Rs.40.61billion and it increased to Rs.3602.53 billion in the year 2010-11. In the three decades from 2001-02 to 2010-11 the growth rate was 673.39 billion. The total indirect finance to agriculture provided by SCBs in 1981-82 was Rs. 12.27 billion and it increased to Rs.1469.23 billion in 2010-11 year. In between2001-02 and 2010-11 the growth rate of the indirect finance to agriculture was Rs.705.58%.

Year	Total Direct Finance	Indirect Finance					Total Direct & Indirect Finance
		Distribution of Fertilisers and other Inputs	Loans to Electricity Boards	Loans to Farmers	Other Type of Indirect Finance	Total Indirect Finance	
1981-82	40.61	3.01	2.65	1.55	5.05	12.27	52.88
1986-87	106.07	3.87	4.78	2.37	4.18	15.20	121.27
1991-92	173.97	2.41	6.55	1.77	3.60	14.33	188.30
1996-97	274.48	9.68	12.33	2.85	25.00	49.86	324.34
2001-02	465.81	33.03	18.41	9.28	121.66	182.38	648.19
2006-07	1721.28	85.16	113.19	13.60	613.69	825.64	2546.92
2010-11	3602.53	---	---	8.80	621.59	1469.23	5071.76

VI. Conclusion and Suggestions

It is found that the assets and liabilities growth from 1991-92 to 2001-02 was 349.60% and from 2001-02 to 2010-11 it was 367.82%. The impact of globalization on SCBs total growth rate of assets and liabilities was positive.

The deposits growth from 1991-92 to 2001-02 was 353.06% and from 2001-02 to 2010-11 was 366.698%. The loans and advances growth from 1991-92 to 2001-02 was 304.07% and from 2001-02 to 2010-11 was 565.70%. In the total SCBs advances the public sector banks advances were 80.95% in 1996-97 and 76.77% in 2010-11, the remaining share was of private sector and foreign banks advances. The non-performing assets value has reduce in public sector banks and NPAs were increased in new private sector banks.

It is found that the branches growth from 1982 to 92 was 54.60%; from 1992 to 2002 it was 9.28% and from 2002-12 it was 46.72%. The public sector banks share in total SCBs branches was 83.05% and private & foreign banks branches share was 16.95%. The majority of public sector banks branches were located in rural and semi-urban areas, and the majority of private and foreign banks branches were in semi-urban, metro and urban areas.

It is suggested that the private and foreign banks should concentrate on establishing branches in rural areas so as to stimulate savings and services. It is found that the total public sector ATMs share was 60.82% and the private and foreign banks ATMs share was 39.18%. The number of accounts of SCBs in rural area in 2011 were 2,50,253 with Rs.4932 billion deposits and 1,79,795 accounts in metropolitan area with Rs.30689.41 billion deposits. It is suggested that the SCBs should take steps to increase the deposits from rural areas.

The growth rate in the total direct and indirect SCBs advances to agriculture from 1981-82 to 1991-92 was 256% from 91-92 to 2001-02 growth rate was 244.23% and from 2001-02 to 2010-11 was 682.45%. It is suggested that to direct a large volume of bank credit flow to agriculture sector was necessary to make it more effective instrument of economic development through SCBs.

The comparative analysis of growth pattern of key parameters assets, deposits, advances and branches etc., reveals that the “globalization” had a positive impact on the growth of banking sector. The result projected that globalization is almost a complete success on growth front. To conclude that the recent trend of growth of banking sector showed the trust of Indian economy on globalization and liberalization. This has rendered a positive impact on the growth of Indian banking sector. All indicators shows the positive impact, in each case the average growth rate is high in post-globalization period than in pre-globalization period.

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