



IMPACT OF LPG ON SCHEDULED COMMERCIAL BANKS IN INDIA

Aniket Hanamant Jadhav

Gauri Bhimrao Patil

Research Students

Dept. of Commerce & Management

Shivaji University, Kolhapur

ABSTRACT:

The Indian economic development takes place in the realistic world from 1991 “Liberalization, Privatization and Globalization” policy. As per “LPG” policy all restriction on the Indian economy was totally dissolved and the soundest phase for the Indian banking system adopt over here. This also changed the scenario of the macroeconomic world. 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 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 LPG on scheduled commercial banks in India. The period for the analysis of the data has been taken for three decades i.e. from 1971-72 to 2011-12. The researcher is based on the secondary information it is analysed and concluded with suggestions.

Key words: *Liberalization, Privatization, Globalization, Scheduled Commercial Banks.*

INTRODUCTION:

Globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. The term LPG has been increased in usage since the mid 1980s and specifically since the mid 1990s. 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. This globalization has led to an Unequal Competition- a competition between giant Multi-National Corporations (MNCs) and dwarf Indian enterprises. LPG processes are affected by business and work organization, economics, socio-cultural resources, and the natural environment.

Liberalization refers to “a relaxation of previous government restrictions, usually in areas of social or economic policy”.

Privatization is the “incidence or process of transferring ownership of a business, enterprise, agency or public service from the public sector (government) to the private sector (business).”

Globalization describes “an ongoing process by which regional economies, societies and cultures have become integrated through globe-spanning networks of exchange. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.”

IMPACT OF LPG ON INDIAN BANKING SECTOR:

The Indian banking sector has emerged as one of the strongest drivers of Indian 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.

OBJECTIVES:

The objective of the research paper is to assess the Impact of LPG on scheduled commercial Banks in India.

1. To study the overall performance of scheduled commercial Banks in pre-liberalization and post liberalization period.
2. To offer suggestions for improvement in performance of scheduled commercial Banks in India.

HYPOTHESES OF THE STUDY:

1. There is a significant difference in performance of scheduled commercial banks in pre- liberalisation period and Post-liberalisation period.

SCOPE OF THE STUDY:

A) Periodical Scope:

The period for the analysis of the data has been taken from 1971-72 to 2011-12 and analyzed based on secondary information. The study period has been divided into two parts; pre-liberalization (1971-72 to 1991-92) and post liberalization (1991-92 to 2011-12) to know the impact of LPG on banking sector.

B) Topical Scope:

The researcher has been selected topic like, "Impact of LPG on Scheduled Commercial Banks in India".

C) Analytical Scope:

Researcher has been used for One Sample t Test for testing the hypotheses, Graphical Presentation of data analysis.

RESULTS AND DISCUSSIONS:

In the present research paper researcher has analyze the overall performance of Scheduled Commercial Banks in India from year 1971-72 to 2011-12 for showing impact of LPG on banking sectors in India. The

research has studied different parameters such as No. of scheduled commercial banks, aggregates deposits, bank credit and investments of these banks.

Table No. 1: Overall Performance of Scheduled Commercial Banks in India
(In Billion)

Year	No. of Banks	Aggregate Deposits	Bank credit	Investment
1971-72	73	71.06	52.63	21.9
1981-82	155	437.32	296.82	151.41
1991-92	271	2307.58	1255.92	901.96
2001-02	297	11033.6	5897.23	4382.69
2011-12	173	59090.82	46118.52	17377.87

Sources: RBI, Handbook of Statistics on Indian Economy

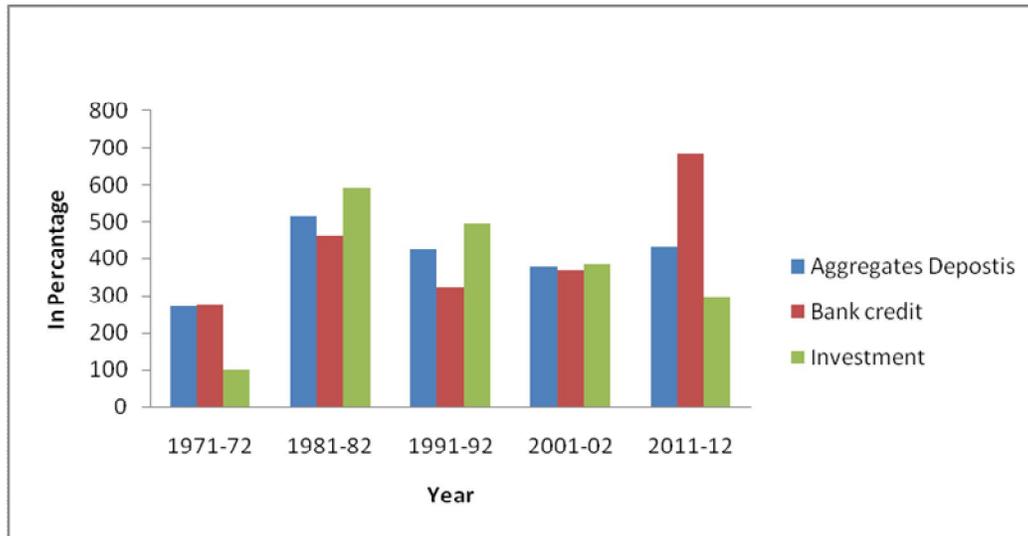
The table reveals that the increases in No. of Scheduled Commercial Banks in India from year 1971-72 to year 2011-12. In Pre-Liberalization period (1971-72 to 1991-92) the no. of banks increased but after LPG policy is adopted the government in the mood of decreased the no. of banks and improves their efficiency by having more control on them. So the no. of banks was decreased in Post-Liberalisation period (1991-92 to 2011-12) in India. The aggregates deposits, bank credit and investments are highly increased in Post-Liberalisation period as compared to Pre-Liberalisation period. It shows the higher performance only because of LPG policy adopted by India in 1991.

Table No. 2: Overall Growth of Scheduled Commercial Banks in India
(In Percentage)

Year	Aggregates Deposits	Bank credit	Investment
1971-72	270.68	273.79	100
1981-82	515.42	463.97	591.36
1991-92	427.66	323.12	495.70
2001-02	378.15	369.55	385.90
2011-12	435.55	682.03	296.51

Sources: RBI, Handbook of Statistics on Indian Economy

Figure 1: Overall Growth of Scheduled Commercial Banks in India



Sources: RBI, Handbook of Statistics on Indian Economy

1. The aggregate deposits of bank over the study period show the increasing trend but in pre-liberalisation period it was constantly increasing and after post-liberalisation it shows the fluctuating trend of growth in deposits of bank.
2. The growth of bank credit shows the increasing trend overall study period but after post-liberalisation it was highly increased.
3. The overall amount of investment of bank were increasing but at decreasing trend, in pre-liberalisation period as well as post-liberalisation period.

TESTING OF HYPHOTHESES:

H₀: There is no significant difference in performance of scheduled commercial banks in pre- liberalisation period and Post-liberalisation period.

H₁: There is a significant difference in performance of scheduled commercial banks in pre- liberalisation period and Post-liberalisation period.

Table No. 3: Significant Difference in Performance of Scheduled Commercial Banks

Null Hypotheses	Mean	S.D	t	df	Critical Value	Result
Pre-Liberalisation Deposits : Post-Liberalisation Deposit	-1.38	132.47	-0.147	1	.907	Accepted
Pre-Liberalisation Bank Credit : Post-Liberalisation Bank Credit	-1.57	86.48	-2.566	1	.237	Accepted
Pre - Liberalisation Investment : Post-Liberalisation Investment	4.48	410.65	0.015	1	.990	Accepted

Source: Compiled by Researcher

Table shows the critical value of pre-liberalisation and post-liberalisation period performance of Scheduled Commercial Banks in India. i.e. 0.907, 0.237 and 0.990 of Deposits, Bank Credit and Investment respectively. This Critical value is greater than the significant level i.e. 0.05 (Critical value > 0.05) so we accepted the null hypotheses and rejected the alternative hypotheses. From this testing we can say that there is no significant difference in performance of scheduled commercial banks in pre- liberalisation period and Post-liberalisation period.

CONCLUSION:

The comparative analysis of growth pattern of key parameters deposits, advances, investment and no. of banks etc. reveals that the "LPG" had a positive impact on the growth of banking sector. The result projected that LPG is success on growth front but the analysis denotes that the LPG policy suddenly does not improve the performance of scheduled commercial banks. From the testing of hypotheses it is found that the LPG policies make small impact on the performance of scheduled commercial banks after pre-liberalisation period. To conclude that the recent trend of growth of banking sector shows the trust of Indian economy on globalization and liberalization. This has rendered a positive impact on the growth of Indian banking sector but not in a huge manner, because after pre-liberalisation there are decreases in the performance of Scheduled Commercial Banks.

SUGGESTIONS:

1. The banks should provide new training facilities (i.e. handling of new banking software, training about CRM, EFT training, Cash Counting Machine training etc.) to the employee and provide advanced computer training it will improve the employee productivity of banks.
2. Banks should go for new sources of funds e.g. certificates of deposits (CD) could bring in additional funds for banks which in term, could lend the amount to the corporate sectors at profitable rates are interest.
3. Branch expansion to be carried out strictly on commercial principles and the banks be permitted to swap branches among themselves.
4. Banks should adopt the diversification of banking activities such as make investments of funds through establishing own mutual funds.
5. Banks to get more freedom to fix minimum lending rates of interest.
6. Banks should improve the speed up recovery from the priority sector borrowers, the Narasimham committee suggested that the disbursements target for various branches at the state and district level should be linked to the percentages of recovery.
7. The both banks should establish marketing division and through that they should advertise different deposits and advances scheme which will increase their profitability.
8. The banks should launch a new training programme (i.e. Integrated Server Room [ISR] developed by IBM, Core Banking Software, Mobiliz Technique etc.) in operations management at branch level to increase the performance of bank.

REFERENCES:

1. Indian Banking industry- April 2012
2. Sonia & Dr. Rajeev kansal - "*Globalization and its impact on SSI in India*" PCMA journal of business, vol-1, no.2, June 2009
3. Basic statistical returns of Scheduled commercial banks in India
4. RBI Reports 2012 and volume-31, March 2002
5. www.rbi.org.in
6. RBI, Handbook of Statistics on Indian Economy
7. Govt. Of India, Economic Survey - 2011-12
8. Bhattacharya, A, Lovell, C A K and Sahay, P (1997). "The Impact of Liberalization on the Productive Efficiency of Indian Commercial Banks," *European Journal of Operational Research*, 98(2), 332-345.