

A Study of the Aftermath of Globalization in Indian Banking Sector

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Abstract: Changes are taking place in the financial market on regular basis at worldwide. Adherence of inheritance is not the custom of financial markets. To survive in the financial markets, one should adopt rapid changes in the economy. The structure and functions of the banks got entirely changed after globalization. The home nation opened numerous doors to other nations to develop the economy of the home nation as well as other nations. Countries are importing needed goods and services from other countries and export their own surplus production. This exchange mechanism enhances the chances of banking sector in both home and host countries. The foreign banks began to operate in home countries and home country banks started their overseas branches in the foreign countries. This innovative banking technology increases the financial contribution towards the national economy. The impact helps to stabilize the economic condition of the nation. This paper is an attempt to explore the impact of globalization in the Indian banking sector.

Keywords: Foreign banks – overseas branches –National economy –financial stability – Indian banking sector.

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I. Introduction

Globalization is a term denotes internationalization. It is the process of uplifting and lessening the rules and regulations of a nation to interact with other nations. It might be between two or more peoples or companies in various countries. To be much more precise in commerce terms, globalization is the process of international transactions which generates an economical movement for the nation. The exchange of goods, services, technologies, capitals etc... are coming under the purview of globalization. India is also a part of globalization. India is engaged in exchange of many goods, services, technologies and capital between various countries. India posses high rank in exporting many goods and services. The national economy is looking towards such international trade. This give and take policy of the country lead to the development of the financial markets in India.

A financial market means a market place where cash, bonds, securities etc... are trading. The financial markets are the back bone of every nation. Likewise in India also, financial markets possess the greatest position which influences the economical stability of the nation. And in financial markets, banks play the vital role. Banks are the financial institutions that are stabilizing the economical conditions of the nation. In India the banks were all operated under private sector in olden times. However later on some of the major banks were nationalized for the purpose of improving banking services to all peoples in the country. So at that time banks were falling under two categories, one is private sector and the other one is public sector. Again after few more years, once the globalization starts its operations effectively, India witnesses one more sector in banking. That is called foreign banks.

Foreign banks as the name indicate, are the banks of foreign countries. These banks are operating in India as per the rules and regulations of RBI. The motive of these banks is to help the international traders in India. The banks make platform to function the bank with international standards. Presently there are 45 foreign banks working in India. Following is a table shows the details of those 45 banks with number of branches in India .

Table No: 01 List of Foreign banks with their branches as on 31st Jan 2018

Sl. No	Name of bank	Country of Incorporation	No of banking branches
1	Australia and New Zealand Banking Group Ltd.	Australia	3
2	National Australia Bank	Australia	1
3	Westpac Banking Corporation	Australia	1
4	Bank of Bahrain & Kuwait BSC	Bahrain	4
5	AB Bank Ltd.	Bangladesh	1
6	Sonali Bank Ltd.	Bangladesh	2
7	Bank of Nova Scotia	Canada	3
8	Industrial & Commercial Bank of China Ltd.	China	1
9	BNP Paribas	France	8
10	Credit Agricole Corporate & Investment Bank	France	5
11	Societe Generale	France	4
12	Deutsche Bank	Germany	17
13	HSBC Ltd	Hong Kong	26
14	PT Bank Maybank Indonesia TBK	Indonesia	1
15	Mizuho Bank Ltd.	Japan	5
16	Sumitomo Mitsui Banking Corporation	Japan	2
17	The Bank of Tokyo- Mitsubishi UFJ, Ltd.	Japan	5
18	SBM Bank(Mauritius) Ltd	Mauritius	4
19	Cooperatieve Rabobank U.A.	Netherlands	1
20	Doha Bank	Qatar	3
21	Qatar National Bank	Qatar	1
22	JSC VTB Bank	Russia	1
23	Sberbank	Russia	1
24	DBS Bank Ltd.	Singapore	12
25	United Overseas Bank Ltd	Singapore	1
26	FirstRand Bank Ltd	South Africa	1
27	Shinhan Bank	South Korea	6
28	Woori Bank	South Korea	3
29	KEB Hana Bank	South Korea	1
30	Industrial Bank of Korea	South Korea	1
31	Bank of Ceylon	Sri Lanka	1
32	Credit Suisse A.G	Switzerland	1
33	CTBC Bank Co., Ltd.	Taiwan	2
34	Krung Thai Bank Public Co. Ltd.	Thailand	1
35	Abu Dhabi Commercial Bank Ltd.	UAE	2
36	Mashreq Bank PSC	UAE	1
37	First Abu Dhabi Bank PJSC	UAE	1
38	Emirates Bank NBD	UAE	1
39	Barclays Bank Plc.	United Kingdom	6
40	Standard Chartered Bank	United Kingdom	100
41	The Royal Bank of Scotland plc	United Kingdom	1
42	American Express Banking Corporation	USA	1
43	Bank of America	USA	4
44	Citibank N.A.	USA	35
45	J.P. Morgan Chase Bank N.A.	USA	4
Total			286

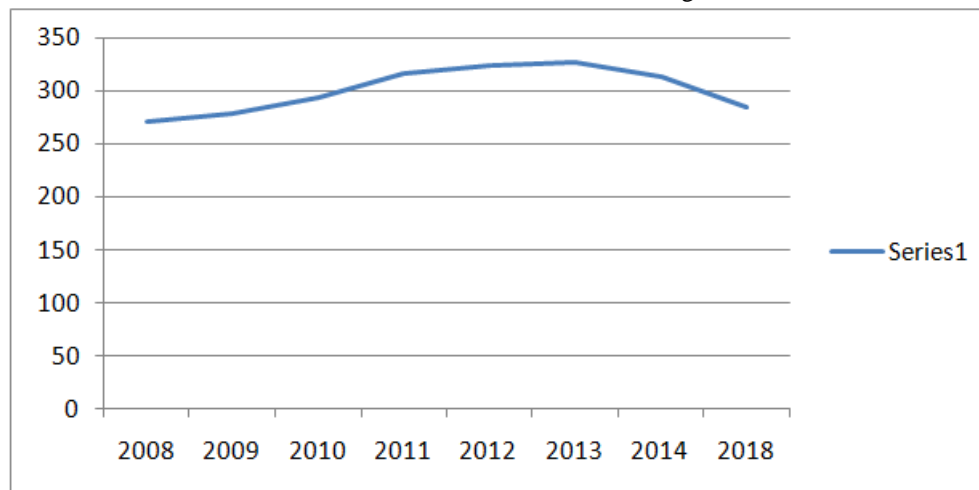
Source: RBI publication

The foreign banks in India started their operations during 19th century. And 18 banks in 1935 to 45 banks in 2018 is a rewarding journey. At present foreign banks in India have 4% share in the total banking deposits and have 45 banks with 286 active branches across India. The foreign banks in India got 11% of the total banking profits of the nation with the lowest NPA rate in the total banking sector. With an aim to go with the largest IT provide in the world, world banks are focusing to start more BPO's in India.

The major advantage to the nation by the establishment of foreign banks is the global innovation and standards to the banking sector of India. The exchange of technology and standards of other nation can effectively us to the Indian banking sector. This process will improve the financial contribution of foreign countries to India. The FDI and FII through foreign banks will help the nation to improve the economical condition of India.

A simple statistics of foreign banks in India since last few years shows the following chart.

Chart No: 01 Statistics on number of foreign banks



The chart shows that the number of foreign banks in India is increasing from year to year. This trend shows a positive sign to the national economy. Because this progression will bring more currency, more technology, more investment, more welfare etc... to the nation.

Trend analysis of the major activities of the foreign banks in India shows the following results.

Table No: 03 Trend Analysis of FB's (Deposits and Advances)

Year	Deposits	Trend %	Advances	Trend %
2008 -09	2141	100.00	1635	100.00
2009-10	2321	108.41	1633	99.88
2010-11	2407	112.42	1955	119.57
2011-12	2769	129.33	2298	140.55
2012-13	2880	134.52	2634	161.10
2015-16	4588	214.29	3636	222.39
2016-17	4655	217.42	3323	203.24

Note: Amounts are in Billion

Table No: 03 Trend Analysis of FB's (Investments and Capital)

Year	Investments	Trend %	Capital	Trend %
2008 -09	1303	100.00	599	100.00
2009-10	1593	122.26	691	115.36
2010-11	1655	127.01	811	135.39
2011-12	2007	154.03	937	156.43
2012-13	2281	175.06	1074	179.30
2015-16	2812	215.81	1397	233.22
2016-17	2397	183.96	1469	245.24

Note: Amounts are in Billion

The steady growth of foreign banks in India and the revenue generation shows the future prospects of India from foreign banks. The impact of globalization helps in such a massive way to balance the economy of the country. The trend analysis shows that the deposits collected by the banks are increasing at a very high rate. The advances are also at an increasing rate. This process will help to generate good income for the nation. Increase in the number of deposits shows the increased trend of global customers.

The impact of globalization in banking sector in not only increases the foreign banks, but also help to establish many overseas branches by the Indian banks across the world. Both private sector and public sector banks of India has opened many overseas branches across the world to meet the emerging needs and wants of the global traders. The role playing by those overseas branches towards the economy of the nation is noteworthy. The basic advantages of such overseas branches are privacy of accounts, safety and security, accessibility, high standard of services, international investments opportunities, foreign exchange services, tax benefits etc... These benefits will always attract many customers and thereby increases the revenue for the banks. This increase in revenue will ultimately lead to the economical progression of the home nation. The basic details of Indian banks which are having overseas branches are given below:-

Table No: 04 Indian Banks having overseas branches

SL NO	NAME OF THE BANK	NO. OF OVERSEAS BRANCHES
PUBLIC SECTOR BANKS		268
1	ALAHABAD BANK	1
2	ANDRA BANK	2
3	BANK OF BARODA	72
4	BANK OF INDIA	38
5	CANARA BANK	10
6	CENTRAL BANK OF INDIA	2
7	CORPORATION BANK	2
8	DENA BANK	1
9	INDIAN BANK	4
10	INDIAN OVERSEAS BANK	13
11	IDBI BANK LTD.	1
12	PUNJAB NATIONAL BANK	11
13	STATE BANK OF INDIA	92
14	STATE BANK OF TRAVANCORE	1
15	STATE BANK OF HYDERABAD	1
16	SYNDICATE BANK	1
17	UCO BANK	5
18	UNION BANK	8
19	UNITED BANK OF INDIA	2
20	ORIENTAL BANK OF COMMERCE	1
PRIVATE SECTOR BANKS		41
21	AXIS BANK	9
22	HDFC BANK LTD.	6
23	ICICI BANK LTD.	19
24	INDUSIND BANK LTED.	3
25	FEDERAL BANK LTD.	2
26	KOTAK MAHINDRABANK LTD.	1
27	YES BANK	1
TOTAL BANK BRANCHES		309

Source: RBI Publications

The Indian banks have 186 overseas branches across the world and there are 26 subsidiaries, 53 representative offices and 08 joint ventures. The total 309 overseas branches from the 27 banks given in the table include all of these operations. The revenue generating from these banks are a good source of economical benefit to the nation.

Globalization is the focal point in the twenty first century. The avenues opened by globalization for the developing nations like India is fabulous. The financial as well as other opportunities provided by the globalization are remarkable. The banking institutions of the financial market of India play a vital role in balancing the operations of globalization. The international exchange of goods, services, technologies, capital and currencies are doing through the banks only. As far as India is concerned, the impact of globalization caused for the swift growth of foreign sector banks. At present there are forty five foreign banks with billions of deposits and profits. This prospect will be a pillar for the national economy. The globalization caused to bring high standard to the Indian banks are said to be another impact of globalization. The expansion of overseas banking of Indian banks is the next impact of globalization. The twenty seven banks of India provide tremendous volume of revenue to the nation. Hence in nutshell, the impact of globalization in Indian banking sector is said to be an upbeat impact.

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