

# Universal Banking for Horticulture Sector of Jammu and Kashmir

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## Abstract

Universal banking usually refers to the combination of commercial banking (collection deposits and making loans) and investment banking (issuing underwriting, placing, and trading company securities). It is the multipurpose and multifunctional financial supermarket providing both banking and financial services through a single window. The phenomenon of universal banking as a distinct concept, as different from narrow banking, came to the fore front in Indian context with the second Narsimhan Committee and later the Khan Committee. In Indian refinance Institutions and in this paper an attempt has been made by the researcher to analyze the significance of the replacing of Commercial Banking with that of the Universal Banking as applied to the horticulture division of Jammu and Kashmir economy. Horticulture sector is predominant sector supporting large number of population. In horticulture sector nearly 75% of the temperate fruits, mainly apples, are grown in the state and every year as a result the percentage share of the Jammu and Kashmir in national production has also been increasing steadily. Another product of horticulture is saffron and undoubtedly there is a good scope for the production of high value, low volume crop like it and walnut which is sixth largest producer in the world. Due to the universal popularity of horticultural products like apple, walnut, almond, saffron, etc., there is a huge scope for increasing the the horticulture produce that are marketed in export market.

**Keywords:** Universal Banking, Multipurpose and Multifunction Super Market

## Introduction

Universal banking is presentation of banking system in a modified and different from. It is a legitimate marriage between development financial institutions (DFIs) and commercial banks which in relation transformed into universal banking. It is considered superstore for financial products. Size wise, universal banks will be the largest banks and obviously their assets base, their income level and profitability make them financial empire. Universal banks have played are playing and could play a significant role in nation's economic and social development and their competition will be advantageous to the end users.

Universal banking concept due to its effective features, efficient economic services, high output, lower cost and better products and offerings has gained stupendous success and became popular all over the world in a short period of

time. In global scenario financial institutions have freedom to choose the size and products mix and offering of its operations and activities to optimize the use of their available resources. Its large size and range of operations provide economy of scale and greater scope for better utilization of resources. Universal banking enjoys advantages of avoiding wasteful marketing duplication cost less marketing research, concentrated customers feedback and development. In comparison to specialized financial institutions universal banks are sufficiently equipped to uphold the verities of business according to demand by shifting the surplus resources within the organization without substantial cost. In single window offering of financial products and services also consolidate its relation with customers which ultimately result in growth of business as customer prefers to do business with universal banks because they get services at one place.

In order to provide support to the institutions financing agriculture, different models are applied. Almost all forms of the expansions of financing for agriculture may be made available through a specialized universal banking system in Jammu and Kashmir. Universal bank is always in step with the time and offers the modern instruments for its clients who allow them to leverage the comfort, speed and availability of the service. Universal bank is an innovative bank which always invents and implements the most advanced, and profitable instruments which are to help the clients to save time and money.

The building blocks of state economy profoundly rests on environment, education, employment and health care, for growth and stability of civilization; each block has a unique importance attached to it while economy is considered the corner stone on which the prosperity of a state rests. In order to emensurate the efficiency and size of economy the researchers and scientists have provided from time to time globally accepted quantitative techniques. Among them the blooming indicator of measuring national income is the "Gross Domestic Product" (GDP). However, the state of Jammu and Kashmir has shown vibrant growth path during the recent years, as the economy of the state is largely agrarian with 70% population dependent on it which contributes 26% to the economy with an average growth rate of 1.8%<sup>1</sup>.

Jammu and Kashmir contributes approximately 0.76% to national GDP and ranks 20<sup>th</sup> in the list of contributing states. The national GDP growth rates have slumped from 9.48% in 2005-06 to 6.88% in 2011-12<sup>2</sup>. There are three components of Jammu and Kashmir GSDP as Agriculture and allied sector, industry and manufacturing, and services. Their respective contribution during 2011-12 was 19.35%, 26.41% and 54.24%<sup>3</sup>. During the last few years of planning between 2004-05 and 2011-12, the agriculture in GDP has fallen by approximately one third from 28.00% to 19.35%<sup>4</sup>. It has been observed that agricultural productivity has decreased significantly.

### Horticulture Sector of Jammu and Kashmir

The scope of horticulture is very significant in the state of Jammu and Kashmir due to the presence of some fruits which are having a universal coherence as Apple, Walnuts, Saffron, Almond, Peach, Pear, Plum, Cherry, Apricot, etc. These products of horticulture are important cash fetching fruits of the state and they not only supplement the diet of the people in the state and country, but form an important item of our export. Right from the stage of tree plantation to the point of post harvest and marketing, horticulture generate a good potential of employment. Almost 4.5 lakh families are engaged directly or indirectly with horticulture activities with 20% of the total cultivated area is under such crop.

Thus, horticulture sector forms the back bone of the economy of Jammu and Kashmir with its contribution around 1200 Cr., to the annual income of the state. The state government has declared the horticulture to be one of the states that has contributed immensely to the strengthening of the financial condition of Jammu and Kashmir.

Jammu and Kashmir needs to focus on its weakest contributor "Agricultures" which ironically supports more than 60% of employment. Its effects can be easily seen in the disparity ratio between average incomes of agriculturists and non agriculturists, which has been increasing since long. This means that a major population (60% people) of Jammu and Kashmir is becoming poor. The agriculture sector has shown a lower performance due to a number of factors such as illiteracy, insufficient finance, insufficient irrigation facilities, power availability, and inadequate marketing facilities and under pricing of agricultural products and also decline in plan allocations, investment and investment credit are contributing factors.

Some other constraints with regard to agricultural financing are logistical constraints due to the geographical dispersion of customers and their remoteness from urban areas. Specific risks that are not clear for the majority of financial institutions and that traditional guarantees cannot cover, specific financing needs of agricultural and rural players requiring the development of adapted financial products.

Thus, universal banking system proves as strengthening factor for horticulture by way of its strengths as follows:

- (i) **Economics of Scale:** This means improved acreage under production, higher output with better and diversified product range and low operating cost.
- (ii) **Diversification of Surplus:** Through diversification of activities universal bank can use its overall potential expertise optimally in providing different kinds of services and can reduce cost by performing all functions by a single entity.
- (iii) **Optimal utilization of resources:** It is always desirable to carry out function under one roof. The universal bank can collect information like market trends, risk and return analysis of client's portfolios, etc, and accordingly, such information can be further used to pursue other activities in order to generate additional business through minimum efforts.
- (iv) **Advantage of Brand Name in Marketing:** universal banks, with its established brand have wide network of their branches which become active point for promoting products like insurance, etc., the branches will act as a parent company or source and will help to reach the remotest area without any external support.

<sup>1</sup>Malik.H.A. and Nusrat Jan (2013), Portrait of Agriculture in J&K – Greater Kashmir

<sup>2</sup>Ayoub Ajaz (2013), Economic Structure of J&K – Greater Kashmir

<sup>3</sup>Ayoub (2013), op.cit.

<sup>4</sup>Ibid.

- (v) **One point shopping:** The idea of one shopping point helps customers as well as banks in saving transactions and other related costs and improves the economic activities to a great extent which ultimately is advantageous to all the stake holders.

## Conclusion

Universal banking by its broad international basis of information, expertise and funds, is found very instrumental in developing Jammu and Kashmir horticulture by opening up a network of its organizations and projects which are currently active in horticultural development. Universal banking should develop legal private entities for selected entrepreneurs and farmers jointly invest in and exploit supporting production and post harvest infrastructure. It also enhances economic development by creating farm credit banks which aid farmers. Thus, universal banking brings to life bright ideas in horticulture sector by unlocking innovation and growth, flexibility, openness and choice, speed to deployment, customer focus with single window system and finally speed to market

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