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ARTICLE

THEME: SOCIAL BANKING IN INDIAN ECONOMY

INTRODUCTION:

Banking plays a principal job in monetary advancement of a rural. It teaches the habit of savings among people, subsequently helps in boosting the investment base and accelerating the capital development. At the identical time it additionally helps the poor's by providing them timely credit at an affordable cost. But majority of them are unable to avail those basic banking facilities. As a result they're made to depend on private money lenders, charging extravagant loan costs and are trapped in vicious circle of debt. Since freedom, the endeavors of the government have rotated around extending budgetary establishments to rural and unbanked regions so on increment access to formal credit in country immature areas. Banks should concentrate on rendering administration to oppressed individuals, living below poverty line, and increasingly more unbanked zones rather than simply focusing on their own benefit.

Social financial protection approaches were made to move the premier objective of business banks from particular banking to mass banking. Social banking is properly characterized by Dr Roland Benediktar[1] (2011) as managing an account. Here the budgetary organization focuses on investing in community, and helping social, natural and moral plan. Rather than simply focusing on common backside line. For example benefits, bank emphasizes on achieving triple main concern of benefit, people and planet.

[1] Dr. Roland Benedikter (2011), Social Banking and Social Finance.

The 'social power' over banks forced for the first time in 1967 has formed into the way of thinking of 'social banking. The improvement of the idea of 'social banking' is a natural end product of the improvement of the thought of 'social duties' of various types of businesses. The cultural requests on business venture houses to accept a social role justifies a comparable demand on banking enterprises also.

SOCIAL BANKING PREPARE BY COMMERCIAL BANKS:

The main purpose is to promote the enrolment of rural poor people in the form of

(i) non lending social banking activities and
(ii) social banking lending activities

PROGRESS OF SOCIAL BANKING:

In India, in view that independence, social banking has developed via various degrees and undergone many versions. In India, in view of independence, social banking has created by means of different degrees and undergone many variants. The Social Banking innovation in India can state to be started from nationalization of banks. 14 commercial banks[2] had been nationalized on 19th July 1969 with the most objective of allocating funds to the disadvantaged so on decorate welfare, eliminating the monopoly control of private commercial enterprises homes and corporation families on banks, delay banking over the country, reducing provincial irregular characteristics and so on.

The second vast landmark in social banking was office augmentation in permit raj. Here for getting a permit to open an office in banked region, a board budgetary organization was once approached to open 4 branches in unbanked region. Because of this 1:4 permit rule, there was excellent extend in branches of banks. The volume of branches quickened to just about around 60,000 and banking locations increased from 5,000 to 25,000.

[2] https://www.gktoday.in/gk/nationalization-of-banks-1969-and-1980/

Thirdly business banks were asked to divert 40% of their advances towards priority sector. Priority region lending protected short, medium and extensive run savings to agriculture, small scale industries, modest units, craftsman, town and production, retail exchange, small road and water transport operator, professional and self employed people and loan for education etc. Similarly distinctive schemes had been provided like Laghu Udhami MasterCard Scheme, Swarojgar Credit Scheme, Kisan Credit Scheme[3] and National Equity Fund to help tasks of small entrepreneurs.

SOCIAL BANKING IN INDIA CAN BE CLASSIFIED INTO THREE PHASES:

- ✓ **FIRST PHASE (1960-1990):** After nationalization of banks the main emphasis was on channeling of saving by which help to the neglected sectors particularly weaker sections of the society through "branch multiplication and Priority Sector Lending".

- ✓ **SECOND PHASE (1990-2005)**: It concentrated much of the time on strengthening the economic institutions as a component of financial sector reforms. During this innovation social banking was exercised mainly through Self Help Group (SHG) Bank Linkage Programme and Kisan Credit Cards (KCC) and so on. Self Help Group (SHG) Bank Linkage Program was launched by NABARD in 1992, upheld through depository monetary group of India, to help strong group activities by means of the bad so on furnish them convenient accessibility to banking.
- ✓ **THIRD PHASE** (2005 onwards): The financial inclusion was broadly practiced on national level with main emphasis on giving basic banking facilities through no frill accounts.

IMPACT OF BANKING SECTOR REFORMS ON SOCIAL BANKING

Impact of banking sector in reforms on social justice is as follows:

[3] https://rbidocs.rbi.org.in/rdocs/content/pdfs/CRB5100512AN.pdf

a. Banks doesn't it appealing to keep up their branches because it does not improved benefits in rural sector. Since from that they get lower amount of loan and high transaction cost. Right now is decrease in number of country and semi-urban branches.

b. Agriculture sector is not getting as much share as it allotted by the bank; its share credit is 15% as against the stipulated minimum share of 18%. In MSME sector, there is gradual fall in the share from last few years.

c. Another critical feature is that while 'backhanded' advances to Agriculture sector is there is surpassing breaking point for the maximum sub-limit. In private sector banks, the predominance of 'Other priority sectors' is much more prominent and not agricultural or rural sector.

d. Considering the minimum sub-limit for direct advances to Agriculture sector (13.5percent) and also the maximum sub-limit for indirect advances to Agriculture (4.5percent).

e. The main motive of private sector bank is to gain profit but by coming of social banking they need to give some amount to rural areas or agriculture sector at low interest which made their business in a declining way. Their priority is other priority sector not social banking. That's why they mainly do not want to involve themselves in this, but according to government and guidelines they need to do something. So they gave some amount to rural people not fully as if they liable for 18 percent so they get 12 percent of that.

SUGGESTIONS TO MAKING INDIAN FINANCIAL SYSTEM MORE SOCIAL:

1. Development of new rural credit products. Banks and micro-credit institutions be encouraged for needs like water, sanitation and housing and accordingly can move up the value

chain. Use of EBT, DBT and such other ICT-based tools for payments is ensured to enhance the transparency and do not involvement of middleman.

2. Government must encourage such efforts through budget provisions and ensure to take such measures for rapid growth and balanced equal economic development. Use of ICT-based tools should be compulsory for ensure more transparency.

3. Enhanced credit flow both to the agricultural sector as well as to MSME sectors. Increase the credit to agriculture sector make ensures the balanced between social and economic growth and now the main concern should be to give benefits from industry and trade to agriculture sector. Therefore, it is the growing significance of promotion of MSMSs, as the balanced economic development of the nation depends on the healthy growth of MSMEs with due thrust on promoting competitiveness of their products and processes.

CONCLUSION

In brief social banking provides the basic financial helps required by the economically weaker sections of the society and thus permits them to take part and advantages to the developmental programmes. Once this is often achieved, social banking results in preferred aim of sustainable development. Social banking plays central position for poverty alleviation through the community of commercial banks, cooperative banks, Regional Rural Banks (RRBs), microfinance institutions, number one agriculture credit score societies and self-help Groups (SHGs). However, availability of credit score alone cannot alleviate poverty. Several other reforms are too needed like reform which might better allow absorption of microfinance. But in any case, banks and monetary or financial institutions do ensure flow of credit score to the poor to strengthen their economy. The non-lending activities of commercial banks may be of mobilization of rural deposits, rural department expansion, provision of non-banking activities to development of rural poor etc. The lending operation can be either formulated by means of commercial banks or structured by government and financed through commercial banks. Hence it can be concluded that the goals about financial inclusion in numbers might have been achieved but the effectiveness of Financial Inclusion Plan is still questionable .Banks want to also provide other facilities together with no frill account like General Credit Card (GCC) and bank overdraft for effective usage of banking offerings by way of the beneficiaries. Similarly banks need to pay attention on financial literacy campaigns so that people will be aware to the banking services made available to them an how and why they have to take fuller utilization of the same banking services made available to them.

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