



A STUDY ON SOCIAL BANKING IN INDIA - A NEW HORIZON IN BANKING SECTOR

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Abstract: The main aim of banking is to accept deposits and provide loans to the needy people. The banking sector has now a day seen a drastic change in offering a wide range of services to the customers. Social banks offer financial services to the individuals and organizations that try to create social, environmental or sustainability benefits in the society. The social banks focus on investing in community, providing a lot of opportunities for the disadvantaged, and supporting social, environmental issues. Social banks try to invest their money in such areas wherein there are a lot of endeavours that promote the more good to the society. In order to know the concept of social banking, we may assume the main theme of general banking. While the general banks work on the principle of profit maximization, the social banking tries to implement the principle of attending the needs of profit-people-planet.

Keywords: Traditional banking, digitization, social banking, profit maximization, societal view.

I. INTRODUCTION

A bank is a type of financial institution that can take deposits from customers and provide loans to them. In addition, banks offer financial services like wealth management, currency exchange, and safe deposit lockers. Among the underprivileged and destitute, banking is a crucial habit that is even more significant when considering financial inclusion. India is a vibrant market that is ideal for a range of social experiments and innovative endeavors. On the other hand, the extensive web of financial service providers as well as the incidence of large-scale exclusion are contradictory features that also make it a market worth examining. When it comes to understanding the concept of social banking, it can be commented like this, the mainstream banks are in most cases work on the principle of profit maximization and on the other hand, social banking tries to implement the principle of attending the needs of profit-people-planet. In Toto, the social banks care about making a profit, but also they try in promoting human and environmental well-being in the society.

II. REVIEW OF LITERATURE

The following articles were found useful for the present paper:

P.K. Manoj¹ in his research on social banking found that banks function on the twin principles of liquidity and profitability and accordingly they have to satisfy the profitability principle. So they have to be extra

cautious while extending loans and have to ensure that their advances are secure. However, in view of the peculiar characteristics of Indian economy and hence the need for socially inclusive banking policies, there is equal significance for social banking and financial inclusion; particularly when we consider the fact that worldwide the poor are proving themselves to be bankable and credit worthy. Accordingly, while going ahead aggressively with the on-going financial deregulation measures, the policy makers have to ensure that equal emphasis is being given to ensure that all such measures are financially inclusive in letter and spirit.

Roland Benedikter² in his research noted that 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 nonbanking 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.

Palak Rawat³ in her article found that the fundamental goal is assignment of assets to the denied, disposing of restraining infrastructure of personal business houses and corporate families on banks, expanding banking the nation over and lessening regional imbalances. However this system suffered a backlog with change of administrative and political circumstances such that it was used as a means of vote bank politics, large scale corruption in implementation of schemes and improper planning. As a result of which the banking and economic institutions suffered major losses due to non-recovery of loans and less credit flow. The situation was controlled with substituting other schemes like the idea of Financial Inclusion. It was done to ensure that all citizens and every household become a part of financial service, receiving at the end all the benefits for their growth and thereby resulting in economic growth of the country. Thus the idea of development can be ensured not just with credit availability but also inclusion of financial services like access to inputs, financial knowledge, skills and technology.

Stefanos Dourtmes and Andreas Andrikopoulos⁴ in a research noted that the growth of the social banking sector can be beneficial to the sovereign economic growth. In lower-income countries we are providing empirical evidence that both the development of the social banking industry and the growth of its size can cause an impact on sovereign economic growth, but towards both directions. The growth of the total credit provided by social banks is affecting positively economic development while the growth of the total assets of the social institutions has a negative impact on it. Further, banks which exhibit substantial resilience in

periods of financial stress and operate under moderated risk are connected positively to economic development. Furthermore, given that social banks apply strict selectivity criteria in their fund allocation and provide consistent transparency in the interest margin they offer, we assume that these institutions can cause a positive impact on the domestic economic development, especially in lower-income countries.

Eakramuddin, Siddhartha Misra⁵ in their research concluded that private community and development banks, microfinance banks, ethical, environmental and social banks and ethical funds differ in terms of focus, accents, clients, products and business culture, they have in common to practice banking and investment with a human development mission. The differences tend to be rather complementary qualities that can be fertile in combination with each other. Ethical banking as it has been described above stands in a historical line of continuous search for the application of ethical principles in banking and is in line with broader trends in the 20th and 21st centuries such as the emergence of civil society and the new social class of cultural creative, growing consumer awareness, social justice and environmental movements and the growing recognition of social entrepreneurship, to name a few. Ethics are now more than ever a subject of personal choice, behaviour and responsibility. At the same time, more and more people are individually looking for values to incorporate in daily life.

III. OBJECTIVES

1. To know the evolution and growth of social banking in India
2. To study the benefits of social banking in India

IV. METHODOLOGY

This paper is purely based on secondary data. The secondary data related to the banking sector and social banking is collected from various published sources offline and online. The paper is descriptive in nature and tries to focus on the benefits of social banking to the society at large.

V. SOCIAL BANKING IN INDIA

The development of social banking in India can be traced back to the year 1969. This year is known for the nationalization of commercial banks. The main aim of this step was to allocate funds to the deprived sections of society. On the other hand, nationalization was a step aimed at eradicating the regional imbalances, monopoly of commercial banks and private houses. The main intention behind introducing the social banking was to ensure banking facilities to the marginalised population of the society, to attend the developmental needs, easy access to regularised credit. Therefore, there is a shift in the orientation of policies towards serving the customers and thus it is known as social banking.

VI. BENEFITS OF SOCIAL BANKING

As the concept of social banking works on the principles of equity, economic growth and financial viability and aims at financial inclusion of the marginalized sections of the society and hence extends a lot of benefits

to the society. Social banking is established on the belief that access to finance and in turn to the banking sector is critical for low-income households to achieve better employment opportunities and get themselves out of poverty

The following are some of the benefits of social banking:

1. Addressing the needs of poor and undeserving section of the society
2. Financial inclusion of the uncovered population
3. Extending the sustainable development in the society
4. Achieving welfare objectives of the society.
5. Improving the economic status of the people
6. Major focus on small areas of the society for banking
7. Easy and accessible lending to the poor and needy people
8. Encouragement to people for micro saving and planning
9. Poverty alleviation in the focused areas
10. integrated economic development of the nation

VII. CONCLUSION

Social banking has been giving wide opportunities to avail banking services to the all sections of society especially vulnerable section of society. Now days this new idea has reached the rural peoples giving priority lending access of credit. The concept of social banking works on the principles of equity, economic growth and financial viability. Social finance signifies the focal point of the different exercises that a commercial bank does for the up-liftment of poor and discouraged section of the society. By accessing the banking facilities in social banking concept the poor and needy people can bring change in their lives and try to emancipate menace of poverty. On the other hand it enables to achieve sustainable development in the society.

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