Chapter II

Social Banking in India
CHAPTER-II
SOCIAL BANKING IN INDIA

2.1 INTRODUCTION

This chapter is completely devoted to narrate the social banking activities of commercial banks in our country. The social role of commercial banks has been presented here under the broad classification of three heads namely.

i. Concept of social banking
ii. Development of social banking in India and
iii. Social banking activities of commercial banks

It is depicted with suitable sub headings in the appropriate places.

2.2 CONCEPT OF SOCIAL BANKING

The traditional self-centered, profit-oriented commercial banking concept is fading and a modern socio-economic role is emerging as a result of a revolution of expectations of the society on the role and responsibilities of business community as a whole. A commercial bank can no more be considered a strictly economic institution trading in money. The 'social control' over banks imposed for the first time in 1967 has evolved into the philosophy of 'social banking'. A bank is now expected to meet the growing needs of not merely the rich and urban class of people, the organized industrial and commercial ventures and people who have sound security to offer, but also to cater to the various types of needs of 'masses', most of whom live below the poverty line. It is also expected to sponsor innovative non-banking social welfare schemes to improve the quality of life of the society as a whole.
In short, there is a shift from traditional concept of ‘class banking’ to the modern concept of mass banking. Banks have to act as a catalyst of ‘economic growth with social justice’ banks is expected to make a direct rather than an indirect attack of the problem of poverty and to eradicate the various social ills afflicting the society.

The development of the concept of ‘social banking’ is a natural corollary of the development of the concept of ‘social responsibilities’ of other types of businesses. The societal demands on business houses to assume a social role justifies a similar demand on the banking industry also.

Business does not operate in a vacuum. It encompasses all sections of the society. It is not distinct and separate from it ‘rather it is part of it’. It is as much a part of the society as a human being is and in today’s interactive system, ‘business cannot escape from society and society cannot exist without business’. The changing public needs and expectations affect a business a good deal. Many decisions taken by a business have quite often effective impact – whether beneficial or deleterious-even on the unconnected members of the society.

In view of this close interaction between business and society, the former cannot function viewing the fulfillment of its predetermined objectives as its sole mission. It owes certain obligations to the different segments of the society. Social responsibilities of business generally denote the ‘answerableness of business’ to the society for performance of certain functions or abstinence from indulging in certain activities.

The concept of social responsibility is sometimes equated with ethical norms governing business and society. It implies that a business cannot pursue its profit policy unmindful of the society’s interest. ‘A business concern can and

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should have a conscience. The language of ethics does have a place in the vocabulary of an organisation\textsuperscript{2}.

Some experts hold the view that payment of fair wage, bonus, provision of various fringe benefits to employees, price discrimination to consumers, by charging low rate to some of them on account of their low purchasing power, taking concern over the buyers of product and services in the form of instead of 'let the buyer beware' approach to 'customer educative' approach are all social obligation of business.

However, these are all part of the fulfillment of social obligation, it becomes a mandatory one to the business concern by the establishment of various legislations like payment of wages act, minimum wages act, consumer protection act etc. Hence it becomes a legal obligation and a business cannot ignore this obligation statutorily. In other words, an act to be characterized as a socially responsible act must not be one which a business concern is already under a legal obligation to perform. However, where more benefit is paid than the bare legal requirements, it will continue to constitute social obligation.

Some other authors view social obligation as not arising out of any ethical considerations which are discretionary in nature. They feel that a duty is cast on a business to look beyond its nose and welfare of a society in which it breather must find a place in its organizational frame work. Even though shareholders are the owners of business and they have contributed the necessary capital, the business organisation ceases to be a private affair for making profit. 'Industry in the twentieth century can no longer be regarded as a private arrangement for enriching

the shareholders. It has become a joint enterprise in which workers, management consumers, Government and the society also play a part.\(^3\)

It is also recognized that a business corporation cannot afford to ride roughshod over the society’s interest any longer. To improve its corporate image it should consider society’s interest as legitimate as its own chosen goals. Business can win public trust only if it recognizes that other social interests are as legitimate and proper as its own and it takes account of the broader public interest in reaching its own decisions.\(^4\)

Yet another view emphasizes the need for identifying the societal reactions so that it can harmonize its own goals with the needs of the society. The corporation is not and cannot be a purely economic institution. It must change as society changes. In the final analysis, the corporation must always act from signals that society sends to indicate its needs and expectations.

It must be understood that the need for recognizing society’s interest does not spring from any attitude of benevolence or from ethical consideration. It arises out of the impact its decisions cast on the society. The obligation that a business owes to society is, therefore not discretionary depending upon its profit performance but an imperative necessity. Business organizations take actions that intentionally or unintentionally, affect the institutions. The concept of social responsibility arises out of recognition of such unintended, wide ranging effects.\(^5\)

Banking being a sub system of the business system and an integrated part of the overall social system, could not escape from being influenced by the ‘revolution of expectations’ and the resultant ‘revolution of changes’ in its supra

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system which ultimately led to the currently popular concept of corporate social responsibilities.

2.3 DEVELOPMENT OF SOCIAL BANKING CONCEPT

The thoughts on the role and responsibilities of banks vis-à-vis the society are presented here in a historical perspective leading to the current state of thinking about an 'ideal bank'. The concept of banking behavior is modeled here on the basis of three theories of corporate behavior namely (1) the traditional or classical theory, (2) the modern or managerial theory and (3) the social responsiveness or social environment theory.

The Classical Theory

The classical model relates to the period before industrial revolution. Then, the sole responsibilities of a business were to assume its economic task efficiently. It was not appropriate in fact it was considered irresponsible for the business to take on social tasks that belong to other units of the society.

The banking system under the model was not organized as it is today. The bank was subject to little state regulations. Banking was nothing but usury trading in money. The bankers were self-centered, profit maximizing economic citizens. They could operate in magnificent isolation of the rest of the society, exploiting the external environment as if it were there for the taking. The whole social groups belonged to them; they did not belong to them, the responsibility of a bank was 'to make as much money as possible, while confirming the basic rules of the society; both those embodied in law and those embodied in ethical custom. Thus, in the classical view, the role of a banker as it was that of any other businessman was strictly economic in nature, subject to certain ethical compliance.
The Modern Theory

The thoughts of new-classical economists like Neil Chamberlain, John Meymard Keynes and John Robinson and of management theorists like Peter F Drucker, Keith Davis and George F Steiner have contributed to the transformation of the classical view to modern view. This social obligation concept implies that the business does not belong to owners only, who are to be treated as a special kind of creditors. The business owes to its existence and growth to the goodwill of the various social groups namely labourers, creditors, consumers, community and society at large. Therefore, it should act as the 'trustee of the society'.

Banks being the main Fulcrum in the wheel of infrastructure have a greater responsibility to assume extra economic role. They are expected to act as 'change agents' and 'catalyst' of progress. All their direct clients should be treated fairly. Their lending policies have to be tuned to the priorities set by the government. In short, the banking principles and practices should undergo as sea change, never imagined before, structurally, physically, qualitatively and conceptually. The social control over banks introduced in 1967 and the bank nationalization in 1969 were the important steps in the direction of making the banking sector realize their social obligations.

In a sense, under this concept, the role and responsibilities of banks are well defined and regulated by legislations and administrative controls in order to ensure social accountability of banks. Banks in this way are not mere economic institution but are socio-economic citizens governed by patriotism, ethical values and economic expediency.

Social Environmental Theory

Neil Jacoby and Prakash S. Sethi have advocated the social environment or social responsiveness model of corporate behaviour.
The modern theory advocates 'social obligations' which implies a 'reactive' role upon pressure from various social groups. Jacoby and Sethi feel that in the present business environment the role of business should further extend to assume a 'proactive' role. This implies that business should assume extra economic, extra-legal, 'societal' role voluntarily. Business should perceive what should be its long-run role in a dynamic social system. Business behaviour should be guided by the philosophy "what is good for the society is good for the corporation". 'quality of life' of the people in the society becomes the main concern of the corporate polices.

Banks being pivotal institutions in an economy can not and should not restrict themselves to their 'business' only. Traditional principles of lending should not be scrupulosity followed. A societal approach both with respect to deposit mobilization and advancing of loans should be adopted. The weaker sections, the priority sector industries and all those who cannot on their own come into banking fold should be assisted in all possible ways. This approach means shedding 'selling' orientation to adopt marketing philosophy. The banks social involvement can have no limits except the humanitarian propensities of their management.

The dimension of bank behaviour described above is not to be considered as strictly watertight and mutually exclusive models. The role and responsibilities of a bank may encompass the economic, legal, ethical principles and the changing 'societal expectations' as well.

'Social responsibility is the obligation of decision makers to take actions which protect and improve the welfare of a society as a whole along with their own interest. It builds better quality of life, thus harmonizing organizational actions with society's wants'. To put the social responsibility philosophy into
action every one in business must try to make decisions that will be for the common good of all societal members.

Kumara Raj. A\(^6\) in his study on ‘Social Obligation’ of Banks states that social obligation of business refers to the overriding concern that a business should have for the pluralist society in its pursuit of activities for profit, involving some sacrifice of profit with intent to benefit the society, this implies.

i. Profit earning, though fundamental to the functioning of a business, does not in itself constitute social obligation.

ii. Concern for others is a essential ingredient of social obligation.

iii. There should be some sacrifice of profit, the profit lost benefiting some societal groups other than the owners of the business. The sacrifice of profit may take in the form of:
   a. Taking up non traditional ventures exposed to grave risks with intent to benefit the society
   b. Meeting well above the minimum requirements of law, with the view to conferring greater benefits on various social groups.
   c. Effecting price cuts, improving the quality of its products performance, without being under a legal obligation to do so.

Loss of certain profit is inevitable in the process of discharging social obligation. That a business has no moral right to jeopardize the interest of the society is borne out of the simple logic that one man’s gain must not be another man’s loss. Hence, the concern that a business should have for the society is a real social obligation. The concern can be in the form of:

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i. Helping the economically weaker sections of the society or the neglected but vital sectors of the economy.

ii. Sacrifice of profit benefiting the society or the nation.

iii. Risk is undertaken by venturing into non traditional lines of business.

iv. Risk prone venture takes upon is intended to solve any social or national problem.

v. Activities in true with national priorities so that it contributes to the strengthening of the national economy.

2.4 DEVELOPMENT OF SOCIAL BANKING IN INDIA

Ever since India embarked on its quest of economic development, it has sought social betterment of the less privileged. Social content of growth has been gaining momentum and the deprived have awakened to their rights and claims. The adoption of socialistic ideology by the country has given rise to change on the public attitude towards banks and in the expectations of the public regarding services which the bank could render to the community at large.

With the growing social awareness of the role of bank credit in the economy, it was felt that the prevailing commercial banks lending had little social content and it facilitated concentration of economic power. In 1967, it was observed that the credit requirements of organized sectors of the economy and large scale borrowers were generally met by commercial banks and co-operative institutions, but institutional credit facilities were virtually non-existent so far as the small borrowers and the weaker sections of the community were concerned. This was responsible for poverty of small borrowers and encouragement of money-lenders.
The banking commission report in 1972 has also indicated that the banking system was highly urbanized. Banking activities were concentrated in major cities. In big cities it was mainly the well placed traders, businessmen and industrialists who availed themselves most of the credit facilities. Ownership and control of these banks was in few hands that were expanding the operations for their own benefit, most of the funds were invested in the business in which directors of the banks themselves had more interest. The industrialists used these banks for achieving the commercial goal, maximization of profit.

The commercial banking was highly elitist catering primarily to large and medium scale industry and whole sale trade. The agricultural sector which used to contribute 50 per cent of national income was virtually by passed.

The Gadgil study group observed that there was a flow of resources from the smaller to larger population centers and rural to urban centers. The credit deposit ratio was poor in relatively backward rural areas because lending opportunities were better in developed areas. Bulk of the lending of commercial banks was directed to big industries because it was easy to lend with safety and low administrative costs. This resulted flow of funds from rural to urban areas.

Loans and advances were highly security oriented and comparative neglect of social purposes of venture financed. In simple words, banks were not properly equipped to assist the attainment of the basic socio-economic objectives of economic growth with social justice.

**Establishment of State Bank of India**

The historical perversities in banking development needed a remedy. It was felt that banks operations should be in alignment with the national policy and objectives. It necessitated the government to think in providing adequate banking facilities under the umbrella of state ownership, control and management.
The All India Rural Credit Survey Committee, strongly recommended creation of one powerful, integrated, state sponsored, state-partnered commercial banking institution with an effective machinery of branches spread over the whole country.

On the recommendation of the rural credit survey committee Imperial Bank of India was nationalized and renamed State Bank of India in 1955. It was the first milestone in the history of social banking in India. Its main mission was to extend banking facilities on large scale, more particularly in rural and semi urban areas where other commercial banks were shy to enter. The bank was asked to open 400 branches within a period of five years of its inception, mainly in rural and semi urban areas. It fulfilled its target of opening 400 branches a little ahead of the scheduled span of five years and played a leading role in the promotion and financing of agriculture and small industries with the assistance of co-operative banks.

Participation of other Commercial Banks

Till 1960's supply of credit to agriculture was met by co-operatives. But it was not in a position to cater the increasing needs of agriculturists on account of intensive agricultural development programmes introduced. Therefore, a multi agency approach was necessitated to tackle the potential demand for rural credit. Various committees like Agricultural Finance Sub-Committee, Rural Banking Enquiry Committee and all India Rural Credit Survey Committee (1954) had emphasized that credit provide by commercial banks in India to agriculture was negligible, but none had made any recommendation that commercial banks should enter the agricultural and rural sector in a large scale.

It was at this stage, the entry of commercial banks with enormous resources at their command and growing network of their offices in different parts of the
country, into the field of agricultural financing was considered not only desirable but necessary.

Social Control over Commercial Banks

Pointing that private sector banks credit was being used to the objects which are contrary to the national priorities, the report of the All India Congress Committee’s four economists stated that private control of banks in a planned economy was an anachronism which had been an obstacle to the achievement of plan objectives.

But at the same time there was some argument against nationalization of commercial banks. So that the Government ultimately decided to introduce in December 1967, a scheme of social control over banks, which was later given a legal frame work under the banking laws amendment Act 1968.

The main purpose of social control was to make the commercial banks active participation in the national endeavour directed towards the social well being of the masses. The social control legislation envisaged

i. The establishment of the national credit council to formulate new credit policy

ii. Appointment of non – industrialist bankers having special knowledge of the working of banking company as chairman of all banks as whole time employee for a term not exceeding five years.

iii. Appointment of not less than 51% of professional directors.

iv. Prohibition to grant loans or advances or guarantees to directors or a firm in which he is interested and

v. Establishment of a training institute at highest level to improve the technical expertise of bank executives.

The purpose of social control was to achieve the social ends without actual take over of banks by the government.
National Credit Council

To regulate and implement the scheme of social control, a high level body at the all India level, called national credit council was set up in 1968. The main functions of the council were (i) to assess the demand for banks credit from various sectors (ii) to determine priorities for grant of loan and advances in the light of the availability of resources (iii) To ensure increased credit flow to the hither to neglected sectors such as agriculture and small industries.

National credit council constituted five study groups. The result of the study group is not satisfactory to the achievement of societal goals. It was felt that even the scheme of social control over banks could not provide speedier justice to the included sectors of the economy. Hence, the Government had to resort to the extreme step of taking over 14 major commercial banks with all their offices.

Nationalization of Major Commercial Banks

In order to bring about rapid transformation in the banking system and to serve better the needs of development of the economy in conformity with national policy and objectives, that the ordinance of nationalization of 14 major commercial banks in India was promulgated in 1969.

At the time of bank nationalization, the then prime minister pointed out 'an institution such as banking, which towards the lives of millions, has necessarily to be inspired by a large social purpose and has to sub serve national priorities and objectives'. That is why there has been wide spread demand that major bank should not only be socially controlled but policy owned.

The main objective of bank nationalization was (i) expanding bank credit to priority sector (ii) removed of control by a few (iii) giving professionalism to bank
management (iv) encouragement of new class of entrepreneurs (v) provision of adequate training and reasonable terms of service for bank employees.

The nationalization of the 14 banks were undertaken to accelerate the achievement of the objective of social control. The emphasis was shifted from industrial and commercial sectors to agriculture and small industries as well as from urban to rural areas with a view to achieving the social objectives of economic development. The banks were called upon to play a developmental role and assist the government in the effective implantation of socio-economic programmes aimed at mitigating the economic suffering of the downtrodden with country. Thus attainment of social banking was the very purpose of bank nationalizations.

The social banking activities of commercial banks can be classified into two broad groups namely (i) social banking operations formulated as well as implemented by the concerned commercial banks and (ii) rural development and poverty alleviation programmes designed and sponsored by the government and financed by commercial banks.

**Social Banking Formulated by Commercial Banks**

The activities designed to promote the enlistment of rural poor have been in the form of (i) non lending social activities and (ii) social lending activities. The non lending activities of commercial banks can be of mobilization of rural deposits, rural branch expansion, provision of non banking activities to development of rural poor etc. The lending operation can be either formulated by commercial banks or structured by government and financed by commercial banks.
Branch Expansion in Rural Areas

The present network of commercial banks is the result of a deliberate policy of branch expansion pursued by public sector banks during the post nationalization period. During the period from July 1969 to July 1979, 21881 new branch offices were opened. The average population per bank office decreased from 65000 as on the date of nationalization to 1800 as at the end of June 1982. Thus, it is obvious that many unbanked areas were benefited by the branch expansion policy followed in the country after nationalization of banks.

Deposit Mobilization

The post nationalization period has shown a substantial rise in the rate of deposit mobilization. The aggregate deposit in banks increased because of several factors like (i) there was a growth of banking habit among the people (ii) strong financial position of banks inspired public confidence in them; (iii) launching of deposit insurance scheme gave safety to depositors; (iv) expansion of the branches and (v) income of the people has been rising. The total bank deposit recorded a more than three fold increase during seven year period since nationalization.

Advances to Agriculture

The nationalized commercial banks provide financial assistance to agriculture in two ways namely, direct assistance and undirected assistance. The indirect assistance is offered for financing marketing of agricultural produce, distribution of fertilizers financing food grains procurement by the food corporation of India, providing finance to land development bank co-operative marketing and procuring societies, co-operative sugar factories, providing funds to primary agricultural credit societies and farmers service societies to enable them to lend to their members etc. The direct assistance to agriculturists was given to their short term needs like irrigation, purchase of fertilizers and pesticides, seeding and
often related expenses. Banks were initially given a target of extending 15 per cent of the total advances as direct finance to agriculture, then it was raised to 18 percent to be achieved by March 1990 by taking together direct and indirect advances with the condition that indirect finance does not exceed one fourth of the total agricultural advances.

Credit Deposit Ratio in Rural Areas

One of the objectives of bank nationalizations has been to see that bank credit is deployed in rural and semi-urban areas in an appropriate manner. In order to achieve the objective in 1977, the RBI laid down a policy to the public sector banks that the rural and semi-urban branches of banks should secure credit deposit ratio of at least 60 per cent by the end of March 1979. It is to restrict the flow of funds from rural to urban areas. It is an important credit planning measure for bringing about upliftment of the weaker sections of the rural community.

Priority Sector Lending

The concept of priority sector lending is mainly intended to ensure that assistance from the banking system flows in an increasing measure to those sectors of the economy which though accounting for a significant proportion of the national product have not received adequate support of institutional finance in the past. The flow of institutional finance to the priority sector started after nationalization of banks. Banks have drawn up schemes to extend credit to small borrowers in sectors such as agriculture, small scale industry, road transport, retail trade and small business which traditionally had very little share in the credit extended by banks.

Taking into account the need to provide bank credit to weaker sections for specific needs, consumption credit for certain limit has been included in priority sectors. Housing loans (upto 5 lakhs per unit). Education loan for higher studies
are also classified as priority sector advances. The amount of outstanding advances by the commercial banks increased from Rs. 4.41 crores in June 1969 to Rs. 1,07,200 crores in March 1999. In terms of percentage, advances to priority sectors increased from little over 14 percent in June 1969 to more than 40 percent in March 1999.

Credit to Weaker Sections

With the view to augment credit flow to small and poor farmers and weaker sections of the society, commercial banks were advised by RBI to provide at least 10 percent of their net bank credit or 25 per cent of their priority sector advances to weaker sections comprising small and marginal farmers, landless labourers, tangent farmers, artisans, village and cottage industries and to beneficiaries of various government rural development programmes. The public sector banks have achieved maximum share of target at the end of March 1999.

Lead Bank Scheme

The national credit council appointed a study group on organizational frame work for the implementation of social objectives under the chairmanship of D.D.Gadgil. The study group recommended the adoption of area approach to banking development in the country. The study group suggested that the public sector banks should be given specific districts wherein they should be asked to bring about integrated development of banking facilities. On the basis of the recommendation of Gadgil study group RBI preferred the lead bank scheme in 1969 allotting 338 district in the country to public sector banks.

The lead bank which is allocated a specific district is supposed to play the role of consortium leader of all the banking and financial institutions functioning in the district. The lead bank in to act as a leader in the specific district and it has to obtain the co-operation of all the other banks in the area. It has to co-ordinate
the banking and financial activities of all them and be in overall charge of the
district so far as the financial requirements of the district concerned.

**Village adoption scheme (VAS)**

The village adoption scheme is an extension of intensive area approach adopted by commercial banks. The main objective of the scheme is to develop the village economy in all its aspects in a phased manner. The following are the usual steps suggested for village adoption scheme (i) selection of villages (ii) survey of selected villages to assess the potentials for development (iii) preparation of a phased action programme (iv) identification of eligible borrowers and (v) formulation of proposals for development of individual farms. While selecting villager for such scheme, the following points are to be considered

i. Good potential for development

ii. Non insatiability to recurrent calamities due to draughts floods etc

iii. Easy accessibility and

iv. Willingness of farmers to adopt progressive methods of cultivation

**Differential Rate of Interest Scheme**

The differential rate of interest (DRI) scheme was launched in 1972 on the recommendation of Dr. R.K. Hazari committee. Under DRI scheme, each public sector commercial bank is required to lend at least one per cent of its total advances to the economically backward people at a low rate of four per cent per annum. At least two –third of the loan under this scheme are given to the people belonging to scheduled castes and tribes. People with the annual income of Rs. 2000 per family in rural areas and Rs. 3000 per family in urban areas are eligible to get concessional loans under this scheme. The eligible borrowers can borrow a composite loan upto Rs. 6500 under the scheme.
Formation of Specialized Service Centers

After nationalization, banks have taken keen effort to develop rural areas. One of the methods is concentrating particular area by providing financial and other supporting services to that particular targeted people. Various commercial banks designed their offices to suit the requirements of specific type of rural customers.

i. Agricultural Development Branches

Realizing the need for specialized setup for agricultural finance, many commercial banks have setup specialized agricultural branches. The state bank of India commenced Agricultural Development Branches (ADB). It is a unique organizational innovation it was designed to give to the banks the backing of technical expertise and mobility with the help of field staff and vehicular support to agricultural development.

ii. Gram Vikas Kendra (GVK)

Bank of Baroda started Gram Vikas Kendra i.e. centres for the development of villages to finance and rural activities and provide them other services which area needed for development. It function in co-ordination with Panchayat Raj institution, government officials and business houses in order to create employment opportunities in rural areas, reduce rural poverty, increase irrigation facilities and farm output.

iii. Rural Service Centres (RSC)

Rural service centers have been opened by Dena bank to provide technical guidance to the branches undertaking rural financing. A team of qualified agricultural officers in posted to every Centres to give technical support to the
rural bank branches. Its main purposes are to enable the rural branches under the command to draw and make use of the services of technical officials at the place, to keep rapport with government agencies at the block level, marketing agencies, suppliers of inputs etc.,

Thus, the specialized service centres were formulated by the banks to enable the rural people to their easy access into the bank and to avail technical support of the banks.

**Regional Rural Banks**

In June 1975, the then Prime Minister announced a new economic programme which, among many other things aimed at devising alternative agencies to provide institutional credit to lenders, labourers, rural artisans and small and marginal farmers, in the context of steps being instantiated also under the programme, to liquidate rural indebtedness of those classes of people.

A working group by the Government of India under the chairmanship of M.Narashimha examined the question in detail and recommended to set up new rural banks as subsidiary public sector banks to cater to the financial requirements of rural people. The working group recommended to setup Regional Rural Banks (RRB's) which should be state sponsored, regionally based and rural-oriented commercial bank combining the local feel and familiarity with rural problems. Keeping in view the main objective of RRBs are.

i. Taking banking services to the door steps of rural masses particularly in hitherto unbanked rural areas.

ii. Making available institutional credit to the weaker sections of the society.

iii. Mobilise rural savings and channelise them for supporting productive activities in the rural areas.
iv. To credit a supplementary channel for the flow of credit from central money market to rural areas.

v. Generating employment opportunities in rural areas and bringing down the cost of providing credit to rural areas.

The RRB is established by the central Government on the request of commercial banks which is called sponsor bank in a state or union territory. The central Government shall specify the local limits within which each RRB will operate. The share of capital of the RRB is subscribed by the Central Government, Sponsor Bank and respective State Government into ratio of 50:35:15 per cent respectively. Thus after nationalization, RRBs, was established with the objective of strengthening rural credit structure and extent banking services to rural areas. From the above discussion, it is clear that social orientation of commercial banking activates expanded in various forms after nationalization of major commercial banks in India.

Implementation of Rural Development Programmes by Banks

After independence, to achieve socio-economic objective of our nations, through various policies of our economic planning member of rural development programmes were initiated in our country. Some of them are wage employment programmes and specific area development programmes which are directly implemented by the central and state governments. Some others are meant for providing self employment opportunities to poor sections of the community through credit the assistance of commercial banks along with subsidies and concessions of the Central and State Government.

The following paragraphs give a brief not on various rural development programmes of the government, implemented by their own agencies.
**Wage Employment Programmes**

**Jawahar Rozgar Yojana (JRY)**

The Jawahar Rozgar Yojana (JRY) was stated in April 1989 by merging the on going National Rural Employment Programme (NREP) and Rural landless employment Guarantee Programme (RLEG) into a single rural employment programme. The main objective of JRY is generation of additional gainful employment for the unemployed and under employed persons both men and women in rural areas. The secondary objective of the JRY is creation of durable community and social assets. It is designed to arrest the seasonality of wage employment. It also aimed at improvement in the quality of life of the rural poor by providing supplementary source of income through wage employment.

**Employment Assurance Scheme (EAS)**

It was introduced with effect from 2\textsuperscript{nd} October 1993 in the rural area of 1778 blocks of 261 districts. The blocks selected were in the drought prone areas, tribal areas and hill areas. During 1994-95 it was extended to 409 blocks. The main objective of the scheme is to provide gainful employment during lean agricultural season in manual work to all able bodied adults in rural areas.

**Jawahar Gram Samridhi Yojana (JGSY)**

The government restricted JRY and Employment Assurance Scheme (EAS) and launched a new programme Jawahar Gram Samridhi Yojana (JGSY) to develop rural infrastructure at the village level in a planned manner. This programme has come to effect from 1\textsuperscript{st} April 1999. It is implemented through village panchayat and funds are provided by DRDA directly to village panchayats. 22.5 per cent of funds of the programme have been earmarked for individual beneficiary schemes of scheduled caste and tribes. The DRDA/ZP is responsible
for overall guidance supervision, monitoring and periodical reporting of the programme.

**Pradhan Mantri Gram Sadak Yojana (PMGSY)**

The PMGSY was launched on December 25, 2000 as a fully centrally sponsored scheme with the primary objective of providing all weather connectively to the unconnected habitations in the rural areas. The programme is funded mainly from the accruals of diesel cess in the Central Road Fund. In addition, support of the multilateral funding agencies and the domestic financial institutions is being obtained to meet the financial requirements of the programme.

**Million Wells Schemes**

It was launched as a sub-scheme of National Rural Employment Programme and Rural Landless Employment Guarantee Programme (RLEGP) during 1988-89. It continued as a sub-scheme of JRY from April 1989 to December 1995. From 1st January 1996 MWS is an independent scheme. The objective of the scheme is to provide open irrigation wells free of cost to poor, small and marginal farmers who are below the poverty line and freed bonded labourers. It is a centrally sponsored scheme and funds are shared between the central and state in 80:20 basis.

**Sampoorna Grameen Rozgar Yojana (SGRY)**

This programme was launched on 25th September 2001 by merging the ongoing schemes of Rs.10,000 crore to provide additional wage employment in the rural areas. The objectives of the programme are to provide additional wage employment in the rural areas as also food security along side the creation of durable community, social and economic infrastructure in rural areas. Every
workers seeking employment under the scheme will be provided minimum 5 kilograms of food grains per man-day as part of wages.

National Rural Employment Guarantee Scheme (NREGS)

The national rural employment guarantee Act aims at enhancing the livelihood security of the people in rural areas by providing guaranteed wage employment though works that develop the livelihood resource base of that area so that in that process of employment generation durable assets are buildup. The Act was executed in September 2005. It was notified in 200 districts of 27 states on February 2006 and was extended to 130 additional districts 130 additional districts on 2007-08, All remaining rural areas have been notified from April 1, 2008, adult members of rural household who are willing to do unskilled manual work may apply for registration to the local gram Panchayat for getting the job under the scheme.

Training of Rural Youth for Self Employment (TRYSEM)

It is a centrally sponsored scheme, started on 15th August 1979. It aims at providing basic technical and entrepreneurial skill to the rural youth from families below the poverty line to enable them to take up self employment in the broad fields agriculture and allied sectors, industries, services and business activities.

The rural youth in the age group of 18-35 years from families below poverty line are enlisted for training under the scheme. The duration of training course is six month. However, the state level co-ordination committee can change the duration for new trades. There is no educational qualification prescribed for selection of trainees. The trainees are paid a stipend varying from Rs.200 to Rs.500 per month during the training besides that there is a provision of Rs.800 as an allowance for purchase of tool kits by trainees.
Development of Women and Children in Rural Areas (DWCRA)

The DWCRA was launched as a sub scheme is IRDP during the year 1982-83 in 50 districts. It subsequently expanded to cover all the districts in the country by 1994-95. The flow of credit and other benefits to poor women inspite of reservation under various programme like IRDP, TRYSEM were found to be not making much impact. Therefore, in order to overcome this situation and involve the rural women more intensely in economic activities, a exclusive programme for women namely Development of women and children in Rural Areas was introduced.

Supply of Improved Tools to Rural Artisans (SITRA)

This scheme was launched as a sub-scheme of IRDP in July 1992, with the objective of enabling the rural artisans to enhance the quality of their products, increase their production and income and ensure better quality of life within the use of migration to urban areas.

Artisans from a variety of crafts except weaving, tailoring and beedi workers are to supplied with suitable improved hand tools or set of tools. The average cost of a toolkit is Rs.2000, in case of a power driven tools the average cost is Rs.4500/-. Ninety per cent of the cost of toolkit is a subsidy from the Government of India and 10 per cent is to be contributed by the beneficiary.

Other Development Programmes

In addition to the above discussed wage employment programmes, special development programmes like drought Prone Areas Programme, (DPAP) Desert Development Programme (DDP), Rural Housing Programmes like Indra Awaas Yojana, National Mission for Rural Housing, and other social welfare programme, such as National Old Age Pension Scheme, National Family Benefit Scheme, National Maternity Benefit Scheme Provision of Urban Amenities in Rural Areas
Self Employment Programmes

Besides the above described wage employment and area development programmes, there are some self employment and entrepreneurial development programmes have also been designed by the government and implemented through various government agencies in association with commercial banks of concerned areas for financing the projects. The important programmes centrally designed and processed by the state government authorities for the provision of credit and other supportive assistances by the commercial banks have been narrated in the following paragraphs.

Integrated Rural Development Programme (IRDP)

The strategy and policy of direct attack on poverty by way of target approach for rural poor come into being in fourth five year plans with the main objective of improving the assets base of the poor and to involve the poor income generation process of the economy. The IRDP was initiated initially in 2300 blocks and has been extended to all the blocks of the country since 2nd October 1980.

IRDP aims at providing income generating assets and self employment opportunities for the rural poor. Assistance under the scheme is given to target group of rural poor belonging to families below poverty live in the form of subsidy by the Government and term credit by financial institutions.

The target group consists of weaker sections of the society whose per capita monthly expenditure does not exceed the limit of poverty like. Within the target group special safeguards have been provided by the reservation of 50 per cent
benefit for SCs/STs; 40 per cent for women and 3 per cent physically handicapped persons, priority also given to women headed households.

It is implemented by District Rural Development Agency. The Government Body at the district level provides guidance and directions to DRDAS.

It includes local member of Parliament, member of Legislative Assembly and chairman of Zilla Parishad, Heads of district Development Department and representative of SC/ST women, NGOs. At the grass roots level the programme is carried out by block development officer, with the help of village level functionaries.

The performance of IRDP is monitored at state level by a state level co-ordination committee and it review the implementation of the scheme and lay down policy guidelines. At the central level a high level co-ordination committee on credit support to IRDP also monitor its operations.

**Swarnajayanthi Gram Swarozgar Yojana (SGSY)**

The SGSY has been launched with effect from 1st April 1999 as a new self employment programme. With the introduction of SGSY programme, the earlier programme of IRDP, TRYSEM, DWCRA, SITRA, MWS are withdrawn from operation.

The objective of SGSY is to bring the assisted poor families above poverty line by providing them income-generating assets through a mix of bank credit and government subsidy. The programme aims at establishing a large number of micro enterprises in rural areas based on the ability of the poor and potential of each area.
Salient Features

The salient features of the Swarnjayanti Gram Swarozgar Yojana are as follows:

Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro-enterprises in the rural areas, building upon the potential of the rural poor. It is rooted in the belief that rural poor in India have competence and, given the right support can be successful producers of valuable goods and services.

1. The assisted families (known as Swarozgaris) may be individuals or groups (self-help groups). Emphasis is, however, on the group approach.
2. The objective under SGSY is to bring every assisted family above the poverty line in three years.
3. Towards this end, Swarnjayanti Gram Swarozgar Yojana is conceived as a holistic programme of micro-enterprises covering all aspects of self-employment, viz., organization of the rural poor into self-help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.
4. In establishing the micro-enterprises, the emphasis under SGSY is on the cluster approach. For this, 4-5 key activities are to be identified in each block based on the resources, occupational skills of the people and availability of markets. The key activities are to be selected with the approval of the Panchayat Samitis at the block level and the District Rural Development Agency (DRDA) / Zila Parishad (ZP) at the District level. The major share of SGSY assistance will be in activity clusters.
5. SGSY adopts a project approach for each key activity. Project reports are to be prepared in respect of identified key activities for sanctioning of loans and to ensure adequacy of financing.
6. The existing infrastructure for the cluster of activities is reviewed and
gaps identified. Critical gaps in investments are made under SGSY subject to a ceiling of 20 per cent (25 per cent in the case of north-eastern States) of the total programmes allocation for each district. This amount is maintained by the DRDA as SGSY - Infrastructure Fund' and which can also be utilised to generate additional funding from other sources.

7. The effort under SGSY is to cover 30 per cent of the poor in each block in next five years through an efficient programme.

8. SGSY also focuses on the group approach. This involves organization of the poor into self-help groups and their capacity building. Efforts are made to involve women members in each self-help group.

9. The Gram Sabha authenticates the list of families below the poverty line identified in the Below Poverty Line (BPL) census. Identification of individual families suitable for each key activity is made through a participatory process.

10. SGSY is a credit-cum-subsidy programme. However, credit is the critical component in SGSY, subsidy being only a minor and enabling element.

11. SGSY seeks to promote multiple credit rather than a one time credit injection. The credit requirements of the Swarangaris are carefully assessed. They are allowed and encouraged for increasing their credit intake over the years.

12. SGSY seeks to lay emphasis on skill development through well designed training courses. Those who have been sanctioned loans are assessed and given necessary training.

13. SGSY ensures upgradation of the technology in the identified activity clusters. The technology intervention seeks to add value to the local resources, including processing of the locally available for local and non-local market.

14. SGSY provides for promotion of marketing of the goods produced by the SGSY Swarozgaris. This involves provision of market intelligence,
development of markets, consultancy services, as well as institutional arrangements for marketing of the goods including exports.

15. Subsidy under SGSY is uniform at 30 per cent of the project cost, subject to a maximum of Rs. 7500. In respect of SCs/STs, however, these are 50 per cent and Rs. 10,000 respectively. For groups of Swarozgaris the subsidy is at 50 per cent of the cost of the scheme, subject to a ceiling of Rs. 1.25 lakh.

16. SGSY has a special focus on the vulnerable groups among the rural poor. Accordingly, the SCs/STs would account for at least 50 per cent of the Swarozgaris, women for 40 per cent and the disabled for 3 percent.

17. SGSY is implemented by the DRDAs through the Panchayat Samitis. The process of planning, implementation and monitoring integrates the banks and other financial institutions, the PRIs, NGOs, as well as technical institutions in the district.

18. Fifteen percent of the funds under SGSY are set apart at the national level for projects of far reaching significance and which can also act as indicators of possible alternative strategies to be taken up in conjunction with the other departments or semi-government and international organizations.

19. Funds under the SGSY are shared by the Central and State Governments in the ratio of 75:25.

20. The Central allocation earmarked for the States is distributed in relation to the incidence of poverty in the States. However, additional parameters like absorption capacity and special requirements will also be taken into consideration during the course of the year.

SGSY has also a component for special projects for self-employment of the rural poor. Some project proposals submitted by the State Governments are under active consideration of the Ministry.
Prime Minister's Rozgar Yojana (PMRY)

Prime Minister's Rozgar Yojana (PMRY) was launched on 2\textsuperscript{nd} October, 1993 throughout the country with a view to providing employment to 10 Lakhs educated unemployed youth by setting up 7 lakh micro enterprises. The PMRY is an enlarged version of SEEU Y, being implemented with higher investment limit of project cost up to Rs. 1 lakh per person, without insisting on collateral security for starting a self-employment venture in industry, service and business sectors. There is a special provision in the scheme allowing two or more eligible persons to join together in partnership for promoting an enterprise. In such cases, the loan limit will also be correspondingly increased to Rs.2 lakh for two persons, Rs.3 lakh for 3 persons and so on. The beneficiary should contribute 5 per cent of the project cost as margin money. This loan is provided by the bank for suitable persons and for viable activities only after the Task Force Committee at the district level identifies and selects prospective self-employment persons and recommends their cases for bankable projects.

Assistance from the Government of India is in the form of an outright subsidy of 15 per cent of the project cost or Rs.7,500, whichever is less. For two are more persons promoting a venture, subsidy will be correspondingly increased at this rate. This amount is made into a fixed deposit and adjusted against the loan amount at the end of the repayment period. The beneficiaries for the scheme are counselled and screened by the Task Force at the mandal / block / district level for recommending applications to banks for sanction of loans.

After sanction of loan by the banks, the beneficiaries have to undergo training for four weeks in entrepreneurship and get equipped to organise and operate micro-enterprises.
A PMRY beneficiary is one who is in the age group of 18-35 years at the time of submission of application for loan and who has passed or failed at least matriculation and has passed ITI, and has undergone the government sponsored technical course for a minimum duration of six months. The annual income of the family of such beneficiaries should not exceed Rs.24,000/- per annum. The family for this purpose would include the beneficiary and the spouse. The family income should include income from all sources, whether in the form of wages, salary, pension, agricultural income, business income, rent and or interest from any source. The candidate should not be a defaulter to any nationalised bank / financial institution / cooperative bank. The beneficiary should have been a permanent resident of the area (district) for at least three years.

This scheme is implemented through the office of the Development Commissioner small scale industries (SSI) at the central level, the Directorate of Industries at the State Level, and the District Industries Centres at the field level. The banking division of RBI coordinates the banking support and the nationalised banks provide the necessary loans. As far as training is concerned, various training institutions like SISIs are providing support and state governments have made available training manuals, project profiles etc. Training of the PMRY beneficiaries is the responsibility of the state governments and they have assigned SISIs, DICs and NGOs for this purpose.

Bio Gas Development

Bio gas is a clean non-polluting and low cost fuel. The ministry of non conventional energy sources has taken up a programme known as National Project on Biogas Development (NPBD) for the development and harnessing of bio gas potential in the country. The project was started in 1981-82 with the following objectives:
a. To provide fuel cooking purposes
b. To provide organic manure through bio gas plants
c. To mitigate drudgery of rural women
d. To improve sanitation in villages by linking toilets with bio gas plants

State governments have designated nodal departments and nodal agencies for implementation of the project. Bio gas development and training centres functioning in major States, provide technical and training backup to concerned state nodal departments. Commercial and co-operative banks provide loan for setting up of bio gas plants. NPBD provides for different types of financial incentives including central subsidy to users

Self Employment Scheme for Ex-Servicemen (SEMPEX)

This scheme has been in operation since January 1988, it is designed to provide a comprehensive package of credit for encouraging ex-servicemen, disabled service personnel, war windows and windows of ex-servicemen to undertake agricultural and allied activities or to set up non farm units in rural areas to earn their livelihood for leading a dignified life.

Many army personnel sustain serious injuries and are rendered disabled for life. SEMFEX covers them in the furrow of financial assistance for economic activities. The coverage of category of women is significant in the contexts of march of women folk in India from dependence to independence. SEMFEX recognizes the shift from welfare approach to empowerment approach in the development process of the country. The commercial banks, regional rural banks and co-operative banks are the agencies through which loans can be availed.
TAHDCO has been established in order to improve the living conditions of scheduled castes / scheduled tribes by improving the income earning capacities through income generating programmes and improving human skills through training programmes. Its schemes have been decentralized and formulated at the district level for the economic development of SC and STs. The District Action Plans (DAP) have categorized certain activities for the purpose of easy monitoring. That includes and purchase, agricultural activities, allied agricultural activities, mining and quarrying, manufacturing processing and servicing, construction, trade and commerce, transport and storage and other services.

TAHDCO acts as a State channelising agency in implementing the national schemes of the ministry of social justice and empowerment of our country. TAHDCO’s financial assistance is made available through commercial banks to all the eligible persons, those are willing to start self employment ventures.

Thus in this chapter, the concept of social banking has been defined and narrated by the researcher, taking into account all the aspects associated with this concept. The development of social banking in India has been described is two forms known as development before nationalization of major commercial banks and development after nationalization of banks.

This chapter also had a detailed description on the voluntary social lending services and the Government sponsored social lending schemes implemented by commercial banks to the benefit of rural community.