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CHAPTER 15

SOCIAL BANKING IN NOT SO SOCIAL WORLD: A REVIEW

Mariya Binth Siraj [1], Prof. Ehtesham Ahmad [2]

Abstract

These days the people who live in the world is being divided the 2 types that is the rich and the poor from diverse problems. Perhaps this circumstance contributed to the distribution of poverty inequity. Poverty continues to be a major issue all throughout the world. Indeed, the poor are growing poorer. The world economy will suffer as a result of this event. The vast wealth gap between the rich and the poor has a number of detrimental consequences for society. On the one hand, wealthy individuals make a lot of money, which allows them to enjoy the most costly indulgences in life. While banks may play a vital role in low-income communities' financial transformation, sustainability should never be disregarded. The basic banking concept of security-oriented lending was expanded to a social banking concept of development-oriented credit. This necessitated a change in financing from urban to rural. Social banking was conceptualised as "better the village, better the nation". India stands out as a **"poor and very unequal country, with an affluent elite"**, where the top 10% holds 57% of the total national income, including 22% held by the top 1%, while the bottom 50% holds just 13% in 2021, according to the World Inequality Report 2022.

Keywords- *Poverty, Global Economy, Society, Luxuries, Transformation and Affluent.*

Introduction

Monopolies arose, and wealth was concentrated in the hands of a few, making life tough for the rest of society. Money is the cause of social injustice and economic inequality. Money has shown to be a useful instrument for accumulating riches and exploiting the poor by the wealthy. It has widened the divide between affluent and poor people. The birth of a capitalist society was based on money. The means of production, such as factories and farms, are in the hands of private individuals and businesses in a capitalist society. Class disputes have arisen as a result of capitalism. The 'haves' and the 'have not's the two classes in society. The haves' exploitation of the have-nots has resulted in societal instability, which is now regarded as a modern-day scourge.

Money is the one who gave birth to credit. Rich businesspeople can receive borrowed capital for developing their businesses through credit. Capital concentrates in the hands of a few wealthy individuals. This results in stark inequities in the economy's allocation of income and wealth. Poor individuals are falling further into poverty due to a lack of awareness and assistance from higher authorities. The affluent, on the other hand, are enjoying their lives by increasing their money every day by leveraging their influence and connections.

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The result of the 1951 All-India Rural Credit Survey, which stated that lack of access to commercial banks was a major cause of rural poverty, provided the initial push for social banking in India **(Reserve Bank of India, 1954)**. As a result, the State Bank of India was established to pioneer social banking in India. The fourteen main Indian commercial banks were nationalised in 1969, bringing them under direct administration of the Indian Central Bank and incorporating them into the country's planned framework. The goal of bank nationalisation was to give the government the capacity to use financial deprivation to achieve social goals. One of the main goals was to lower and level the average population per bank branch among Indian states.

Objectives of the Study

- To identify the concept of social banking.
- To identify the needs of social banking.
- To discuss various initiative taken by government to fill the gap between rich and poor.

EVOLUTION OF SOCIAL BANKING

In India, the social banking process may be separated into three parts. (I) During the First Phase (1960-1990), following bank nationalisation, the major emphasis was on channelling credit to the ignored sectors, particularly the poorer parts of society, through "branch multiplication and Priority Sector Lending." (ii) The Second Phase (1990-2005) was largely focused with financial institution strengthening as part of financial sector reforms. During this period, the majority of social banking was conducted through Self Help Groups (SHG), Bank Linkage Programs, and Kisan Credit Cards (KCC), among other means. NABARD created the Self Help Group (SHG) Bank Linkage Programme in 1992, fund by the Reserve Bank of India, to assist unified group activities by the underprivileged in order to give them with easier access to banking. (iii) During the third phase, which began in 2005, financial inclusion was widely implemented on a national scale, with a focus on offering basic banking services through no-frills accounts.

Literature Review

Dr. Roland Benediktar (2011) defines social banking as "banking with a conscience." The local bank prioritises community investment, providing opportunities for the needy, and advancing social, environmental, and ethical goals. Rather than focused just on the traditional bottom line, i.e. earnings, the bank strives towards a triple bottom line of profit, people, and the planet (Benedikter, 2011). Social banking refers to the focus of commercial banks' varied activities toward the upliftment of the underprivileged and oppressed with the goal of attaining a "Socialistic pattern of society" (H.S, 1996) Apart from employing a banking correspondent model, choosing a cost-effective approach for financial inclusion will need banks to considerably free up human resources, according to Arundati Bhattacharya, Chairman SBI. With increased financial inclusion and digitization of banking, the need for cash in the economy will decrease, assisting in the management of unaccounted money. According to Sinha (2013), urban co-operative banks have the capacity to achieve financial inclusion goals. According to his research, in order for financial inclusion to be a viable business model, banks must focus on cutting transaction costs through the use of technology and offering additional credit products to the already included population. (A, 2013) PMJDY is well positioned for success, according to Aishwarya Sigh, Manoj Sharma, and Mukhes Sadana. Account access alone will have a limited influence on the lives of the poor; it is account usage that is key. Dr. Kaur and Singh (2015) have positioned financial inclusion as a business opportunity for banks, and the launch of PMJDY reinforces the determination that when all constituents and stakeholders provide coordination, dedication, commitment, trust, satisfaction, and continuity, a framework of construct is created that acts as a dominant force for mission accomplishment. PMJDY, according to G Madhukar, is a mission to eliminate poverty, with the goal of bringing financial inclusion, financial stability, and financial independence to the poor and underprivileged in rural, semi-urban, and metropolitan regions. (al, 2015)

Methodology

In order to achieve the study's objectives, the relevant professional and academic literature was reviewed and analysed. We picked the articles that were the most relevant (to the topic of this study) and for which the whole manuscript was available in English.

Concept of Social Banking

'Social banking' has been established since the 1950s and has typically related to long-term investment. However, the phrase is now more commonly used to refer to social media banking, peer-to-peer (P2P) lending, or the creation of online financial networks. These sorts of loans are viewed as democratising finance, and they are frequently promoted as answers to issues that the traditional banking system cannot or will not solve.

Social Banking refers to banking and financial services with the primary goal of assisting in the growth and prosperity of people and the planet, both now and in the future. First and foremost, this entails taking into account the social, environmental, cultural, and economic repercussions of actions at all levels, with the goal of decreasing negative impacts while boosting positive ones. Money and monetary gain are not ends in this context, but rather means to achieve the stated purpose. Because Social Banking necessitates recognising and balancing many, changing, and often competing interests on a continuous basis, it is more of a process than a static state. Its success depends on continual communication among its constituents, as well as ongoing reflection on their diverse motivations (why?), actions (what?), and techniques (how?). At both the human and institutional levels, this necessitates a willingness and capacity to learn and improve.

Common characteristics of Social Banks

- A list of negative and positive social, environmental, and ethical criteria to prohibit and encourage actions that hurt or benefit the common good.
- Concentration on the requirements of communities in the actual economy and civic society.
- Traditional banking methods and beliefs; focus on some traditional businesses – especially, the loans and savings business.
- All business actions are guided by non-monetary values.
- Ownership models that do not rely on a single person are gaining traction.
- Customer connections and participatory organisational structures.
- Involvement in public discourse and proactive dialogue with stakeholders.
- Encouragement of giving as an important part of regeneration and development.
- Rejection of profit maximisation and speculative activities.
- Risk mitigation and resilience strategies.
- Establish top-to-bottom compensation ratios of roughly 10:1, with no or limited equitable bonus structures.
- Transparency and accountability.
- The goal of social banking was to emphasise two truths and four consequences.

The two facts were:

1. That the overarching aim of development policymakers has been to find methods to fund the poor and decrease their burden since independence.
2. However, there was disconnection between policymakers' concerns and the quality of the endeavour. For a number of reasons, the efforts undertaken were not able to accomplish the desired results, mostly due to flaws in policy formulation, execution flaws, and the government's unwillingness to refrain from using measures such as loan waivers.

The four consequences flowing from these facts are:

1. The banking sector was unable to internalise lending to the poor as a sustainable operation, instead opting for it as a social responsibility. Because the authorities demanded it, it was something that had to be done. This was then translated into the jargon of the day:
2. The impoverished were not borrowers, but beneficiaries of social sector loans;
3. The poor were not borrowers, but beneficiaries.
4. Poor recipients did not take out loans; instead, they received support.

Needs of Social Banking

Poverty continues to be a major issue all throughout the world. Indeed, the poor are growing poorer. The world economy will suffer as a result of this event. The vast wealth gap between the rich and the poor has a number of detrimental consequences for society. Rich people, on the one hand, make a lot of money, which allows them to enjoy the most expensive luxuries of life. Poor individuals, on the other hand, struggle to make ends meet throughout their lives. The vast disparity in economic conditions has several implications for a country's development. If given a fair chance, the impoverished may have a lot of intellectual manpower, secret talents, and skills that may easily outperform the abilities of the wealthy. These human resources, who have the potential to considerably contribute to a country's growth, are mostly untapped.

Apart from that, severe poverty leads to a rise in crime because people who are working hard to improve their living standards become demoralised when they see the disparity between their living standards and those of the wealthy. They come to the idea that the only way to become wealthy is through unethical and unlawful ways.

The government must take appropriate measures to address the serious difficulties posed by poverty. The wealthy must also demonstrate a willingness to share their fortune with the less fortunate. The government should identify the poor and assist them in improving their level of living by providing them with free or reduced-cost food, health care, and education. Steps should be done to educate the wealthy about the negative consequences that a non-uniform distribution of wealth among its inhabitants has for the country as a whole. The wealthy should be encouraged to make voluntary contributions to government programmes in order to help the poor obtain an acceptable standard of life.

To summarise, it is critical to bridge the gap between the prosperous and the poor in order to ensure a nation's constant growth and development. Efforts in this area will have long-term advantages, improving a country's worldwide position.

Various Initiatives Taken By Government to Fill the Gap between Prosperous and Poor Under Social Banking

Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY was created with the intention of being a bold, original, and ambitious goal. The fact that 28.70 crore (66.69 percent) of PMJDY accounts are in rural regions and 23.87 crore (over 55.47 percent) of PMJDY account holders are women demonstrates the inclusive nature of this initiative.

The deposit base of PMJDY accounts has risen over time. As of 18.08.2021, the deposit balance in PMJDY accounts was Rs. 1,46,230.71 crore. The average deposit per account has more than quadrupled from Rs. 1,064 in March 2015 to Rs. 3397 in August 2021.

From Jan Dhan to Jan Suraksha

The Hon'ble Prime Minister launched three social security schemes in the insurance and pension sectors on May 9, 2015, in order to establish a universal social security system for all Indians, particularly the poor and underprivileged.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

The PMJJBY is open to those between the ages of 18 and 50 who have a bank account and agree to join / enable auto-debit. Aadhar is the most basic form of KYC for a bank account. The Rs. 2 lakh life insurance policy has a one-year period from June 1 to May 31 and is renewable. In the case of the insured's death for whatever reason, this insurance offers risk coverage of Rs. 2 lakh. The annual premium is Rs. 330, which is deducted from the subscriber's bank account in one payment on or before the 31st May of each year coverage term under the plan, as per his choice. The programme is offered by the Life Insurance Corporation and any other life insurers with the necessary approvals and bank partnerships that want to sell the product on equivalent terms. The total number of persons registered in PMJJBY was above 12.38 crore on February 28, 2022.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

The Scheme is applicable to anybody aged 18 to 70 who have a bank account and sign up for or authorise auto-debit on or before May 31st for the yearly coverage period of 1 June to 31 May. Aadhar would be the primary form of identification for the bank account. Risk coverage for accidental death and total disability is Rs. 2 lakh, while risk coverage for partial impairment is Rs. 1 lakh. The Rs.12 yearly premium will be deducted from the account holder's bank account in one payment using the 'auto-debit' option. The programme is offered by Public Sector General Insurance Companies (PSGICs) or any other general insurance firm willing to provide the product on the same terms as PSGICs with the necessary approvals and banking relationships. The total number of persons registered in PMSBY was above 27.70 crore on February 28, 2022.

Atal Pension Yojana (APY)

On May 9, 2015, the Prime Minister announced the APY. All saving bank/post office account holders between the ages of 18 and 40 can participate in APY, with contributions varied according on the amount of pension chosen. Subscribers will get a guaranteed minimum monthly pension of Rs 1,000, Rs 2,000, Rs 3,000, Rs 4,000, or Rs 5,000 at the age of 60. The subscriber's monthly pension would be available to him first, then to his spouse, and after their deaths, the subscriber's pension corpus would be returned to the subscriber's designee. The government would assurance the minimum pension, which implies that if the accumulated corpus based on contributions provides a lower than projected return on investment and is inadequate to give the minimum guaranteed pension, the Central Government would fill the difference. Subscribers will receive larger pension payments if investment returns are higher. In the case of the subscriber's death before reaching the age of 60, the government has agreed to enable the subscriber's spouse to continue contributing to the subscriber's APY account for the balance of the vesting period. The subscriber's spouse is entitled to the same pension amount as the subscriber until the subscriber's death. Following the death of both the subscriber and his or her spouse, the subscriber's nominee is eligible to collect the subscriber's pension until until the age of 60. As of July 31, 2021, APY has 321.02 lakh subscribers.

Pradhan Mantri Mudra Yojana

The programme officially began on April 8, 2015. Sub-scheme 'Shishu' offers loans of up to Rs. 50,000; sub-scheme 'Kishore' offers loans of between Rs. 50,000 and 5.0 lakhs; and sub-scheme 'Tarun' offers loans ranging from 5.0 lakhs to 10.0 lakhs. Loans do not require collateral. These projects aim to increase the confidence of young, educated, or gifted persons who may now aspire to be first-generation entrepreneurs, while also allowing existing small businesses to expand their operations. As of 20.08.2021, Rs. 16,22,203 crores have been sanctioned in 30.7 crores of accounts.

Stand Up India Scheme

On April 5, 2016, the Indian government announced the Stand up India initiative. For building up Greenfield firms, the Scheme allows bank loans between Rs.10 lakh and Rs.1 crore to at least one Scheduled Caste/ Scheduled Tribe borrower and at least one Woman borrower per bank branch. This company might be in the manufacturing, service, or trading sectors, all of which are related to agriculture. At least 2.5 lakh borrowers would benefit from the initiative, which is being implemented by all Scheduled Commercial Banks. The initiative is up and running and loans are being made available through Scheduled Commercial Banks all around the country.

The Stand up India project aims to foster entrepreneurship among women, SC and ST persons, who face significant hurdles due to a lack of advice/mentorship as well as insufficient and delayed finance. The initiative aims to use the institutional credit framework to reach out to underrepresented populations in order to help them launch Greenfield businesses. It serves both experienced and inexperienced borrowers.

The Indian government established the Credit Guarantee Fund for Stand Up India to provide collateral-free coverage (CGFSI). Apart from finance, the Stand up India Scheme intends to provide potential borrowers with handholding support. It enables integration with federal and state government programmes. Applicants may also apply for the programme online at the Stand Up India portal (www.standupmitra.in). As of August 23, 2021, Rs. 26,688 crore have been sanctioned in 1,18,462 accounts.

Pradhan Mantri Vaya Vandana Yojana

The government has introduced the Pradhan Mantri Vaya Vandana Yojana (PMVVY) to safeguard older individuals aged 60 and higher against a prospective decline in interest income owing to unpredictable market circumstances, as well as to offer social security in old age. The Life Insurance Corporation of India (LIC) administers the scheme, which is open for enrolment through March 31, 2023.

For fiscal year 2020-21, PMVVY offers a ten-year insurance with a guaranteed rate of return of 7.40 percent each year. In subsequent years, the assured rate of return will be reset annually on April 1st of each financial year in line with the applicable rate of return of the Senior Citizens Saving Scheme (SCSS), up to a ceiling of 7.75 percent, with a new appraisal of the scheme if this threshold is breached at any time.

Depending on the subscriber's desire, pension payments under the Yojna can be made monthly, quarterly, half-yearly, or annually. The lowest purchase price for a monthly pension of Rs. 1000/- is Rs. 1,62,162/-, and the highest buy price for a monthly pension of Rs. 9,250/- is Rs. 15 lakh per senior person.

Conclusion

India lives in villages and they comprise a major portion of the Indian population. Financial inclusion will be complete if banking services are made available at ease to the people who are totally unaware of its benefits and are too poor to start with a minimum balance requirement. The mainstream banking practices in India has marginalised a large section of the poor population of the country. The concept of social banking was to provide banking for the poor population, working for their developmental needs, providing them with easy formal credit, minimal requirements to open accounts, ease of access and friendly staff etc. In general, social banking refers to a banking system in which banks subsidise the supply of financial services to the poor and the focus is on servicing the masses. Social banking system has caught the eye of bankers internationally especially after the economic crisis which left many homeless, jobless and without any savings. Money isn't terrible in and of itself, but its misuse leads to a slew of problems. Money benefits our society in a variety of ways. Money is created for the benefit of man; man is not created for the benefit of money. Money cannot become a bad master if we are able to give it its correct place.

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