"The Concept Of Social Banking"

Jamshed Ansari

Asstt. Professor (Guest Faculty), Faculty of Law, University of Delhi, Delhi (INDIA)
E-Mail- jamshedansari024@gmail.com
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Abstracts: The object of this article is to examine the concept of Social Banking and to see that what are the benefits of this scheme to the customers and why we need it? Further to study the different segments of priority sector and what are the schemes under the priority sector. The Social Banking services are the need of the day and no man shall be deprived from doing his business because of poverty. Most of the Banks are providing the social banking services. The author has formulated the following questions and has tried to find out the answer- What is social banking and why we need it? What are the benefits of social banking to the underprivileged people and how they could get benefitted?, How social banking concept emerged in India and what are its future?, What are the different schemes provided under the social banking services? And what is the future of Social Banking?
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Introduction

The economy of India is basically count on the agriculture. Nearly 70% of the population of India depends upon the agriculture for their livelihood. But in the year 1950s and 1960s food grains was imported as per its requirements. The five year plan came for green revolution for modernizing and mechanizing of agriculture and allied activities which needed financial assistance/ support. To develop the economy of India and to provide support in building the nation, banks provides the social banking services. Social banking is also known as ethical, alternative, civic, sustainable, development or solidarity banking. Social banking is a service that has the social and environmental impact of its loans and investments. During the period of nationalization of banks, the social banking policies were being followed by India in widening the "geographical spread and functional reach" of conventional/commercial bank in the rural areas. Even though there were many rural bank branches in India, the poor people were still continued to remain outside the purview of formal banking system. The social banking policies of banks made appreciable achievement in shifting the commercial banks focus from 'class banking' to 'mass banking' but still their achievement is very poor in taking the commercial banks focus to the 'poorest of the poor'[1].

Since the second half of 1960s, "commercial banks have been playing an important role in the socio-economic transformation of rural India. Besides actively implementing Government sponsored lending schemes, Banks have been providing direct and indirect finance to support economic activities. Mandatory lending to the priority sectors has been an important feature of Indian banking. The Narasimham committee had recommended for doing away with the present system of directed lending to priority sectors in line with liberalization in the financial system. The recommendations were, however, not accepted by the Government. In the prevailing political climate in the country any drastic change in the policy in this regard appears unlikely.Commercial Banks, Co-operatives and Regional Rural Banks are the three major segments of rural financial sector in India. Rural financial system, in future has a challenging task of facing the drastic changes taking place in the banking sector, especially in the wake of economic liberalization. There is an urgent need for rural financial system to enlarge their role functions and range of services offered so as to emerge as one stop destination for all types of credit requirements of people in rural/semi-urban centers"[2].

The object of this paper is to give a detail description of the concept of 'social banking' in the light of social banking policies followed by the banks. Further, the author would like to give some focus on the ethics which is the core for the social banking. Social banks are regulated by the same regulatory authority as the conventional/ traditional banks and they have to abide the same rules and regulations. The social banks do share a common set

[1] www.scribd.com/doc/50954048/project-on-social-banking last visited on 29.11.2011 at 1:00 am

[2] Banking Industry Vision, 2010 by IBA Committee under the Chairmanship of S.C. Gupta(Chairman and Managing Director, Indian Overseas Bank).

of principles such as transparency and social or environmental aims of the project they finance. They finance with the narrower profit margins than conventional banks for which they have their few offices and operate generally through internet, phone or mail.

The Government of India has adopted the high priority for the development of talent in the unorganized sector to take them up. The financial institutions are expected to work as agencies of the government for economic change. The commercial banks are expected to assign a part of their advances to the priority sections. The customers in the priority sector are given preference while loaning. For example, the interest rates are lower, security norms and period of payment are relaxed. To come out with this problem, the government has adopted planned schemes. The financial sectors are now a days play an import role in helping to create a sustainable universe. Some Non-governmental organizations are calling upon financial institutions to implementmore socially and environmentally responsible lending policies.[3]

I. The Meaning Of Social Banking

'Social banking' is also known as ethical, alternative, civic, sustainable, development or solidarity banking, cooperative banking and the banking for social cohesion. Social banking is a service that has the social and environmental impact of its loans and investments. This provides finance by way of lending to fulfill the financial needs of selected organizations, entrepreneurs and businesses. Further, Social banking is conducted by social, ethical or alternative banks, and partly by cooperative banks and credit unions. In contrast to conventional banks, social banks conduct their business to create a social or environmental benefit. Thus they follow the concept of social finance and blended return.

Social banks can be defined as "banks with a conscience". Theyemphasis on investing their money in community, providing betteropportunities for the disadvantaged people, and supporting social, environmental, and ethical agendas[4]. In other words we can say that the Social banks strive to invest their money only in activities that promote the greater good of community/society, instead of those which make private profit just for a few. This meansthat social banks consider social and economic 'sustainability' when making financial decisions. 'Sustainable' investments and lending practices are ones that produce a better quality of life for the greatest possible amount of people, and whose effects endure over time and continue to produce a multiplicity of positive effects long after the initial investment is made[5].

The social banking concept can also be best understood from the words of the Founder Chairman[6] of Buldana Urban (co-operative credit society ltd. which follows the social banking principles). He explains that thereare four types of banking practices in India:

I. "'Rulebook Banking' refers to providing banking services within the boundaries of rules and regulations.

II. 'Banking beyond Rulebooks' refers to providing banking services with sensitivity and sensibility which may even involve not following in the strictest sense of the spirit and the letter of the laid down rules and regulations.

III. 'Serving beyond Banking' refers to providing the customer with social services alongside traditional banking services.

IV. 'Political Banking' refers to manipulating the banking system for personal gratification and political mileage.

In India, most of the public sector banks just follow the 'Rulebook Banking'. Many of the cooperative banks follow the 'Political Banking' and therefore have become bankrupt or are on the verge of becoming so"[7].

The main difference between conventional banks and social banks is that, while traditional/ conventional banks are in most cases emphasizes solely on the principle of profit maximization,the social banking on the other hand, implements the triple principle of profit-people-planet[8]. Social banks emphasize in making a profit as well as equallyfor promoting human welfare and environmental well-being. The triple principles of social banks are that they follow when they decide to whom to lend money, and for what purpose. In social banking, the responsibility for the whole of society is the most important measure for a good lending practice and is more important rather than profit alone. This is why social banking is often called "banking for social cohesion", or "cooperative banking", instead of the competitive banking approach that has dominated the banking world in past decades[9]. Banking for social

[3] http://docs.google.com/viewer?a=v&q=cache:q3PUCOz9SY0J:www.social-banking.org/fileadmin/isb/Artikel_und_Studien/de_Clerck_Ethical_Banking.pdf, last access on 29.11.2011 at 10:00

[4] http://spice.stanford.edu/docs/european_answers_to_the_financial_crisis_social_banking_and_social_finance/ last access on 29.11.2011 at 10:00 pm

[5] Ibid

[6] Shree.RadheshaymDeokisangiChandak, founder Chairman of Buldana Urban co-operative credit society ltd. Pune.

[7] Buldana Urban Cooperative Credit Society Limited, Pune : An innovation in social banking,

[8] Supra note 4

[9] ibid

cohesion (unity) means considering money does what and for whom. Banks must trust their ideals and their judgments in borrowers, which is only possible if based on direct, personal relationships with customers[10]. Unlike manytraditional banks, social banks believe that this would put too much pressure upon them to emphasize on maximizing profits only, and to become anonymous 'money machines'.

II. Main Features Of Social Banks

There are three main features of social banks that make these banks unique in the financial world. These are as follows:

1. Responsibility:

The social banks are well aware of their customers personally. They care their customers to the utmost and expect from their customers to use the borrowed money in promoting the sustainable development of the community. They avoid reckless hope and risky investments. Social banks want their money to be used socially, ethically and sensibly. This approach may be called the 'slow money or soft money approach'.

2. Transparency:

Unlike other traditional/conventional banks, social banks are aware of the fact that what is to be done with the money they lend to their customers. They use to look on the impact of money they lend that whether the money is used to harm or to protect the environment, or to exploit or help the people or generate a better life of many or to the few. Social banks provide full information regarding the use of their money to the depositors while their money is in bank. It means the depositors not only get the interest on their deposited money but also know that where their money is used while deposited in the bank.

3. Sustainability:

While most of the traditional banks are emphasizing on making short term profits, the social banks on the other hand, focus on the long term effects of their money. Their main aim is to develop society, maintain natural environment and to help the needy individuals making their investment in small projects which has a larger positive effect over the time. So finally we could say that the aim of social banking is to practice the responsibility, transparency and sustainability.

III. Ethics In Banking

Now let us see that what are those important ethics in the banking institution that make them differ from the conventional/traditional banks. The Bankingand finance institutions work as a profession that have an essential value chain which is linkedwith the cycle of providing adequate financial services and products. However, there are no bank regulation, criteria or guidelines on social, ethical and sustainability aspects of the banking, the individual employee or the committee constituted for lending purposes are generally applying the 'neutrality rule', excluding ethical, social and environmental considerations from the bankers′ decision making[11]. However, in reality money involves responsibility from its beginning and it is not neutral and along the distribution chain where it has to do with value creation, not onlypure financial value but also human, social and environmental added values[12].

As we know that the capital, money invested wisely and intelligentlyas an instrument for improving quality of life, can have a large impact on human development.Moneyand monetarysystems become mechanical and develop uncontrollable dynamics in financial markets. Financial authorities and regulatorsare only concerned with the mechanics of the monetary system in order to prevent chiefcollapses.

Ethics are now more than ever a subject of behavior, personal choiceand responsibility. At the same time, a large number of people are individually looking for values toincorporate in daily life.As generations on their way, they are part of an ongoingprocess of search and practice linking up and networking with other people, creating newforms of social consistency[13]. Instruments such as ethical banking processes, products andservices and money as a deferential tool can be helpful.

The question is now that what are ethical impulses and human qualities that can be found in modern societies in both developed and developing countries and that can be brought into the banking and finance process? We could describe three possible impulses for the above purposes. These are as follows:

i. THE IMPULSE OF BROTHERHOOD AT INTERPERSONAL, LOCAL AND GLOBAL LEVEL

In the social banking services the brotherhood, sisterhood and interpersonal relationships are found. It has been seen that the bank and customers relations are such that bank always thinks about its customer's well-being.

ii. THE IMPULSE OF RECOGNITION OF HUMAN DIGNITY AS A PRECONDITION FOR HUMAN DEVELOPMENT

This indicates that the social banking concept has a deep relation with the personality and capacity development including person's inner life and active tolerance. This concept only focuses that how can

[10] Ibid

[11] Supra note 3, p. 2&3

[12] Ibid

[13] Ibid

money make the value of the human capacity development.

iii. THE IMPULSE OF SEARCHING FOR 'MEANING AND QUALITY' IN LIFE

This means the social banking concept adds value in the community and humanity through lending its money and also to see that whether the money used is promoting positive result or maintain the natural environment.

IV. Emergence Of Social/Ethical Banking And Finance

Not a long in the history gold, reflecting the spiritual world, served artistic, religious andeconomic goals, and was directly linked with the Gods and their servants, the priests, whoorganized its flow [14]. Throughout medieval times Christianity set its laws on usury, Islamset its rules on interest, and monasteries organized economic life in their surroundings,working with investments and charitable actions in a moral and religious perspective. Inthese times humanity was strongly organized around three realities: the spiritual world,the world of nature and local social entities[15]. Since the beginning of the 15th Century, natural sciences gradually emancipated people from the world of the Gods, nature and their local socialenvironment. The relationship between human beings changed with the growingmajority of individualism [16].This context and background of modern society are fruitful to the emergence of modernethical banking concepts and practices.

V. Why We Need Social Banking?

Social banking has three distinct components. These are as follows:

First, the RBI lowered the cost at which the rural poor had access to credit. Commercial bank interest rates were kept below the average interest rates in rural areas, and to ensure that commercial banks don't simply use rural deposits to increase urban lending the RBI regulated that a credit-deposit ratio of roughly 60% be satisfied by all rural and semi-urban branches of commercial banks[17].

Secondly, the RBI identified sectors which it felt did not have access to organized lending market or could not afford to pay the interest at the market rate[18]. It then skewed bank lending towards these 'priority' sectors, which included agriculture, small businesses and entrepreneurs. It did so by introducing priority sector lending requirements wherein banks had to meet specific targets in terms of percentage lent to certain sectors[19].

Finally, the centerpiece of social banking was the use of state control of bank placement to reach populations that had previously had no access to formal financial institutions[20].

The 1949 Banking companies act implied that a bank which wanted to open a new branch had to get a license from the RBI. Pre-bank nationalization in 1969 the program enjoyed limited success- the RBI could restrict license provision, but not enforce targets [21]. This changed with nationalization. In December 1969, the branch expansion program was revamped and RBI announced that future banking development will be judged in terms of population served per bank office[22]. Moreover, branch expansion will be explicitly skewed towards unbanked rural and semi-urban locations. Over the next twenty three years the policy rules driving branch expansion were repeatedly refined in order to increase the presence of commercial banks in rural India[23].

The key policy variable underlying the branch expansion program was the 'unbanked' location, a rural or semi urban population location not served by any commercial banks[24]. Finally, to ensure that banks did not simply respond by not opening branches the RBI also set targets regarding the number of unbanked locations which were to be banked during the BBE program, to meet these targets unbanked locations were allocated to nationalized banks. Given the unbanked locations list and the license criterion individual banks would submit their branch expansion perspective plan to the RBI[25]. Conditional on satisfying the above requirements the banks would receive branch licenses. The RBI successfully used a combination of licensing rules and targets to force banks to build in unbanked locations[26].

The main purpose of the policy of social banking is to strengthen the priority sections. Now the question is what the priority sectors are, and who is the authority to give any sector as priority sector? The National Credit Council Identifies the Priority sectors. The Chairman of the Council is the finance Minister of the Union Government and the vice chairman is the Governor of Reserve Bank of India.

[14] Supra note 3, p. 4
[15] Ibid
[16] Ibid
[17] Robin Burgess and RohiniPande, Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment, Feb. 2002 available at http://docs.google.com/viewer?a=v&q=cache:otfaXSy6vbo last accessed on 02.11.2011 at 11:00 pm
[18] Ibid
[19] Ibid
[20] Ibid
[21] Ibid
[22] Ibid
[23] Ibid
[24] Ibid
[25] ibid
[26] Ibid

Segments Of Priority Sector:

The following sectors are the segments forming the Priority Sector:

a) Agriculture:-

- Direct Finance to Farms for Agricultural purposes:

i. Short-term loan for raising crops i.e. for crop loans:

In addition, advances up to Rs.10 Lakh to farmers against pledge /hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months**,** where the farmers were given crop loans for raising the produce, provided the borrowers draw credit from one bank.

ii. Medium and long-term loans:

a. Purchase of agricultural implements and machinery.

b. Development of irrigation potential.

c. Reclamation and land development scheme.

d. Construction of farm building and structure.

e. Construction and running of storage facilities.

f. Production and processing of hybrid seeds for crops.

g. Payment of irrigation charges.

- Indirect Finance to Agriculture:

i. Credit for financing the distribution of fertilizers, pesticides, seeds etc.

ii. Loans up to Rs.40 lakhs granted for financing distribution of inputs for the allied activities such as, cattle feed, poultry feed, etc.

iii. Loans to Electricity Boards for reimbursing the expenditure already incurred by them for providing Low Tension connection from step-down point to individual farmers for energizing their wells.

iv. Loans to SEB are for Systems Improvement Scheme Under Special Project Agriculture.

v. Loans to farmers through PACS, FSS and LAMPS.

vi. Deposits held by the banks in RIDF maintained with NABARD.

vii. Subscription to bonds issued by Rural Electrification Corporation exclusively for financing pump set energisation program in rural and semi-urban areas and also for financing System Improvement Program.

viii. Subscription to bonds issued by NABARD for financing exclusively agriculture/allied activities.

b) Small Scale Industry:

The small scale industry could be meant as Units which had obtained permanent registration (i.e. investment up to Rs.3 core) prior to December 1999 notification would continue to be regarded as Small Scale Industries. Government increased the investment ceiling from Rs.1 crores to Rs.5 crores. Further we can say an undertaking which is engaged or is proposed to be engaged in the manufacturing of production of parts, components, sub-assemblies, tooling or intermediates or the rendering of services and undertaking supplies orproposes to supply or renders not more than 50% of its production or service, as the case may be, to one or more other industrial undertakings and whose investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or on hire purchase, does not exceed Rs.100 lac.

c) Tiny Units:

The small sale units engaged in manufacturing, processing, preservation of goods, mining, quarrying, servicing and repairing of specified type of machinery and equipment, agro service units, where the investment in plant and machinery does not exceeds Rs.25 lacs.

d) Artisans, Village and Cottage Industry:

It is defined as Artisans or small industrial activities in villages and small towns with a population not exceeding 50,000, involving utilization of locally available natural resources and / or human skills were individual credit requirements do not exceeds Rs.50000/-. Cottage Industry is run by family members on full or part time basis. It possesses negligible capital investment. There is handmade production and no wage earning person is employed in cottage industry. The industries established in rural areas having population below 10000 and having less than Rs.50000 as fixed capital investment per worker are termed village industries and KVIC provide economic and technical assistance in establishment and operation of such industries.

e) Retail Trade:

Advances granted to retail traders dealing in essential commodities and consumer co-operative stores and private retail traders with credit limits not exceeding Rs.10 lacs.

f) Small Road and Water Transport Operator:

a. Advances to small road and water transport operators owing a fleet of vehicles not exceeding 10 vehicles, including the one proposed to be financed.

b. Advances to NBFC's for on-lending to truck operators and SRWTO's other than truck operators satisfying the eligibility criteria. Also, portfolio purchasers from NBFCs made after 31.07.98 would also qualify for inclusion under priority sector lending, provided the portfolio purchases relate to SRWTOs satisfying priority sector norms.

g) Professional and Self Employed Persons:

Loans to professional and self-employed persons include loans for the purpose of purchasing repairing or renovating equipment including computer for professional use and/or business premises or tools and/or for working capital requirements to medical practitioners such as Dentists, Chartered Accountants, practicing company secretary, Lawyers, Engineers,Architects, Surveyors, or Management Consultants, accredited freelancer journalists ,cameramen, persons running health Centre or to a person trained in any other art or craft who holds either a degree or diploma from any institutions established, aided, or recognized by Government or to a person who is considered by the Bank as technically qualified or skilled in the field in which he is employed.

The following will also be eligible for classification under this item:

a. The term also includes firms and joint ventures of such professional and self-employed persons. This category will include all advances granted by the bank under special schemes, if any, introduced for the purpose.

b. Only such professional and self-employed persons whose borrowings do not exceed Rs.10 lakhs of which not more than Rs.2 lakhs should be for working capital requirements, are covered under this category. However, in the case of professionally qualified medical practitioners, setting up of practice in semi-urban and rural areas, the borrowing limits should not exceed Rs.15 lakhs with a sub-selling of Rs.3 lakhs for working capital requirements. Advances granted for purchase of one motor vehicle to professional and self-employed persons other than qualified medical practitioners will not be included under the priority sector.

g) Education Loan Scheme:

Courses eligible for studies:

- **In India**: All kinds of education in India.
- **Abroad**: Graduation, Post-graduation, Courses conducted by CIMA- London, CPA in USA etc.
- **Eligibility**: Indian National having secured admission to professional/technical courses through Entrance Test/Selection processsecured admission to foreign university / Institutions. There are no minimum marks criteria.
- **Quantum of Finance**: Need based subject to repaying capacity of parent/ student.
- **Studies in India:** Maximum Rs.7.50 lacs.
- **Studies abroad:** Maximum Rs.15 lacs.
- **Collateral Security:** No security may be insisted up on for loans up to Rs.7.50 lacs. Parents would be co- obligates.
- **Moratorium:** Course period plus one year or six months after getting job whichever is earlier.
- **Repayment:** 5-7 years after commencement of re- payment. The accrued interest during the repayment holiday period to be added to the principal and repayment in Equated Monthly Installment (EMI) fixed. Half percentage interest concession maybe provided for loaners if the interest is serviced during the study period when repayment holiday is specified for interest/ repayment under the scheme.

h) State Sponsored Organization for Scheduled Caste / Scheduled Tribes:

Advances sanctioned to such organizations for the specific purpose of purchase and supply of inputs to and /or the marketing of the outputs of the beneficiaries of these organizations.

i) Weaker Section Priority Sector:

The concept of weaker sections under priority sector was introduced as per recommendations of Krishna swami Committee (1980). It comprises:

1. Small and marginal farmers with land holding of 5 acres and less and landless laborers, tenant farmers and share croppers.
2. Artisans, village and cottage industries where individual credit limits do not exceed Rs.50, 000/-Beneficiaries of Swarnjayanti Gram SwarojgarYojana.
3. Schedule caste and schedule tribes.
4. Beneficiaries of Differential Rate of Interest (DRI) scheme.
5. Beneficiaries under SwarnaJayantiSahariRojgarYojana.
6. Beneficiaries under Scheme for Liberation and Rehabilitation of Scavengers.
7. Advances to Self Help Groups including NGOs for on-lending purposes.
8. Loans to distressed urban poor to prepay their debt to non-institutional lenders.

VI. Different Schemes Provided Under Social Banking:

➢ **Laghu Udhami Credit Card Scheme:**

The objective of this scheme is “to provide hassle-free credit facilities to small business retail traders, artisans, professionals, self-employed persons and small industrial units. The existing customers with a satisfactory track record with working capital limits up to Rs. 10 lacs for the last three years are eligible for card.The Credit card limits are fixed at 20% of the annual turnover declared for tax purposes in the case of artisans, businessmen, traders, and smallentrepreneurs, while for the self-employed.In case of professionals, it is 50% of the gross annual income.Maximum per party credit limit is Rs.10 lacs. The credit limit will be valid for three years and the bank will conduct internal reviews annually and enhancement of the limit will happen based on the operations”[27].

➢ **Swarojgar Credit Scheme:**

[27] www.scribd.com/doc/50951655/social-banking last accessed on 02.12.2011 at 11:00 pm

- **Objectives:** To provide adequate / timely credit ,i.e., working capital or block capital or both to small artisans, handloom weavers, service sector,fishermen, self-employed persons, rickshaw owners, other micro entrepreneurs etc. in a flexible, hassle free and cost effective manner.
- **Nature of financial accommodation:** Composite loan including term loan (repayable 5 years)/revolving cash credit.
- **Ceiling:** Rs 25,000 based on initial investment in fixed assets and/or working capital requirement/recurring expenditure. (banks have discretion to enhance this limit beyond Rs.25,000).
- **Validity and issue:**· Valid for five years and could be renewed on a yearly basis.SHGs may also be issued cards in their name. They would be liable jointly and severally for repayment.
- **Renewal of working capital limits:** Annual renewal based on the amount credited to the cash credit account/repayment performance in term loan account. The revolving cash credit for working capital repaid within 12 months may be renewed.No withdrawal should be permitted if revolving cash credit remains outstanding for more than twelve months.
- **Insurance:** Beneficiaries would automatically be covered under the group insurance scheme and the premium would be shared by the bank and the borrower equally.
- **Security / Margin / Interest / Prudential Norms:**Security, margin, rate of interest and prudential norms would be applicable as per the Reserve Bank's norms.

➢ **National Equity Fund:**

To provide equity type support to small entrepreneurs for their projects, a fund entitled National Equity Fund is being administered by Small Industries Bank of India in participation with the Government.

Eligible concerns: New as well as existing entrepreneurs in the tiny and SSI sector and service industry are eligible for assistance. Sanction of refinance in respect of term loan for the projects by SIDBI is a pre-requisite for equity type assistance under the scheme. The complete requirement of the project in the form of equity assistance, the term loan and working capital will be provided by one agency i.e. the nationalized bank/SFCs.

➢ **KVIC'S Margin Money Scheme:**

GRAMODYOG ROJGAR SCHEME: Scheme introduced during July 1997 with the objective of improving employment in rural areas and check migration to urban area now called GramodyogRojgar (REGP).Scheme isoperated through public sector banks and RRBs**.**

- **Purpose:**To start industrial activity in rural area in which fixed capital investment per head of an artisan or a worker does not exceed Rs.50,000/- thus generating employment.
- **Eligible projects:**Viable village industry projects set up in rural areas (population criteria up to 2000 or area declare as village by state Government)
- **Eligible borrowers:**Individuals and institutions co-op. societies trust registered with KVIC/KVIB (not a partnership firm) for projects up to Rs.25 lakhs.
- **Borrower's contribution:** 10% of project cost in case of SC /ST and other weaker section 5%.

➢ **Revised Kissan Credit Scheme:**

Kisan Credit Card (KCC) scheme was introduced in banks in August 1998 on the lines of Model Scheme prepared by NABARD on RV Gupta committee recommendations. In order to cover term loans and agriculture and allied activities, NABARD has revised the Model KCC Scheme (called Scheme to cover Tem Loans for Agriculture & Allied Activities under KCC).

- **Objectives:** The scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers under single window, including the short – term credit needs and a reasonable component for consumption needs, through Kisan Credit Card.
- **Participating Bank**: All Commercial banks RRBs, State Co-Operative banks PACS/DCCBs and Scheduled Primary Cooperative Banks.
- **Nature of financial accommodation**: Term loan and revolving cash credit.
- **Quantum of limit**: Short term credit limit for crops term loan and working capital limit for agriculture and alliedactivitiesetc, based on the unit cost of the assets proposed to be acquired by the farmer. Banks may at their discretion build in, a component of consumption credit, keeping in view the family labour, while fixing the overall ceiling amount under the card.
- **Validity period of KCC:**Coinciding with the introduction of term loan facility under KCC, the validity of KC Card may be extended from 3 years as at present to 5 years.

VII. Financial Inclusion

The availability of banking and payment services to all sections of Indian population without discrimination is the prime objective of the public policy. Financial inclusion means the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups[28].

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28 http://rbi.org.in/scripts/publicationsview.aspx?id=10494 last accessed on 02.12.2011

CONSEQUENCES OF FINANCIAL EXCLUSION:

Consequences of financial exclusion vary, depending on the nature and extent of services denied. It may lead to increased travel requirements, higher incidence of crime, general decline in investment, difficulties in gaining access to credit or getting credit from informal sources at exorbitant rates, increased unemployment etc. The small business may suffer due to loss of access to middle class and higher-income consumers, higher cashhandling costs, delays in remittances of money. According to certain researches, financial exclusion can lead to social exclusion.

INDIAN SCENARIO & FINANCIAL INCLUSION:

Bank nationalization in India and creation of RRBs marked a paradigm shift in the focus of banking from class banking to mass banking. Resultantly, the number of branches increased from 8321 in the year 1969 to 68,282 branches as at the end of March 2005 and average population per branch office decreased from 64,000 to 16,000. There are still under-banked States.

VIII. The Future Of Social Banks:

To increase the social and environmental impact, social banks have to keep on growing. But, to do so, they have to advance their products and services in a way that stresses their social impact and lowers the financial risk for themselves and for their clients. They have to broaden their product portfolio to become less dependent on interest rates as most social banks rely on the lending business. Furthermore, they have to differentiate themselves from conventional banks that start to distribute socially responsible products and services as well. To achieve a bigger positive impact, social banks will have to focus more on positive impact finance and less on using negative exclusions criteria to exclude non-ethical businesses. In order to address new types of clients, social banks have to develop products and services on the one hand, and marketing strategies on the other, that meet the need of these new clients who are interested in finance with an impact. In order to show this impact, social banks will have to develop measures and indicators that demonstrate their positive impact on the society, communities, the environment and sustainable development in an objective and transparent way.

Conclusion

Although 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, behavior and responsibility. At the same time, more and more people are individually looking for values to incorporate in daily life. As contemporaries on their way, they are part of an ongoing process of search and practice linking up and networking with other people, creating new forms of social cohesion. Instruments such as ethical banking processes, products and services and money as a subservient tool can be helpful.

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