

Social responsibility of banks in rural loan plans

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Abstract

The root reason behind any research is extraction of the knowledge. In peculiarity, the research seeks the enhancement of the welfare program. In this verge of the paper performs an evaluation of the planning of loan scheme for rural people in nationalized banking system. The rural area with those loan schemes and in all the aspects of the government and society to reach a command conclusion. The national banking system plays an important role in this evaluation for the economic and social development. The paper suggest the development of rural area with those loan schemes and in all the aspects of the government and society to reach a command conclusion.

Keywords: rural loan plan, social responsibility, economic, nationalizes banking system

Introduction

The main goal behind any research work is to enhance the knowledge or to find an unknown aspect. The paper here deal with the working and evaluation of rural loan plans by national banking systems. The study carried in Raipur Division specifically in context with the Durg district. The key goals of research are as follows:

- To find the role of nationalized banking system in national, economic, and social growth in the intended district.
- To find the contribution of nationalized banking system in uplift of land less, farming labor and underprivileged in society.
- To study the nature of loan earning and there role in promotion of loans provided by nationalized banking system.
- To study the contribution of nationalized banking system for various rural loan plans implemented in district.

In the last few years, the Indian economy has emerged as one of the fastest growing economies in the world. However, the vulnerability of the Indian economy with respect to the performance of the agricultural sector despite other macroeconomic indicators and sectors gaining in strength is well known. For example, the Indian economy grew at an estimated 3.7 per cent in 2002-03 against 5.6 per cent during 2001-02. This was largely because of the negative growth of 4.4 per cent in the agriculture sector. Many economists and policy-makers increasingly believe that the future growth of the domestic economy, to a large extent, will depend on the robust performance of the agricultural and rural sector. The manufacturing and service sectors cannot sustain the economy's growth if the rural sector underperforms. The contribution of the banking and financial sector to the current economic growth of the Indian economy is very significant. This is reflected in the growth in aggregate deposits and advances for scheduled commercial banks, which stood at 15.4 per cent and 27.9 per cent during 2004-2005. However, the access of banking services to the rural, agriculture and the common people in general is not as promising.

The focus of Indian banks on financial inclusion i.e. delivery of banking services at an affordable cost of the low-income groups has been dismal. In India, the focus of the financial inclusion at present is The banking sector has witnessed a huge growth in the recent years. However, despite such a growth, the credit flow by banks to the rural and agricultural sectors remains dismal, which, more or less, has resulted in financial exclusion of the rural masses. The rural and agricultural sectors have to play a very important role if a target of 8% GDP growth per annum as envisioned in the tenth plan is to be achieved. And the banks and the Chartered Accountants have a huge role to play in boosting the rural and agriculture sector through product innovation, broadening the reach, promotion of SHGs/Micro enterprises and providing know-how.

Research Methodology

- **Primary Sources:** The researcher himself goes to the site and intact interaction with the resource, and acquires the raw facts. For any kind of research the raw facts is the root source.
- **Secondary Sources:** The facts acquired from already published or not published sources, viz. journals, reports, statistical manuscripts, etc.

Subject Matter of Research

Rural loans provided by banks with social responsibility

The rural people need finances from cutting crop to taking them to market and gaining profit from it. Thus, the banking systems had been developed to fulfill theses need of farmers. Which provides the loan not only for production but also for basic requirements of cultivation and other social responsibility:

1. Agriculture loan: loan related to the farming work is an agriculture loan. It is classified in two categories:
 - Loan for production:
 - For cultivating crops in the land
 - For purchasing farming tools
 - For enhancing irrigation
 - For enhancing farming infrastructure
 - For storage

- For production and processing of the seeds
 - For gardening, dairy, fisheries farms, piggery farm, poultry farms.
 - For distribution of compost, herbicides, pesticides etc.
 - Loan for unproductive:
 - For utensils and clothing.
 - For medicines, education and other household expenses.
 - For lodging.
 - For buying and constructing home.
 - For mrityubhoj, marriage, celebration of new born.
 - For tax paying when crop sink.
 - For buying jewelry.
 - For paying previous loans and for litigations.
2. Non agriculture loan: Loans other than agriculture for rural people:
- Retail business: various consumer requirement, for social events.
 - Small business: that business whose equipment’s expense is not more than 10 lacs. Viz. house boot, tourisms, acquisition construction and renovation etc.
 - Small industry: those entities, which are reconstructing and experimenting the resources. The basic expense of

- such industry 1 crore rupees viz. laundry, photocopy, storing and repairing of consumer goods.
- Educational loan: Different educational courses chosen by people the bank provides loan accordingly. For courses in India upto 7.50 lacs and for overseas courses upto 15 lacs amount loan is provided by the bank.
- Home loan:
- Direct finance: Up to 5 lacs rupees loan for building house and 1 lacs rupees for renovation of old house.
- Indirect loan: up to 3 lacs rupees loan are provided to the government agencies for constructing new houses or resettling slums.

**Problems
Financial Inclusion**

The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to reach and bring vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services.

Table 1: Rural Banking at Glance

Rural Banking at Glance					
Group	Population (Crore)	Branches (in '000)	Per Branch Population	Share of Deposits	Share of Advances
Rural	83 (68)	34 (37)	24	9%	8%
Urban	38 (32)	59 (63)	6	91%	92%
Total	121	93	13	100	100

Source: Census 2011 & RBI Banking Statistics – Handout Dec`11 () denotes percent

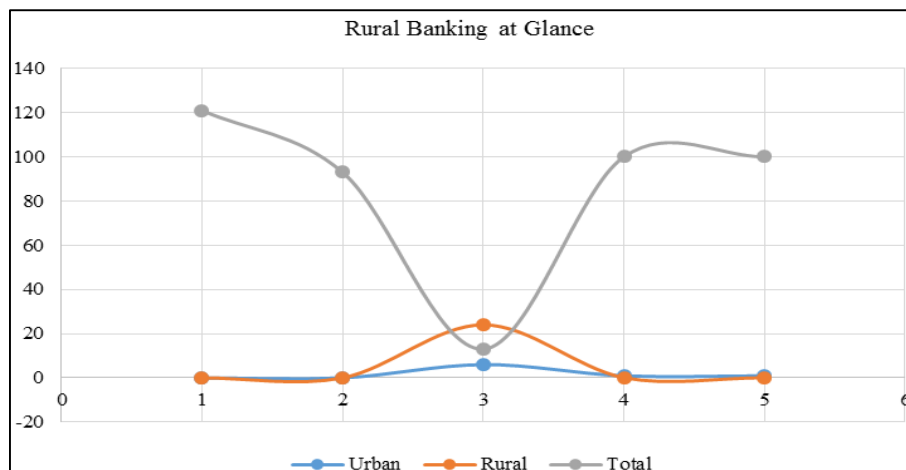


Fig 1: Financial inclusion in urban and rural bank

Skewed distribution of bank branches is observed across population groups with 24000 in Rural areas. Out of 6.4 lakh villages, the presence of bank branches with full-fledged services is available only in 34000 villages and recently another 73000 villages are covered under BC model. Still more than 5 lakh villages remain unbanked due to structural and operational issues such as infrastructure, distance, costs, viability etc.

Suggestion & Conclusion

Though, rural India constitutes 68% of country’s population, its share to total deposits (9%) and an advance (8%) is

abysmally low compared to urban counterpart. Absence of banking services in villages is the cause to flourish informal financial markets which suffer from several imperfections such as high cost of credit at exploitative terms, loss of precious savings on account of fly-by-night operators, inordinate delays in effecting transfer of funds and settlement of accounts. Thus, the financial exclusion not only widens the ‘Rich-Poor divide’ but also leads to ‘Social Exclusion’.

As per the report of 2011, only 41% of rural households have access to savings bank accounts and 79% rural households do not have access to credit facilities from formal sources. This fact reinforces the need for speedy implementation of

"Financial Inclusion" initiatives with an objective to provide basic banking services at an affordable cost to the vast sections of disadvantaged and low income group. It means not only to extending banking facilities to rural people but also to provide at their convenient time and location.

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