

Role of Commercial Banks in Socio Economic Development A Case Study of SBI

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I. INTRODUCTION

Commercial banking is the most important part of modern banking set up. These days, the function of commercial banks is confined not only to advancing loans to the public and accepting their deposits, their contribution in accelerating the rate of economic development in under-developed and developing countries like India is very important. Also banking is highly effective and useful in the fulfillment of various socio-economic objectives of the Government. Up to, 1969, the operation and functioning of commercial banks in India was confined only to medium and large sized towns and economically rich people.

II. PARAMETERS FOR ECONOMIC GROWTH

Capital formation is the important determinant of economic development. The basic problem of a developing economy is slow rate of capital formation. Banks promote capital formation. Commercial banks are very important source of **finance and credit** for industry and trade. Credit is a pillar of development. Credit lubricates all commerce and trades. An underdeveloped economy is characterized by the existence of a large non-monetized sector. **Innovation** is an essential prerequisite for economic development. Economic development needs an appropriate monetary policy. **Control and regulation** on credit by the monetary authority is not possible without the active co-operation of

the banking system. In recent years, the SBI and other commercial banks are granting short term, medium-term and long term loans to agriculture and small scale industries. They transfer **surplus capital** from the development region to the less developed regions, where it is scarce and most needed. Commercial banks are also helping manufacture to secure machinery and equipment from foreign countries under installment system by guaranteeing deferred payment. These qualities are called "**commercial virtues**" which are vital for rapid economies progress. The banker is in a better position to promote commercial virtues. Banks are called "**public conservator of commercial virtues**".

III. OVERVIEW OF PREVIOUS STUDIES

To formulate the problem scientifically, and to point out the importance of undertaking this study, it is essential to present a brief review of Researches undertaking in this area. Although the review involved a large number of studies only some significant studies which have direct and indirect bearing in the present study have been summarized at table 1

Overview of significant Research in the Past.

Table 1

Description of the former research	Explanation of present exertion
Naomi R. Lamoreaux ¹ suggest in her paper if banks raise the capital for diversified enterprises thus the economy as a whole benefited from the ease with which capital can be mobilized.	Whether researcher also want to know in her paper that if capital formation also considered with capital diversification than it can be more effective.
Felix Rioja ² studied the effect of financial development on the sources of growth in different groups of countries and also determine the effect on output growth occur primarily through capital accumulation.	In recent work researcher also included that if capital cumulation is a vital source of development then credit facilitation is also a serving hand for economic development.
Pek Chen Goh ³ describes that all banks have relatively higher human capital efficiency than structural and capital efficiencies	Researcher suggests that agriculture field has also potential and if government focuses on this, it may also be effective capital generator.
Jose De Gregorio ⁴ examines in his research work that, the empirical relationship between long-run growth and financial development, provide by the ratio between bank credit to the private sector and GDP.	We find that this proxy is positively correlated with growth in a large scale economy but we can't neglect the controlling and regulation factor. If these two are not taken safely than active co-operation of monetary authorities can't be successful.

Katherin Marton⁵ identifies that early reorganization initiatives, flexible approaches to privatization, and liberal policies towards foreign banks' involvement with the domestic institutions helped to build a relatively stable and increasingly efficient banking system.

The route of every economy especially in India is its agriculture empowerment, regional development, industrial expansion etc., by which sustainable enlargement can be possible at large as well as small level.

IV. ECONOMIC DEVELOPMENT SCHEMES INITIATIVE BY SBI

(a) SHG-Bank Credit Linkage Programme:

SBI has actively participated in SHG-Bank Credit Linkage programmers' since its inception in 1992 as a pilot project of NABARD. Since then, the Bank has made a steady progress in financing SHGs. SBI's branches, spread all over the country, and have opened 13.52 lac Savings Bank accounts of SHGs.

Performance in SHG – Bank Credit linkage

Table 2

Year	March'10	March'11	March'12
Amount outstanding SHG Direct credit linked (Rs.)	5893 cr.	5471 cr.	5658 cr
No. of SHGs maintaining Savings a/c in the Bank	12.17 lac	12.62 lac	13.52 lac.
Amount in Savings a/c (Amt. in Rs.)	846 cr	829 cr.	934 cr.
Number of MFIs Financed	209	188	174
Amount outstanding to MFIs (Rs.)	1080 cr	946 cr.	927 cr.

(b) SBI – Emerging as a Leader in Shg-Bank Credit Linkage:

SBI is maintaining its position as a leader among Commercial Banks in credit linking of SHGs and is a prime driver for the movement. As at the end of March 2011, SBI, with a share of approximately 26% of total SHGs financed by Commercial Banks, is the leader among banks. 82% of these SHGs are women SHGs.

V. RESEARCH DESIGN AND METHODOLOGY

(a) Scope of study: - The study is conducted in Agra tehsil's villages which are benefited by financial

inclusion and covered under micro finance schemes with reference to:

- (i) State Bank of India (Public sector commercial bank)
- (ii) SHGs (Agra Tehsil)

(b) Hypotheses:-

Ho₁: - Financial inclusion and inclusive growth are independent to each other.

Ho₂: - Impact of self-help group and inclusive growth are independent to each other.

(c) Sample Size: - A good sample is a true representation of the population. Table-3 highlights details of sample which is almost 50% of the total class.

Sample source for Primary Data

Table -3

Block	Village's Name	No. of A/c's	Sample Size	Percentage
Fatehpur sikri	Baha	23	11	50%
Etmadpur	Bahrampur	26	13	50%
Shamshabad	Basai Raimol	20	10	50%
Akola	Pesai	18	9	50%
Khandauli	Swain	25	12	50%
Total	5	112	55	50%

(d) Collection of Data: - This study is based on both primary and secondary data. Primary data have been collected from the respondents through the questionnaires/Schedule and interviews.

Primary data have been supported by secondary sources which was collected from journals and Magazines published, papers presented at seminars and conferences, publications etc. data have also been collected from Annual Reports of Reserve Bank of India, NABARD and other official Web sites.

(e) **Statistical Tools**

To test the hypothesis and presentation of survey findings, statistical techniques have been used like weighted average, Mean, SD, Z-Test etc.

VI. RESPONSE ANALYSIS

It is very important to know the current scenario of financial inclusion in India therefore in the present study researcher tries to explore some facts related to financial inclusion its applicability and Drawbacks through direct approach with people who somewhat related with financial inclusion. For effective and understandable study researcher has divided analysis part in three main categories on the basis of objectives.

- (a) Analysis based on profiles of respondents.
Showing the profile of respondents.
Profile of Respondents

Table No. 4

Basis	Category of Respondent	Number	Percentage
Age	20-30	30	20
	30-40	93	62
	40-50	17	11
	50-60	10	7
	Total	150	100
Income(per day)	50-100	20	13
	100-150	60	40
	150-200	40	27
	200-250	30	20
	Total	150	100
Occupation	Farming	90	60
	Daily earner	20	13
	Milk men	25	17
	Artisan	15	10
	Total	150	100
Education	Primary	98	65
	Metrics	32	21

High School	10	7
Inter	10	7
Total	150	100

- (b) Analysis to measure awareness about financial inclusion in people and fig 1 are showing the awareness of financial inclusion among people and results.

Awareness about FI

Table -5

S. No	PARAMETERS	MEAN VALUE
1	No frill account	2.03
2	Micro insurance scheme	3.01
3	Micro credit	2.11
4	Pension plans	2.06
5	Cheque facility	1.86
6	Electronic fund transfer	2.09
7	Credit and debit cards	1.76
8	Overdraft facility	2.39
9	Payment and remittance services	2.02
10.	Financial market	1.98

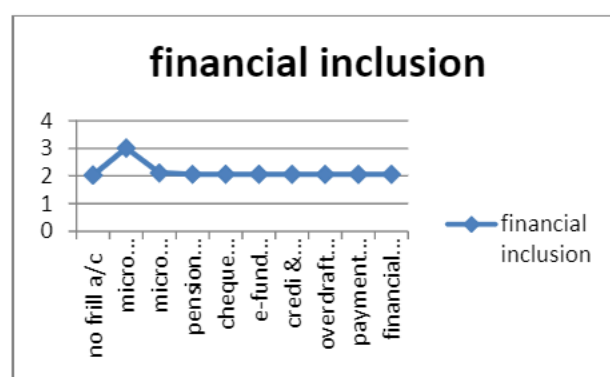


Fig. 1 showing the changes in economic conditions and habits of the respondents after joining the self-help group.

- (C) Analysis of impact of SHG on inclusive growth of its members.

As far as the economic condition of group member of SHGs is concerned it can clearly understand from the fig.1 that on an average

they find good improvement in their economic condition after joining the Self-help group, as they find lot of improvement in their financial

status followed by contribution to family and house hold income, housing condition and at last in their saving habits.

Impact of self-help group on inclusive growth of group members.

Table -3

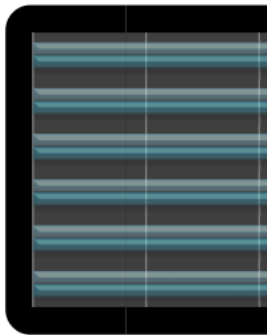
Category	Parameters	Before Joining		After Joining		Z-Value
		Mean	S.D	Mean	S.D	
Economic Issues	Contributing to family income	1.55	0.80	4.15	0.79	-15.5
	Financial status	1.42	0.67	3.95	1.07	-12.65
	Saving habit	2.27	0.99	4.45	0.97	-9.86
	Contribution to household income after joining the group	1.55	0.83	4.5	0.86	-14.58
	Housing condition	2.05	1.24	4.2	0.92	-8.78
	Average	1.77	0.91	4.25	0.92	
	Calculated Z value	-12.09				
	Tabulate Z value	1.96				
Self-Development	Confident in moderating group meetings	1.47	0.83	4.6	0.8	-17.08
	Confidence level	1.67	1.03	4.4	0.91	-12.47
	Communication skill	1.92	0.985	4.45	0.80	-12.55
	Dressing sense	2.27	1.07	4.2	1.02	-8.193
	Over all personality	2.1	0.969	4.35	1.01	-10.15
	AVERAGE	1.89	0.97	4.4	0.912	
	Calculated Z value	-11.86				
	Tabulate Z value	1.96				
Social status	newspaper reading habit	1.7	1.05	3.85	1.10	-8.9
	Clean cooking and eating habits	1.55	0.86	4.1	1.13	-11.306
	feel recognized in family	1.375	0.731	3.95	1.12	-12.207
	Handling bank work	1.4	0.768	4.05	1.12	-12.37
	AVERAGE	1.506	0.854	3.99	1.118	
	Calculated Z value	-11.16				

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VII. EFFECT OF INCLUSION ON I

(a) Self Development

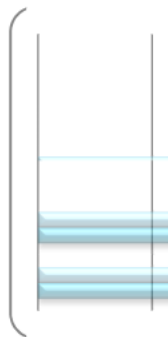
Changes in self-developm
after joining the self-help



As far as the self-developmer
SHGs is concerned it can clear
the fig.2 that on an average th
improvement in their own dev

(b) Social Status

Fig. Changes in social status
joining the self-help group.



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concerned it can clearly be ur
that on an average they find l
social status after joining the