

## **Socio-Economic Development in India- A Study of SBI & its Associate Banks**

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### ***Abstract***

*Banks have become harbingers of socio-economic development. Banks are not just storehouses of the country's wealth but are the reservoirs of resources necessary for economic development. The State Bank of India is the biggest commercial bank in whole of Asia. SBI plays a pivotal role in the sphere of establishing an egalitarian society. For this purpose, it has amended its lending policies in such a way as to provide adequate availability of credit to neglected sectors of the economy and to those who do not have access to credit. SBI's contribution to process of economic development is based upon social justice. The present paper deals with role played by SBI & its Associate Banks in socio-economic development of the country. The study is secondary based and analytical in nature. The time period of the study is from 2001-02 to 2009-10. Statistical and mathematical tools such as mean, standard deviation, coefficient of variation and compound annual growth rate (CAGR) are calculated. The contribution of SBI and its Associate banks is analysed on basis of its contribution in financing of agriculture, financing of small enterprises, priority sector advances, advances to weaker section. The study concludes that SBI & its Associates are actively engaged in socio-economic development of the country. SBI serves as pioneer in many areas of social welfare. Growth rate in financing of agriculture, small enterprises, priority sector advances, and weaker section is favourable.*

**Keywords:** *Socio-Economic Development, Priority sector Advances, SBI*

### **Introduction**

Today, banks are not only providers of money and credit but are harbingers of social and economic changes. A magnificent role played by banks in socio-economic development of the country cannot be denied. They are regarded as 'magna carta' of the economy. Banking is the nerve centre of trade, industry and agriculture. Agriculture production has risen steadily and progress of industrialisation has increasingly played a role in India's economic development. Banking and development are interrelated. Bank credit proves to be remedy for all economic ills.

Since the inception of banking in India, remarkable transformation took place in its functioning. Today, banks have become from mere agent between borrowers and lenders to provide of customer centric services. The key driver of any sector of the economy is availability of adequate credit. Social and Economic Aspect of banking came into limelight with the nationalisation of banks in 1969.

The State Bank of India is the biggest commercial bank in the whole of Asia. State Bank of India has made remarkable progress since its inception. It has made tremendous progress on all fronts in order to achieve the goals. One of the main objectives of the State Bank of India as set out in the preamble to the Act was "extension of banking facility on a large scale, more particularly in the rural and semi-urban areas". To achieve this objective, the SBI launched branch expansion programme and opened not less than 400 branches during the five years of its inception. During the five decades of its existence, SBI has gracefully fulfilled its pioneering role in the area of development banking. During the five decades of its existence, SBI has gracefully fulfilled its pioneering role in the area of development banking.

The bank's scheme of special assistance to small scale industries introduced in the late 1950's and agricultural lending in the early 1960s were a forerunner to the concept of priority sector lending. The State Bank of India plays a pivotal role in the sphere of establishing an egalitarian society. For this purpose, it has amended its lending policies in such a way as to provide adequate availability of credit to neglected sectors of the economy and to those who do not have easy access to credit. SBI's contribution to process of economic development is based upon social justice. As per socio-economic environment of India, SBI is paying more attention to under-developed and neglected sector of the economy. It contributes towards removal of large number of socio-economic problems such as the removal of poverty, creation of more employment opportunities and removing inequalities in income distribution.

### **Objectives of the Study**

- To analyse contribution of SBI and its Associates towards socio-economic development.
- To highlight green initiatives undertaken by SBI.

### **Research Methodology & Database**

The present study is secondary based and analytical in nature. The study covers time period from 2001-02 to 2009-10. The data is collected from publications of Reserve Bank of India such as Statistical Tables Relating to Banks in India and Reports on Trends and Progress of Banking in India. Annual reports of State Bank of India are also referred to. The study is analysed on basis of contribution of SBI & its Associates towards financing of agriculture, financing of enterprises, priority sector advances, advances to weaker section. Statistical and mathematical tools such as mean, standard deviation, coefficient of variation and compound annual growth rate (CAGR) are calculated.

### **Analysis & Interpretation**

An analysis of contribution of SBI & its Associates towards socio- economic development is done under following heads:

#### **Financing of Agriculture**

Agriculture is the key occupation of the country. Development of the country largely depends on agriculture. Commercial banks plays key role in financing of agriculture. State Bank of India being premier banking institution in the country was pioneer in the field of agriculture financing. Distribution of outstanding advances to agriculture is given in table 1. In case of Public sector banks average distribution of outstanding Advance to Agriculture is Rs. 178747.33 Cr of which share of State Bank Group is Rs. 56540.11 Cr and Nationalized Banks is Rs. 122229.56 Cr. Contribution of State Bank of India to agriculture in average terms is Rs. 38564.22 Cr. Standard deviation is higher in case of Public sector banks indicating high variability and less in case of State bank group indicating more uniformity. Among Associates of SBI, it is low in case of State Bank of Saurashtra indicating high degree of uniformity and it is high in case of Sate Bank of

Hyderabad indicating more variability. Coefficient of variation indicates a fair level of consistency in distribution of outstanding advances to agriculture. Growth rate analysis indicates that in case of Public sector banks comes to be 27.02 per annum during the last decade and in case of Nationalized Banks is 26.93 and in case of State Bank Group is 27.21. This indicates that growth rate is higher in case of State Bank of India and comes to be 28.60. Among Associates of SBI, highest growth rate is observed in case of State Bank of Mysore and comes to be 30.98. Hence growth rate is favourable among all groups of banks. Growth rate is most satisfactory in case of State Bank of Mysore and satisfactory in case of State Bank of India, State Bank Group, Nationalized Banks and Public sector Banks.

**Table 1: Distribution of Outstanding Advances to Agriculture (Rs. Cr)**

Year/ Bank	SBI	Associates of SBI	SBBJ	SBH	SBIN	SBM	SBP	SBS	SBT	SBG	NBs	PSBs
2001-02	12561	6145	942	1056	766	502	1435	803	641	18706	39436	58142
2002-03	15871	7912	1181	1521	953	783	1785	850	839	23783	49724	73507
2003-04	16993	9457	1376	1604	1196	866	2278	973	1164	26451	59646	86097
2004-05	20526	12770	2147	1896	1666	1228	2891	1210	1732	33296	79179	112475
2005-06	30516	17117	2889	2973	2157	1658	3515	1502	2423	47633	106881	154314
2006-07	41661	21759	3755	3799	2645	2181	4491	1937	2951	63419	141672	205091
2007-08	56432	26126	4590	5148	3018	2911	4574	2195	3690	82558	166128	248685
2008-09	69279	26511	4828	6648	3343	3839	5040	-	2813	95790	202147	297937
2009-10	83239	33986	6039	8516	4120	4123	8058	-	3130	117225	255253	372478
Mean	38564.22	17975.89	3083.00	3684.56	2207.11	2010.11	3785.22	1352.86	2153.67	56540.11	122229.56	178747.33
SD	25774.74	9692.59	1821.22	2595.76	1160.06	1345.12	2050.01	546.59	1097.17	35314.46	74586.00	109839.25
CV	66.84	53.92	59.07	70.45	52.56	66.92	54.16	40.40	50.94	62.46	61.02	61.45
CAGR	28.60	24.26	27.60	30.13	23.80	30.98	21.84	19.97	23.81	27.21	26.93	27.02

*Source: Statistical Tables Relating to Banks in India, RBI, Mumbai, Various issues*

### **Financing of Small Enterprises**

Financing of small scale enterprises was the first activity which the State Bank started after establishment for expanding the scope of its operations to include priority sector. The financing schemes of Banks are so designed as to help the small units in their working and also to expand their size. Over the years, the Public sector Banks including Nationalized Banks and State Bank

Group has been providing financial assistance to small scale industries with growing emphasis on assisting village and cottage industries. Distribution of outstanding advances to small enterprises is given in table 2. In case of Public sector Banks average distribution of outstanding advances to small enterprises is Rs. 115375.33 Cr. of which share of Nationalized Banks is Rs. 80710.67 Cr and that of State Bank Group is Rs. 34664.67 Cr. Contribution of State Bank of India to small enterprises in average terms is Rs. 22524.67 Cr and that of Associates of SBI is Rs. 13251.22 Cr.

Standard deviation is higher in case of Public sector banks indicating high variability and less in case of State Bank Group indicating more uniformity. Among Associates of SBI it is low in case of State Bank of Saurashtra indicating high degree of uniformity and it is high in case of State Bank of Patiala indicating more variability. Coefficient of variation in case of Nationalized Banks and Public sector Banks is 72.98 and 66.97 respectively indicating more variability and less consistency. In case of State Bank of India, coefficient of variation is 46.44 which indicate more consistency and less variability. Growth rate in case of State Bank of India is 15.99 and in case of Associates of SBI is 19.97. Among the Associates of SBI, the growth rate is highest in case of State Bank of Indore (32.06). This shows that growth rate is most satisfactory in case of State Bank of Indore, more satisfactory in case of Nationalized Banks and less satisfactory in case of SBI and its Associates and Public sector Banks. It can be concluded that growth rate in case of all groups of banks is favourable in case of financing of small enterprises. Growth rate is most satisfactory in case of State Bank of Indore, more satisfactory in case of Nationalized Banks and less satisfactory in case of SBI and its Associates and Public sector Banks.

**Table 2: Distribution of Outstanding Advances to Small Enterprises (Rs. Cr.)**

Year/Bank	SBI	Associates of SBI	SBBJ	SBH	SBIN	SBM	SBP	SBS	SBT	SBG	NBs	PSBs
2001-02	16129	5448	955	917	586	665	978	777	570	21577	32690	54267
2002-03	12393	5641	1111	969	712	562	881	772	634	18034	34953	52987
2003-04	13033	16246	1207	1091	800	547	1092	785	724	19279	38999	58278
2004-05	14865	7135	1418	1245	959	645	1121	925	822	22000	45634	67634
2005-06	18489	8684	1680	1476	1231	808	1323	1239	927	27173	55319	82492
2006-07	22816	10270	1948	1661	1334	1057	1643	1510	1117	33086	71617	104703
2007-08	28046	16836	2912	2888	2703	1783	3328	1503	1719	44882	103769	148651
2008-09	34777	20281	2875	3279	4791	2213	4643	-	2480	55057	135911	190968
2009-10	42174	28720	4580	5442	4555	2476	7805	-	3862	70894	207504	278398
Mean	22524.67	13251.22	2076.22	2107.56	1963.44	1195.11	2534.89	1073.00	1428.33	34664.67	80710.67	115375.33
SD	10460.58	7877.83	1180.92	1507.87	1658.95	757.94	2354.56	338.25	1100.73	18494.60	58898.99	77264.96
CV	46.44	59.45	56.88	71.55	84.49	63.42	92.89	31.52	77.06	53.35	72.98	66.97
CAGR	15.99	19.97	20.53	24.23	32.06	22.60	30.35	14.44	25.82	18.54	26.02	23.57

*Source: Statistical Tables Relating to Banks in India, RBI Mumbai, Various issues*

### Priority Sector Advances

The objective of providing assured financial support to priority sector was institutionalised with the nationalization of the leading commercial banks in 1969 and 1980. The formal definition of

‘Priority Sector’ came into existence in 1972 when retail trade, small business, professional and self- employed persons and education loans were also declared as priority sector in addition to small scale industries, agriculture and allied agricultural activities and transport operators. Now housing has also been brought under the priority sector. According to the benchmark laid down by the RBI, at least 40 percent of the net bank credit of the bank should be to the priority sector, 18 percent to agriculture and 10 percent to the weaker section of the society as a part of the priority

sector. The bank has been all along making sincere efforts to achieve the benchmark for priority sector advances. Distribution of total advances to priority sector is given in table 3. Advances to priority sector in case of Public Sector Banks in average terms are Rs. 450616.22 Cr. and in case of Nationalized banks is Rs. 306623.78 Cr and State Bank Group is Rs. 143992.56 Cr. Average figure in case of State Bank of India is Rs. 97071.11 Cr and Associates of SBI is Rs. 46921.33 Cr. Standard deviation is higher in case of Public sector banks indicating high variability and less in case of State bank group indicating more uniformity. Among Associates of SBI, it is low in case of State Bank of Saurashtra indicating high degree of uniformity and it is high in case of State Bank of Hyderabad indicating more variability. Coefficient of variation shows fair level of consistency among Public sector banks, Nationalized Banks and State Bank Group. Growth rate Analysis indicates that growth rate in case of Public sector banks is 22.98, in case of Nationalized banks is 23.10 and that of State Bank Group is 22.75. Growth rate in case of Nationalized Banks is higher as compared to Public sector banks and State bank group. Growth rate in case of State Bank of India comes to be 22.91 and in case of Associates of SBI is 22.44. Among Associates of SBI the highest growth rate is in case of State Bank of Mysore (26.12). This indicates that growth rate is most satisfactory in case of State Bank of Mysore and satisfactory in case of State Bank Group, Nationalized Banks and Public sector Banks. It can be concluded that growth rate in case of priority sector advances is favourable among all groups of banks. It is most satisfactory in case of State Bank of Mysore and satisfactory in case of State Bank Group, Nationalized Banks and Public sector Banks.

#### **Advances to Weaker Section**

Weaker section precisely includes Scheduled Castes and Scheduled Tribes, small and marginal farmers, landless labourers and beneficiaries under the Swarnajayanti Gram Swarozgar Yojana and DRI scheme. Advance to weaker section in average terms in case of Public sector Banks is Rs. 93890 Cr and in case of Nationalized Banks is Rs. 60365.04 Cr and State Bank Group is Rs. 33524.95 Cr. Average figure in case of State Bank of India is Rs. 23638.84 Cr and in case of Associates of SBI is Rs. 13586.10 Cr. Standard deviation is higher in case of Public sector banks indicating high variability and less in case of State bank group indicating more uniformity. Among Associates of SBI, it is low in case of State Bank of Saurashtra indicating high degree of uniformity and it is high in case of State Bank of Hyderabad indicating more variability. Coefficient of variation is indicative of fair level of consistency among State Bank Group, Nationalized Banks and Public sector Banks. Growth rate Analysis shows that growth rate in case of Public sector banks is 29.51, in case of nationalized banks are 29.00 and in case of State bank group is 30.52. It indicates that growth rate is slightly higher in case of State Bank Group.

Growth rate in case of State Bank of India is 31.03 and Associates of SBI is 15.51. Among Associates of SBI, highest growth rate is in case of State Bank of Hyderabad (36.34). It indicates that growth rate is most satisfactory in case of State Bank of Hyderabad and satisfactory in case of State Bank of India, Nationalized Banks and Public sector Banks and low in case of Associates of SBI.

**Table 3: Distribution of Total Advances to Priority Sector**

(Rs. Cr.)

Year/Bank	SBI	Associates of SBI	SBBJ	SBH	SBIN	SBM	SBP	SBS	SBT	SBG	NBs	PSBs
2001-02	40325	17214	2550	3203	1982	1674	3459	1891	2455	57539	113944	171483
2002-03	51407	26512	4131	4560	3146	2303	5601	2341	4430	77919	167663	245582
2003-04	43709	20839	2913	3942	2459	2018	4127	1992	3388	64548	138549	203097
2004-05	62673	33817	5327	6134	4083	3323	6104	2912	5934	96491	214239	310729
2005-06	82895	45574	6970	8767	5190	4493	8550	3638	7966	128469	281322	409791
2006-07	110373	56397	8421	11295	6153	6063	10310	4523	9632	166770	354411	521180
2007-08	133202	66369	10373	12727	7753	6960	11656	4875	12025	199571	409391	608963
2008-09	160892	71640	11122	14788	10052	8688	13779	-	13211	232532	487235	719767
2009-10	188164	83930	13277	18965	10183	9314	17931	-	14260	272094	592860	864954
Mean	97071.11	46921.33	7231.56	9375.67	5666.78	4981.78	9057.44	3167.43	8144.56	143992.56	306623.78	450616.22
SD	54072.22	23983.19	3821.69	5452.75	3105.89	2904.27	4820.97	1206.51	4388.20	77866.66	166304.00	244086.61
CV	55.70	51.11	52.85	58.16	54.81	58.30	53.23	38.09	53.88	54.08	54.24	54.17
CAGR	22.91	22.44	23.30	25.44	23.65	26.12	21.90	18.53	24.88	22.75	23.10	22.98

Source: Statistical Tables Relating to Banks in India, RBI, Mumbai, Various Issues.

**Table 4: Distribution of Advances to Weaker Section (Rs. Cr)**

Bank/Year	SBI	Associates of SBI	SBBJ	SBH	SBIN	SBM	SBP	SBS	SBT	SBG	NBs	PSBs
2001-02	7052	3386	440	771	297	461	767	230	421	10438	18537	28975
2002-03	6644	36999	532	616	391	507	929	259	466	10344	21960	32304
2003-04	9572	4027	577	489	417	572	1251	228	493	13598	27990	41589
2004-05	19732	5467	1088	777	497	843	1489	248	525	25199	38293	63492
2005-06	19883	7170	1527	529	710	1057	2220	419	709	27053	51321	78374
2006-07	21717	9456	2114	1954	1540	1540	321	727	1260	31173	63112	94285
2007-08	28467	14742	2388	3410	1879	1772	2917	665	1711	43209	83726	126935
2008-09	43597	17787	2709	4602	2164	2185	3323	-	2804	61384	105459	166843
2009-10	56085	23241	5077	5368	2224	2580	4545	-	3447	79326	132888	212214
Mean	23638.84	13586.10	1827.87	2057.44	1124.19	1279.64	1973.55	396.45	1315.08	33524.95	60365.04	93890.00
SD	16842.17	11067.77	1480.63	1918.37	815.67	777.03	1388.29	215.77	1124.16	23853.29	39824.49	63562.84
CV	71.25	81.46	81.00	93.24	72.56	60.72	70.34	54.43	85.48	71.15	65.97	67.70
CAGR	31.03	15.51	35.38	36.34	33.50	26.57	20.32	23.30	33.11	30.52	29.00	29.51

Source: Report on Trend & Progress of Banking in India, RBI, Mumbai, various issues

### Green Banking Initiatives of the Bank

Being a responsible Corporate Citizen of the country, the Bank has adopted a Green Banking policy with an objective of contributing towards the fight against adverse climatic changes. The policy envisages two pronged approach to address the issue that:

- (i) To reduce the Bank's own carbon footprint.
- (ii) To sensitise the Bank's clients to adopt low carbon emission practices.



As part of the Bank's operations, the Bank has initiated several measures which include switching over to energy efficient lighting systems, installation of energy savers, efficient water management system, waste disposal and tree plantations etc.

### **Education Partnership with the Municipal Corporation of Greater Mumbai**

The Municipal Corporation of Greater Mumbai has launched a project to transform and upgrade the outcome of education in schools run by the Municipal Corporation. The Bank has agreed to support this project as a partner for a period of 2 years as this project may evolve as a model for replication across the country. The project has the following objectives:

- Improvement in student attendance from 50-60 percent to 90 percent.
- Reduction in drop-out rates especially at upper primary level.
- Enabling at least 30-50 percent of the children to speak English comfortably.
- At least 20 percent of secondary school children getting strong vocational training.
- At least 20 percent of parents being highly involved in the child's learning.
- Creating infrastructure of the right quality in each school.

### **Education Loans**

With an increase in the number of students opting for higher studies in India and abroad. Education loans have grown at 34.62 percent YOY ( as on March 2010). SBI has extended 4,33,789 Cr. educational Loans with a total exposure of Rs. 8,907 crores (as on March 2010). Currently SBI is the market leader in Education Loans with a market share close to 25 percent. SBI believes in contributing towards the future of India and the youth that will be the face of India in coming years.

### **Conclusion**

It can be concluded that SBI and its Associates have strong and widespread network of branches even in rural and semi-urban areas. SBI and its Associates are actively engaged in socio-economic development of the country. SBI serves as pioneer in many areas of social welfare. Growth rate in financing of agriculture, small enterprises, priority sector advances, and weaker section is favourable. SBI has also contributed remarkably to poverty alleviation and employment programme. It is also engaged in providing assistance for health, education etc. It is also involved in environment protection and green banking.

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