INTERNATIONAL JOURNAL FOR BUSINESS LAW STUDIES

Volume I
Issue II

THE NEW NORMAL ERA IN SOCIAL CONTROL AND BANKING LAW

Isha Bharti[1]

Abstract

Financial institutions have become an unavoidable and significant institution for a nation's growth. These banks have served as both a regulator and a driver for the country's economic progress. We may now see the development of banks in the country, with the poor and underprivileged being the principal beneficiaries of the banking programme. Banks began as urban money lending companies for businesses and industries. Only via government assistance could the benefits of banking reach the poor and rural people. The process of transforming banks from simply financial entities to social institutions is known as 'social control.' This paper aims to provide a neutral view of banking law and presents a new perspective in the Covid-19 era.

Keywords: Banking Regulations (Amendment) Act, 1968, Privatization, Social Control, Pandemic.

[1] ILS Law College, Pune
Email

Introduction

The term 'bank' is believed to be originated from the Greek word 'Banque' meaning 'a bench'. Banking seems to have a very long history. The Babylonians are presumed to have established a banking system around 2000 B.C[2]., wherein the temple jewelry was lent for higher rates of interest. With the development of civilization, banks were established in other parts of the world. We now have both formal and informal banking sectors.

Banks have become the inevitable and the most prominent institution for a nation to progress. These banks have been the regulator and catalyst of economic growth in the country. We could now witness establishment of banks in the country and the poor and the underprivileged are the primary beneficiaries under the scheme of banking. Initially, banks served merely as urban money lending institutions to businessmen and industrialists.

It was only through the government intervention[3] that the benefit of banking reached the poor and the rural population. The set of steps taken to change banks from mere financial institutions to social institutions is termed as 'social control'. In India, the social control of banks began with the Banking Regulations Amendment Act, 1968[4].

[2] Super User, 'Technofunc - History Of Banking: Evolution Of Banking As An Industry' (Technofunc.com, 2021) https://www.technofunc.com/index.php/domain-knowledge/banking-domain/item/history-of-banking accessed 25 May 2021.

[3] Gautam Chikermane, 'RBI Versus the Government: Independence and Accountability in a Democracy | ORF' (ORF, 2021)https://www.orfonline.org/research/rbi-versus-the-government-independence-and-accountability-in-a-democracy-46085/ accessed 23 May 2021.

[4] 'BANKING LAWS (AMENDMENT) ACT, 1968 [REPEALED]' (Indianlegislation.in, 2021) http://www.indianlegislation.in/BA/BaActToc.aspx?actid=31954 accessed 24 May 2021.

History of Banking System in India

In India, the informal banking sector has its origin in Vedic society. We could find pieces of evidences of money lending in Vedic literature. It was regarded as one of the ideals under Vedas[5]. The transition from money lending to banking is witnessed in the 2nd or 3rd century AD. There are also references to money lending and banking in Ramayana and Mahabharata[6].

With the growth in trade and commerce in Medieval India, the concept of 'Hundi' was prevalent. Hundi denotes a negotiable instrument through which one person directs another person in writing to pay a specific sum of money to a person specified in the instrument[7]. Those were similar to the present-day cheques. It was used by people to transfer funds from one place to another, to borrow money and as bills of exchange. The man through whom such payments were made was called 'Shroffs'[8]. However, reliance on banking considerably reduced among Muslims since taking of interest was seen as sin under Islam[9].

When East India Company entered India, there was already a well-established banking system. The first formal institution for banking was the Bank of Hindustan in Calcutta in 1770. This however ceased to exist in 1832. As the performance of banks did not prove satisfactory to the Government, then it initiated what is called 'social control' of banking in India. Another structural change in banking was affected with the adoption of the LPG (Liberalization, Privatization and Globalization) model in India. Thus, the banks evolved and expanded its functions over time. With the advancement in technology, banking has been made easier to access even in the remotest corner of the country.

---

5 SR Myneni 'Law of Banking and Negotiable Instruments' (4th edn, Asia Law House 2019).
6 KishorKumar Balpalli '7 Investing Lessons from Mahabharata' (My Money Sage, 01/06/2020) https://www.mymoneysage.in/blog/investing-lessons-from-mahabharata/ accessed 23 may, 2021.
7 'Museum' (Reserve Bank of India) https://www.rbi.org.in/Scripts/ms_hundies.aspx accessed 25 may, 2021.
8 Munendra Singh 'Banking system in Mughal India' (Slideshare, 12/10/2016) https://www.slideshare.net/munder007/banking-system-in-mughal-india accessed 22 may, 2021.
9 Middle East Legal Services 'Interest and Islamic Banking' (Mondaq, 08/03/2011) https://www.mondaq.com/capital-adequacybasel/53350/interest-and-islamic-banking accessed 23 may, 2021.

Performance of Banks Before 1968

The economy and literacy rate in India during the initial years of independence was very low. The majority of the population was engaged in agriculture and others were employed in the industrial sector, with a very few investments in the service sector. The banks established during this time were primarily located in the urban areas and they prioritized lending loans only to big businessmen and the top officials of the bank. The middle and low-income population though was in desperate need of funds, were not able to obtain loan from banks. This was primarily due to four reasons[10]:

i. The banks were located only in urban areas
ii. The procedures for obtaining loans were not easy to comprehend
iii. The banks were reluctant in sanctioning loans to the poor population due to lack of credibility
iv. The industrialists and top officials of the banks were in the priority list of the bank

This resulted in concentration of wealth, unemployment and poverty. The vision of our forefathers to establish a country with equality of status and opportunity[11] was at stake. The community's ownership and material resources must be allocated to serve the common good[12]. It also requires the government to ensure that the economic activity does not contribute to the accumulation of resources and means of production[13]. The performance of banks was not only in derogation of the constitutional principles but also the targets of the five year plans.

In the period between 1947 and 1968, India had to witness many troublesome situations. When the British left India, they left us with more chaos and underdevelopment. India had to face many challenges politically and economically. India fought two wars, one with China in 1962 and the other with Pakistan in 1965. The two year long drought and fiscal retrenchment during the three year plan holiday also affected the economy of the nation. Along with this, the selective loan lending policy followed by banks resulted in an economic crisis[14].

---

10 'Reserve Bank Of India - Publications' (Rbi.org.in, 2021) https://rbi.org.in/scripts/publicationsview.aspx?id=10487 accessed 21 may, 2021.
11 The Constitution of India, Preamble.
12 The Constitution of India, Art. 39(b).
13 The Constitution of India, Art.39(c).
14 'Banking Regulation Act 1949: History and Social Control'(Theintactone), https://theintactone.com/2019/09/14/ibs-u3-topic-1-banking-regulation-act-1949-history-social-

Thus the government thought it was absolutely necessary to intervene in regulating the banks. This was effected by introducing the Banking Regulations (Amendment) Act, 1968.

Banking Regulations (Amendment) Act, 1968

The Banking Regulation (Amendment) Act, 1968[15] was introduced during the tenure of Hon'ble Prime Minister Moraji Desai. He stated that the aim of amending the banking law was to "regulate social and economic life in order to achieve an optimal growth rate in the economy while also preventing monopoly, economic power concentration, and resource misdirection."

Shri. G.S. Dhillon was designated as the chairman of the Select committee. On March 26, 1968, Shri. Krishna Chandra Pant, Minister of State in the Finance Ministry, referred the bill to the Select Committee. The committee met nine times in total, proposing changes to the Banking Regulation (Amendment) Bill[16], which were approved after much debate. In India's banking sector, the amendment act brought about the following changes:

i. The powers and responsibilities of bank officers are clearly defined.
ii. ***Section 10A to 10D*** were inserted-

Explanation- Under the Banking Regulation Act, Section 10, a banking company cannot employ a Managing agent, Director of another company, or any other person with respect to whom it is prohibited under the chapter. A banking company's Board of Directors must contain at least 51 percent of members who possess knowledge and experience concerning the topics specified in Section 10A. According to section 10B, a chairman must be employed full-time to manage the banking company.

control/#:~:text=In%201955%20the%20Imperial%20Bank,nationalised%20and%20SBI%20was%20constituted.&text=To%20overcome%20these%20deficiencies%20found,social%20control'%20over%20the%20banks.,accessed 25 may, 2021.

[15] 'Banking Laws (Amendment) Act, 1968 - Indian Bare Act / Law / Statute / Kanoon - Lawyerservices' (Lawyerservices.in, 2021) https://www.lawyerservices.in/Banking-Laws-Amendment-Act-1968 accessed 23 May 2021.

[16] (Eparlib.nic.in, 2021) https://eparlib.nic.in/bitstream/123456789/755480/1/jcb_04_1968_banking.pdf accessed 23 May 2021.

A director and chairman are not required to hold these shares under section 10C. Section 10D explains that no one shall be entitled to compensation for the loss or termination of their office in accordance with sections 10A, 10B or 10BB, regardless of any provisions in any law or any contract, memorandum or article of association.

i. The constitution of Board of Directors was laid down ***(Section 10A).*** The members were required to have special knowledge in the field of banking.
ii. Banking company required to be maintained by a whole time chairman (Section 10B)
iii. The interest of depositors was mandated to be considered before arriving at any decision. The power to monitor the same was bestowed with Reserve Bank of India ***(Section 21).***
iv. Provisions related to audit were inserted ***(Section 30)***
v. A separate chapter on prohibition of certain activities in relation to banking companies was inserted as Part IIB covering ***sections 36AD to 36AJ***. The banks were prohibited from advancing loans to directors or company having substantial interest.
vi. The power of superintendence and control of Reserve bank on both public and private sector banks was enlarged.
vii. Fifth Schedule was inserted.

Nationalization of Banks

It began with the nationalization of fourteen major lenders below then Prime Minister Mrs. Gandhi that at the time accounted for eighty-five percent of the country's bank deposits. Six additional banks were later nationalized in 1980[17]. Despite bank disposition, despite the Banking Regulation Act of 1949, disposition to rural and tiny lenders was extremely low in the past compared to business.

Industrial banks' business disposition nearly doubled in between 1951-1968, with agriculture accounting for less than 2% to 34%[18]. During a time of large businesses dominating credit profiles, nationalization was mainly intended to stimulate the priority sectors. On July 19, India marks the 50th anniversary of bank nationalization. As the deadline looms, debates are raging over the achievements and shortcomings of the monetary coaching programme, which started in the dark of night on July 19, 1969.

It nationalized fourteen big lenders under then-Prime Minister Indira Gandhi's watch and managed 85% of the country's deposits at the time[19]. The Government nationalized the fourteen largest industrial banks on 19th July by the Banking establishments (Acquisition and Transfer) Ordinance 1969.

---

17 Dr. Mamta Ratti, 'Indian Financial System & Indian Banking Sector: A Descriptive Research Study' https://www.academia.edu/5374011/Indian_Financial_System_and_Indian_Banking_Sector_A_Descriptive_Research_Study, accessed on 25 may, 2021.

18 Financial Express,'50 years of bank nationalisation: What it means, why banks were nationalised' https://www.financialexpress.com/industry/banking-finance/50-years-of-bank-nationalisation-what-it-means-why-banks-were-nationalised/1647292/ ,accessed on 25 may, 2021.

19 M.S. Sriram, 'Bank Nationalization Stands The Test Of Time' (mint, 2021) https://www.livemint.com/industry/banking/bank-nationalization-stands-the-test-of-time-1563730076513.html accessed 22 May 2021.

Other Forms of Social Control in Banking

This is an image for presidency bailouts, within which government monetary help is provided to banks or alternative monetary establishments that seem to get on the verge of collapse. The banks are afraid not only that they will go bankrupt but that their failure will have an economic ripple effect. The Asian nation incorporates a long history of public and personal banks. With the establishment of the country Agency House in the city and Bombay in the Middle Ages, modern banking in the Asian nation started.

Three Presidency Banks were founded in the first half of the nineteenth century. When the financial obligation was introduced in 1860, non-public banks started to look into it, and international banks joined the market. Early in the nineteenth century, joint-stock banks were founded. The Imperial Bank of Asian nation was established in 1935 when the Presidential Banks joined to establish the Imperial Bank of Asian nation, later renamed the State bank of India. Some banks divert funds to giant and medium-sized businesses while not requesting correct protection.

Bank branches were opened solely in giant cities. The rural area was neglected. Banks discriminated between the non-public sector and the public sector in rural and concrete areas and agriculture, trade, and business. Banks supported the posh product-producing industries. The govt. felt that this sort of development wasn't in line with designing. Growth appeared to be profaned in several respects. The demand for bank loans for the event of agriculture, business, and self-employment has raised.

So the banking industry has to attract savings. Therefore, the govt. accomplished the requirement for social banking against capitalist banking. The Community management Program was introduced in 1967. The govt. enacted the Banking regulation Act in 1968[20]. A National Debt Council was established by the government in 1968. The Chairperson of the Board is the Minister of Finance and the Deputy Chairperson of the Board is the Governor of the Reserve Bank of the India.

[20] 'BANKING LAWS (AMENDMENT) ACT, 1968 [REPEALED]' (Indianlegislation.in, 2021) http://www.indianlegislation.in/BA/BaActToc.aspx?actid=31954 accessed 24 May 2021.

Key Functions of the Board:

i. Estimating the amount of debt needed for the general economy.
ii. Give pointers for disbursement of credit to the priority sector.
iii. making certain that debt is equally distributed within the economy.

Social Control and Economic Progress

The situation of the banking sector which was prevailing in India till 1968 depicted a stronger stress on security-based category. "Purpose" was secondary here. Till 1968, SBI and its Associate Banks were controlled by the Government of India. Other partners were in league with SBI and only the remainder were controlled by people themselves (privately).

1. **Investment:**

This sector saw the socialization of SBI in 1968. Industrial banks were seen as agents of bank transformation and group action. This era saw the birth and growth of what's currently referred to as bank-run credit. The depository financial institution saw it is fast unfolding to remote elements of the country, throughout that several financial condition alleviation and job creation schemes were sought-after to be enforced by the industrial banks.

Therefore, this era was characterized as the death of the non-public bank and therefore the dominance of the community bank over industrial banking. The fact that banks are socially responsible, but not other social organizations, is not widely appreciated. This era saw the emergence of the Regional Rural Bank (RRBS) and NABARD in 1975-1982, the number of unplanned banks remittent from 210 to only 4 banks[21].As explained above, the rise within the variety of planned banks was because of the emergence of RRBS. Fifteen years following the nationalization of the banks in 1969, the enlargement of the banks dominated the pace of breaking a path. 50,000 bank branches were set up; 1 / 4 of those branches were established in towns and cities[22].

[21] (Mgncre.org, 2021) http://www.mgncre.org/pdf/publication/BOOK%204%20-%20RM.pdf accessed 23 may, 2021.
[22] Ibid

Throughout the century, a unique shift in the significance of the gap occurred as the Indian banking industry gained a broader mass base and emerged as a crucial agent of economic recovery and growth. As a result of this expansion came ineptitude and a loss of managerial control over a large number of offices.

Furthermore, the availability of retail disposal to unsound places at low-interest rates increased costs, impacted the quality of banks' investments, and stifled earnings. Since banks' competitive success was poor, customer service became the smallest volume of an obtainable artifact. As banks/bankers began to measure their performance by the growth of their deposits, improvements, and other objectives, the quality began to suffer.

Statistical Data:

Branch enlargement from 1969 to 1991[23]:

Year	Total No. of Branches	Rural Branches	Semi-Urban Branches
1969	8262	1833	3342
1980	32419	5105	8122
1991	60,220	35206	11,344

In the table, it is aforesaid from 1969 to 1991 the entire variety of bank branches raised octuplet. A lot of this increase was because of the agricultural branches, Branches located in rural and semi-urban areas have grown from 22 and 4 percent respectively in 1969 to 45 percent in 1969, 25 percent in 1980, 58 percent in 1991, and 18 percent in 1991.

The impact of this distinctive growth was to scale back the population. The banking industry so took on a wider mass base and emerged as a crucial tool for socio-economic amendment. This success, however, is not without cost and merit. Despite fast branch enlargement and intensive geographical protection, oversight and management lines are extended on the far side at the optimum level and weakened.

\

23 Suman Vishwakarma,' Social Control over Banking' https://www.academia.edu/4808740/Social_control_over_banking2 accessed on 25 may, 2021.

Employment:

One of the most reasons cited for nationalization in 1969 was the low level of credit for small businesses: thus, whereas public sector banks give comparatively low credit to SSIs, non-public banks area unit even worse off. Within the next section, we are going to examine the impact of bank possession on bank disposition. Bank Owner and Credit Allocation In addition to the loans by the government to underdeveloped sectors including small-scale industry, agriculture and backward areas, one of the main reasons for the nationalization of Indian banks was a failure to control the capital.

Public and private sector banks were required by March 1979 to provide at least a third of their total improvements to the priority sector even if they did not have ownership. This was the directive from the Reserve Bank of India in 1974. In 1980, it was declared that this allocation would be raised to forty percent by March 1985. Sub-targets were conjointly mentioned to supply credit to weaker sectors in the agriculture and priority sectors. Since public and personal banks face an equivalent regulation, we tend to specialize in however this class has affected owner credit allocation. Private Banks and nationalized banks aren't always easy to compare, as failing banks are often tied to nationalized banks, which voids any comparison between nationalized banks and non-nationalized banks.

RBI And Other Banks Under RTI Act

The reserve bank of India comes under the public authority, as per right to information act 2005. A public authority, such as the RBI and other banks, is required by law to provide the applicants with information regarding inspection reports and other supporting documents. From the preamble and various provisions of the RTI law, it can be seen that the ultimate intention is to achieve transparency and accountability in state and local governments, a definition of which must be liberally construed in order to accomplish the law's objectives. Public authorities are not entitled to immunity under the RTI Act for releasing so-called third-party documents/information since, under this law, larger public interests outweigh private commercial interests.

Thus, RBI had an obligation to reveal information that was deposited with it under the banking regulation Act by a third party. Let us analyze a landmark judgement concerning about revealing information in the interest of general public.

- **Reserve Bank of India v. Mistry**[24]

  Facts of the case-

  On a regular basis, the (RBI) audits and gathers data from different banks. Under the Right to Information Act of 2005 (the "RTI Act"), the respondents sought information from the RBI's Central Public Information Officer and the National Bank of Agriculture and Rural Development. This information included the names of the top bank fraudsters, fines, and bank fines. More detail was sought on inspection rules and legislation, records on cooperative banks that had gone into liquidation, and bank offences. The RBI declined to supply the material, claiming that it was classified and that it had already received under fiduciary capacity.

  Issue raised-

  It was before the Court in this case whether the Reserve Bank of India, as well as other banks, can refuse to provide information under the Right to Information Act based on economic interest, commercial confidence, and fiduciary relationships with other banks, on one hand, and public interest on the other.

  Arguments involved-

  The Reserve Bank of India functions as a regulatory body for controlling the country's money supply under the Reserve Bank of India Act 1934. In situations of public concern, Section 28 of the Banking Regulation Act of 1949 requires the RBI to provide details in consolidated form. The RBI inspects a substantial number of banks under Section 35 of the Banking Regulations Act of 1949.

  The RBI has access to sensitive information collected by officers during investigations as part of its supervision and supervising role. The RBI can reveal this information only if it is required in the public interest. Because of its function as a financial sector watchdog, the RBI's credibility is unquestionable. The Claimant quoted the preamble's key point and concluded that openness is the most important feature for a democracy's safe functioning. Section 22 of the RTI Act will circumvent all laws, including the Official Secrets Act of 1923.

[24] Reserve Bank of India v. Mistry ,AIR 2016 SC 1

Judgement and analysis-

The Judiciary detailed the proceedings that were originally argued when the RTI Act bill was uncovered. The Supreme Court held that revealing such details regarding the public interest is acceptable because it outweighs the possible damage to government officials. It is necessary to include all required information to people, taking into account all facets of accountability and their consequences. It was determined that the RBI should not put itself in a fiduciary position, as argued by the bank's Lawyer.

The Supreme Court's decision is important because of the reasons it gives for the orders it issues. Following the ruling, the RBI was under enormous pressure to reveal details under the RTI Act's provisions. The RBI was required to include reports on their routine inspections and was also requested to meet with requests for details on commercial bank and company audits. Even if it is important in some cases to offer information to individuals, it cannot be denied that the dangers involved with doing so can be tragic and intolerable. The capacity for hurt and misinterpretation of knowledge by the general public is clear.

Effect of Covid-19 on the Banking Control System

Banks are undoubtedly overburdened as a result of the recent Covid flare-up (COVID-19). Borrowers and companies are facing job losses, eased back offers, and diminishing benefits as the virus spreads across the world. Banking customers will most likely start searching for financial help. In order to deal with Covid's immediate financial effect, institutions should have a plan in place to safeguard personnel and customers against its growth. Many banks are also beginning to accept such leaders' remote roles. Clients who are apprehensive about spending time and money in crowded public locations should have a direct funding plan in place.

Covid-19 – Powering the Development Towards Computerized Banking

Government departments and banks are planning for the transition to computerized banking by taking major steps. If the Covid-19 raises the necessity for enhanced financial management, the buyers' digitalization desire is nothing new. Nor are they unhappy with the hot excursions they frequently experience while trying to conclude an online discussion. A new Lightico research[25] shows that 56 percent of bankers claim that web financial communications have been transferred to physical places. In addition, 48 percent said that print, sign, and email documents were approached while web banking.

PRIVATIZATION OF BANKS

After facing the great economic crisis in the 1980s, it became very important to reform the Indian banking sector as Banks hold the largest flow of capital in the market. These reforms resulted in the privatization of banks. So, the process of Privatization of banks primarily has its roots in the period of 1980s and 1990s, when the policies of liberalization were introduced in India. Some private banks like Global Trust Banks, HDFC, ICICI, and OBC, etc. were granted a license. But one of the prominent factors behind adopting the policy of Privatization was the report of the Narsimham Committee. Thereafter, the allowance of FDI in the Indian banking system became the next game-changing step in the banking sector. As per the govt. policies especially after 2019; many PSBs are also expected to be privatized.

---

[25] Asli Demirguc-Kunt, Alvaro Pedraza & Claudia Ruiz-Ortega, Banking Sector Performance During the COVID-19 Crisis Open Knowledge Repository (2020), https://openknowledge.worldbank.org/handle/10986/34369 , accessed on 23 may, 2021.

The union budget of 2021 also announced that 2 PSBs will be privatized. So, after a long period of Social Control over the banking system, the current policies are favoring private control over it. The PSBs, though worked as a boon on the Indian Economy, have started showing various adverse results because of the huge amount of NPAs.[26] So the NPA is creating very adverse effects on the economy. In order to tackle this problem, the Private Sector Banks are emerging on a greater scale.

Though, privatization is seen to be affecting employment[27]. But the rights of employees are still secured by judicial approaches as observed in a judgment of Allahabad High Court[28], in which it stated that banks cannot just hire and fire the workers. It must be noted that there are still many nationalized banks. Along with this, because of the control of RBI, the private banks cannot be terms as fully autonomous. The process of privatizing the banks is yet to face many legal and economic challenges because the very basic reason for imposing social control in the banking sector is so important that excessive privatization may affect with a great economic imbalance in the market.

[26] Charan Singh, "An essay on banking and macroeconomics: role of Public Sector Banks in India" (2016)
[27] S. Ghosh, 'Partial Privatization, lending relationships executive compensation: evidence from Indian State-Owned Banks' (2016) SAJGBR 5(1), 125
[28] U.P. State Sugar Corporation Employees Association and ors. V. State of U.P. & Ors. [2010] SCC Online ALL 1303

Recent Initiatives in Banking Sector:

1. **Bank Board Bureau[29]:** It started its functioning on 1st April 2016. It is an autonomous body which is grouped to help banks in developing and raising capital, improving the governance of PSU's, and recommending the selection of chiefs of government owned banks. This bureau consists of 3 ex-officio members and 3 expert members and one chairman. It was a major step in reforming the banking sector and revamping the public sector banks in particular.

2. **Producer's Development and Upliftment (PRODUCE)[30] :** In 2014-15 budget, the government of India announced a budget allocation of 200 crores to NABARD in which 800 producers organization have to be promoted in 2014 – 2015 and 1200 producers organization have to be promoted in 2015 – 2016. Its main objective was to nurture the PO's by providing them financial and non-financial support at their initial stage. This step helped farmers a lot in making them credit worthy, commercially vibrant and supporting new FPO's.

3. **The Negotiable Instruments (Amendment) Act, 2015[31]:** This amendment came into force 15th June 2015 and focused mainly on clarifying the jurisdiction for the cases filed under Section 138 of NI Act. The language, being unambiguous and clear, leaves no doubt among the citizens and courts with regards to the Section 138 of Negotiable instrument Act.

4. **The Payment and Settlement Systems (Amendment) Act, 2015[32]:** This amendment received the president assent on 27 April 2015. It came into force to address the problem of transparency in the insolvency problems. It brought stability in the Indian financial market in sync with the global accepted norms.

---

[29] 'Initiative (Banking) | Department Of Financial Services | Ministry Of Finance | Government Of India' (Financialservices.gov.in, 2021) https://financialservices.gov.in/project/new-initiatives-01 accessed 23 May 2021.
[30] Ibid
[31] Ibid
[32] Ibid

5. **Regional Rural Banks (Amendments) Act, 2015[33]:** RRBs now collect money from sources other than their current shareholders, such as the central and state governments, as well as sponsor banks. This ensures adequate institutional credit for the rural and agricultural sectors while also providing an alternative to cooperative credit.

6. **NEFT IS NOW FREE OF CHARGE AND 24*7:** Giving a huge relaxation to Indian citizens, Indian government recently announced the NEFT transaction to be free of charge and would be made available 24*7 to the people.

7. **MERGERS OF BANKS:** Recently government approved the merger of 10 banks into 4 banks, named, Union Bank of India, Canara Bank, Indian bank, Punjab National Bank. This will increase the lending capacity of the PSU's and can globally compete with their operational efficiency.

[33] Ibid

Social Control of Banking During Pandemic

Banking sector during the pandemic: The Banking sector is to be considered to be the custodian of savings and powerful institutions to provide credit. By accumulating the deposits and providing loans to the citizens, when required, they mobilize the resources of the country to all the sections of the country. India witnessed a tragedy in the Banking sector during the pandemic. The central government imposed lockdown after lockdown and it abruptly brought down all the commercial activities to a standstill.

The Banking sector has faced serious challenges during the pandemic to survive. Immediate lockdown, severe decrease in demand, low income of people, business shutdown, and very little deposit has made the survival of business a lot worse. Banking sector, for the first time in the last 2 decades have faced a moratorium imposed by RBI on Private sector banks. Due to the shutting of banks, people are losing faith in the Indian banking system.

Social control on the Banks: From the year 1955, when the SBI was nationalized, it was seen that the major banks are providing big loans and advances only to the big enterprises. As the chairmen of these banks were industrialists, they were only favoring those with which they are connected. So in 1969, a scheme of social control was introduced in Banking Laws Amendment Act to remove the deficiencies found in the banking sector.

According to Moraji Desai, the main aim of social control is ***"to regulate our social control and economic life so as to attain optimum growth rate for our economy and to prevent at the same time monopolistic trend, concentration of economic power and misdirection of resources"***. Customers of banking institutions are likely to request financial assistance. Pandemics have a clear effect on financial structures because of their immense economic costs. In this pandemic, people are losing faith in Indian Banking entities so it becomes important for the government to increase social control on banks.

Conclusion and the Way Forward

The banks along with the government have to make a path-breaking strategy to revive and control the economy. The banks should use this pandemic as an opportunity and bring long-term strategic initiatives to boost the banking sector. As most Indians still continue with physical banking, the banks should encourage its customers towards online banking. And even if the customers are approaching the bank physically, then they should adhere to the proper Covid 19 guidelines and must ensure social distancing.

Banks also need to change their viewpoint with regards to the revenue distribution due to the increase in NPA's, reduced ability to spend, and low interest of income. They need to make a strategy that is more effective and customer friendly. Banks should help their customers in educating them to migrate to the digital process of banking rather than the physical process of banking.

Banking Regulation Act 1949 was affirmed to regulate the banking firm and the cooperative banking sector. For its smooth function, there were number of amendments made at some point of time. In terms of social control, The BR Act has made the banking in India more secure and has given the power to RBI to only give recognition of banking institution, only if they fulfill the criteria mentioned therein.

The banking operations have been hampered throughout the world due to the worldwide spread of covid-19. To recover from such a tragedy, the banks need to adopt a new strategic approach to regain their old strength. This outbreak set an unprecedented shock to the Indian economy. Banks should turn this threat into an opportunity by using technology as a tool and build an infrastructure so as to adopt a new phase of banking by using digital banking.

In this paper, we aimed to show the Banking sector of India along with the amendment made into the laws of banking, how the theory of social control affects the banking sector during and post COVID-19 times and finally, initiatives were taken to evolve the current banking sector.