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INDIAN COOPERATIVE REVIEW publishes articles having a bearing on current topics and problems of the Cooperative Movement. The authors, suggest solutions from their own point of view. The views contained in the articles are, therefore, the views of the authors themselves and do not necessarily reflect the policy of the National Cooperative Union of India. Views opposite to those contained in the articles published in the Journal would be welcomed for publication.—Editor

Cooperative Inventiveness in Local Economic Development : Analysis of the Development Initiatives of Palliyakkal Service Cooperative Bank in Kerala

JOSEPH M.K*

Abstract

The truncated productivity in the farming sector coupled with a reduced employment opportunities for the labour class had negatively affected the financial performance of Palliyakkal Service Cooperative Bank (PSCB), but in the year 2000, the organization had been stimulated by its cooperative leadership which responded to the socio-economic challenges of the people by extending the services in manifold fields of local economic development with a renewed vision of "Achieving local self-sufficiency in primary production and to ensure local food security for the people in the operational area of the cooperative society". Self-help groups are formed in several sectors which are significant in realizing the aforesaid vision. Cooperative self-help groups of Pokkali farmers, fruits & vegetable producers, dairy farmers, poultry farmers, and fish farmers are organized and supported by the bank for the past 19 years. A distinctive initiative of PSCB is the promotion of Pokkali farming in the locality. PSCB has organised the farmers to scale up the cultivation of Pokkali rice by providing interest free loan and marketing support. Pokkali rice has been awarded the status of Geographical Indication (GI) which grants the exclusive global right to the concerned

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farmers to cultivate Pokkali rice and sell the finished product in the brand name of Pokkali, the world over. It is observed that a rural cooperative bank is taking up active cooperative leadership in organizing the local community to achieve sustainable local economic development.

1.0 Introduction

A cooperative is an autonomous association of women and men, who unite voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ILO, 2002) Cooperatives are member based organizations working on the principles of self-help and mutual help for the economic well-being of the members. The people oriented cooperatives extend their activities to realize the common economic, social, and cultural needs and aspirations of the people. One of the principles of cooperatives, "*concern for community*" prompts the cooperative organizations to work for the local development through various programmes.

The role of the leaders in a cooperative organization is to provide appropriate direction and motivation to their fellow-cooperators in achieving their socio-economic objectives based on the motto of "Each for All and All for Each". The cooperative leaders have to formulate and implement suitable policies and programmes which are beneficial for the stake holders of the organization as well as to empower the members that the cooperative could provide solutions to their socio-economic problems through the collaborative and cooperative efforts of the members.

In the present globalized era when many people experience the powerlessness to change their lives, cooperatives represent a strong, vibrant, and viable economic alternative to top-down development policies. As cooperatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection. (Bello, 2005 cited in, Berhan and Gebeyehu, 2018). Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Gertler, 2001 cited in, Berhan and Gebeyehu, 2018) As a viable economic alternative based on ethical values and community welfare, cooperatives can play proactive role in local economic development (LED). International Labour Organization has conceived LED as "a participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of common development strategy, by making use of the local resources and competitive advantage in a global context with the final objective of creating decent jobs and stimulating economic activity" (ILO, 2002)

This case study is an analysis of the context as well as the process undertaken by the Director Board of the Palliyakkal Service Cooperative Bank (PSCB) in providing a renewed vision for the organization and how they have implemented socio-economic programmes to achieve the agenda of sustainable local economic development.

2.0 Appraisal of the revival process of Palliyakkal Service Cooperative Bank (PSCB)

Palliyakkal Service Cooperative Bank Ltd. No. 2232, is a primary cooperative society formed in 1943. The operational area of the Palliyakkal Service Cooperative Bank (PSCB) comprised of the seven wards of *Ezhikkara Grama Panchayath* in Ernakulum district, Kerala. From its inception, similar to any primary credit cooperative society, PSCB also had been transacting the traditional business of banking as a dealer in money, accepting deposits and lending to members as authorised under the Cooperative Act and Rules.

Ezhikkara is an agrarian village traditionally known for Pokkali rice cultivation. The livelihood of most of the people in the area is dependent on agriculture and allied sectors. The main source of income for the farmers is from the *pokkali* rice-fish rotational farming practices adopted in the traditional paddy fields of the region. The decreasing rate of return from the Pokkali rice farming, increasing labour charges and the climate change related issues have severely reduced the Pokkali rice farming in the locality. This in turn has affected the yield from fish farming too because agriculture waste from the paddy field is a necessary support system for sustainable fish farming. The aforesaid problems in the farming sector at Ezhikkara along with the lower level of employment opportunities for the labour class have negatively affected the financial performance of the Palliyakkal Service Cooperative Bank with less demand for financial services. PSCB had come up with very poor financial performance and on several occasions faced the threat of liquidation.

The Board of directors of PSCB had thoroughly reviewed the declining performance of the bank and decided to make the people aware of the situation. During the period 199-2001, they had organised intensive awareness programs for the members of the cooperative society as well as for the general public about the challenges faced by the bank and the problems encountered by the agrarian community in the locality. As a progressive outcome of that interface with people, the Board of Directors has formulated a strategic plan with a goal of ensuring sustainable local economic development.

The participatory process of grass root level consultation and problem analysis had helped the cooperative society to prepare people oriented development plan to address the felt needs of the people. The renewed vision plan of the PSCB stated that along with the goal of providing inclusive financial services to the people, the agency would venture into addressing the challenges in attaining local self sufficiency in production and to ensure local food security for the people in the operational area of the cooperative society. The strategic plan has visualised various action programmes to support the farming sector, to increase the capability of the members of the cooperatives and their families, to increase the employment and income of the local community, to implement innovative agricultural practices among the farmers and enhance the production and productivity of their produces and to organize the farmers and labourers through cooperative efforts to augment the local production in the area. (PSCB, 2017b)

2.1 *Formation of Cooperative Self Help Groups: Tool for local economic development*

The self-help group movement is considered as an innovation in the field of rural development in many developing nations including India to help the resource poor people to get themselves organised and have access to credit and other resources for fetching their livelihood and economic sustainability. (TNCDW, 2007) The concept of self-help groups had its origin in the cooperative philosophy of “all for each and each for all”. National Bank for Agriculture and Rural Development (NABARD) has facilitated the expansion of micro-credit through the promotion of self-help groups in the county as successful strategy of social sector intervention for poverty alleviation and livelihood enhancement among the resource poor people. The primary agriculture cooperative credit societies are encouraged to facilitate bank and credit linkages to the self-help groups.

Palliyakkal Service Cooperative Bank has applied the same strategy in a comprehensive manner through the formation of self-help groups under the aegis of the bank. The community based groups of farmers are formed and affiliated to the bank. These groups are continuously facilitated by training, capacity building programs, affordable credit facilities and with forward and backward linkages for improving the agriculture production. The bank has promoted organic farming, extended services to farmers for better production and productivity. Facilities for collection of products and distribution are also arranged. Better price for products to farmers is also assured. Bank has its own distribution centre of seeds, seedlings, organic manures, organic pesticides, etc. and service of machine and menpower under the farmers service centre. The bank has built a poly house for production of seedlings and vegetables. A centre for collection and marketing of vegetables and fruits is another milestone in the service side. Milk, flower, eggs etc. are also collected from the farmers and locally marketed for the best advantages of the farmers. Saving and credit facilities are offered as per the norms of cooperative banks. The prevailing interest rate of loan for all agricultural activities is at four percentage, but for paddy cultivation the interest free loan is offered by the bank as an incentive to promote *pokkali* rice farming. (PSCB, 2017a)

The Director Board has demonstrated effective leadership over the past 19 years in implementing the action programs visualised in the strategic plan to achieve the sustainable local economic development agenda. Self-help groups are formed in seven sectors which are significant in creating local food security and local self-sufficiency in primary production. Cooperative self-help groups of pokkali farmers, fruits & vegetable producers, bush jasmine growers, dairy farmers, poultry farmers, medicinal plants growers and fish farmers are organized and supported by the bank over the years. (PSCB, 2017b)

2.2 *Situational Analysis of Cooperative self-help groups affiliated to PSCB*

About 58 farmers under seven self-help group of farmers engaged in *vegetable and fruits production* have been in the field for the last 18 years. They have been producing several vegetables and different types of bananas in their farms. The products are collected and marketed by the bank which has created an assured market for the farmers engaged in vegetable and fruits production. PSCB has been providing the technical and financial support for the groups over the years and the marketing wing of the bank has collected fruits and vegetables to the tune of Rs. 16.70 lacs, Rs. 49.80 lacks and Rs. 34.91 lacs in the years 2015-16, 2016-17 & 2017-18 respectively and sold in the farmers market functioning in the premises of the bank. (PSCB, 2018)

Following the ideology of local self-sufficiency in milk production and local food security, the bank has promoted the cooperative self-help groups of dairy farmers. About 36 farmers working under four self-help groups are engaged in dairy farming in the locality. The bank has undertaken the responsibility of collecting, packing and distributing the milk which has created an independent unit of milk collection and sales in the local market. In addition to the financial services, insurance services, investment subsidies and training in dairy farming have been provided to support the farmer groups. PSCB has become the unique agency which gives the highest price to the farmers who supply milk to the cooperative society in comparison to the major milk marketing organizations operating in the region. The dairy processing unit of the bank has transacted dairy related business to the tune of Rs. 97.31 lacs, Rs. 74.63 lacs and Rs.81.96. lacs in the years 2015-16, 2016-17 & 2017-18 respectively. The bank has been providing incentives and production bonus to the farmers to protect the interest of dairy farmers in the locality since dairy farming is a major livelihood opportunity for many marginal farmers. Besides this, agriculture especially organic farming requires organic manure where household dairy farming is a sustainable source for supply of organic inputs for farming. (PSCB, 2018)

The most inspiring initiative of Palliyakkal Service Cooperative Bank (PSCB) is the preservation and promotion of *pokkali farming* in the region. *Kokkali* is a unique variety of rice that is cultivated in an organic way in the water logged coastal regions of Ernakulum, Alappuzha and Thrissur districts of Kerala extending a total area of 5,500 ha. *Pokkali rice* is being cultivated for the past 3000 years. It is also among the oldest known crops cultivated organically in the world. *Pokkali* rice has been awarded the status of registered Geographical Indication (GI) by the Geographical Indications (GI) Registry Office, Chennai, and Tamil Nadu in the year 2008-2009. The GI registration permits the exclusive global right to the concerned farmers to cultivate *Pokkali* rice and sell the finished product in the brand name of Organic *Pokkali* the world over. The most demanding task taken up by the Palliyakkal Service Cooperative Bank is to organise the cooperative self-help group of *Pokkali* rice farmers. The majority of the land owners are not cultivating the *pokklai* land due to low profitability, labour issues and lack of premium price for *pokkali* rice. (PSCB, 2016)

PSCB has intervened in *pokkli farming* since 2002 and formed one self-help group of *Pokkali* farmers with 130 members. The PSCB is providing interest free loan for the *Pokklai* farmers and initiated collection, processing and marketing of *Pokkali* rice under the brand of Ezikkara *Pokkali* rice in the local markets in Kerala. The government of Kerala has given financial aid to PSCB to scale up the processing and marketing of Pokklai rice which is considered as a great recognition for agency's efforts to preserve the age old organic farming practice in paddy cultivation. (PSCB, 2018)

Eighty household women under five self-help groups of women are engaged in *floriculture*, cultivating bush jasmine and other flowers which are having seasonal demand in the state of Kerala. The group venture has produced flowers to the tune of Rs.2.48 lacs and Rs. 1.72 lacs in the years 2015-16 and 2016-17 respectively. The climate change and market fluctuations have drastically reduced their produces over the years and the groups could produce flowers worth of Rs.45000 only in the year 2017-18. (PSCB, 2018)

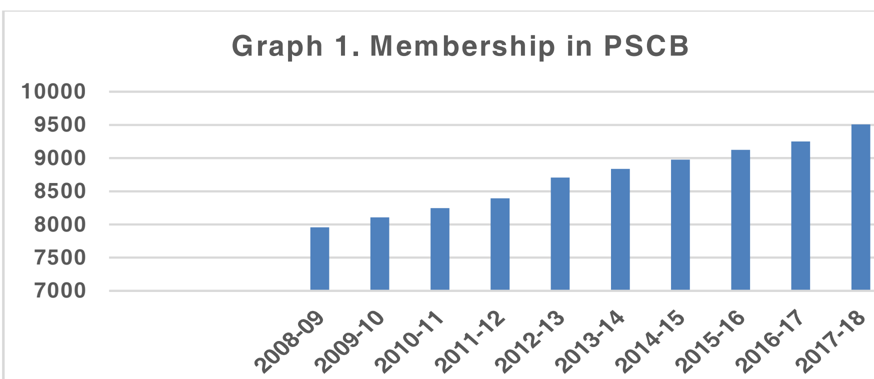
About 253 farmers organized under 13 self-help groups are engaged in production of chicken and duck eggs under the goal of local self-sufficiency in egg production. The groups have produced eggs worth of Rs.8 lacs, Rs. 40 lacs and Rs. 30 lacs in the years 2015-16, 2016-17, and 2017-18 respectively. A good quantity of the eggs produced is sold through the farmers market functioning at PSCB campus assuring market support for the poultry farmers. Inspite of the tight competition from the poultry farmers of neighbouring states, the PSCB could mobilise the farmers for the local production and to achieve self-sufficiency in egg production in the locality. (PSCB, 2018); Seventy three fish farmers are organised under three self-help groups. They are engaged in cage fishing as a innovate method in fish farming... (PSCB, 2018). These initiatives are aimed at scaling up all avenues of local production and local food sufficiency in the locality

PSCB has expanded its community engagement of the formation of cooperative self-help groups in other sectors of livelihood. A local vendors' self-help group formed in 2009 with 64 members, has enlarged with 90 members in 2018. The group has been given loan and overdraft facilities based on mutual guarantee scheme. The group members have benefited a lot by way of having the necessary working capital for their small business at affordable interest rates. Besides the programme has helped the local merchants to escape from the clutches of private money lenders who often charge exorbitant rates of interest. The income and saving of the group members have improved over the years as a long term outcome of the formation of the cooperative self-help groups of vendors. (PSCB, 2017a)

About 750 people are organised under 35 cooperative self-help groups with the continuous monitoring of the PSCB to realise the vision of local food sufficiency and local economic development by providing suitable livelihood opportunities for the people in the area.

2.3 *The financial performance of PSCB*

The following graph depicts the status of membership in PSCB for period 2008 to 2018. A gradual and steady increase is observed in the membership of cooperative bank over the years**.**



* *crafted from the data of Annual Report of Palliyakkal Service Cooperative Bank, 2017-18 (PSCB, 2018)*

The proactive engagement of the leadership of PSCB in the issues and concerns of the local community through the participatory process of problem analysis and formulation of strategic visioning for local food sufficiency and economic development has created increased interest in the local community to associate with the development projects of the bank and the over the years, the membership has increased with an annual increase of 1.8 % on an average.

Table 1

The Financial Performance of PSCB

Sl. No.	Year	Share capital (lakh)	% change	Deposit (lakh)	% change	Working Capital (lakh)	% change	Profit/ Loss (lakh)	% change
1	2008-09	83.08	-	1410	-	1843	-	10.57	-
2	2009-10	82.67	-0.50	1761	24.89	2084	13.08	10.83	2.46
3	2010-11	93.26	11.36	2112	19.93	2450	17.56	8.12	-25.02
4	2011-12	95.7	2.55	2564	21.40	3013	22.98	17.94	120.94
5	2012-13	105.7	9.46	3233	26.09	3721	23.50	29.28	63.21
6	2013-14	116.51	9.28	3657	13.11	3962	6.48	40.79	39.31
7	2014-15	150.94	22.81	4899	33.96	5086	28.37	53.70	31.65
8	2015-16	162.58	7.16	5595	14.21	5979	17.56	43.23	-19.50
9	2016-17	221.01	26.44	5727	2.36	6104	2.09	43.01	-0.51
10	2017-18	232.04	4.75	6169	7.72	7394	21.13	45.18	5.05
Average		**134.35**	**-**	**3712.7**	**-**	**4163.6**	**-**	**30.26**	**-**

**computed from the Annual Report of Palliyakkal Service Cooperative Bank,2017-18* (PSCB, 2018)

The share capital of PSCB has increased over the years and in the year 2016-17, 26.44 % increase is noticed over the previous year 2015-16 due to the various financial schemes initiated by the bank including the interest free loan for Pokkali farming, and other schemes with lower interest rates for livelihood programs of the cooperative self-help groups federated under the bank which has increased the membership as well as share capital of the bank. The deposits in the bank has also improved over the years indicating the confidence of the people with the local cooperative bank. The bank was able to mobilise more working capital during this period from the apex banks and other agencies during the period. The cooperative bank has gained an average profit for the period with the bank generating normal profit over the last ten years. The average profit for the last ten years is observed as Rs.30.26 lakh which in turn has increased the confidence of the members and general public to have enhanced financial business with PSCB.

2.4. ***Forthcoming plans of*** *PSCB* ***in development engagement***

In order to realise the dream of local food security, the agency is scaling up the primary production activities of the cooperative self-help groups affiliated with the agency. The completion of the flagship project of a modern rice mill for processing *Pokklai* rice is given importance since the processing, value addition and marketing of *Pokklai* rice shall scale the paddy production and augment the income of the farmers and workers in the region. The general body of the agency has given the permission to start a trial farm as an entry point activity for PSCB to harness the potential of agro tourism opportunities of the locality. The development of rural tourism services shall augment the local economic development of the region. (PSCB, 2018) PSCB has also visualised a *social work wing* for the agency to develop linkages and partnerships with students and faculty of academic and research institutions from India and aboard. The PSCB shall facilitate the field exposure programmes for students, rural sensitization camps for youth, rural immersion programmes and action research projects for, researchers and practitioners interested in sustainable local economic development. The development of proactive partnership with educational and research institutions is a new venture of PSCB to harness external human resources to promote local economic development of the area.

3.0 Achievements and development outcomes of PSCB

The 19 years of sustained struggles of PSCB has resulted in creating a unique distinctiveness and an effective model for other cooperative organizations to emulate in creating local economic development especially in the rural areas of India. From 2013 onwards consecutively, PSCB has bagged the award for the best model cooperative society, best SHG organization and the best Onam market in the North Paravur Circle of Cooperative Union in Kerala.

Recognizing the development initiatives of PSCB, the government of Kerala sanctioned financial support for developing a farmer service centre attached to the cooperative society to scale up the agriculture and allied activities in the region. A well trained food security team of 23 people are formed under farmer service centre project to provide labour as well as technical support for the agriculture activities in the region. The services of the food security team has been utilised by land owners and other agencies to scale up the agriculture activities. As part of special agricultural zone project, Govt. of Kerala has sanctioned Rs. 90 lakhs for setting up a modern rice mill for processing *Pokklai* rice. This is a flagship project of PSCB. The pokklai farmers in the nearby Panchayats shall also benefit from the proposed project. (PSCB, 2017a). The PSCB's initiatives in sustainable local economic development have captured excellent media attention and several reports are published especially regarding the promotion of cooperative self help groups in *Pokkali* farming in both print and visual media. University students and development practitioners from India and aboard have conducted field visits and short term studies about the initiatives of PSCB in local economic development. (PSCB, 2017a)

The improvement in the performance of PSCB is well reflected in the increase of share capital, working capital, deposits and loans. The new members are joining the organization every year to utilise various schemes of the bank and participate in the initiatives under the vision of local self sufficiency in primary production and conservation of *Pokkali* rice farming. About 9500 people of the locality are members of PSCB in the year 2018 and 22 percent growth is observed in the membership of PSCB from 2008 to 2018.

The cooperative self help groups of PSCB engaged in the primary sector activities are transacting their agro based business worth of Rs.3 crores on a yearly average, resulting in the generation of employment and enhancement of income resulting in local economic development The objectives of the need based production, production based development, increase in local employment and enhancement of family income are gradually being accomplished by the agency under the organised work of the cooperative self-help groups. The monitoring team of PSCB comprising of the board members, officials and well experienced community volunteers are providing the necessary guidance and motivation for the people in achieving the goal of sustainable local economic development. In addition to the quality improvement in local economic development, the initiatives of PSCB has created a spirit of unity and fellowship among the local community to utilize their physical and human resources for preserving as well as promoting sustainable agriculture and traditional cultural practices of the community.

4.0 Conclusion

Palliyakkal Service Cooperative Bank (PSCB) has demonstrated their cooperative inventiveness by responding to the socio-economic challenges faced by their members by shaping and implementing its renewed vision of achieving local self sufficiency in primary production and local food security. PSCB has successfully modelled the self-help group and micro-finance strategy in the cooperative sector by organizing cooperative self-help groups in significant sectors of local economic development. The unique initiative of PSCB, the promotion of *Pokkali farming* in the locality received the financial support of the state government in developing special agriculture zone for scaling up production of *Pokkali* rice which has acquired Geographical Indication (GI) status. Ardently practising the cooperative principle of "concern for community", PSCB has been implementing various development programmes to attain sustainable local development in conformity with the contemporary global theme of cooperatives; "Sustainable societies through cooperation".

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Regulatory Framework for Punitive Action—Rural Cooperative Banks Experiences and Way Forward

ARVIND KUMAR SRIVASTAVA*

The paper examines regulatory framework envisaged in the Banking Regulation Act, 1949 for the Cooperative banks in the country. The paper examines the experiences of punitive action taken by Reserve Bank of India in respect of Rural Cooperative Banks. It also highlights the need for more focussed attention by banks as they serve important sections of society. The paper also offers suggestions way forward to ensure compliance of regulatory prescriptions.

I. Banking System and the Regulator

The banking system in India is dominated by commercial banks with public sector banks occupying a significant position. There are many commercial banks also operating in the private sector which are making important contribution. These banks are having their presence across the country though there may be concentration of branches in some of the states. Cooperative banks have existed since independence of the country, they were brought within the purview of banking regulation only in the year 1966. Regional Rural Banks were established in 1975 to provide banking to masses with a local feel. Keeping in view, differentiated banking approach, small finance banks and payment banks have been brought into the banking system recently. A few local area banks and some foreign banks fill the remaining space of the banking system in the country.

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After independence, Banking Companies Act was enacted in the year 1949 to provide regulatory focus to banking companies. Reserve Bank of India (RBI), which was established in the year 1935 to secure monetary stability and to operate the credit system to the advantage of the country was entrusted the task of Regulator of the banking system. The Act empowers RBI with wide powers ranging from banks coming into being (Licensing), streamlining day to day operations with powers to control advances, control over management, power to issue directions and punitive powers to impose penalty. The Act was amended to bring the cooperative banks into its fold in the year 1966 and renamed as Banking Regulation Act. RBI acts as the Regulator of the banking system in the country.

As per constitutional arrangement, Government of India is only empowered to enact legislation on banking. While Banking Regulation Act has provided powers to RBI to regulate, the Act provides powers to Govt. of India to make rules regarding provisions in the Act, acquire banking undertakings and act as appellate authority in respect of many decisions taken by RBI. Further, Government of India has majority ownership stake in many banks viz. State Bank of India, public sector commercial banks and regional rural banks. As a result, some of the provisions of the Act have not been made applicable to these banks. Govt. of India is a key stakeholder in regulatory compliance by the banks.

The states have enacted laws for promotion and development of cooperatives in their states as per the needs and requirements of each state as envisaged in the Constitution of India. The Cooperative Banks are registered as cooperative societies in the states of their origin except multi state cooperative societies, which are registered with the Central Registrar, Government of India. The state government also has ownership stake in many of these banks. The Cooperatives Societies Act of the states provide immense powers to the state governments and Registrar of Cooperative Societies (a state government functionary) in relation to management and administration of cooperative societies (including cooperative banks). The Banking Regulation Act has been made applicable to cooperative banks in such manner so as not to infringe upon state government power in respect of such banks. The regulatory compliance by cooperative banks would require appreciation and pro-active support from the state government.

National Bank for Agriculture and Rural Development (NABARD) was created in the year 1982 with a view, inter-alia, to regulate credit in rural areas. NABARD was entrusted with various functions hitherto performed by RBI. These included statutory powers of inspection and calling for various information from rural cooperative banks (RCBs) and regional rural banks. NABARD is also engaged in institutional development of the banks under its fold. As such, NABARD is very closely linked to the functioning of these banks and over a period of time, it has emerged as the most authentic voice in relation to the state of affairs in these banks. The RCBs lend an ear to its voice and so NABARD's role is extremely important in ensuring regulatory compliance by RCBs.

II. Rural Cooperative Banks – Importance /Role in Banking System and for masses

Cooperative Banking structure

The cooperative banking structure in the country consists of urban cooperative banks and rural cooperative banks. The urban cooperative banks are basically primary credit cooperatives which have been permitted to undertake banking business. As they are located in urban or semi urban areas, they are referred as urban cooperative banks. Their area of operation may be limited to a particular area of a city or district and even extend to the entire state. Some of them have been permitted to operate even across many states. There were 1544 such banks as on March 2019 which varied in size, nature of operation and performance. Some of them even enjoy an enhanced status of a scheduled bank.

Rural cooperative banks consist of a state cooperative bank (StCB) in each state. State cooperative banks are also operating in some of the Union Territories. The District Central Cooperative Banks (DCCBs) exist at the district level in 20 states having three tier short term cooperative credit structure. There were 34 state cooperative banks and 363 DCCBs as on March 2019 in the country. Primary Agriculture Credit Societies (PACS) numbering around 95 thousand are grass root institutions affiliated to the DCCB or the StCB, as the case may.

Relevance of RCBs

Rural cooperative banks play an important role in the rural space of banking system of the country. However, it appears that they have not received much attention as their financial share in banking system was quite low at 3.31 % and 3.82% of deposits and advances respectively as on March 2019. The share of RCBs vis a vis other banks as on March 2019 was as indicated in Table 1:

It is a matter of concern that RCBs have not engaged due attention and have been losing even in their small share over the years. There is a feeling that this may be because they are not considered relevant an important part of the banking system. However, it must be kept in view that increasing share of commercial banks does not ensure services to areas catered by the RCBs.

Table 1
Share of RCBs vis a vis Other Banks - March 2019

(Rs. crore)

Sl. No.	Agency	Deposit	% to Total	Advances	% to Total	Credit Deposit Ratio (%)
1	Commercial Banks (includes SFBs)	1,28,87,262	90.26	97,09,829	90.82	75.3
2	RRBs	434445	3.04	269372	2.52	62.0
3	**Total (1+2)**	**13321707**	**93.30**	**9979201**	**93.34**	74.9
4	StCB	123534	0.87	131934	**1.23**	106.8
5	DCCB	347967	2.44	277079	2.59	79.6
6	**Rural Cooperative Banks (4+5)**	**471501**	**3.31**	**409013**	**3.82**	86.7
7	Urban Cooperative Banks	484316	3.39	303018	2.84	62.6
8	**Cooperative Sector (6+7)**	**955817**	**6.70**	**712031**	**6.66**	74.5
9	**Grand Total (3+8)**	**14277524**	**100.0**	**10691232**	**100.0**	**74.8**

Source : Trend and Progress of Banking in India, 2018-19, RBI (Figures relate to March 2018 for Rural Cooperative Banks)

The relevance of RCBs cannot be assessed based only on their share in the banking system. A large number of small and marginal farmers in the country are dependent on primary agriculture credit societies (PACS) for their banking needs. Though PACS are not regulated by RBI, they do accept deposits and provide loans to their members. PACS undertake all the banking activities through the affiliated banks. Besides, other primary level cooperative societies also undertake their financial activities through these banks. As such, the RCBs act as indirect banker to many individuals in the remotest corner. Further, in spite of massive expansion in outreach of commercial banks, about one lakh PACS operating in every nook and corner of the country continue to provide doorstep banking. The RCBs in the country were serving more than 12.13 crore (DCCBs - 11.31 crore and StCBs -0.82 Crore) depositors as on March 2019 and a large number of small borrowers. Moreover, the RCBs, particularly DCCBs have a very limited area of operation within a district or two. With the amalgamation of Regional Rural Banks, DCCBs are the only banking channel providing local feel and are best suited to take care of the local need.

Focus on RCBs

The constitution of Task Force by Govt. of India for revival of short term cooperative credit structure in the year 2004 marked a significant change in govt. orientation towards these banks. However, many of the RCBs were not even licensed though they have been carrying on banking activities for long and even brought under regulatory regime of RBI since 1966. There were only 86 (out of 402) RCBs licensed as on March, 2004. It was the recommendation of the Committee on Financial Sector Assessment that all banks should obtain a license before March 31, 2012 which brought the focus of attention to these banks. A number of initiatives were taken and liberalised norms were adopted for licensing of rural cooperative Banks. As a result, a number of banks were granted banking license over a period of time. The progress in licensing of Rural Cooperative Banks is shown as under (Table 2):

Table 2
Progress in Licensing of State and Central Cooperative Banks

Position as on	State Coop. Banks			Central Coop. Banks		
	Licensed	Unlicensed	Total	Licensed	Unlicensed	Total
31.3.2004	13	18	31	73	298	371
31.3.2009	14	17	31	75	296	371
31.3.2012	30	1	31	329	42	371
31.3.2019	33	1^	34	360	3	363
^ Daman Diu StCB on bifurcation						

Source : Annual Reports, NABARD

It may be observed from the Table that a large number of RCBs were licensed after March 2009 and almost all of them are now licensed by RBI.

III. Governance in RCBs and Punitive action

The governance of many of the RCBs has remained a cause of concern for the regulator and the RCBs have been cautioned to improve their operations. Even then in many cases, the operations of some of the RCBs has not provided comfort to RBI. The inspections of RCBs by NABARD has brought out that the affairs of the banks in some cases have been conducted in a manner which may not be in the interest of depositors. This has led to RBI prohibiting RCBs to accept fresh deposits for specified period and even imposing monetary penalties.

Punitive action plays an important part in ensuring compliance with the provisions of law or regulatory prescriptions. With this end in view, the Banking Regulation Act provides broadly or following types of action:

(A) Penal interest –rural cooperative banks are required to maintain cash reserve and certain percentage of their assets in the type of assets (commonly known as Statutory Liquidity Ratio) as stipulated by Reserve Bank of India. A scheduled cooperative bank is required to maintain cash reserve with RBI. The requirements of cash reserve in respect of non- scheduled cooperative banks and requirements of SLR (in respect of all types of banks) require them to keep cash/ assets in the manner prescribed by Act / RBI. In case a bank fails to comply with these stipulations, the banks are charged penal rate of interest for the shortfall at the rate of 3 % per annum above the bank rate which is increased to 5% above the Bank Rate in case of continuous default. Although the Act terms this as penal rate of interest, the spirit behind this is of penalty as the amount is payable to RBI which has not provided any accommodation nor the requirement to keep such cash (except Scheduled Bank) and assets with RBI. However, if RBI is satisfied about reasons for non – compliance, it has got powers not to make any demand in this regard. The related provisions are contained in Section 18 and 24 of the Act.

(B) Prohibition to accept fresh deposits – The banks are institutions which thrive on deposit and so continuous flow of deposit is essential for the very survival of a bank.

The Act empowers RBI to prohibit banks to accept fresh deposits in certain circumstances. The provision in this regard is contained in Section 35.

(C) Penalties -Penalties play an important part in ensuring compliance with the provisions of law or regulatory prescriptions. The Act provides for penalty in specified cases.

IV. Penalties under the Act

Banking Regulation Act, 1949 (Section 46) provides for levy of penalties in the following cases:-

(a) False statement or wilful omission - All those persons who make a false statement or wilfully omits to make a statement in any return, balance sheet or any information sought for the purposes of provisions of the Act can be penalised. The penalty includes imprisonment up to three years besides fine.

(b) Inspection and Scrutiny – RBI and NABARD have been empowered to conduct inspection of a rural cooperative bank as also to undertake a scrutiny of the affairs of bank or their books of accounts.

The officers and directors of the bank are obligated to furnish books, accounts and other documents to RBI / NABARD officials for this purpose. The failure in this regard attracts penalty.

(c) Acceptance of Deposits in violation of RBI order – RBI has got powers to prohibit banks to accept further deposits in case it is of the opinion that the bank is not conducting its affairs properly. Any acceptance of deposit in violation of the order attracts penalty.

(d) Contravention of other provisions of the Act or non-compliance with other requirements – In addition to specific reasons for penalty specified above, penalty can be levied If any other provision of this Act is contravened or if any default is made in complying with any requirement of the Act or of any order, rule or direction made or condition imposed under any such order or direction.

As indicated above (Penalties a tod), the Act provides for levy of penalty in respect of various kinds of contravention or default. The penalty prescribed under the Act was increased substantially with effect from January 2013. The penalty stipulated initially and the present position are as indicated in Table 3 :

V. Cognizance of Offences and RBI Power to Impose Penalty

The banks being financial institutions have an important function to perform for the country. It would be extremely difficult for them to operate if they are subjected to court procedures for alleged non-compliance with provisions of the Act by public at large. In order to insulate them from such a situation, the Act prohibits courts to take cognizance of any offence punishable under the Act except upon written complaint by RBI or NABARD.

This would require that RBI or NABARD would have to approach court each time to bring them to book. Understandably this would be a long drawn process. The Regulator (RBI) would also find it extremely difficult to ensure compliance with provisions of the Act and its prescriptions. In order to avoid such a situation, the Act was amended to empower RBI to impose monetary penalty on banks with effect from 01 February 1969. The powers of penalty are not available to NABARD.

An important nature of default is making a false statement or wilful omission to make a statement in any return, balance sheet or any information sought for the purposes of provisions of the Act. The penalty for this default, which also provides for imprisonment can be levied only through a court process.

In respect of all other nature of default attracting penalty, the Act

Table 3
Provisions relating to Penalty

Sl. No.	Nature of default	Stipulated Penalty	
		Prior to 18 January 2013	**With effect from 18 January 2013**
1	False statement or wilful omission to make a statement in any return, balance sheet or any information sought for the purposes of provisions of the Act	Imprisonment upto three years and fine	Imprisonment upto three years or with fine upto Rs. One crore rupees or both
2	Failure of officers and Directors of the bank obligated to furnish books, accounts and other documents to RBI / NABARD officials for inspection and scrutiny	Not exceeding Rs. two thousand in respect of each offence. If the contravention or default persists, a further penalty not exceeding Rs. One hundred for each day	Not exceeding Rs. 20 lakh in respect of each offence. if the contravention or default persists, a further penalty not exceeding Rs. 50 thousand for each day
3	Acceptance of Deposits in violation of RBI prohibition order	Not exceeding twice the amount of the deposits in respect of which such contravention was made	No Change
4	Contravention of other provisions of the Act or non-compliance with other requirements of the Act or of any order, rule or direction made or condition imposed under any such order or direction.	Not exceeding Rs. Fifty thousandor twice the amount involved in such contravention or default where such amount is quantifiable, whichever is more. Further penalty upto Rs two thousand five hundred for each day of default	Not exceeding Rs. one croreor twice the amount involved in such contravention or default where such amount is quantifiable, whichever is more. Further penalty upto Rs one lakhfor each day of default

empowers RBI to impose monetary penalty on banks. The extent of monetary penalty permitted to RBI is at par with the ceiling of penalties permissible under the Act. The details of these are as indicated in Table 4 below:-

VI. Exercise of Punitive Powers by RBI- Action against RCBs

RBI was empowered to impose penalties on banks around half a century ago (w.e.f. 1969) and it has been exercising its powers largely on commercial banks and urban cooperative banks. Incidentally, these banks are also inspected by RBI. Although, RCBs submit various statutory returns periodically to RBI, the imposition of penalty is an exercise which requires comprehensive information. Since the creation of NABARD in the year 1982, the task relating to inspection of RCBs has been entrusted to NABARD. As such, RBI has been relying primarily on NABARD inspection reports for

Table 4
Penalties under the Act and RBI power to impose Penalty – At a Glance

Sl. No.	Nature of default	Penalties under the Act	RBI power of penalty under the Act
1	False statement or wilful omission to make a statement in any return, balance sheet or any information sought for the purposes of provisions of the Act	Imprisonment upto three years or with fine upto Rs. One crore rupees or both	Not Applicable
2	Failure of officers and Directors of the bank obligated to furnish books, accounts and other documents to RBI / NABARD officials for inspection and scrutiny	Not exceeding Rs. 20 lakh in respect of each offence. if the contravention or default persists, a further penalty not exceeding Rs. 50 thousand for each day	To the extent indicated under the Act
3	Acceptance of Deposits in violation of RBI prohibition order	Not exceeding twice the amount of the deposits in respect of which such contravention was made	To the extent indicated under the Act
4	Contravention of other provisions of the Act or non-compliance with other requirements of the Act or of any order, rule or direction made or condition imposed under any such order or direction such as Know Your Customer Direction, etc.	Not exceeding Rs. one crore or twice the amount involved in such contravention or default where such amount is quantifiable, whichever is more. Further penalty up to Rs one lakh for each day of default	To the extent indicated under the Act

imposing penalty on RCBs. The exercise of such powers in case of RCBs is examined below:-

Penal Interest in case of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) default

In the past, there has not been much opportunity for RBI to exercise the punitive power as the RCBs were subjected to differential regulation requiring compliance far milder than other banks. The Act was also amended in the year 1984 which empowered RBI to exempt cooperative banks from the operation of provisions relating to Cash Reserve and SLR. Keeping in view the weak character of RCBs, RBI exempted from the compliance of these provisions from time to time. Further, the manner of compliance for SLR was laid down on different footing for DCCBs as their deposits with the State Cooperative Bank was reckoned for compliance with SLR.

The provisions of penal interest for default in cash reserve was introduced only in the year 2013 for non-scheduled banks. All DCCBs which form the dominant part of the rural cooperative banks are non - scheduled as also a substantial number of state cooperative banks were in non-scheduled category when this amendment was brought to book. Furthermore, RBI powers that it may not make any demand for penal interest (even in case of Scheduled Banks), subject to its satisfaction, has resulted in very few such demand made from rural cooperative banks in the past. However, a number of scheduled state cooperative banks could not comply with the requirements of additional CRR imposed in the wake of demonetisation in November 2016. With the online submission of returns, the scrutiny of compliance has become easier for RBI. This has resulted in RBI raising demand for penal interest from the banks in recent past. The bank's request for condonation of lapse is not being favoured by RBI and it has been insisting on payment of penal interest in case of shortfall by RCBs. Some of the weak DCCBs have even found it difficult to pay the entire amount of penal interest in lump sum forcing RBI to advise them to make suitable financial provision to discharge bank's liabilities on a future date.

As a part of RBI approach for uniform regulation for all banks, RCBs were also required to invest in govt. securities for compliance with SLR in the year 2014. A roadmap provided in this regard required them to switch over completely to govt. securities by March 2017. There was lack of awareness and capability with many of the RCBs which made it difficult for them to comply with the revised guidelines. RBI has levied penal interest on a number of RCBs.

Penalties by RBI

The Act empowers RBI to impose monetary penalties in case of failure of officers and directors of the bank to furnish books, etc. to RBI / NABARD officials for inspection and scrutiny. However, there has been no occasion to exercise such power as the RCBs have extended necessary cooperation to RBI/ NABARD in this regard.

There have been many weak RCBs operating in different parts of the country like Uttar Pradesh, Bihar, West Bengal, Jammu & Kashmir, etc. At times, some of the RCBs in these states were prohibited to accept fresh deposits. RCBs have generally abided by the prohibition orders of RBI. A few DCCBs even could not improve their position forcing RBI to cancel their banking licenses.

However, monetary penalty is an important punitive measure exercised by RBI against RCBs for last 15 years for contravention of other provisions of the Act or non-compliance with RBI's direction / order issued to the bank/s. This has been discussed in greater detail in following paragraphs.

Nature of violation and penalties

The penalty was imposed on a RCB for the first time in the year 2005. So far one State Cooperative Bank viz. Arunachal Pradesh StCB and 38 DCCBs have been penalised for amount ranging from Rs. fifty thousand to a maximum of Rs. five lakh only. All the penalties imposed by RBI are because of contravention of requirements of the Act or of order / direction, etc. issued by RBI to banks as provided for in Section 46 (4) of the Act.

An analysis of these penalties indicate that penalty has been imposed in large number of cases for non-compliance with KYC (29 banks out of total 39). The defaults committed by the banks were as indicated in Table 5:

Table5
Penalties on RCBs – Provisions violated

Sl. No.	Violation / Provision of BR Act	Number of banks
1	Instructions / guidelines issued by RBI in regard to KYC	29
2	Instructions / guidelines issued by RBI in regard to non-SLR investment.	2
3	Section 6	1*
4	Section 19	3^
5	Section 20	3*
6	Section 22(3)(b)	1
7	Section 27	1
8	Section 31	1^

* and^ - In both the cases, One bank violated both the Sections.

In order to ensure that banks undertake necessary efforts to focus on compliance with various provisions / instructions, which have been the reason for penalty, these are discussed in brief as under:-

1. ***Know Your Customer Direction -*** The prevention of money Laundering Rules, 2005 framed to give effect to the provisions of PML Act, 2002 casts certain responsibility on Regulator so as to ensure compliance by entities regulated by them. As a consequence, RBI has issued certain guidelines/directions to be complied with by

the banks. These instructions relate to the procedure of client due diligence, procedure and manner of maintaining information in respect of transaction, records relating to identity of clients, internal mechanism, etc.

2. ***Investment in Non-SLR –*** RBI has issued instructions to RCBs advising them about eligible investments, ceiling for certain investments and prohibiting them from making certain investments.

3. ***Prudential accounting norms related to provisioning against Non Performing Investments-*** RBI has issued instructions that investment should be categorised as non-performing investment on the same pattern as in case of advances.

4. ***Section 6 –*** The provisions permit banks to engage in some business in addition to banking. The banks should not engage in any business other than those permitted by the Act.

5. ***Section 19 –*** The provision restricts banks to hold their shares in any other cooperative society only to the extent and subject to conditions as specified by RBI. However, it has been observed that banks have invested their funds either without seeking RBI approval or exceeding the limit stipulated by RBI. Incidentally, many banks have not been able to liquidate those shares or write off the same.

6. ***Section 20 –*** The provisions restrict a cooperative bank to grant unsecured loans or advances to its directors as also to firms/ companies in which they are an interested party. Further, loans to any individual against the guarantee of a director is also prohibited. Besides, cooperative banks are also prohibited from remitting any debt payable by any of the past or present director or firm/ company where such director is an interested party. Any remission done by a cooperative bank of this nature has been made void and inconsequential.

7. ***Section 22 (3) (b) –*** The section relates to licensing of banks. The particular proviso (22(3) (b)) requires that the affairs of the bank should not be or are likely to be, conducted in a manner detrimental to the interests of its present or future depositors. This would depend on compliance with various regulatory, managerial and operational aspects of banking.

8. ***Section 27 -*** The provision requires banks to submit a monthly return. It also empowers RBI to call for other return and information from banks. NABARD has been extended the authority to call for return / information from RCBs. NABARD has prescribed various

off- site Surveillance Returns for submission by RCBs.

9. ***Section 31 –*** The provisions require publication of accounts and balance-sheet of the bank together with the auditor's report and submission of the copies as returns to the RBI and NABARD within specified time limit.

A list containing the name of banks, provisions of the Act or RBI instructions/ directions violated and amount of penalty imposed on RCBs is enclosed as Annexure I. The penalties imposed on banks is brought in public domain by RBI through a press release.

VII. Jurisdiction of RBI and Financial Intelligence Unit -India

The Financial Intelligence Unit- India (FIU-IND) has been established to implement the provisions of Prevention of Money Laundering Act, 2002. The Act provides for appointment of a Director to act as the head of the FIU-IND and confers various powers to him for ensuring compliance with the provisions of the Act. The powers of the Director, inter-alia, include power to conduct inquiry and levy a fine on banks for failure to comply with stipulations laid down in this regard. Incidentally, BR Act prohibits any court to take cognizance of offence for contravention of the provisions of the Act from anyone other than RBI and NABARD. As required under PML Act, RBI has been issuing directions/ guidelines to banks for implementation of requirements under the Act and even imposing penalty for non- compliance with such directions. Notwithstanding this, Director, FIU-IND has also been levying fine to banks. This has resulted into monetary penalty/ fine being levied by both RBI and Director, FIU – IND for similar violations. In this connection, it is worthwhile to make a reference of the decision of Appellate Tribunal, PMLA at New Delhi. In its decision on 05 September 2015 vide FPA/PMLA 551/ DLI/2014 in Allahabad Bank Ltd. versus Director, FIU-India, it was pleaded that RBI is the designated authority for banks under PML Act. In the instant case, it was argued that RBI has accepted the explanation provided by the bank and advised them to take caution and due care in handling such transactions. It was further argued that since the matter has been closed by RBI and so the Director, FIU-IND has no jurisdiction to initiate separate proceedings. However, it was decided that "While RBI has been empowered to issue guidelines under the Rules framed under the PMLA, it is the Director, FIU who is the sole authority to conduct inquiry and impose sanctions under section 13 of PMLA and for this purpose Director, FIU has been vested with the powers of a civil court under section 50 of PML Act. Imposition of fine by the Director, FIU-IMD under section 13 is a quasi-judicial function and cannot be discharged by the Regulator." The issue is likely to be further debated and settled in a court of law.

VIII. Failure of RCBs

The failure of a bank to repay the deposits shakes the faith of not only the depositors but the public at large in the banking system. It has to be kept in mind that RCBs cater to people of very low strata and large number of them continue to be the clientele of RCBs. These banks continue to be the lifeline of the small and marginal farmers. In case of DCCB, the entire district gets affected as all the cooperatives in the district are affiliated to it and borrow from them. So failure of such banks affect not only the depositors but the entire cooperative movement in the district. The liquidation of 6 DCCBs since the year 2005 is a case in point. Incidentally, all these liquidated banks operated in backward states (Bihar (3) and one each in Jharkhand, UP and Chhattisgarh) of the country where the level of financial inclusion has been quite low.

It is generally believed that in case of failure of a bank, the Deposit Insurance and Credit Guarantee Corporation (DICGC) would come to the rescue of depositors. However, it is difficult to get much solace as the share of insured deposits was only 44.5% of deposits in respect of cooperative banks. (Annual Report, DICGC, 2018-19). So a large number of depositors would lose their money in case of failure.

Way forward

Cooperatives enjoy an exalted status in the country and is the sole economic entity getting a mention in the constitution. The constitution enjoins upon the government to promote better functioning of cooperative societies as a directive principle of state policy. Not only this, the right to form cooperative has been accorded the status of a fundamental right. The RCBs continue to enjoy an important place notwithstanding not so significant share in the banking system. As RCBs deal primarily with rural clientele having focus on agriculture finance, they assume unique position in the banking system. Further, DCCBs being localised bank of a particular area, are the best suited to take care of local needs. In view of this, it is necessary that all stakeholders contribute to ensure strict compliance with the legislative obligations and regulatory prescriptions.

The state government plays an important role in managing the affairs of RCBs. The state government has substantial representation in the board of directors of the RCBs. In many cases, the government officials are acting as Chief Executives of the bank. The state government must build capacities of their officials dealing with RCBs and managing those banks. The sensitivity of the state government would go a long way in ensuring regulatory compliance by RCBs.

NABARD has taken a lead in strengthening the institution of RCBs over a long period of time. The inspection and periodical review of these banks has helped NABARD to understand their system better and created a rich knowledge base with its officials. It is also supporting these banks through a dedicated fund created for development of cooperatives. The insight and learnings gained from its experience can be disseminated among banks for their comprehensive understanding. A lot of ease in compliance can be secured through automation of the system and intelligent technology. However, a number of RCBs are financially weak to afford such solutions and may be provided financial support for such purposes. There is a need for continued support for capacity building of the employees of RCBs for this purpose.

The Board of the RCBs must play an important role in ensuring compliance with various regulatory prescriptions. However, many of them lack requisite knowledge and skill to appreciate the seriousness and complexities of the issues. In the absence of professionals in the Board, the board should co – opt such persons so that they are in a position to appreciate the seriousness and importance of regulatory prescriptions. To start with, there is a need to sensitise the board members in this regard so that such issues receive due attention in their deliberations. As a long term strategy, the banks may insist on some sort of certification (as required for independent directors of banks) for their members of the Board.

Further, the compliance of regulatory prescriptions in a bank cannot be addressed by top management or head office officials but would require involvement of field functionaries as well. So, there is a need for capacity building of employees on continuous basis. Further, some of regulatory compliance requires the customer's support. Hence, customer education must form an integral part of bank's compliance strategy.

Though banking is an important agenda of the functions of Central Government, their direct engagement with RCBs has been almost non-existent. Reserve Bank of India and NABARD have found absence of legislative powers to exercise control over the management of RCBs, as a major handicap for them to ensure regulatory compliance. As per newspaper report, the Government of India is contemplating amendment in the Banking Regulation Act enabling RBI to exercise control over management of urban cooperative banks. The Government of India may consider according similar powers to NABARD or RBI in case of Rural Cooperative Banks. The greater involvement of Govt. of India would definitely help bring more seriousness with these banks towards regulatory compliance.

Annexure I

Bank-wise list of Penalty – Reason for penalty and Amount

Sl. No.	Name of the DCCB/State Cooperative Bank	Reason for Penalty	Amount (Rs. lakh)
1	Ahmadabad	KYC Violation	5.00 Each bank
2	Ajmer		
3	Arunachal Pradesh StCB	Section 20 Unsecured Loan to Director	5.00
4	Bhawanipatna (Kalahandi, Odisha)	KYC Violation	5.00 Each bank
5	Boudh cooperative central bank (Odisha)		
6	Bundi		
7	CCB, Bikaner		
8	Coimbatore		
9	Cuttack		
10	Dhanbad		
11	Dharmapuri		
12	DCCB Mahabubnagar		
13	Dumka		
14	Ernakulam	Unsecured loan to MITHRA Agri Produce Committee Section 6 (1) (i) and Sec 29- Loan to Rural Academy of Management Studies	5.00
15	Gopalganj	KYC Violation	5.00 Each bank
16	Gumla- simdega		
17	Hanumangarh		
18	Hardoi	Section 19 – Investment exceeding the limit in share in other co-operative societies Section 31- Non Publication/ Non Submission of annual act. And balance sheet.	1.00 lakh
19	Hyderabad	KYC Violation	5.00

Contd....

Contd....

Sl. No.	Name of the DCCB/State Cooperative Bank	Reason for Penalty	Amount (Rs. lakh)
20	Jalgaon	Section 20 A-Remission of debt to Jalgaon Starch Factory-interested Director.	2.00 lakh
21	Jind	KYC Violation	5.00 Each bank
22	Kakinada		
23	Kangra	Investment in violation of instructions for Non- SLR	5.00 Each bank
24	Kodagu		
25	Kolhapur	KYC Violation	5.00
26	Magadh (Gaya)	Section 27- Non submission of statutory return	5.00
27	Mansa (Punjab)	KYC Violation	5.00
28	Mathura	Section 19 – Investment exceeding the limit in share in other co-operative societies	0.50
29	Mehsana	Section 22 (3) (B)-Provision against non-preforming investment, para 5 of appendix 1, RBI circular BC.65 dated 23rd Feb 2004	5.00
30	Mumbai	KYC Violation	01.00
31	Muzaffarnagar	Section 19 – Investment exceeding the limit in share in other co-operative societies	0.50
32	National (Bettiah)	KYC Violation	5.00 Each bank
33	Pithoragarh		
34	Rewari		
35	Sambalpur		
36	Sirohi		
37	Siwan		
38	SPSR Nellore		
39	Zila DCCB, Raipur		

An Analysis of Health Status of Fireworks Women Workers in Sivakasi Taluk, Virudhunagar District, Tamil Nadu

DR. C. GUNA SUNDARI*

Introduction

Health is wealth for all. India is one of the few countries in the world where women and men have nearly the same life expectancy at birth. The fact that the typical female advantage in life expectancy is not seen in India suggests that there are systematic problems with women's health. Indian women have high mortality rates, particularly during childhood and in their reproductive years. The health of Indian women is intrinsically linked to their status in society. Research on women's status has found that the contributions that the Indian women make to their families often are overlooked, and instead they are viewed as economic burden. Poor health has repercussions not only for women but also for their families. Women in poor health are more likely to give birth to low weight infants. They also are less likely to be able to provide food and adequate care for their children. Finally, a woman's health affects the household economic well-being, as a woman in poor health will be less productive in the labour force.

Importance of Health

Health is determined by many factors among which medical care is

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only one. Indeed, it has become increasingly accepted that medical care is not usually a major determinant of health. Other determinants, such as food, eating, housing conditions and work environment, play equally if not more important roles than medical care. There has also been a growing realisation that very little is known about effectiveness of modern medicine. Such evidence indicates that modern sophisticated techniques are often less effective than the simpler techniques they replace. Health economics reflects a universal desire to obtain maximum value for money by ensuring not just the clinical effectiveness, but also the cost-effectiveness of healthcare provision.

Health Status

Health is multi-dimensional in character. Health is a factor in the achievement of social and economic status. The health status is a qualitative term and is an outcome of health inputs being used to bring about health status as an output. In view of the importance of health status quantification is attempted through some indicators; Health indicators are Infant Mortality Rate (IMR), Morbidity Rate (MR), Crude Birth Rate (CBR). Expectancy of Life at Birth (ELB) Crude Death Rate (CDR), 'Maternal Mortality Rate (MMR) and Age Specific Death Rate (ADR) and Rate of Incidence of Disease.

Occupational Health

To understand the occupational aspects of health, it is necessary to have a detailed examination of women's work in terms of the actual work involved. The factors like number of hours allotted, the remuneration, if any, and the impact of all these on their nutritional status as well as on their physical and mental health are very important. It is necessary to analyze the types of physical stress experienced. The issues like postural position and their effects, noxious materials used for long hours and inadequate wages together aggravate the occupation and its related health problems of women, are examined in details.

Chemicals Used in Crackers and Their Harmful Effects

- ***Lead :*** Affects the central nervous system of human beings. When heated, this can emit highly toxic fumes. Young children can suffer mental retardation and semi-permanent brain damage by exposure to lead.

- ***Magnesium :*** Inhalation of magnesium dust and fumes can cause metal fume fever. Particles embedded in the skin produce gaseous blebs and gas gangrene. Dangerous fire hazards occur in the form of dust or flakes when exposed to flames. Poisoning takes the form of progressive deterioration in the central nervous system.

- ***Zinc :*** Pure zinc powder is non-toxic to humans by inhalation but difficulty arises from oxidation (burning), as it emits zinc fumes. This stimulates the sensation of vomiting.
- ***Manganese :*** Toxicity is caused by dust or fumes. The main symptoms of exposure are languor, sleepiness, weakness, emotional disturbances, spastic gait and paralysis.
- ***Sodium :*** When heated in air, this emits toxic fumes of sodium oxide. It can cause dangerous fire hazard when exposed to heat and moisture.
- ***Potassium :*** Dangerous fire hazard and explosion can occur.
- ***Copper :*** Inhalation of copper dust and fume cause irritation in the respiratory tract. Absorption of excess copper results in “Wilson’s disease” in which excess copper is deposited in the brain, skin, liver, pancreas and the myocardium (middle muscular layer in the heart).
- ***Cadmium :*** Its absorption can damage the kidneys and can cause anaemia. Cadmium causes increased blood pressure and also a disease called “Itai-Itai”, which makes bones brittle resulting in multiple fractures.
- ***Phosphorous in the form of PO_4 :*** Dangerous fire hazard occurs when people are exposed to heat or chemical reaction. Poison by inhalation, ingestion, skin contact and subcutaneous routes are the other results. Ingestion affects the central nervous system. Toxic quantities have an acute impact on the liver and can cause severe eye damage.
- ***Sulphur in the form of SO_4 :*** It affects the upper respiratory tract and the bronchi. It may cause edema of the lungs or glottis, and can produce respiratory paralysis poison which can harm humans through inhalation.
- ***Nitrate :*** It is highly inflammable and on decomposition it emits highly toxic fumes. The symptoms are dizziness, abdominal cramps, vomiting, bloody diarrhea, weakness, convulsions and collapse.
- ***Nitrite :*** Large amounts of nitrate consumed by people may produce nausea, vomiting, cyanosis, collapse and coma. Repeated small doses can cause a fall in blood pressure, enhance the pulse rate, cause headaches and lead to visual disturbances. When heated, highly toxic fumes of NOx are emitted.

Sample Size

In Sivakasi there are 689 fireworks factories registered in TANFAMA (Tamil Nadu Fireworks and Amorces Manufacturers Association) under threedifferent licences. They are Nagpur Licence, DRO licence and Chennai Licence. The Nagpur licensed factories account for 510 factories, DRO Licensed factories accounts for 69 factories and Chennai Licence factories occupy human beenigs 110 factories. Altogether, there are 689 registered fireworks factories run under the government regulation. According to the TANFAMA official records, 689 registered fireworks factories give direct employment opportunity to 33,462 women workers in Sivakasi taluk alone. Stratified random sampling method has been adopted for the present study.

Table 1

Details of Sample Size of the Women Workers in the Study Area

Sl. No.	Sample Factories	Total number of women workers*	Size of the sample women workers
1.	Nagpur Licence	20181	201
2.	DRO Licence	5413	54
3.	Chennai Licence	7868	78
	Total	**33462**	**334**

Source : 1. *Office Records, TANFAMA, Sivakasi.
2. Survey Data

Objectives of the Study

1. To assess the impact of health hazards of the sample respondents in the study area;
2. To explore the expenditure pattern of the respondents in the study area and
3. To offer policy suggestions for the fireworks effluents and provide guidelines to improve thehealth status of people in the working environment.

Hypothesis

- ***Ho:*** There is no association between type of work and type of health problems.

- ***Ho:*** There is no association between type of work and type of respiratory problems.
- ***Ho:*** There is no association between type of work and type of skin diseases.
- ***Ho:*** There is no association between type of private treatment and improvement status.
- ***Ho:*** There is no association between educational status and willingness to take life long Medication.
- ***Ho:*** There is no association between overtime work and type of general health problems.
- ***Ho:*** There is no association between type of private treatment and reason for choice of private treatment.

Sources of Data

An interview schedule was prepared in the light of comments, suggestions and additional information put forth by the researcher's supervisor. Then, the interview schedule was pre-tested with ten sample respondents to judge the word arrangement, format and the like. The interview schedule was again modified to incorporate all the pertinent questions in the schedule for the purpose of bringing it in the present form.

Primary Data

The researcher has used the interview schedule for collecting primary data from the fireworks factory women workers. A detailed interview schedule was designed for the factory women workers.

Secondary Data

The broad profile of the study area in which the data have been collected from the concerned government offices, Deputy Director Office for Health, District Statistical Office, Tamil Nadu, Economic Appraisal and Statistical Hand Book of Tamil Nadu have formed the sources of secondary data. Besides, relevant books, journals, websites and other studies relating to health and human development were used as reference for study.

Period of the Study

The research work covers the study period of two years from 2017-2019, which were the two financial years.

Tools of Analysis

The following tools are employed for the work related to analysis and interpretation of statistical data.

Analysis of Variance

The impact of the type of work done by the sample workers and the chemicals used by them correlated with the analysis of variance has been used for this study. For analyzing such a relationship 'F' test is used. The relevant 'F' ratio is given as,

$$F = \frac{\text{Estimate of Population variance based on between sample variance } (S^2 1)/}{\text{Estimate of Population variance based on between sample variance } (S^2 2)/}$$

Likert Scaling Technique

This is a method of ascribing quantitative value to qualitative data. To make it amenable to statistical analysis, a numerical value is assigned to each potential choice and a mean figure for all the responses is computed at the end of the evaluation or survey. This is used mainly in training course evaluations and market surveys, Likert scales usually have five potential choices (strongly agree, agree, neutral, disagree, strongly disagree) but sometimes go up to ten or more. The final average score represents overall level of accomplishment or attitude towards the subject matter.

Administering the Scale

Each respondent is asked to rate each item on some response scale. For instance, they could rate each item on a 1-to-5 response scale where:

1. = strongly disagree
2. = disagree
3. = undecided
4. = agree
5. = strongly agree

Chi-square (χ^2) Test

χ^2 test is used to find out whether two attributes are associated or not. In the present study χ^2 is applied for finding out the association between adoption of family planning and selected variables. In order to test whether or not the attributes are associated, the null hypothesis is taken as there is no association between the two attributes for studies. The formula for χ^2 is

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where O refers to the observed frequency and E refers to the expected frequency. The expected frequency of any cell is calculated from the following equation:

$$E = \frac{RT \times CT}{N}$$

Where,

E = Expected frequency

RT = The row total for the row containing the cell.

CT = The column total for the column containing the cell and

N = The total number of observations.

The calculated value of χ^2 is compared with the table value of χ^2 for (c-1) (r-1) degrees of freedom at 5 per cent level of significance. If the calculated value of χ^2 is less than the table value of χ^2, the hypothesis is accepted. On the other hand if the calculated value of χ^2 is more than the table value of χ^2, the hypothesis is rejected.

Table 2
Type of Work and General Health Problems

Type of Work	Type of General Health Problems				Grand Total
	Continuous Cough / Dry Cough	Back Pain	Low /High Blood Pressure	Neck / Shoulder Pain	
Chemical Filling & Chemical Mixing	14	32	9	18	75
CharamWearthing	6	14	5	7	32
Jute winding in atom bomb	4	19	6	16	45
Grand Total	**24**	**65**	**20**	**41**	**152**

Ho: There is no association between type of work and type of health problems

χ^2 R calculated = 3.94* $\chi^2_{t=0.05} = 12.6$

* Significant at 5 per cent level.

Since the calculated value is less than the table value, the study accepts null hypothesis, hence it is concluded that there is no association between type of work and type of health problems.

From the above results it is very clear that the above mentioned type of work does not create any health problems among the sample workers. The sample workers have been affected by general health problems such as continuous cough/dry cough, back pain, low blood pressure/high blood pressure and neck pain/houlder pain in the study area.

Table 3

Type of Work and Respiratory Disease

Type of Work	Type of Respiratory Problems				Grand Total
	Asthma	Sinus	Eosinophilia	Head Ache	
Chemical Filling & Chemical Mixing	10	42	6	17	75
Charam Wearthing	5	14	5	8	32
Jute winding in atom bomb	9	16	6	14	45

Ho: There is no association between type of work and type of respiratory problems

χ^2 R calculated = 5.60* $\chi^2_{t=0.05} = 12.6$

* Significant at 5 per cent level.

The results of χ^2 clearly state that, calculated value is less than the table value. It is insignificant and the null hypothesis is accepted. It can be concluded that there is no association between type of work and the type of respiratory problems among the sample workers.

From the above results it is very clear that type of work does not create any respiratory problems. However, the sample workers have been affected by respiratory diseares like Asthma, Sinus, Eisonophilia and Head Ache in the study area. The use of chemical usage in the work environment is hazardous.

It is observed from the above table that multiple problems are faced by the sample workers in the study area. 42.85 per cent of the workers are affected by continuous cough as well as sinus problem. 48.27 per cent of the workers suffer severe back pain due to constant posture hold by a whole day. Among the 325 sample respondents, 44.61 per cent were affected by multiple health problems such as sinus and back pain. Headache and neck pain/ shoulder pain affected 28.61 per cent of the workers.

Table 4
General Health Problem & Respiratory Problem
(Multiple Health Problems)

General Health Problems	Respiratory Problems				Grand Total
	Asthma	Sinus	Eosinophilia	Head Ache	
Continuous Cough/ Dry Cough	10 (20.40)	21 (42.85)	5 (10.20)	11 (22.44)	49 (15.07)
Back Pain	23 (15.86)	70 (48.27)	15 (10.34)	37 (25.51)	145 (44.61)
Low/High BP	6 (20.00)	10 (33.33)	7 (23.33)	7 (23.33)	30 (9.23)
Neck/Shoulder Pain	16 (15.84)	44 (43.56)	5 (4.95)	36 (35.64)	101 (31.07)
Grand Total	**55 (16.92)**	**145 (44.61)**	**32 (9.84)**	**93 (28.61)**	**325 (100.00)**

Source: Survey Data.
Note: Figures in parentheses are percentages to respective totals.

Table 5
Type of Work & Skin Diseases

Type of Work	Type of Skin Diseases				Grand Total
	Itching	Skin Cancer	Skin Boils	Skin Lesions	
Chemical Filling & Chemical Mixing	39	5	15	14	73
Charam Wearthing	17	5	5	5	32
Jute winding in atom bomb	19	4	16	6	45

Ho: There is no association between type of work and type of skin diseases

χ^2 R calculated = 7.02* $\chi^2_{t=0.05} = 12.6$

* Significant at 5 per cent level.

From the above table the results of χ^2 clearly state that calculated value is less than the table value. While this is insignificant, the null hypothesis is accepted. It can be concluded here that there is no association between type of work and the type of skin diseases prevalent among the sample workers.

The above table mentions the types of skin diseases faced by the sample workers with the type of work undertaken by them. In the chemical filling and chemical mixing more chemicals have been used by the sample workers through out the day of their work in Type A factory. In type B factory more chemical is involved in the production of charam weartheing. In type C factory, Jute winding in atom bomb crackers for atom bomb involves more chemicals. But the sample workers in the study area have been affected by the skin diseases.

Table 6
Educational Status & Type of Private Treatment

Educational Status	Type of Treatment				Grand Total
	Allopathic	Homeopathy	Ayurveda/ Siddha	Self Medication	
Primary	36	17	5	48	106
Secondary	6	5	5	6	26
Higher Secondary	5	6	5	5	21
Illiterate	53	25	11	83	172
Grand Total	**100**	**53**	**26**	**146**	**325**

Ho: There is no association between educational status and type of treatment.

χ^2 R calculated = 21.05* $\chi^2_{t=0.05} = 16.9$

* Significant at 5 per cent level.

The results of χ^2 clearly states that calculated value is much greater than the table value of χ^2, the null hypothesis is rejected in this case. Hence we conclude that the educational status influence the type of treatment preferred by the sample workers.

All the category of sample workers first prefer the self-medication treatment due to poverty, not aware of the health consciousness and also not willing to spend too much of money on medication and treatment. Next to it, the allopathic treatment is preferred by the sample workers in the study area. Homeopathy and Ayurveda/Siddha treatment are for only a few sample workers.

It is observed that the above table states that calculated value is less than the table value. Hence the null hypothesis is accepted. It can be concluded that there is no association between type of private treatment and it's improvement status opted by the sample workers.

From the above results it is very clear that type of treatment opted by the sample workers improves their health status based on categories like very good, good and not well by the sample workers.

Table 7
Type of Treatment and Improvement in Health Status

Type of Private Hospital Treatment	Improvement Status			Grand Total
	Very Good	Good	Not well	
Allopathic	21	27	5	53
Homeopathy	6	13	5	24
Ayurveda/Siddha	7	6	5	18
Self Medication	30	31	7	68
Grand Total	**64**	**77**	**22**	**163**

Ho: There is no association between type of private treatment and improvement status.

χ^2 R calculated = 7.66* $\chi^2_{t=0.05} = 12.6$

* Significant at 5 per cent level.

Table 8
Educational Status and Reason for Non adherence to medication

Educational Status	Reason for Non adherence to Medication			Grand Total
	Poverty	Not Aware on Medication	Priority for Family Members	
Primary	11 (20.00)	22 (40.00)	22 (40.00)	55 (33.95)
Secondary	5 (33.33)	3 (20.00)	7 (46.66)	15 (9.25)
Higher Secondary	5 (62.50)	1 (12.50)	2 (25.00)	8 (4.93)
Illiterate	23 (27.38)	42 (50.00)	19 (23.61)	84 (51.85)
Grand Total	**44 (27.16)**	**68 (41.97)**	**50 (30.86)**	**162 (100.00)**

Source: Survey Data.
Note: Figures in parentheses are percentages to respective totals.

It is evident from the above table that there are various reasons for non-adherence of medication by the sample respondents. Here, the researcher analyzed some reasons for this among the sample workers. 41.97 per cent of workers are not aware about proper medication to cure their illness. 30.86 per cent of women workers give priority to their family members than their health. Being women, a woman has the responsibility to take care of her family. Due to poverty, women are not concentrating on their health which accounts for 27.16 per cent of sample women workers.

Table 9

Educational Status and Willingness to take Lifelong Medication

Educational Status	Willingness to take Lifelong Medication				Grand Total
	Accept	Till Some days	Not Willing to spent on medicine	Self Medication	
Primary	8	20	19	5	52
Secondary	5	5	5	6	21
Higher Secondary	13	5	5	5	28
Illiterate	11	8	31	12	62
Grand Total	**37**	**38**	**60**	**28**	**163**

Ho: There is no association between Educational status and Willingness to take life long Medication.

χ^2 R calculated = 27.33* $\chi^2_{t=0.05} = 16.9$

* Significant at 5 per cent level.

The results of χ^2 clearly state that calculated value is much greater than the table value of χ^2, the null hypothes again is is rejected. Hence we conclude that the educational status influences willingness to take lifelong medication by the sample workers. Educational Status creates awareness of the lifelong medication among the sample workers.They are not willing to spend more money on medication due to many circumstances, and also they do not give much importance to maintain or improve their health status. Chronic diseases can be cured by taking into account of the life-long medication.

Table 10

Over time Vs. General Health Problems

Over Time Work in Type of Factory	Type of General Health Problems				Grand Total
	Continuous Cough/Dry Cough	Back Pain	Low/High Blood Pressure	Neck/ Shoulder Pains	
Type A	28	81	16	51	176
Type B	7	16	5	11	39
Type C	7	22	7	19	55
Grand Total	**42**	**119**	**28**	**81**	**270**

Ho: There is no association between Overtime work and type of general health problems.

χ^2 R calculated = 2.16* $\chi^2_{t=0.05} = 12.6$

* Significant at 5 per cent level.

From the above table, it can be seen that calculated value is less than the table value, and this could have arisen due to fluctuations of sampling. It is insignificant and the null hypothesis is accepted. It can be concluded that there is no association between overtime work and general health problems faced by the sample workers.

From the above results it is very clear that sample factories provide opportunities to undertake overtime work for the workers, though they had already worked in the polluted environment. The overtime work does not create more health hazards among the sample workers.

Table 11

Reason for the choice of type of private treatment by the sample workers

Type of Private Treatment	Reason for choice of Private Treatment				Grand Total
	Affordable	Instant Relief	Easy Approach	No side Effect	
Allopathic	24	58	11	8	101
Homeopathy	15	7	5	25	52
Ayurveda/Siddha	5	5	5	6	21
Self Medication	33	82	26	10	151
Grand Total	77	152	47	49	**325**

Ho: There is no association between type of private treatment and reason for choice of private treatment.

χ^2 R calculated = 74.26* $\chi^2_{t=0.05} = 16.9$

* Significant at 5 per cent level.

The results of χ^2 clearly state that calculated value is much greater than the table value of χ^2, so the null hypothesis is rejected. Hence we conclude that the type of private treatment and reason for choice of treatment are associated with each other.

It is also inferred that the type of treatment opted by the sample workers as mentioned the above is a reason for chosing a particular type of treatment. Apart from this there are so many reasons to adopt a treatment so as to cure their illness. Self-medication is preferred by most of the sample respondents as they prefer for instant relief from their illness.

Table 12
Chemicals & Type of Work

Type of Work	Chemicals				Grand Total
	Cadmium	Copper	Phosphorous	Nitrate	
Chemical Filling & Chemical Mixing	31 (15.73)	17 (8.62)	92 (46.70)	57 (28.93)	197 (60.61)
Charam Wearthing	8 (15.38)	22 (42.30)	5 (9.61)	17 (32.69)	52 (16.00)
Jute winding in atom bomb	8 (10.52)	31 (40.78)	27 (35.52)	10 (13.15)	76 (23.38)
Grand Total	**47 (14.46)**	**70 (21.53)**	**124 (38.15)**	**84 (25.84)**	**325 (100.00)**

Source: Survey Data.

Note: Figures in parentheses are percentages to respective totals.

It is inferred that the nature of work opted by the sample workers has been affected by variouschemicals such as cadmium, copper, phosphorous and nitrate. 38.15 per cent of the sample workers were occupied by third category of work done by the sample workers. The usage of phosphorous occupies the first place in the production process. Copper accounts the second place and nitrate and cadmium occupies the third and fourth place respectively.

Opinion about preference of Allopathic Treatment

The sample workers prefer allopathic treatment for various reasons. Here the researcher, specifies some factors to measure the opinion about the allopathic treatment which is presented in the table below.

Table 13
Opinion about preference of Allopathic Treatment

Factors	Very Good (5)		Good (4)		Moderate (3)		Bad (2)		Very Bad (1)		Total		Rank
	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	
Instant Relief	49	245	22	88	18	54	7	14	5	5	101	406	**II**
Easy Accession	22	110	43	172	24	72	8	16	4	4	101	374	**IV**
Affordable	48	240	29	116	14	42	7	14	3	3	101	415	**I**
Availability	42	410	26	104	21	63	8	16	4	1	101	397	**III**

Res.= Number of Respondents Wt.= Weight

Source: Primary Data

It is clear from table 13 that, 334 sample workers, 101 sample respondents opined that they would out of prefer allopathic treatment. The first reason for preferring allopathic treatment is the affordable nature of the treatment. The second reason is to get instant relief through allopathic treatment. The another reason to prefer the above mentioned treatment is availability. The last reason is to avail it for easy accession.

Opinion about preference of Homeopathy Treatment

The sample workers are preferring homeopathy treatment for various reasons. Here the researcher, specifies some factors to measure the opinion about the homeopathy treatment and it is presented in the following table.

Table 14

Opinion about preference of Homeopathy Treatment

Factors	Very Good (5)		Good (4)		Moderate (3)		Bad (2)		Very Bad (1)		Total		Rank
	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	
No Side Effect	26	130	12	48	8	24	4	8	2	2	52	212	I
Long Run Survival	13	65	24	96	12	36	2	4	1	1	52	202	II
Non-invasive	12	60	22	88	15	45	2	4	1	1	52	198	III
Cost Effectiveness	14	70	12	48	19	57	4	8	3	3	52	186	IV

Res.= Number of Respondents Wt.= Weight

Source: Primary Data

It is clear from the above table that out 334 sample workers, 52 sample respondents opined that they would prefer homeopathy treatment. The first reason for preferring homeopathy treatment is that it has no side effect in this treatment. The second reason is to get long run survival benefit from homeopathy treatment. Another reason to prefer the above mentioned treatment is that it is non-invasive. In homeopathy treatment there is no need for surgery/operations, but only of medicine has to be taken. The last reason is to avail it for cost- effectiveness.

Opinion about preference of Ayurveda/Siddha Treatment

The sample workers are preferring Ayurveda/Siddha treatment for various reasons. Here the researcher, specifies some factors to measure the opinion about the Ayurveda/Siddha treatment and it is presented in table 15.

Table 15
Opinion about preference of Ayurveda/Siddha Treatment

Factors	Very Good (5)		Good (4)		Moderate (3)		Bad (2)		Very Bad (1)		Total		Rank
	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	
Holistic Approach	9	45	5	20	2	6	1	2	1	1	18	74	I
No Side Effect	6	30	4	16	5	15	1	2	2	2	18	65	III
Cures Chronic Diseases	4	20	7	28	3	9	3	6	1	1	18	64	IV
Cost Effectiveness	5	25	6	24	4	12	2	4	1	1	18	67	II

Res. = Number of Respondents Wt.= Weight

Source: Primary Data

From the above table it is inferred that, 334 sample workers, 18 sample respondents opined that they would out of prefer Ayurveda/Siddha treatment. The reason for preferring Ayurveda/Siddha treatment lies in it's holistic approach. The second reason lies in cost effectiveness of Ayurveda/ Siddha treatment. Another reason is to prefer the above mentioned treatment that has no side effect. The last reason is to cure chronic diseases which can be helpful to lead a healthy life in the long run.

Opinion about preference of Self-Medication Treatment

The sample workers are preferring self-medication treatment for various reasons. Here the researcher, specifies some factors to measure the opinion about the homeopathy treatment and it is presented in table below.

Table 16
Opinion about preference of Self-Medication Treatment

Factors	Very Good (5)		Good (4)		Moderate (3)		Bad (2)		Very Bad (1)		Total		Rank
	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	
Economy	76	380	39	156	19	57	12	24	8	8	154	625	II
Convenience	89	445	48	192	12	36	3	6	2	2	154	681	I
No Consultation Fee	33	165	49	196	68	204	2	4	2	2	154	571	III
Short Duration	18	90	22	88	84	336	20	40	10	10	154	564	IV

Res. = Number of Respondents Wt.= Weight

Source: Primary Data

It is clear from the above table that out of 334 sample workers, 154 sample respondents opined that they would prefer allopathic treatment. The first reason for preferring self-Medication treatment is convenience of the treatment. Second reason is economy in availing self-medication treatment. Another reason is to prefer the above mentioned treatment as it requires no consultation fee. There is no need to consult doctor and also no need to spend money on it. The last reason is to avail it for short duration of medical course.

Degradation of Health in w human beenigs**ork environment**

The environment that affects the health of working women include the lack of adequate light, insanitation, poor air facility, high exposure to the open and unhygienic conditions and so on. Certainly these factors affect the physical and mental health of women. However, it is essential to examine this beneficial protective legislation which favours the health of women.

Table 17

Degradation of Health in work environment

Factors	Strongly Agree (5)		Agree (4)		Undecided (3)		Disagree (2)		Strongly Disagree (1)		Total		Rank
	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	
Chemical Usage	108	540	98	392	67	201	32	64	29	29	334	1226	II
Impure Air	96	480	110	440	69	207	30	60	29	29	334	1216	IV
Constant Posture	134	670	96	384	29	87	40	80	35	35	334	1256	I
Improper Ventilation	92	460	130	520	45	135	40	80	27	27	334	1222	III
Monotonous Work	45	225	40	160	69	207	127	254	53	53	334	899	V

Res.=Number of Respondents Wt.= Weight

Source: Primary Data

In the work environment, there are so many factors which degrade the health of the sample workers. Here the researcher, analyses the factors that affect the women workers health. The first and foremost reason is working in constant posture for long hours on each and every day. The second reason is more usage of chemicals in the work environment. Another reason is that the improper ventilation affects the sample workers' health. Inhaling an impure air creates more hazards for the sample workers. The last factor is doing monotonous work throughout.

Difficulties faced by sample workers at the time of overtime work

Fireworks factories often use their workers for more than the working time. For extracting work from the workers, 275 workers, undertake overtime work and get double time payment which is normally given for the working hours. Overtime work gives monetary benefits to the sample workers. But to get additional income, sample respondents have to face some difficulties in the work environment while doing overtime work in the study area. It has been analyzed and tabulated in the below table.

Table 18
Difficulties faced by sample workers at the time of overtime work

Factors	Strongly Agree (5)		Agree (4)		Undecided (3)		Disagree (2)		Strongly Disagree (1)		Total		Rank
	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	
Inadequate workspace	42	210	96	384	54	162	59	118	24	24	275	898	V
More Chemical Usage	102	510	53	212	57	171	37	74	26	26	275	993	IV
Constant Posture	142	710	34	136	40	120	31	62	28	28	275	1056	II
Impure Air	139	695	42	168	18	54	40	80	36	36	275	1033	III
Without break at work	124	620	56	224	41	123	39	78	15	15	275	1060	I

Res.= Number of Respondents Wt.= Weight

Source: Primary Data

For overtime, there are so many difficulties faced by the sample workers. Here the researcher, analyses the factors that affect the women workers' health while doing overtime work. The first and foremost difficulty faced by them is working overtime work without break at work. The second difficulty faced by the sample respondents is working at a constant posture for a long time while doing overtime work. Inhaling an impure air creates more hazards for the sample workers. Next difficulty faced by them is more usage of chemicals in the work environment. The last difficulty is inadequate workspace in the work environment.

Reasons for non-adherence of Medication

Women have a multi-dimensional role in their routine life. They have many responsibilities on a daily basis. Working women have a huge burden of work. Proper medication is not adhered to by the majority of sample respondents in the study area. The researcher has analyzed the difficulties faced by them for non-adherence to medication in the following table.

Table 19

Reasons for non-adherence of Medication

Factors	Strongly Agree (5)		Agree (4)		Undecided (3)		Disagree (2)		Strongly Disagree (1)		Total		Rank
	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	Res.	Wt.	
Poverty	76	380	33	132	28	42	13	26	12	12	162	634	I
Priority to Family Members	31	155	74	296	26	84	18	36	13	13	162	578	III
Not aware of Health Conscious	15	75	68	272	32	198	31	62	16	16	162	521	IV
Least importance to Health	32	160	17	68	66	96	19	38	28	28	162	492	V
Unknown of Long-run survival benefit	59	295	39	156	28	78	20	40	16	16	162	591	II
Anxiety	12	60	29	116	14	84	32	64	75	75	162	357	VI

Res. = Number of Respondents ***Wt.*** = Weight

Source: Primary Data

For the women workers there are so many reasons for not taking medicines regularly. The researcher ranks the reasons for their non-adherence to medication. The first and foremost difficulty faced by them is poverty. Because of poverty, women cannot spend more money on medication. The second reason is their lack of awareness for long-run survival benefit. Women prefer to take medication for instant relief, it will be temporary medication for a few days only, and they do not consider the future perspectives in their life. Women are mostly prioritizing this for their family members and not for their own health. Women are also not health conscious. They give less importance to maintain their health. Another reason is that the sample workers show anxiety.

Analysis of Variance

To study the impact of the chemicals used and respiratory problems, chemicals used and skin diseases are correlated with the analysis of variance. For analyzing such a relationship 'F' test is used. The relevant 'F' ratio is given as,

$$F = \frac{\text{Estimate of Population variance based on between sample variance } (S^2 1)/}{\text{Estimate of Population variance based on between sample variance } (S^2 2)/}$$

Table 20
ANOVA for Chemicals and Respiratory Problems

Source of variation	Sum of square	Degree of freedom	Mean sum of squares	F
Between Samples	1925.19	3	641.73	4.82*
Within Samples	1596.25	12	133.02	
Total	**3521.44**	**15**		

*Significant at 5 per cent level.

It is observed that the table value of F for (3, 12) degrees of freedom and at 5 per cent level of significance is 3.49. Since the computed value of F=4.82 is greater than the table value of F=3.49, therefore we reject our null hypothesis. Hence the difference is significant, and we can infer that there is association between chemicals used in the process of fireworks production and respiratory problems affected by the sample workers in the study area.

Table 21
ANOVA for Chemicals and Skin Diseases

Source of variation	Sum of square	Degree of freedom	Mean sum of squares	F
Between Samples	1938.69	3	646.23	2.24*
Within Samples	3030.75	12	252.56	
Total	4969.44	15		

*Significant at 5 per cent level.

It is observed that the table value of F for (3, 12) degrees of freedom and at 5 per cent level of significance is 3.49. Since the computed value of F=2.24 is less than the table value of F=3.49, therefore we accept our null hypothesis. Hence the difference is insignificant. We can infer that there is no association between chemicals and skin diseases affected by the sample workers in the study area.

Conclusion

Health is a multi-dimensional and multi-causal variable. Health and development are closely interlinked. It is now established that while the poor state of health slows down economic development, insufficient economic development perpetuates a bad state of health. Generally, health improvement tends to increase worker productivity and these contribute to economic growth.

Health related problems have become a common phenomenon in the industrialized world. Whatever, preventive measures the workers adopt, this does not help the workers to protect themselves. The present study area of fireworks factories has its own hazardous impact on the workers. In addition to the environmental damages, health is becoming a major problem in this study area.

The researcher found that while visiting the fireworks factories for data collection, the women workers do not tell their answers face to face. They hear the questions and tell the answers by doing their work without any trouble as every minute is money for them. They don't want to spent time to tell their answers to stop their work for a few minutes.

It is very shocking to find out that the fireworks women workers are forced to give financial support to their family. So, they are least concerned about the degradation of environment, health impact etc. They prefer to earn money to support their family. Also they are not health conscious.

This study has much significance for coopertatives where women workers face numerous health hazards. This study has a cooperative approach. This can be used as an important reference point for study of health cooperatives in South where women workers are employed.

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Case Study of Short-term Cooperative Credit Structure in Madhya Pradesh

K. R. SAHU* & AMIT MUDGAL**

Case Study of short term Cooperative Credit structure

At presently in the country, in many states, the short-term cooperative credit structure is three tiered, with some exceptions in some states. In Madhya Pradesh it is three tiered structure viz.

(i) Village level Primary Agriculture Credit Cooperative Societies at village level.

(ii) District Central Cooperative Banks at district level.

(iii) State Cooperative Banks at state level.

Before attempting the study of the functioning of the short term cooperative credit structure in Madhya Pradesh, it is important to understand the scenario of the functioning of the short term credit structure at national level.

National level Short-term Cooperative structure at a glance.

State Cooperative Banks – as on 31 March, 2018

1.	Total number of state cooperative bank in country	–	31
2.	Total membership	–	676007

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	Of which		
	(i) Cooperative Societies	–	24742
	(ii) Individuals	–	527805
3.	Share Capital (Rs. in corers)	–	5278.05
	of which Govt.	–	893.64
4.	Reserves and funds	–	13303.42
5.	Deposits	–	120604.24
6.	Borrowing (loans)	–	71224.06
7.	Loans Disbursed	–	127956.11
8.	Working capital	–	215786.26
9.	Demand (of loans)	–	76715.20
10.	Recovery	–	72532.41
11.	Recovery percentage	–	94.65%
12.	Overdues	–	4182.79
13.	Percentage of overdues	–	5.45%

Note : (Source National Federation of state Coop. Banks, Mumbai)

District Central Cooperative Banks at national level – as on 31 March, 2018

1.	Total number of district cooperative bank in country	–	371
2.	Total membership	–	30-40 lakhs
	of which		
	(i) Coop. Societies	–	4.73 lakhs
	(ii) Individuals	–	25.69 lakhs
3.	Share capital (Rs. in crores)	–	15907.23
4.	Reserves and funds	–	35321.59

5.	Deposits	–	140737.87
6.	Borrowing (loans)	–	85917.98
7.	Loans Disbursed	–	242058.51
8.	Working capital	–	483210.27
9.	Demand (of loans)	–	227915.50
10.	Recovery	–	171015.26
11.	Recovery percentage	–	75.03%
12.	Overdues	–	56900.26
13.	Percentage of overdues to demand	–	24.97%

Note : (Source National Federation of state Coop. Banks, Mumbai)

Primary Agriculture Cooperative Credit Societies at national level as on 31 March, 2018

1.	Total number of state cooperative bank in country	–	95238
2.	Total membership (crore)	–	13.05
3.	Share capital (Rs. in crores)	–	14141.99
	of which Government	–	807.39
4.	Reserves and funds	–	19799.70
5.	Deposits	–	119632.32
6.	Loans Disbursed	–	207321.78
7.	Working capital	–	243562.50
8.	Demand	–	196749.93
9.	Recovery	–	148834.49
10.	Recovery percentage	–	75.70%
11.	Overdues	–	42391.41
12.	Percentage of overdues to demand	–	24.30%

Note : (Source National Federation of state Coop. Banks, Mumbai)

Short Term Cooperative Structure in Madhya Pradesh

At state level there is Madhya Pradesh Rajya Sahakari Bank functioning with its 24 branches at district level , 38 district central cooperative banks with their 829 branches and at village level 4524 primary agriculture cooperative credit societies are functioning.

Madhya Pradesh State Cooperative Bank Financial Status (as on 31 March 2018)

Sl. No.	Description	2016-17	2017-18	2018-19
1	Share Capital	505.92	582.39	751.23
	Of which Govt.	40.05	39.16	444.60
2	Reserves and other funds	1145.30	1178.48	1328.44
3	Deposits	5901.31	4667.08	5340.43
4	Borrowings	7344.84	6989.97	7377.50
5	Loans and advances	10690.68	10360.88	11043.09
6	Working capital	15221.75	13688.26	15032.79
7	Demand	6761.28	8948.02	8680.22
8	Recovery	6062.07	7993.06	7748.86
9	Recovery Percentage	89.61%	89.33%	89.27%
10	Gross NPA	4.81%	4.85%	6.35%
11	Net NPA	3.32%	3.21%	4.19%
12	% of CRAR maintained	11.61%	13.40%	13.84%
13	Net profit	28.80	63.52	21.24

Note : (Source - M.P. state cooperative bank statistical statements)

On the analysis of the functional status of the bank, following picture immerges.

The bank is financially on strong footings.

Owned Fund : Its own funds were at Rs. 2019.67 crore, which accounts for 13.49% of the working capital of the bank. In banking industry. It is considered to be reasonably good.

Deposits : The banks, deposit growth was 14.43%, which is at par with commercial banks.

***Recoveries** :* The recoveries of the bank during the year 2018-19 was 89.27%, leaving an overdue of 10.73%, at national level average of the recoveries of the state cooperative banks, stood at 95.55% during March, 2018. Thus the overdues of the M.P. State Cooperative Bank were much higher than the national level average overdues.

Due to high level of overdues the gross NPA was accounted for 4.19%. There appears to be strong need to contain the overdues by taking concrete steps for recoveries.

The study of the profit position, reveals that the profit of the bank reflected a downward trend. The profit of the bank which was 63.52 crores during the year 2017-18, came down to Rs. 21.24 crores in the year 2018-19. The main reason for reduction of the profit, as revealed from the deep study of the bank is due to high provision for NPA, due to increased level of overdues.

As regards CRAR Capital Ratio to Risk Weight Asset Ratio, the bank maintained it at a level of 13.84% during the year 2018-19 as against the RBI stipulation of 9% minimum.

The cost of establishment of the bank during the year 2018-19 was 0.88% as against the prescribed norms of 1% by the Registrar Cooperative Societies. Similarly the cost of management of the bank i.e. working capital stood at 1.28% which was well within the prescribed norms of 2%.

An overall analysis of the functioning of the bank clearly indicates that the apex bank of the state is placed on a very sound footing, with adequate resources in it's kitty. It is very well catering to the needs of the various cooperative institutions in the state.

M.P. State Cooperative Bank has been adjudged as one of the best state cooperative banks in the country, number of times, and has been awarded shields by National Federation of State Cooperative Banks.

District Central Cooperative Banks in Madhya Pradesh

The district central cooperative banks are the balancing centre for all types of cooperative societies in the district.

Here, before analyzing the working of the DCCB's in the state, it would be appropriate to place the financial status of these banks, in brief.

Functional Position of DCCB's in Madhya Pradesh performance indicators (as on 31st March)

(Rs. In crores)

Sl. No.	Description	2016-17	2017-18	2018-19
1	Share Capital	1309.05	1387.78	1902.69
	of which Govt.	40.05	39.16	444.66
2	Reserves and other funds	3500.80	3874.81	4399.70
3	Owned funds	4809.85	5262.59	6302.34
4	Deposits	16050.81	17369.80	19274.94
5	% growth deposited	-	8.22%	10.97%
6	Borrowings	9647.22	10852.60	10848.78
7	Loans and advances	18557.16	23695.60	25355.02
8	Working capital	32452.86	35607.88	38669.87
9	Demand	19765.34	22569.97	24247.93
10	Recovery	13385.31	14005.39	120582.41
11	Recovery Percentage	67.72%	61.98%	49.73%
12	NPA	18.40%	22.47%	24.62%
13	No. of banks in profit	31	29	28
14	Amount of profit	88.74	107.39	97.66
15	No. of banks in loss	7	9	10
16	Amount of loss	213.10	199.40	146.13

Note : (***Source*** - M.P. state cooperative bank statistical statements)

A detailed study and analysis of the functional aspect of the DCCB's reveal their working result as indicated below.

1. ***Share Capital :*** As on 31st March 2019, the share capital of DCCB's stood at Rs. 1902.69 crores, which works out to be around 5% of the working capital, which of course , was adequate for borrowing power and to strengthen their position of own funds.

2. ***Owned Funds :*** The owned funds of the DCCB's in the state as on 31st March 2019, were Rs. 6302.34 crores, (share capitals Rs. 1902.69 crores and reserve and funds Rs. 4399.70). This works out to be at 15.3% of the working capital of the banks. Though this can, somehow, be said to be reasonable but it would be beneficial for the banks to increase it suitably. For this, the banks will have to earn more profit which is possible only when they mobilise cheaper resources by collecting adequate deposits, increase lendings yielding high rate of interest, effecting adequate recoveries and cutting cost of management adequately.

3. ***Deposits :*** The total deposits of DCCB's were at Rs. 19274.94 crores during the year 2018-19. The growth of deposits was only 10.97% over the previous year, while the deposit growth of commercial banks during the same period was 15.8%. Thus there is an imperative need to make sincere efforts for deposit mobilization by DCCB's. The DCCB's should introduce new products coupled with strong publicity for creating favourable opinion in favour of the cooperatives, since there is extensive network and reach of the banks upto grass root level, and here it should not be difficult for them to convince the populace, whom they are serving directly and indirectly. These banks have network of branches in rural areas and live contact with the people. There are over 70 lakhs members of cooperatives who are connected with PACS/DCCBs in some way or the other. The banks should motivate their staff and try to encash this strength and opportunity.

4. ***Recoveries :*** The recoveries of the DCCBs pose a dismal picture. The recoveries of the DCCBs during the year 2018-19 were 49.73% leaving an overdue level of 50-27%. Here, a little more elaboration is needed. A brief analysis of the recovery position of the DCCBs 38 banks reveals as under (As on 31 March 2019).

Sl. No.	Description	No. of Banks
1	No. of Banks with recoveries over 60 %	5
2	Banks with recoveries 50 % and above but below 60 %	10
3	Banks with recoveries 40 % and above but below 50 %	8
4	Banks with recoveries 30 % and above but below 40 %	7
5	Banks with recoveries 20 % and above but below 30 %	8

The above figures reveal that as many as 15 banks in the state had recovery percentage below 40 %. The situation, particularly, in these 15 banks is alarming. There is a need to impress upon employees of these banks the importance of the recoveries. The Institute of Cooperative Management can very well organize short term workshop of two-three days to impart the requisite training about recoveries to the employees of these banks and their affiliated societies.

NPA: The poor recoveries in the state has pushed the level of non-performing assets which stood at 24.62% during the year 2018-19 as against the stipulated norm of 5% by Reserve Bank/ NABARD.

The financial status for 3 years 2016-17 to 2018-19 shows that the recovery percentage of the DCCBs in the state is continuously declining. It was 67.72% in the year 2016-17 and 61.98% in the 2017-18, while it came down to as low as 49.73% during the year 2018-19. During the same period the NPA increased from 18.40% in 2016-17 to 22.47% in 2017-18 and 24.62% in 2018-19.

Profit & Loss: Now, let us look at the profitability of DCCBs. Out of 38 banks, 28 banks were in profit and the amount of profit was 97.66 crores as on 31st March 2019 while 10 banks sustained the losses of Rs. 146.13 crores. The number of banks in losses increased from 7 in the year 2016-17 to 9 in 2017-18 and 10 in 2018-19.

The banks need to give a serious thought to reduce the losses and try to earn adequate profit. As mentioned this would be possible, when banks make concerted efforts for mobilizing deposits that of low cost, increase their high interest rate yielding advances and ensure adequate

Cooperative Credit Structure

Sl. No.	Particulars	Financial Status of PACS Years		
		2016-17	2017-18	2018-19
1	No. of PACS	4524	4524	4524
2	Membership (lakh)	76.56	77.17	75.99
3	Borrowing Members	41.55	44.18	43.09
4	Percentage of Borrowing Members (%)	54.3	57.3	57.2
5	Share Capital (crore)	981.21	1066.92	2198.04
6	Govt. Share of Capital			451.42
7	Deposits	1247.64	1261.33	1330.57
8	Borrowings	11542.64	12588.12	12597.43
9	Loans and Advances	16878.92	18851.68	12597.74
10	Working Capital	15583.59	17109.55	21645.59
11	Demand	19301.83	19575.20	21432.35
12	Recoveries	14458.91	12698.64	13065.04
13	Percentage of recovery (%)	74.91	64.87	60.95
14	No. of PACS in profit	1962	1987	2132
15	Amount of profit	105.35	166.89	215.86
16	No. of PACS in Loss	2562	2537	2392
17	Amount of Loss	265.96	283.69	245.81

(***Source :*** MP state Cooperative Bank's Statistical Statements) recoveries to bring down NPA. They also need to increase productivity of their staff by offering suitable incentive.

Having dealt with the functioning of the state cooperative banks and DCCBs, it is important to focus study on the working of primary agriculture cooperative credit societies in the state, which are the backbone of the short-term cooperative credit structure.

Looking at the functional performance of PACS, following needs to be examined in detail.

1. ***Share Capital:*** The share capital of the PACS as on 31st March 2019 was Rs. 2198.04 crores which works out to be 10.1% of the working capital. Thus we find that the share capital portfolio was adequate for the purpose of borrowing power. However it would be desirable to enhance it, suitably, to strengthen its own resources with less cost. Since collection of share capital is linked with advance, PACS need to expand their portfolio of loans and advances which in can help them in collecting more share capital. In MP it is 15% and 10 % of loans to big farmers and small farmers respectively.

2. Deposits of the PACS as on 31st March work out to be Rs. 1330.51 crores which work out to be Rs. 29 lakh per society. The picture of deposits is quite dismal and disappointing.

For generating cheaper resource, collection of deposits is very important. The PACS management should make concerted efforts for increasing their deposit portfolio. As there is digital system of payments, all payments are made to farmers through banks/PACS. The PACS have day to today live contact with their members, they should exploit this opportunity, which in fact is their strength.

3. ***Borrowing Members :*** The percentage of borrowing members was 57.2% during the year 2018-19. This appears to be low for suitably increasing the productivity of farmers who need to adopt high technology, and provided quality seed, adequate fertilizers etc. for their agricultural operations. PACS management should impress upon the non-borrowing members to take required loans for increasing their productivity. In Madhya Pradesh short term agricultural loans are provided at 0% interest. There appears no reason, as to why the farmers should not avail this facility. PACS management should convince the farmers and encourage them to utilize the facility of interest free loans for giving a boost to agricultual productvity.

4. ***Recoveries:*** For viability of the PACS recoveries are crucial. Increase in PACS overdues results in higher provision for NPA, which in turn directly affect the profits.

The last 3 years analysis of the recovery position of PACS in MP reveals that there is continuous decline in percentage of recoveries. The recoveries which were 74.91% in the year 2016-17 came down to 64.387% in 2017-18 and 60.95% in 2018-19. The situation is alarming, of course, it is possible that some farmers withheld their due payment to PACS, due to loan waiver scheme of State Govt. But even then loan waived are treated as recoveries, of course un-waived loans remain due to be waived in future. But the percentage of these loans is not much. The PACS need to retrospect and take suitable measures, viz persuasion and if not succeeded legal action for recoveries u/s 84 and 85 of Cooperative societies Act. Now Reserve Bank has made NPA applicable to PACS also. So, it is more important that effective action for recoveries should be taken.

In this context, it has come to the knowledge of the cooperative department that employees of the Bank/ PACS in many cases does not understand the importance of recoveries and in many cases are not well versed with the legal procedure for recoveries.

The Institute of Cooperative Management, Bhopal has conducted workshops on recoveries for some DCCBs/ PACS on the request of Cooperative department and Banks. Thus there is an urgent need to replicate recovery workshops for other DCCBs/PACS in the state. Profitability out of 4524 PACS as well as 2392 were in losses of Rs. 245.81 crore while the profit of Rs. 2132 PACS was RS. 215.86 crores. Thus 53% PACS had losses during the year 2018-19 (accumulated)

The reasons for losses are attributed to low recovery and high overdue, per PAC inadequate business, and high cost of management, besides poor own funds (share capital, reserves and deposits.)

Special features of the functions of the Primary Agriculture Coop. Credit Societies in Madhya Pradesh.

In Madhya Pradesh the PACS are involved in multifarious activities. Besides disbursement of credit, they provide farmers Agriculture input viz high quality seeds, fertilizers, Pesticide and are undertaking the work of procurement of the agriculture product Kharif and Rabi almost entirely on behalf of the Government. They are also deeply involved in social service viz disbursement of money to the target group under various Govt. schemes. In the entire rural area, they are implementing public distribution schemes of the Government.

To conclude from the deep study of the functioning of short term cooperative structure it is found that though all the tier are functional, catering to the needs of their members, but there is tremendous scope for overall improvement.

Primary Agricultural Cooperative Society (PACS) in Rural Development in India

Dr. U. HOMIGA*

Abstract

The cooperative movement, which is the largest socio-economic movement in the world, has contributed significantly to the alleviation of poverty, creation of productive employment as well as the enhancement of social integration in the country. The cooperative movement in India, particularly in Tamil Nadu, has taken deep roots in various sectors and is making a significant contribution towards economic development and social progress of the people. The cooperative sector is mainly concerned with agricultural credit, marketing of agricultural produce and distribution of fertilizers and pesticides and other essential commodities.

PACS are the banks which are situated in rural areas, as they play a very important role in rural credit system by performing their activities based on cooperative principles and values. These banks also work under the district central cooperative banks. They provide short term and medium term loan to rural people to meet their financial requirements. But, the rural people still depend on unorganized sources such as money lenders in village, mandies, traders etc. So, the government has taken various measures to reduce these unorganized sources through the establishment of PACS in rural areas. In order to know the role of PACS in rural development in India, this study has been undertaken.

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1. Introduction

The cooperative banks in India play an important role in rural financing. Agriculture is the backbone of Indian economy. Prosperity of agriculture can significantly contribute to the general prosperity of the nation. In India, most of the people are dependent on the agriculture sector. Agriculture development is an integral part of overall economic development. It is quite pertinent that all the sectors of our economy need planned handling. Lack of this can have a negative impact on the economy.

Cooperative societies are playing a significant role in the development of the economy. Cooperative societies have emerged as a strong instrument of inter-linking people together for joint work for common purpose. There are so many types of cooperative societies like primary agriculture cooperative societies (PACS), weavers' societies, housing societies, consumer societies and dairy societies etc. PACS are helping farmers by providing them good facilities in the agricultural work. PACS have improved agricultural operations by providing credit to the farmers for buying good inputs like fertilizers, seeds, pesticides and marketing facilities etc. for the benefit of the members of the societies. These societies are registered under the Cooperative Societies Act and also regulated by the RBI. They are governed by the "Banking regulation Act-1949" and Banking Laws (Cooperative societies) Act 1965. The business of cooperative banks in urban area has also increased in recent years due to sharp increase in the number of primary cooperative banks. The cooperative movement was stated in India largely with a view to providing agriculturists funds for agricultural operations, at low rates of interest thus protecting them from the clutches of money lenders.

Non-performing assets are one of the major concerns for cooperative banks in India. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of cooperative banks and also eroding the value of the assets. The problem of NPA is not only affecting the cooperative banks but also the whole Indian economy. As the level of NPAs to total credit increases, the liquidity risk also increases. Thus reduction of NPAs is essential to accelerate the process of growth and profitability of the banks. The NPA problem is the result of monitoring overdues linked to various factors like weak monitoring, poor credit appraisal system, loan waiver scheme and mis-utilization of loan etc. A strong cooperative banking system is important for the success of the economy. This paper deals with understanding the magnitude of NPAs in PACS, and the major factors responsible for an account becoming non-performing in PACS.

II. Objectives of the Study

1. To study the structure and performance of PACS in rural development.
2. To find out reasons for high level of non-performing assets (NPA) in PACS
3. To offer suggestions to improve the performance of PACS

III. Methodology

The study is based on secondary data. The data has been collected from books, magazines and websites.

IV. Analysis

(a) PACS –Milieu

The cooperative movement, which is the largest socio-economic movement in the world, has contributed significantly to the alleviation of poverty, creation of productive employment as well as the strengthening of social integration in the country. The cooperative movement in India, particularly in Tamil Nadu, has taken deep roots in various sectors and is making a significant contribution towards economic development and social progress of the people. The cooperative sector is mainly concerned with agricultural credit, marketing of agricultural produce and distribution of fertilizers and pesticides and other essential commodities.

A cooperative credit society, commonly known as Primary Agricultural Cooperative Society (PACS) may be started with 10 or more persons, normally belonging to a village. The value of each share is generally nominal so as to enable even poorest farmer to become a member. PACS form a strong base of the cooperative credit structure in the country. A Primary Agricultural Credit Society is organized at grass-root level of a village or a group of small villages. It is the basic unit which deals with rural (agricultural) borrowers, gives them loans and collects repayments of loans given. It serves as the final link between the ultimate borrowers on the one hand and higher financial agencies, namely the RBI/ NABARD on the other hand.

The PACS functioning at grass-root level have direct contact with the rural people and meet the financial requirements of its members. As PACS rely heavily on external support, they have not yet been able to become self-reliant with respect to resources through deposit mobilization and internal accruals, affecting their growth and expansion of business activities. That PACS have failed to attract deposits is not so much a reflection of low savings habits of the rural population, but also a reflection of the availability of better assets to rural savers.

Only the members of a PACS are entitled to borrow from it. Most loans given for agricultural purpose, purchasing machinery, buying cattle, etc. But, consumption loans are given mostly to landless labourers, artisans, and marginal farmers. The share of loans given to weaker sections is usually about 40% of loans. A large number of PACS also undertake non-credit activities such as handling the supply of farm requisites, distribution of consumer goods, constructing godowns and marketing of agricultural produce, etc.

The management of the society consists of an elected body comprising of President, Secretary and a Treasurer. The management is honorary, the only paid membership being normally, the accountant. Loans are given a short period normally for one year, for carrying out agricultural operations, and the rate of interest is low. Profits are not distributed as dividends to shareholders but are used for the construction of the well or maintenance of the village school and so on.

The PACS have stepped up their advances to the weaker sections particularly the small and marginal farmers. This progress has been quite spectacular but not accurate considering the huge demand for finance from the farmers. However, the primary credit societies have continued to remain the weakest link in the entire cooperative structure.

(b) Role of PACS

1. For the membership of cooperative credit society, the members should belong to a village.
2. The work of PACS should be limited to its village only.
3. The liability of PACS should be unlimited.
4. PACS is liable for the deposits and loans on its account.
5. PACS provides loans to its members only.
6. Loans repayment schedule can be decided by the cooperative society as per the purpose of the loans.
7. PACS provide the loan only for medium and short term purpose.

(c) Functions of PACS

However the PACS are being used only for a single purpose-disbursement of crop loans. They can be used to provide agricultural inputs, implements and to provide warehousing and other facilities to the farmers. They can bring about transformation in the rural areas, such as :

- Promoting economic interest of members in accordance with the cooperative principle and savings habits among them.
- Providing short term and medium term loans.
- Supplying agricultural inputs like fertilizers, seeds, insecticides, and implements.
- Providing marketing facilities for the sale of agricultural products.

(d) Structure of PACS

The general body elects a managing committee which consists of 5 to 9 members who elect a president, secretary, and treasurer to look after the day today functioning of the society. All the office bearers render honorary service. The RBI has given a directive to appoint a full time paid secretary to maintain the accounts for each society. All agriculturists, agricultural labourers, artisans and small traders in the village can become members of the society. PACS issue ordinary shares of small value depending upon the particular society .i.e. Rs.10 and Rs.50 each to their members. The ownership of shares decides the rights and obligations of the shareholders of the society.

Share capital forms an important part of the working capital. Members borrowing capacities were determined by the number of shares held by them. Initially, societies were formed with unlimited liability. The All India Rural Credit Review Committee pointed out that unlimited liability operates as restraint on the willingness of the society to liberalize its loan policies, to admit new members and to extend its area of operation. Besides, it hinders the society to receive contribution from the state government, whose liability inevitably has to be limited. In view of these reasons, the societies were formed with limited liability and existing societies were converted into limited liability societies.

To make all Primary Agricultural Society viable and ensure adequate and timely flow of cooperative credit to the rural areas, the RBI in collaboration with the state governments had been taking a series of steps to strengthen the PACS and to correct regional imbalances in cooperative development. These efforts are being intensified by providing larger funds to weak societies to write off their losses, bad debts and overdue.

(e) Reasons for rising NPA and poor performance in PACS

Over the years, institutional credit has undergone a tremendous change. Since the inception of the cooperative movement in 1904, more particularly in the post-independence era, a lot of reforms have been carried out in the cooperative organization. To meet the rising demand for credit under the impact of technological changes, PACS have substantially widened their network of membership to credit and non-credit business. At the end of March 2018, there are 96,896 PACS with a total membership of 159,622 members of PACS ¯small farmers, agricultural labourers, rural artisans, and 25% of them belong to SC/ST.

Yet, over a period of time, a number of problems have cropped up which have threatened the role of PACs as an institutional credit agency. In terms of participation, productivity and repayment rates failures have outnumbered the success. Besides, it is often alleged that cooperative credit distribution has remained uneven across regions and farm categories. The Khusro Committee has also highlighted that the credit distribution of PACS was iniquitous between the states. The large scale non-repayment of loans and mounting of dues has also been reported by a number of studies.

Barring aside the glaring disparities in the distribution of cooperative credit, the PACs suffer from many ailments such as lack of spontaneity, weak financial system, defective management and leadership, too much government interference etc. The Report of the Task Force on Revival of Rural Cooperative Credit Institutions has amply elaborated on the various ailments of PACS. The report stated that the cooperative credit structure is today impaired as far as governance, managerial and financial condition are considered. There has been non-conduct of elections for a long time, frequent supersession of Boards, delay in audit and state's intrusion in administrative and financial set-up.

A. ***Internal Reasons***

- Improper identification of borrower
- Delay in loan sanctioning
- Insufficient gestation or repayment period
- Lack of borrower contact and poor understanding of rural clientele
- Under or over financing
- Lack of post disbursement follow up

- Lack of appraisal skills
- Laxity in internal control system
- Poor management information system
- Low motivation and involvement of staff
- Poor industrial relations climate
- Failure to ensure adequate, rapport with government agencies
- Perception of bank as a charity institution
- No thrust on recovery
- Personal accident, death etc.
- Improper and misutilization of loan
- Willful default
- Diversion of funds
- Shifting of place of residence or business
- Lack of technical and management skills
- Poor maintenance of assets

B. ***External Reasons***

- Change in policy environment
- Inadequate market linkages
- Change in economic conditions
- Change in technology
- Political interference
- Target approach under government sponsored programmes
- Legal process
- Geographical factors
- Loan waiver, write off etc.

C. ***Exclusive Reasons***

- Lack of transparency
- Lack of professional management
- Inadequacy of non-official and member education
- Imbalance among tiers

V. Findings

The study revealed that in the post-reform era, the institutional credit delivery system is undergoing structural transformation thus creating a competitive environment for the financial institutions especially the cooperatives. The study found out that the continuous deterioration in the financial health of the cooperatives is largely due to internal and external factors. Internal factors mainly relate to poor resources base, lack of professionalism in management etc. Some of the external factors relate to state government's control with high degree of bureaucratization, multiplicity of control over these institutions, PDS operators etc. A detailed study and analysis of secondary data revealed that:

- ❖ Rural credit is mainly focused on the agro sector and PACS play a major role in rural finance.
- ❖ The society provides only short-term and medium term loan.
- ❖ It supplies short-term credit on the personal security of the borrowers, while medium –term credit is given by charge on their immovable assets.
- ❖ The society provides loans only related to agricultural credit to farmers
- ❖ Deposit mobilization in society is less because of lack of awareness among the people about the different schemes of the society.
- ❖ The members deposit money for the purpose of compulsion made by bankers to open account.
- ❖ The amount of loan distributed to members was inadequate time.
- ❖ Use of information technology is less in these societies.

VI. Suggestions

The banks cannot have sustenance unless the funds disbursed by them to the clients are recovered and recycled. The management of NPA's in cooperative banks is a really robust challenge and cumbersome task. As the cooperative banks are mainly based in rural areas, the people in rural areas tend to be defaulters. The study suggests some measures to strengthen the recovery system of the PACS and improve their performance, such as :

1. The society should also provide long-term loans to farmers to meet their financial requirements.
2. As the society provides only agricultural credit to farmers, it is suggested that it should also provide other types of loans, so that this can help the farmers and also maintain good standard of living.
3. To improve the deposit mobilization, the societies should conduct awareness programs from time to time. This will popularize the different schemes of the society, thereby attracting new customers and educating the farmers relating to different services provided by society.
4. To help the farmers, the societies should adopt easy procedures for distributing and recovering the loan from farmers.
5. To develop self employment in the rural areas, the societies should provide training to the rural unemployed people.
6. The adequate amount of loan should be distributed to farmers in adequate time.
7. Political interference in lending operation should be eliminated as far as possible.
8. Society should educate the farmers relating to different services provided by the society.
9. The society should provide quality necessary agricultural items at a reasonable price to the farmers
10. The staff member of societies should maintain good cooperative relationship with members by providing all information the farmers.

Conclusion

The primary agriculture cooperative societies play a major role in financial empowerment of farmers and giving a boost to agricultural development in India. The PACS are supposed to function as viable units responsive to the needs, aspirations and convenience of its members, particularly, the members of the more vulnerable sections of the society. They are expected to function effectively as efficiently managed multipurpose societies providing a package of services including credit, supply of agricultural inputs and implements, consumer goods, marketing services and technical guidance to the rural people besides mobilizing their savings as deposits. To meet the above objectives, it is essential to make the credit cooperatives more vibrant through sustained efforts. For the development of agricultural sector and allied activities adequate and timely finance are essential. But many financial problems are cropping up in the process of development of cooperative system, such as lack of adequate and trained staff, lack of necessary funds, poor industrial relations climate, lack of professional management, political interference, change in economic conditions, over dues and limited source of income of the farmers etc., These societies are unable to provide adequate finance to the members and they are making delay in the sanctioning of loan. However, there appears to be no panacea for the ailments which has severely hampered their growth. Revitalization could be a plausible solution but not the only remedy. It should be supported by HRD interventions. Proper monitoring and evaluation of the working of the PACS is essential to ensure efficient functioning of PACS. The recommendations suggested by various committees have been implemented over the years which have strengthened the functioning of PACS in the cooperative credit system. Therefore to increase the efficiency of the societies and to serve the rural agricultural people in a better perspective, the cooperative banking system should be strong and efficient to face the challenges in competitive environment.

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India's Path to Financial Inclusion

MOIN QAZI*

> *Money is a guarantee that we may have what we want in the future. Though we need nothing at the moment, it insures the possibility of satisfying a new desire when it arises.* ***—Aristotle***

Finance is an essential part of modern life – it is everywhere, from our investments in education and housing to insurance against various adversities to retirement assets. Financial services create the foundation we need for building a more resilient world. They are the lifeblood of an economy, enabling households and businesses alike to fulfil a number of core societal needs, like saving, enabling payments, and protecting against risk.

The goal of enabling everyone to have adequate access to basic banking tools is known as "financial inclusion." financial inclusion means that individuals and businesses have access to a range of useful, efficient and affordable financial tools such as savings, credit, payments and insurance that meet their needs and are delivered responsibly and sustainably.

Finance is the glue that holds all the pieces of our life together. It enables money to be in the right place, at the right time, and for the right situation so that people are able to build and lead stable economic lives.[2] This is the function of finance at the most basic level, and starts with having a deposit or transaction account at a bank or other financial institution or through a mobile money service provider. At a more advanced level, people need to borrow money at an affordable cost for meeting lifecycle and other needs. Since they are prone to shocks and crises from natural disasters

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or manmade problems, low income families need tools to shield them from shocks like disease, disability and death. To execute these daily monetary activities people require sound financial advice as the necessary understanding of the mechanics of these affairs.

The Organisation for Economic Cooperation and Development (OECD) defines financial inclusion as a[3] "process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches, including financial awareness and education, with a view to promote financial well-being as well as economic and social inclusion."

One of the oldest and major players in the financial inclusion space are cooperative. Cooperative banks, which are distinct from commercial banks. They, were born out of the concept of cooperative credit societies where members from a community band together to extend loans to each other, at favourable terms.

India's first conduit for formal rural credit came via the Cooperative Societies Act in 1904 followed by a more comprehensive Cooperative Societies Act later in 1912. In 1915, the Maclagan Committee advocated that "there should be one cooperative for every village and every village should be covered by a cooperative." The Royal Commission observed: "If cooperation fails, there will fail the best hope of rural India". But the socio-economic discrimination in rural India seemed to be so deeply entrenched that the idea of mutual cooperation was overridden by the wave of feudalism. The 1945 Cooperative Planning Committee had discerned early signs of sickness in India's cooperative movement, finding that a large number of cooperatives were saddled with the problem of frozen assets, because of heavy overdues in repayment.

The objective of financial inclusion is a task that independent India has tried out in different forms over the decades but has not been able to get it quite right. Initiatives include the cooperative movement, followed by priority sector lending, lead bank schemes, service area approach, creation of dedicated institutions land programmes including National Bank for Agriculture and Rural Development and Small Industries Development Bank of India, introduction of Regional Rural Banks (RRBs), Local Area Banks (LABs) Micro-finance, Kisan Credit Cards, Business Correspondents and Finally, Pradhan Mantri Jan Dhan Yojana and MUDRA (Micro Units Development and Refinance Agency). The positive feature of some of these innovations was that they were demand-driven. All earlier initiatives were supply-driven. Most of them were based on a misconceived premise and assumption that poor people don't save. The new agenda is aimed at stimulating demand.

India has seen a number of experiments in social field which had good intentions but were plagued by political myopia. Most of them started off ambitiously but ended in failure .The new initiatives beginning in the second decade of the twenty first century have made finance more inclusive and equitable. The overriding objective behind most of the government's subsidized credit schemes since the 1950s has also been to provide alternatives to usurious moneylenders. But most of them were unsustainable for financial institutions. All these attempts to deliver credit, through state-run banks collapsed in the face of widespread corruption and default. It is now well recognized that financial needs of the 'excluded' segments of the economy go beyond access to credit. Improved access to various formal financial services includes safe instruments for savings, easy-to-understand insurance instruments, and pension and transfer facilities, among others.

Formal financial services such as savings, loans, money transfers and insurance can enable the less fortunate and more vulnerable to balance income and expenses to meet both short-term and long-term financial obligations improve, manage a sustainable debt load, plan for old age, and provide affordable and reliable insurance to shield themselves from economic shocks, facilitate empowerment of marginalized groups and help reduce poverty.

Access to finance in remote areas is proven to relieve barriers to, economic growth, female empowerment and poverty reduction. .Inclusive financial systems—allowing broad access to financial services, without price or nonprime barriers to their use—make it easier for poor people and other disadvantaged groups to manage financial emergencies or shocks that can push them into destitution. Transfers made directly to the citizen's bank accounts can eliminate corruption and inefficient intermediaries. Greater and consistent usage of accounts also helps in building a financial history, which is a prerequisite for accessing formal credit.

Access to a transaction account is a first step towards broader financial inclusion as it serves as a gateway to other financial services like credit or insurance; it enables the creation of a cushion for emergencies or financial "low points". Transactional regularity of account helps in building a financial history, which is a prerequisite for accessing formal credit. Grater transactional engagement also creates knowledge and knowledge creates greater confidence.

The impact of financial inclusion interventions has been generally variable and context-dependent. The best outcomes come when they are combined with livelihood interventions. Thus, we have to address issues like unemployment, discrimination, poor skills, low incomes and poor housing to enable financial inclusion to deliver meaningful and lasting impact. Since money is generated in the system, there is increased usage of financial services.

While policy and regulatory initiatives have enabled substantial progress in terms of financial inclusion indicators—branch penetration, account density or deposit and credit figures — there is a need to strengthen enabling institutions, which actively promote financial deepening in our country. Broader access to, and participation in, the financial system can boost job creation, increase investments in education and housing, and directly help the less fortunate and more vulnerable manage risk and absorb financial shocks.

We have seen a higher number of policy experiments where direct transfers have been successfully provided to sections of the population. Delivering wages and social benefits via bio-metrically authenticated payment routes have shown to improve efficiency and much savings for the state. .The manual route is broken and prone to leakages. Banks sorely need more direct transfer of subsidies, as well as banking products catering for the needs of the urban and rural poor, to get more people to use their accounts. Subsidies have helped lower the number of fallow accounts and improved revenues for banks.

Absence of financial access means that people at the base of the pyramid (BOP) are unable to avail themselves of the fundamental tools of economic self-determination to enable consumption smoothing and protect them against disease, disability and death. Financial exclusion denies people the stability of a savings account, established credit and reliable insurance. Since low-income women live entire lives outside the formal banking system, they struggle with poor credit history and are most likely to fail in getting a loan. The problem of exclusion is compounded by the ever-increasing range and complexity of financial products on offer. This highlights the need for financial understanding and consumer financial awareness as never before.

There are several reasons for financial exclusion. The main demand-side barriers to the provision of financial services are lack of awareness, limited financial literacy and limited access. The designs of most of the products or services offered by banks or the way they are administered are unsuitable for the poor and further dampen the demand for them.

From the supply side, the main barrier is transaction cost. This includes requirements of minimum balances or other thresholds and recurring fees that cannot be met by a large number of people. Pricing becomes a barrier to usage when its terms do not accommodate the income levels of potential users. Either the prices are simply too high or prices are set and charged in a way that is too inflexible to be affordable for them. A large number of bank accounts remain under used, making it cost-ineffective for banks to service them. From the credit perspective, the lack of collateral makes lending to small borrowers costly and risky for banks. Small ticket sizes add to the per instrument transaction costs. Furthermore, weaknesses in legal system make it difficult to extend and enforce contracts.

Financial exclusion imposes large opportunity costs on those who suffer from it the most. When coupled with high transaction costs, information asymmetries, lack of collateral or credit histories, high-priced loans and cycles of debt, these communities are stuck in a bad equilibrium with little hope of escape. Low-income groups, women in particular, have the lowest access to formal financial instruments, forcing them to rely on age-old ways of stitching together a patchwork of informal arrangements to manage their financial lives: Money tucked away in a sugar can or holed inside or under the mattress, and through safe keeping with relatives and friends. Many of them use the age-old financial services — the money lender, the pawnbroker, the informal money spending network. These informal mechanisms are insufficient and often precarious, as well as highly expensive. They're also vulnerable to theft and demands from relatives and neighbours. Moreover, they fail to meet consumers' longer-term financial needs like building a credit history. For the marginalized, life is often unpredictable and dependent on variables, such as the capricious weather and volatile markets. They are just one misfortune away from a financial catastrophe. Financial services providers need to weave these uncertainties into their business models in order to serve these communities effectively.

While policy and financial regulatory initiatives enabled substantial progress in terms of financial inclusion indicators -branch penetration, account density or deposit and credit figures -there is a need to strengthen enabling institutions, which actively promote financial deepening in our country. Formal financial services such as savings, loans and money transfers can enable the poor improve resistance to shocks, boost productivity of business, facilitate empowerment of marginalised groups, such as women and rural residents, and help reduce poverty.

Financial inclusion has become a dynamic space with a growing range of interventions and a number of players. It has become firmly entrenched in India's policy lexicon. India has witnessed great strides in bringing the unbanked in the formal financial world. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched on Aug. 15, 2014, has proved to be a remarkable success in its attempt to equip people with bank accounts and make financial services universally available, The country now has 37.87

crore accounts under PMJDY scheme. The share of inoperative accounts vis-a-vis total accounts, which was 40 per cent in March 2017, declined to 18 per cent. 30.78 Crore or 81.3% of the total account are now operative.

India's financial inclusion spring has been powered by India's financial inclusion spring is powered by JAM (Jan Dhan, Aadhar, Mobile) which symbolise the connection of financial inclusion (Jan Dhan bank account), unique biometric identification number (Aadhaar) and mobile phone, and around which is built India's financial inclusion ecosystem .[1.]

Prime Minister Narendra Modi has conceptualised this social revolution thus: "JAM vision, will serve as the bedrock of many initiatives to come. For me, JAM is about Just Achieving Maximum. Maximum value for every rupee spent. Maximum empowerment for our poor. Maximum technology penetration among the masses."

The PMJDY consists of six pillars[4]:

- Universal access to banking facilities,
- Providing basic bank accounts with overdraft facility and RuPay Debit card to all households,
- Financial literacy to enable use of financial products,
- A credit guarantee fund to mitigate risks stemming from overdraft facilities extended to these accounts,
- Micro-insurance for all account holders under PMJDY, and
- Pension schemes such as Atal Pension Yojana.

PMJDY is a revised avatar of the no frills account. In 2005, the Indian government tried to attract citizens by offering 'no frills' bank accounts that does not have any monthly costs and zero (or very little) minimum balance requirement. Opening a bank account requires numerous documents and a customer has to maintain a minimum balance to keep the account running. Both are problems for the poor. The so-called non-frills accounts promoted by the government tackled both these problems because they had few opening requirements and no balance restrictions. PMJDY aims to channel all government benefits and subsidies such as for education and health care directly into beneficiary accounts, reducing corruption and the middle man inefficiencies afflicting the system. It also aims to leverage non-traditional mechanisms, such as mobile devices and telecommunications companies' cash-out points.

The government addressed the credit needs of micro-entrpreneurs though the MUDRA offering. These small enterprises are trapped in the "missing middle" of finance — too large for micro-finance and typically considered too small, risky and remote for commercial banks to serve. Set up in 2015, the MUDRA bank provides loans at low rates to micro-finance institutions and non-banking financial institutions, which then provide credit to Medium, Small & Micro Enterprises. Credit is often the difference between a small business surviving a lean period or failing altogether. But without good financial education, credit cannot help these micro-entrepreneurs go too far. It can only delay the demise of the business. Credit can become counter-productive if there is inadequate capacity to absorb it.

While the government has made headway in weeding out bad actors in the lending and banking space, there's been little success when it comes to having mainstream banks s extend their services to poorer peoples. If that's not going to change, the government have to step in with clear regulatory parameters that tell banks how they can structure small loans and other services in order to make a profit without causing further problems.

The success and limitations of PMJDY has given us useful insights: Financial products should be available at the right price and design—affordable for low-income customers and relevant to their needs and situations. Moreover, they should effectively address the dormant tendencies of low-income consumers. A lack of understanding about local market dynamics is a significant factor in the disconnect we find between mainstream financial services and inclusion.

One way to ensure that the past wrongs are not repeated is to have mandates and subventions in the financial inclusion space so that banks and other financial institutions vigorously expand their outreach to cover even remote populations. The cost involved in the implementation of these mandates is quite stiff and needs serious consideration. Instead of banks recovering these costs by overcharging ordinary customers, or by demanding recapitalisation by the Government, one alternative can be that the Government pays for these mandates. These costs can be determined by an independent agency. Not only will the cost of the mandate become transparent, it will make services accessible. Since the Government has to foot the cost, it will obviously be anxious to make a reasoned decision about how long to impose the mandate. Moreover, only efficient service providers will come forward to bid for these mandates. Instructing beleaguered state-owned banks to serve more poor customers and operate in remote areas of the country could add a fresh strain to their balance sheets. The government, banking regulator and banks will have to collaborate to craft products that suit the poor and are also viable for banks. In the interim, the government should provide financial incentives to banks to serve poor customers. Finding new ways to cut operating costs through better use of technology is a critical. But the government also needs to give banks financial incentives to serve poor customers

We need to understand that the onus is not on the financial institutions to serve poor clients as they have a fiduciary duty to act in the best interests of clients. The banking industry is an intermediary that acts on behalf of its principals, its shareholders and its customers. Hence instead of expecting a change in banking industry or its systems we need to sensitise the clients to whom banks owe a fiduciary duty.

The most important thread in all aspects of financial inclusion is the need for a suite of simple, customized, financial products. Financial services need to be tailored to the needs of the disadvantaged groups, especially the women, and first-time users, who may have low literacy and numeracy skills- addressing real user needs by aligning product design distribution, business models and financial education. Research on financial needs, habits, desires and behaviours of these groups shed enough light on how they manage their complex financial lives. These insights should be incorporated in the design features of products and services. Consumers have to understand the nature of the products and services they are buying as well as the implications of these purchases. Financial literacy can help in creating awareness and better utilization of financial instruments and reduce risks of exposure to dubious schemes. Many clients who avail micro-finance actually require insurance. They would be better off with it.

Each individual requires a different prescription. Women in rural areas have limited or no access to information on how to engage with the continuously evolving formal financial space, especially when it is online and digital. Other demand side challenges include inadequate investment in client capacity building, lack of trust in institutions and new digital channels, and the limited availability of smart phones outside the upper middle-class.

Several factors amplify the challenge of connecting with unserved customers: their remote locations, lower education levels, and lack of experience with formal institutions Using insights from behavioral economics banks can structure products that help customers better manage their finances while simultaneously increasing customer engagement and loyalty.

We now have a generation of enterprising young can-do economists and researchers, who are turning from desk-bound mathematical theorizing, jetting to deeper isolated villages and urban slums to research the financial lives of the poor and bring meaningful lessons for the world. In recent years, we have got compelling accounts of the amazing and intelligent ways the financial world of low-income communities really works. These insights have overturned the myths about the financial lives of the poor, revealing the highly reasoned and wise financial decisions that millions of them make every day. With the shift in women becoming primary breadwinners and sharing equal financial responsibilities, more women are moving towards entrepreneurial roles creating work and livelihoods for themselves and their communities.

When more people have access to affordable and good quality financial services, they have more opportunities to thrive. Financial services need to be tailored to the needs of the clients. Every client is unique. This is especially true for disadvantaged groups, especially the women, poor people and first-time users, who may have low literacy and numeracy skills—addressing real user needs by aligning product design, distribution, business models and financial education. Women may prefer more focus on savings than on credit. Financial products must also be coupled with behavior change and education programmes to ensure informed decision making by new banking customers. More importantly, they should be fairly-priced, available within reasonable physical proximity, and regulated and overseen to ensure reliability and safety.

Low-income households can build a financial safety net through small but regular savings. While the deposits of these groups are small, their sheer volume can give banks an enormous, permanent float, and help them better manage liquidity risks and asset-liability mismatches. Bankers need to follow the makers of soaps and shampoos, and use their imagination to convert a dead-weight social obligation into an exciting business opportunity. Banks will need a larger force educated and savvy agents to carry out its business in the heartland.

Social innovators have decoded the advantage of using the same market to help lift people out of poverty, while sustainably and viably serving them. They have introduced changes in pricing points and packaging weights to deliver popular products to a market that was unable to afford them in larger weights for the long term. The best example is the “sachetisation” of commodities. The FMCG industry found that rural Indians wanted the same things as everyone else but they could only afford it in bite-sized packets. They tweaked their business models and broke up complex products into their most basic forms and then rearranged them in a frugal manner to tap the bottom tier of the market. Customers were offered a first rung on the ladder and this encouraged them to take the next step. We can see streams of sachets dangling from crowded shelves, filled with anything from shampoo and cough syrup to coconut oil and mobile phone minutes. This is one of many examples of how innovation through market forces has transformed the way products and services can be provided affordably to the poor.

Inclusive finance demands a sincere commitment to meeting customers' changing needs. This means developing flexible products and solutions that meet the current needs, while being responsive to their shifting and future needs. Innovation has helped accelerate financial inclusion, but if we are to unleash its full potential for the benefit of consumers and businesses alike. Financial institutions would do well to adopt a more inclusive lens that considers the lives of people across the entire spectrum of society. There is need for deepening the understanding of financial ecosystem drivers that enable prosperity through financial inclusion.

New technologies are rapidly changing the face of finance. Digitization is dramatically changing the financial services landscape. Financial services are being made available where you need, when you need and how you need them Technology can reduce physical barriers to servicing customers—resulting in lower distribution and operational costs, improved scalability, faster service, and ultimately more affordable and accessible products.

Digital financial services, particularly digital payments, make it safer and more convenient for people to do transactions, saving precious time and gruelling trek to the banks and delivering the needed peace of mind of not carrying large amounts of cash around. Technology is also allowing financial institutions to overcome the lack of financial track record.

Financial institutions are leveraging technology to revolutionize product development, distribution, risk management, and a deepening of understanding of lower-income customers to create flexible, sustainable and adaptive operating models that meet the unique needs of the poor. Technological advances are improving data transmission, collection, and analysis, enabling organizations to develop low-cost distribution models and scalable risk-management practices. By delving deep into data available from mobile usage and other sources and using algorithms, we can get insightful findings and variables that can help build surrogate financial histories of individuals who do not have formal financial documentation.

The technology-development process is one that in general is better left to the private sector, where entrepreneurship and innovation naturally happen. The challenge is that new technologies have to afford the same degrees of consumer protection and have the same degrees of prudential security that traditional tools have. While taking technological leaps, we must understand that most people still crave simplicity. With that in mind, several of them who had gone digital renounced it to revert to cash because they found old-fashioned methods a better and more reliable and effective solution.

Traditional banks will continue to be the most trusted financial allies of people despite the fact that stringent regulation is effectively hamstringing them in remote areas which are being mostly served by banks. Tech companies may be disrupting financial services, but they lack the solid relationships built up by traditional banks over generations.

Correspondent banking—where an agent carries out transactions on behalf of a financial institution because it has no local presence— is a revolutionary mode that has tremendously expanded banking outreach. These agents, called Business Correspondents (BCs), use smart cards, mobile phones and hand held devices to reach the poor and illiterate. BCs are better positioned to serve the remoter pockets as they operate in a limited geographical area, enjoy greater acceptability amongst the rural poor, have a greater understanding of the issues specific to the rural poor, and have flexibility in operations, providing a level of comfort to their clientele.

Based on the experiences of various successful financial service providers catering to low income populations , the following general principles have been derived: (1) supply-side (or donor-driven) approaches are often less advantageous than demand-driven strategies; (2) lending with low interest rates (or subsidized finance) is inappropriate way of reaching a large number while simultaneously being financially sustainable in doing so; and (3) client-oriented participatory approaches should complement institutional developments, rather than by mere technical and financial assistance There needs to be a significant expansion in the scale of emerging branchless channels such as mobile and internet banking. This would entail enabling greater access by addition of physical infrastructure of bank branches and ATMs across the country.

By leveraging technology and the new, low-cost services it can deliver, India can bring millions more people into the formal financial sector. However, an effective approach to larger financial inclusion will require a "bricks-and-clicks" distribution mode having physical branch presences (to build trust and confidence) and supplemented by agents who will enable digital interface. As digital literacy and awareness generates fuller participation from clients, reliance on physical infrastructure can slowly get reduced. Banks will have to ride out this transition smoothly.

Financial inclusion cannot be perceived as a field to be left to the sole charge of finance specialists. We cannot have a one-sector solution. Financial inclusion can succeed only through the convenient marriage of all five paradigms: finance, technology, consumer protection, literacy and numeracy. There is need for convergence among all the players in the ecosystem. Every player offers unique strengths. By harnessing these mutually-beneficial strengths—from financial players, telecommunications providers, NGOs, cooperatives and government institutions—financial inclusion can be fast-tracked.

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