



Financial Inclusion through Cooperative Banks –A Study with special reference to Rajasthan

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Abstract:

Cooperative banks are crucial constituent of Indian Financial System with respect to the role assigned, expectations they are supposed to fulfill, their types and the no. of offices they functioned. The cooperative motion started inside the West, however significance that these banks have recognized in India is hardly ever taken place internationally. Role of these banks in rural financing remains essential in today's times also and their expansion in Cities also has extended off late specifically because of pointy growth in wide variety of primary cooperative banks.

Cooperative banks may be playing a vital role in financial inclusion, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and must respect prudential banking regulations, which put them at a level playing field with stockholders' banks. Depending on countries, this manipulate, and supervision can be applied at once by way of country entities or delegated to a cooperative federation or central body. Customer Owned Entities: In a cooperative bank, needs of customers meet the needs of owners as in a cooperative bank, members are both i.e., a customer as well as an owner. As a consequence, the first aim of cooperative bank is not to maximize profit but to provide best possible products and services to its members. Some cooperative banks only operate with their members but most of them also admit non-member clients to benefit from their banking and financial services.

Keywords: cooperative banks, financial inclusion, customers, service.

INTRODUCTION:

Rural economy of India is so dominant a factor of the country that almost all the activities of the Indian people bear its stamp. The most important thing about the rural economy is that it is very large, almost co-terminus with the Indian Economy.

This is so because it is massive in magnitude in many respects, and is related to the ways of the economy in many ways. Rural India is two-thirds of a country of billion people, living in 638,365 villages and earn one-third of the national income. It epitomizes diversity that cuts across geographic conditions to agro-economic, cultural and social contexts. In India the rural economy is composed of many and a large variety of economic activities. One, the largest component and that which provides the hub of the rural economy is agriculture. It consists of crop cultivation pertaining to various kinds of cereals, pulses, oilseeds fruits, vegetables etc.

Finance is the vital requirement that supports this main economic activity which forms the pulse of India. The co-operative banks in India have a history of almost 100 years. The co-operative banks are an important constituent of the Indian Financial System, judging by the role assigned to them, the expectations they are supposed to fulfil, their number, and the number of offices they operate. The co-operative banks in India play an important role even today in rural financing. The businesses of Co-operative banks in the urban areas also have increased phenomenally in recent years due to the sharp increase in the number of primary co-operative banks.

Credit is a crucial input process of development. The RBI has taken number of initiatives in respect of development of rural masses but with lack of knowledge, funds are utilized for unproductive purposes. This study will provide an insight in to rural banking in districts of Rajasthan. The purpose is to know the role of cooperative banking in financial inclusion in Rajasthan.

LITERATURE REVIEW

Prof. Bharati R. Hiremath (2016) in their paper analyzed the financial performance of Cooperative banks. Profitability ratios were used to analyse the performance. It concludes that in order to attract more customers and investors bank had to improve its operational strategy. This study was helpful for bankers in decision making. The study suggest that banks must use modern technology and recovery mechanism for improving the performance of banks.

Dr. K. V. S. N. Jawahar Babu (2012), in his article on Performance Evaluation of UCBs in India focused on the role of Urban Cooperative Banks, how they cater to the credit needs of persons of small means. In their study they concluded that in



recent years UCBs has gone through a lot of turmoil. The working efficiency is not satisfactory which is judged by low profitability and low capital base. The Urban Cooperative banks should be encouraged to grow to face the healthy competition.

Rutamu and Ganesan (2008), in their study stated that banking sector and financial Institution plays major role in financing stage of Capital formation Cooperative banks took the responsibility of mobilizing the scarce savings of the society and channelizing them for productive investment in the economy

Amit K in his study (2001) “Appraisal of a rural Co-operative with the thrust on rural development: an empirical study” The study reveals that the rural co-operative has been able to improve the living standard of the rural people of the studied area, thus the rural co-operative accelerated the process of rural development in remote India.

N.K. Thingalaya, I.N. Tewary observed that loans are not properly used by beneficiaries due to lack of knowledge, opportunities and will. They waste the loan on eating and drinking and thus the purpose of the loan is defeated.

Balishter and Singh (2001) made an attempt to examine the performance of cooperatives in rural development and the performance was examined through contribution of cooperatives in the development of rural infrastructure facilities, supply of credit and organizing the marketing and processing activities. But it was found that the performance was not up to the mark due to several weaknesses, i.e., resource constraint, large overdues and defective management.

A case study conducted by **K.Gayathn (1993)** in Chikmagalur District of Karnataka revealed that many rural farmers were hesitant to approach a bank for financial assistance. They feared that if they failed to repay the loans taken from banks, the treatment meted out to them would be worse than that of money lenders.

OBJECTIVE OF THE STUDY

- To study the role of cooperative banks in financial inclusion in rural area.]
- To know the source and uses of credit to village in the study region.]
- To know various issues and challenges in respect cooperative banking in the study] region.
- To understand the socio –economic conditions of village in the study region.]
- To know the contribution of cooperative banking in economic growth.]

RESEARCH METHODOLOGY

The study will be based on both primary and secondary data; Primary survey conducted with 100 rural households from villages of rajasthan. Five villages are selected from each village 20 sample size are taken for this study. The selection of respondents based on simple Random sampling technique.

STATEMENT OF THE RESEARCH PROBLEM

Rural development has always been an important issue in all discussions pertaining to economic development, especially of developing countries, throughout the world. In India the agricultural sector is not profitable because of various reasons so it leads to industrial backwardness. The rural folk are in a precarious condition so all rural folk are economically backward, no social institution is available in rural area, so economic backwardness leads to social backwardness and further social backwardness leads to economic backwardness.

Financial Literacy

In the words of Shri Pranab Mukherjee, (2013) “Financial literacy and education plays a vital role in financial inclusion, inclusive growth and sustainable prosperity”. Financial Literacy is the base and primary step for financial inclusion. It provides knowledge on merits and demerits of financial products and services, based on that an individual can select the right product which suits his/her needs. It ensures that financial services are to be reached to weaker sections or unreached sections of the society.

Financial Inclusion

Financial inclusion is a passport for other financial products and services such as short term credit facilities, insurance and pension products as they necessarily require access to bank account. Financial inclusion emphasizes various dimensions including availability, accessibility and usage of financial system. It helps to improve an overall inclusive financial system. The main objective of financial inclusion is to ensure ease of access, availability and usage of financial system for all individuals of an economy.

Rural Development

The term rural development refers to a wide array of developmental programmes aimed at developing rural areas through the creation of infrastructure facilities to improve the condition of rural people. The very concept of rural development on the



global level had its origin in the mid-17th century in England. A group of people called „Quakers“ or friends organized themselves on the principles of selfless sacrifice. They believed in the dignity of all human beings.

This philosophy was propagated throughout the world. Co-operative Banking and Economic growth The cooperative movement and banking structures soon spread and resonated with the unexpressed needs of the rural Indian and small scale businesses. Since, 1950s, they have come a long way to support and provide assistance in activities like credit, banking, production, processing, distribution/marketing, housing, warehousing, irrigation, transport, textiles, dairy, sugar etc. India is mainly an agrarian society with more than half of its population still residing in the villages.

Cooperatives cover more than 97% of Indian villages, some run by its members and some by the government. The major funds of farmers were pooled in to run cooperative and it was an attractive way to solve their financial problems. After independence role of cooperative societies grew to encompass socio-economic development and eradication of poverty in rural India. It became an integral part of five-year plan. With these co-operative banks became a fundamental part of our economy.

DATA ANALYSIS

Particular	Number of Respondents	Percentage%
A. Educational Background		
1. Illiterate	45	45%
2. Primary	35	35%
3. SSLC	8	8%
4. PUC	7	7%
5. Degree & Above	5	5%
Total	100	100.0%

B. Economic status		
1. BPL	73	73%
2. APL	19	19%
3. Other	8	8%
Total	100	100.0%
C. Sources of credit		
1. Cooperative banks	35	35%
2. Nationalized banks	10	10%
3. Micro finance	45	45%
4. other	10	10%
Total	100	100.0%
D. Uses of fund		
1. Entrepreneurship activity	7	7%
2. Petty shops	3	3%
3. Investment in gold	14	14%
4. Children education	13	13%
5. Family maintenance	24	24%
6. Daughter marriage	9	9%
7. Reconstruction of house	14	14%
8. Purchase of new vehicle	16	16%
Total	100	100.0%
E. Reason for Preference of Co-operative banks	42	42%
1. Easy availability of credit	13	13%
2. Low rate of interest	10	10%
3. Subsidies or concessional	3	3%



4.	Loan to need people	12	12%
5.	More on service oriented	6	6%
6.	Support to small entrepreneurs	14	14%
7.	Less documentary		
Total		100	100.0%
F. Drawbacks of cooperative banks			
1.	Less awareness about financial product	39	35%
2.	High rate of interest	12	12%
3.	Less amount disbursal	18	18%
4.	Delay in distribution of amount	16	16%
5.	Problems of bank official	9	9%
6.	Problems of documentation	6	6%
Total		100	100.0%

Issues and challenges

- ✓ Non -financial institution/agency
- ✓ Professionalization in service
- ✓ Lack of awareness
- ✓ Involved in Less income generation activity
- ✓ Less government initiatives
- ✓ Socio-Economic status
- ✓ Fall in agricultural price
- ✓ Huge amount of Due

FINDINGS OF THE STUDY

1. 45% of the respondents are illiterate and 35 % have completed primary level education, majority of the respondents belong to below poverty line and 10% of respondents are doing small entrepreneurial activity and majority of them are involved in agricultural activity.
2. 35 % of respondents borrowed financial services from cooperative banks, 45 % of them through micro-finance or SHGs and only 10% of respondents borrowed loan from the nationalized banks.
3. 24% of respondents says that the fund has been used for family maintenance,14% of respondents say that they have used credit for reconstruction of the houses ,16% of respondents purchase new vehicle ,13 % for children education ,13% purchase of gold and other reason.
4. 42% of respondents agree that the reason for the preference of cooperative banks is for easy availability of credit ,14% less documentary ,13 % low rate of interest ,12 % cooperative banks service oriented and other reason
5. 35 % respondents says that less awareness of financial product from the cooperative banks is main problem of rural people ,18% less loan amount ,16% delay in distribution of amount and 12 % agree high rate of interest
6. 35% of respondents say that money lenders play very important role in respect of financial literacy, 27 % of respondents use the fund for unproductive purpose with lack of knowledge of financial planning ,13 % problems in agricultural income ,13 % financial literacy and 10 % respondents say less government supports is also a reason for rural people to be excluded from financial services.
7. 42% respondents borrowed money from non-financial institution with the reason of easy availability credit ,24% of respondents say repayment of due amount borrowed from other banks, 10% respondent's additional expenses for wedding and festivals and 14% respondents agree loan amount has been used unproductive purpose
8. 39% respondents agree the loan amount borrowed from the cooperative banks are repaid regular Basis ,14% respondents say that based on income level repayment will be done, 19% says repayment may be done by borrowing money from the money lenders,16 % borrowed from family member and 12 % says that repayment of loan may be sale of any assets or land.

CONCLUSION

Co-operative banking in India plays very important role in respect of economic development. In India agricultural Income is prime source of income for village people, Development of nation highly depend rural India. In India 73% village



people facing problem with financial literacy, it created a big challenge to Indian banking system. Creating awareness to the rural people about financial product makes a big task in rural India.

The study concludes that rural people are facing lot of problem with financial service but the amount loan sanctioned to this people has utilized for various unproductive reason with lack of knowledge of financial planning. In study area money lenders play very important role with various reason. There is a need financial inclusion not only providing financial services and creating awareness are also very important because the majority of the credit has been using unproductive reason with lack of knowledge.

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