

CONTRIBUTION OF CO-OPERATIVE BANK IN FINANCIAL INCLUSION

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ABSTRACT

India's rural economy is so dominant that almost all the activities of the Indian people bear its mark. The most important thing about the rural economy is that, with the Indian economy, it is very big, almost co-terminus. This is so because in many respects it is large in size, and in many respects it is linked to the ways of the economy. Rural India is two-thirds of a billion-dollar economy, living in 638,365 villages and earning one-third of its national income. This encapsulates diversity that cuts across agro-economic, cultural and social contexts through geographic conditions. In India, the rural economy is made up of a wide range of economic activities. First, agriculture is the largest component and the one which provides the rural economy's hub. It consists of the cultivation of crops for different types of cereals, pulses, fruits, vegetables, etc.

KEYWORDS: *Rural Economy, Co-operative Banks, Geographic Conditions, RBI.*

Introduction

Finance is the essential prerequisite that supports this primary economic operation that shapes India's pulse. Co-operative banks have a history of nearly 100 years in India. Co-operative banks are an essential component of the Indian Financial System, taking into account the position they are given, the demands they are expected to meet, their number and the number of offices they run. Cooperative banks play an important role in rural finance in India, even today. Co-operative banks' businesses in urban areas have also expanded phenomenally in recent years, owing to the sharp rise in the number of primary cooperative banks. Credit is a critical production mechanism for input. The RBI has implemented a variety of rural mass development programs, but with a lack of awareness, funds are used for unproductive purposes.

Literature Review

Amit K in his study (2001) The study shows that the rural cooperative has been able to improve the living standards of the rural people of the studied area, so that the rural cooperative has accelerated the process of rural growth in remote India. The study shows that the rural cooperative has been able to improve the living standards of the rural people of the studied area.

N.K. Thingalaya, I.N. Tewary It noted that, due to lack of awareness, opportunities and will, loans are not adequately used by recipients. They waste the loan on eating and drinking, thus defeating the intent of the loan.

Balishter and Singh (2001) Attempts were made to analyze the performance of rural development cooperatives and the performance of cooperatives was examined through the contribution of cooperatives to the development of rural infrastructure, the provision of credit and the organization of marketing and processing activities. However, due to many limitations, i.e. resource limitation, wide overdue and faulty management, it was found that the performance was not up to the mark.

A case study conducted by K.Gayathn (1993) it was discovered in the Karnataka district of Chikmagalur that many rural farmers were unwilling to approach a bank for financial assistance. They feared that the care offered to them would be worse than that of money lenders if they failed to repay the loans taken from banks.

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Objectives 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. For this study Primary survey conducted with 100 rural households from Jaipur district. Five banks are selected for this study. The selection of respondents based on simple Random sampling technique.

Statement of the Research Problem

• Rural Development

Rural development has always been an important issue in all economic development discussions worldwide, especially in developing countries. In India, for different reasons, the agricultural sector is not productive, so it contributes to industrial backwardness. Rural people are in a precarious situation, so all rural people are economically backward, there is no social institution in rural areas, so economic backwardness leads to social backwardness and economic backwardness leads to more social backwardness.

• Financial Literacy

"Financial literacy and education play a vital role in financial inclusion, inclusive growth and sustainable prosperity, in the words of Shri Pranab Mukherjee (2013)." The foundation and primary move for financial inclusion is financial literacy. It offers awareness of the merits and demerits of financial products and services, based on the ability of a customer to choose the right product that fits their needs. It ensures that financial services are available to poorer or unavailable parts of society.

• Financial Inclusion

For other financial goods and services, such as short-term lending facilities, insurance and pension products, financial inclusion is a passport, as it inherently includes access to a bank account. Financial inclusion stresses different aspects, including financial system availability, accessibility and use. It helps to enhance an equitable financial environment overall. The key goal of financial inclusion is to ensure that all people in the economy have convenient access, availability and use of the financial system.

• Rural Development

The term rural development applies to a wide range of development programmes aimed at developing rural areas through the establishment of infrastructure facilities aimed at improving rural people's conditions. The very notion of rural growth at the global level had its roots in England in the mid-17th century. On the ideals of selfless sacrifice, a community of people called "Quakers" or friends formed themselves. In the equality of all human beings, they believed. This philosophy has been propagated worldwide.

• Co-operative Banking and Economic Development

The cooperative movement and banking systems quickly expanded and resonated with rural Indian and small-scale enterprises' unexpressed needs. They have come a long way since the 1950s to finance and support activities such as credit, banking, manufacturing, refining, distribution/marketing, housing, warehousing, irrigation, transport, textiles, milk, sugar, etc. With more than half of its population still living in villages, India is largely an agricultural society. Cooperatives, some run by their members and some by the government, cover more than 97 percent of Indian villages.

In order to manage cooperatives, the key farmers' funds were pooled and it was an attractive way to address their financial problems. The position of cooperative societies after independence grew to include socio-economic growth and the eradication of poverty in rural India. It has become an essential component of the five-year plan. These cooperative banks have become a vital part of our economy.

Data Analysis

Particulars	Number of Respondent	Percentage
Educational Background		
• Illiterate	49	49%
• Primary	38	38%
• SSLC	5	5%
• PUC	3	3%
• 5. Degree & Above	5	5%
Total	100	100%
Sources of Credit		
• Cooperative banks	30	30%
• Nationalized banks	10	10%
• Micro finance	50	50%
• Other	10	10%
Total	100	100%
Uses of Fund		
• Entrepreneurship activity	8	8%
• Petty shops	4	4%
• Investment in gold	15	15%
• Children education	14	14%
• Family maintenance	25	25%
• Daughter marriage	10	10%
• Reconstruction of house	15	15%
• Purchase of new vehicle	9	9%
Total	100	100%
Reason for Preference of Co-Operative Banks		
• Easy availability of credit	30	30%
• Low rate of interest	10	10%
• Subsidies or concessional	12	12%
• Loan to need people	8	8%
• More on service oriented	12	12%
• Support to small entrepreneurs	10	10%
• Less documentary	18	18%
Total	100	100%
Drawbacks of Cooperative Banks		
• Less awareness about financial product	40	40%
• High rate of interest	12	12%
• Less amount disbursal	18	18%
• Delay in distribution of amount	16	16%
• Problems of bank official	10	10%
• Problems of documentation	4	4%
Total	100	100%
Various issues faced by the rural people in respect if financial inclusion		
• Role of money lender	35	35%
• Less professionalization	8	8%
• Problems in agriculture sector	14	14%
• Financial literacy	14	14%
• Use of fund more on unproductive purpose	20	20%
• Less government support	9	9%
Total	100	100%

Findings of the Study

- 49% of the respondents are illiterate and 38 % have completed primary level education, majority of the respondents belong to below poverty line and 5% of respondents are doing small entrepreneurial activity and majority of them are involved in agricultural activity.
- 30 % of respondents borrowed financial services from cooperative banks, 50 % of them through micro-finance or SHGs and only 10% of respondents borrowed loan from the nationalized banks.
- 25% of respondents say that the fund has been used for family maintenance, 15% of respondents say that they have used credit for reconstruction of the houses, 9% of respondents purchase new vehicle, 14 % for children education, 13% purchase of gold and other reason.
- 30% of respondents agree that the reason for the preference of cooperative banks for easy availability of credit, 18% less documentary ,10 % low rate of interest ,12% cooperative banks service oriented and other reason
- 40 % 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
- 35% of respondents say that money lenders play very important role in respect of financial literacy, 20 % of respondents use the fund for unproductive purpose with lack of knowledge of financial planning, 14 % problems in agricultural income, 14 % financial literacy and 10 % respondents say less government supports is also a reason for rural people to be excluded from financial services.

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

Conclusion

In terms of economic growth, cooperative banking in India plays a very important role. In India, agricultural income is the primary source of income for village people, rural India is highly dependent on the growth of the country. In India, 73 percent of villagers facing financial literacy problems have created a major challenge to the Indian banking system. In rural India, raising awareness among rural people about financial products is a major challenge. The study concludes that rural people face a lot of financial service issues, but with a lack of knowledge of financial planning, the amount of loans given to these individuals has been used for various unproductive reasons. In the field of research, money lenders play a very important role for different reasons. In addition to offering financial services, there is a need for financial inclusion and raising awareness is also very critical because the majority of the credit has been used for unproductive purposes with a lack of information.

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