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A Study On The Role Of Cooperative Banks In Financial Inclusion In India

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1. INTRODUCTION

The importance of Financial Inclusion to national economies is evident from the support extended by individual governments and international bodies around the world.(Frost & Sullivan Report, 2009) Banking services are being viewed increasingly as a public good that needs to be made available to the entire population without discrimination. The degree of publican in financial inclusion may be different from a typical public good like 'defense'. But being as important as access to water or basic education, it does qualify to be termed as 'quasi-public good' (Mehtrotra et.al2009). This recognition has made financial inclusion a policy objective for policy makers and others engaged in developmental activities. It is estimated that globally about 2.9 billion people are excluded from access to financial services,(World Bank, United Nations 2006). According to the National Sample Survey Organization, (2003, 59thround) 45.9 million farmer households in the country (51.4%), out of a total of 89.3 million house holds do not access credit, either from institutional or non-institutional sources. Further, despite the vast network of bank branches, only 27% of total farm households are indebted to formal sources (of which one-third also borrow from informal sources). Farm household's not accessing credit from formal sources as a proportion to total farm households is especially high at 95.91%, 81.26% and 77.59% in the North Eastern, Eastern and Central Regions respectively.

The report of the Committee on Financial Inclusion constituted by Government of India (Rangarajan, 2008) reports that 73% of farmer households have no access to formal sources of credit. India alone has 560 million people who are excluded from formal source of finance and this is in strong correlation with the 41.6percent of the population (457 million) that still lives below the poverty line i.e.US $ 1.25/day (NCR Whitepaper on Financial Inclusion, 2009). The recognition that financial inclusion is a powerful tool to not just alleviate poverty but also fuel economic growth has brought this concept to the limelight since early 2000 and is seen as a policy priority in many countries. To quote C. Rangarajan, Ex- Governor RBI and Chairman, Committee on Financial Inclusion, Government of India "The country has moved on to a higher growth trajectory. To sustain and accelerate the growth momentum, we have to ensure increased participation of the economically

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weak segments of the population in the process of economic growth. Financial inclusion of hitherto excluded segments of the population is a critical part of this process of inclusion". Inclusive growth as a strategy for economic development received attention because of the rising concern that the benefits of economic growth have not been equitably shared (Chakra borty, 2010).

United Nations defined the main goals of inclusive finance as access to a range of financial services such saving, credit, insurance, remittance, and other banking payment services to all bankable households and enterprise at a reasonable cost. The concept of financial inclusion can be traced back to the year 1904 when co-operative movement took place in India. It gained momentum in 1969 when 14 major commercial banks of the country were nationalized and lead bank scheme was introduced shortly thereafter. Branches were opened in large numbers across the country and even in the areas which were hitherto being neglected.

Even after all these measures a sizable portion of the population of the country could not be brought under the fold of banking system. In fact, there is a severe gap in financial access which needs special attention. Studies have proved that lack of inclusion or rather exclusion from the banking system results in a loss of 1% to the GDP. Thus, financial inclusion is not just a socio-political imperative but also an economic one. Realising the gravity of the problem, Reserve Bank of India in its Mid Term Review of Monetary Policy urged the banks to make financial inclusion as one of their prime objectives.

The positive impact of financial inclusion is wide-spread across the globe. Most of the literature on banking sector outreach focus on its effect through cross-country evidence. World Bank has also done a study on this subject for rural India and found that about 40% of households have deposit accounts, 20% have outstanding loans and only 15% have any insurance.

Financial exclusion is broadly defined as the lack of access by certain segments of the society to suitable, low-cost, fair and safe financial products and services from mainstream providers. Thus the essence of financial inclusion is to ensure that a range of appropriate financial services is available to every individual and enable them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (life and non-life), etc.

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The importance of cooperative banks has soared in recent years with the emergence of financial inclusion as a key thrust of public policy in India. Financial inclusion is generally defined as the availability of banking services at an affordable cost to disadvantaged and low-income groups. According to the Rangarajan Committee (2008), "Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost". In India the basic tool of financial inclusion is having a saving or current account with a bank. The scope of financial inclusion includes services like opening of bank accounts, immediate credit facilities, insurance facilities, financial advisory services etc.

The importance of this study lies in the fact that India being a socialist, democratic republic, it is imperative on the policies of the government to ensure equitable growth of all sections of the economy. Priority sectors such as cooperative banks lending in a socialistic economy is very significant as this directly affects the economic status of the poor. It is unanimously opined that the poor need financial support at reasonable costs and that also at uninterrupted rate. Nevertheless, the economic liberalization policies have always tempted the financial institutions to look for more greener pastures of business, ignoring the weaker sections of the society. It is crucial for any economy to aspire for inclusive growth connecting each and every citizen in the economic development succession. It is in this background that a study has to be made to understand the importance of priority sectors such as cooperative banks' lending in ensuring inclusive growth in the Indian context.

2. ORIGIN:

The origins of the current approach to financial inclusion can be traced to the United Nations initiatives, which broadly described the main goals of inclusive finance as access to a range of financial services including savings, credit, insurance, remittance and other banking / payment services to all ‘bankable’ households and enterprises at a reasonable cost. The Report of the Centre for Global Development (CGD) Task Force on Access to Financial Services (October, 2009) has laid down the broad policy principles for expanding financial access, including institutional mechanisms, with particular emphasis on the need for ensuring data collection, monitoring and evaluation. The G20 Toronto Summit (June, 2010) had outlined the “Principles for Innovative Financial Inclusion”, which serves as a guide for policy and regulatory approaches aimed at fostering safe and sound adoption of innovative, adequate, low-cost financial delivery models, helping provide conditions for fair competition and a framework of incentives for the various bank, insurance, and non-bank actors involved in the delivery of a full range of affordable and quality financial services.

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The global financial crisis has brought the need for financial inclusion into greater focus worldwide as it is believed that widespread incidence of financial exclusion was one of the factors that precipitated the financial crisis. While spread of financial inclusion is recognized through formal financial institutions such as banks, credit unions, post offices or microfinance institutions, the approach of keeping some/ all of these entities as a part of the core or as support players, varies from country to country. Besides, it is important to note that the defining principles of financial inclusion, coverage, role and responsibilities of institutions and measurement / monitoring requirements have been evolving over the years.

3. NEED FOR FINANCIAL INCLUSION:

The Indian economy is the second fastest growing economy in the world. Majority of the population in India resides in rural areas. Thus development of rural India is a key step towards economic development for a country like ours.

Credit is one of the very important inputs of economic development. The timely availability of credit at an affordable cost has a big role to play in contributing to the wellbeing of the weaker sections of the society. Proper access to finance by the rural people is a key requisite to employment, economic growth and poverty reduction which are primary tools of economic development.

India has a huge network of institutional credit. Institutional credit refers to credit offered by financial institutions like banks. The Indian financial system is considered to be one of the finest systems in the world. It is only because of the strong grip of the financial system that even the global financial crisis could not affect India that severely.

In spite of having such a strong financial system it has been evident that financial awareness has not been able to penetrate into the rural sections of the society. Non institutional credit givers in the form of money lenders still continue to grasp the poor in their clutches. This is a matter of concern and proper action needs to be taken for the same.

According to P. Vijaya Bhaskar, Financial Inclusion is one of the major tools of faster economic development in a country. It not only provides financial protection to the under- privileged but also adds to the process of capital formation of a country. Increase in the amount of savings channelises financial resources into the process of economic development and makes availability of credit easy and affordable. Also, as per the World Bank report, there are various studies which have emphasised on the role of financial inclusion in poverty reduction and fostering sustainable development.

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It is now widely acknowledged that financial exclusion leads to non-accessibility, non-affordability and non-availability of financial products. Limited access to funds in an underdeveloped financial system restricts the availability of their own funds to individuals and also leads to high cost credit from informal sources such as moneylenders. Due to lack of access to a bank account and remittance facilities, the individual pays higher charges for basic financial transactions. Absence of bank account also leads to security threat and loss of interest by holding cash. All these impose real costs on individuals. Prolonged and persistent deprivation of banking services to a large segment of the population leads to a decline in investment and has the potential to fuel social tensions causing social exclusion. Thus, financial inclusion is an explicit strategy for accelerated economic growth and is considered to be critical for achieving inclusive growth in the country.

KCC SCHEME: The KCC Scheme was introduced in 1998-99 to facilitate the access to short term credit to enable farmers to purchase agricultural inputs and draw cash for their production needs in a hassle free and cost effective manner and is being implemented across India by all public sector commercial banks, RRBs and co-operative banks. KCC also covers consumption needs of the farmers if need arises. Government of India from time to time formulates new policies so as to provide credit to the agricultural sectors and as a result NABARD broadens the scope of KCC from time to time. In recent times defaulter farmers, oral lessees, tenant farmers and share croppers were also included into the fold of KCC by banks as advised by NABARD and it also asked the banks to identify new farmers and to provide crop loans only through KCC. The scheme is being further expanded to include borrowers of long-term cooperative credit structure (RBI, 2008c).

4. ROLE OF RESERVE BANK OF INDIA IN FINANCIAL INCLUSION

Financial inclusion is an important step towards inclusive growth. It helps in the overall economic development of the disadvantaged poor. Financial inclusion is also considered to be a business opportunity for the formal financial institutions. It would help them in penetrating into unbanked areas and thereby attaining profit. Besides the bankers, the developmental authorities also have a major role in developing the supportive infrastructure, both physical and social. The four pillars of inclusive growth are productivity, employment, financial inclusion and infrastructure development. Literacy, health and communication are some of the essential ingredients needed for inclusive growth.

Financial inclusion is a flagship programme of the Reserve Bank. Its objective is to bring people, hitherto excluded, under the ambit of formal financial institutions. To push towards universal financial inclusion, the Reserve Bank has taken several initiatives. These include advising banks on devising their Financial Inclusion Plan and constituting a Financial Inclusion Advisory Committee (FIAC). The

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Committee, under the Chairmanship of Dr. K.C. Chakrabarty, is helping banks to develop a viable and sustainable model of banking services that focuses on accessible and affordable financial services. To sensitize financially illiterate people, financial literacy programmes have been initiated by the Reserve Bank in collaboration with commercial banks. Opening multiple channels of credit delivery is expected to improve access to institutional credit for excluded people, which, in turn, may help bring them within the ambit of the growth process.

5. INITIATIVES OF RBI FOR FINANCIAL INCLUSION

To help the underprivileged participating in the economic development and country's inclusive growth, following initiatives were undertaken by the Reserve Bank of India over the last four decades:

INITIATIVES TAKEN DURING 1960S AND1970S

- Focus on increasing credit to the neglected economy and weaker sections of society.
- Development of the rural banking ecosystem including RRBs, rural and semiurban branches.
- Implementation of the social contract with banks.
- Lead Bank Scheme launched for rural lending.

INITIATIVES TAKEN DURING 1980S AND 1990S

- Branch licensing policy to focus on expansion of commercial bank branches in rural areas.
- Establishment of National Bank for Agriculture and Rural Development (NABARD) to provide refinance to banks providing credit to agriculture.
- SHG-Bank Linkage Program launched by NABARD.
- In 1999 Swarna Jayanthi Gram Swarojgar Yojana launched.

INITIATIVES TAKEN DURING 2000S

- The term 'Financial Inclusion' was introduced for the first time in RBI's Annual Policy Statement for 2005- 06 and a policy namely "Financial Inclusion Policy" was framed.
- 100 percent financial inclusion drive launched.
- Restrictions on ATMs deployment removed.
- In September 2005 Mahatma Gandhi National Rural Employment Guarantee Scheme introduced
- National Rural Livelihood Mission in June 2010
- Pradhan Mantri Jan Dhan Yojana on 28th August 2014
- Recently present government introduced PM Kisan Samman Yojana in 2019 where farmers account is directly credited with 6000/- who fulfills all the eligibility conditions.

6. REGIONAL RURAL BANKS

Regional Rural Banks were established under the provisions of an Ordinance passed on 26 September 1975 and the RRB Act 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors. These were set up on the recommendations of The Narasimham Working Group during the tenure of Indira Gandhi's government with a view to include rural areas into economic mainstream since that time about 70% of the Indian Population was of Rural Orientation. The Regional Rural Banks (RRBs) were established with the objective to create an alternative channel to 'cooperative credit structure' with a view to ensure sufficient institutional credit for rural and agriculture sector. The RRBs are integral segment of the Indian banking system with focus on serving the rural areas. They have been created with a view to serve primarily the rural areas of India with basic banking and financial services.

The main purpose of RRB's is to mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State.

7. COOPERATIVE BANKS

Cooperative banking is a form of retail banking. It is a commercial banking form which is organized on a cooperative basis. Cooperative Banking Institutions are run by credit unions, mutual savings, building societies, cooperatives and cooperative federations. The origins of the cooperative banking movement in India can be traced to the close of 19th century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany, such societies were set up in India. Cooperative banks are an important constituent of the Indian financial system. They are the primary financiers of agricultural activities, some small-scale industries and self-employed workers. The Anyonya Co-operative Bank in India is considered to have been the first cooperative bank in Asia.

8. ROLE OF COOPERATIVES BANKS & RRBS IN THE PROMOTION OF FINANCIAL INCLUSION

Recently, the RBI Governor Raghuram Rajan outlined, in conceptual terms, what inclusion should be. “Simplicity and reliability in financial inclusion in India, though not a cure all, can be a way of liberating the poor from dependence on indifferently delivered public services and from venal

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politicians," he said. Commercial banks are fundamentally urban in their orientation. Their basic aim is to cater to the financial needs of large and medium commercial and industrial sector. They are to unable to reach out and are misfit to fulfill the needs of the rural dwellers. It is therefore sensed that commercial banks cannot improve credit delivery and financial requirements into far flung rural areas beyond a point, due to their inherent limitations. Cooperative Banks and RRBs are having rural experience and very good network in rural areas and they also have the advantage of having rural orientation. Therefore these are in a better position to facilitate Financial Inclusion in the rural areas. The 1961 Census showed that nearly 50 percent of India's towns and almost none of our villages had bank branches. In 1969 the National Credit Council, set up to guide the branch expansion programme, found that not even 1 percent of India's villages were served by commercial banks. It also noted that while industry accounted for a mere 15% of national income, its share in commercial bank credit was nearly 67%.

On the other hand, agriculture that contributed 50% of GDP virtually got nothing from banks. The RBI Report 2013 mentions that the predominance of the cooperatives as the key credit provider of agricultural credit continued till mid-nineties when it was still meeting about 50% of agricultural credit provided by the entire banking system to farmers.

Cooperative banks in India are best known as small people bank and in that cadre they can deliver better the benefits of financial inclusion efforts to the targeted mass. Cooperative banking is in a position to play a very constructive role in meeting the objective to a greater degree of financial inclusion in our country where the 70% of the population constitute the middle and lower income group. Co-operative banks are known to be deeply rooted inside local areas and communities. They are basically involved in local development and contribute to the sustainable development of their communities, as their members and management board usually belong to the communities in which they exercise their activities. The first aim of a co-operative bank is not to maximise profit but to provide the best possible products and services to its members. They often provide the much-needed credit to farmers and others, allowing them to receive what they need to operate their farms, effectively running a tab until the current round of crops are sold. These banks which function in rural and semi-rural areas have recruited rural staff in their organization and are in a better position to understand the needs and limitations and lifestyle of the people belonging to such places. As the RBI Reports 2013 states, although cooperatives are providing only 17% of agriculture credit, the share of cooperatives in total number of agricultural accounts held by the banking system is substantial.

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9. FINANCIAL INCLUSION THROUGH COOPERATIVE BANKS (CBS)

By their very nature, Urban Cooperative banks in India can play a vital role in financial inclusion. The distance - relational as much as physical - of commercial banks from their clientele has arguably been a key reason for the low penetration of banking services among the financially excluded groups. This is where the cooperative banks have a clear advantage, being local in nature and being intricately interwoven with the local community. It is much easier for the cooperative banks to crack the psychological barrier that proves unaffordable in the 'last mile' of financial inclusion, create trust for the bank among its target community and fetch customers within its fold. These days when big commercial banks work hard to set up branches and make use of technology to reach out to hit her to untapped regions of the country, it is time for the cooperative banks to step into the game that is naturally theirs to triumph.

In spite of their advantage of being rooted in the local community, cooperative banks have to get their own house in order to make a meaningful incursion in financial inclusion. They have been burdened with numerous problems in current years which need to be addressed before consequences can be expected in the financial inclusion space.

A large section of the financially excluded population inhabits rural areas; financial exclusion is widespread in urban and semi-urban areas as well. Financial inclusion problem in these areas can be solved by urban cooperative banks, who are part of the cooperative banking sector in India. Normally farmers, small vendors, agricultural and industrial labourers, people engaged in unorganised sectors, unemployed, women, older and physically challenged people are the most commonly excluded segments. These sections are best addressed by the Coperative Banks (CBs). The key advantage that CBs enjoy above commercial banks originates from their cost structure. The labour costs of CBs are significantly less than that of commercial banks and generally the operating costs are also less. Likewise the local nature and resultant informational advantages of the CBs are also essential. Being an vital part of the community, CBs have an advantage over their commercial competitors in terms of having information, both about forthcoming business opportunities as well as borrower quality, which national-level banks have a hard time gathering. Finally, the advantages of the local nature of the CBs also manifest themselves in the flexibility that these banks can provide to their local clientele. Unlike their commercial counterparts, who require holding on to nationwide and global policies to alter their practices, CBs can be far more responsive to the needs of the local community and the changes there. Once again, that provides a massive competitive advantage. Recently the CBs have increasingly started adopting the three-pronged financial inclusion strategies used by commercial banks - Banking

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Correspondents (BC), "no-frill" accounts and promoting microfinance activities. Once again, their local nature provides them an advantage over their national opponents in executing these moves better. CBs enjoy an indisputable edge in the area of relationship banking.

10. COOPERATIVE BANKS AND RURAL DEVELOPMENT

The above argument asserts that cooperative banks play a vital role for rural development in India. The following are arguments, on how these banks play this crucial role. Cooperative banks create opportunities for employment and income generation in the rural areas. They increase accessibility of goods and services, all of which also contribute to economic growth.They encourage performance and competitiveness, as their members are also the beneficiaries. This also applies to deprived groups such as indigenous populations and disabled persons. They tend to choose sustainable development options because of their member-driven nature, a key approach for rural areas whose population depends on the resilience of natural resources such as land, water and soil quality. They promote modernization by facilitating the dissemination of new technologies and processes. Cooperative banks are firmly rooted in their community, and are hence more likely to influence it positively. They are directed by a set of underlying values and beliefs and are schools of social dialogue and democracy. These are based on the values of self-help, democracy, equality, self-responsibility, equity and solidarity, as well as ethical values of honesty, openness, social responsibility and caring for others. They can alter survival-type activities into legally protected and productive work. They mobilize self-help and motivate people to make better use of their self-help potential.

Cooperative banks also balance the need for profitability with the broader economic and social development needs of their members and the larger community, because members are both producers and beneficiaries. They are often the only provider of services in rural communities, given that other types of enterprises often find it too costly to invest in these areas or anticipate low levels of economic return. This is the case for electricity, water resources, financial services, and consumer supplies. In India, for instance, the consumer needs of 67 percent of rural households are covered by cooperatives. It helps address many social and economic concerns such as community identity, and strengthen the social fabric, particularly important in post-crisis contexts. It offers an economic future for youth in rural areas, and thus prevents rural depopulation.

11. FUTURE PERSPECTIVE:

1) Considering the inherent challenges in the sector, it is required to put in place measures for the long term health of the sector. Earlier, RBI was not able to take coordinated action as it could have destabilized the sector. The sector has shown considerable

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improvement today and time, is perhaps, ripe to strengthen the framework to a level of regulatory comfort. It is possible of getting co-operative banks to move towards regulatory capital requirements over a period of time by nudging capital compliance towards industry standards based on a practical timeline. Further, in the context of changing landscape, a view needs to be taken whether a fresh round of co-operative bank licensing is due and put in place a definite migration path for FSWM co-operatives to make the transition to SFBs / commercial banks and at the same time continue efforts relating to governance reforms.

2) It is pertinent to examine the merit and possibility of amending Cooperative Acts in states to the effect the provisions requiring every borrower having a voting share do not weaken the UCBs; you all will recall that such provisions have led to an anomalous situation where borrowers, who create the risk, control the bank and the depositors who bear the risk don't.

3) The possibility of acquiring shares by members at the book value at the time of entry and divest the shares at the book value at time of exit also needs to be examined, the purpose of the exercise would be to create appropriate incentives so that members get the benefit or otherwise of the reserves that are built during their membership.

4) Cooperative banks are unique in terms of their structure, clientele and credit delivery. The resilience and stability shown by these banks during the recent global financial crisis has underscored their importance in the financial system of both developed and emerging market economies. Despite their inherent weaknesses in terms of low capital, poor management and intrusive policies of State, cooperative banks in India have successfully weathered several challenges during their century old existence and continued to grow in the competitive environment which emerged following the Economic and Financial Sector Reforms initiated in 1991. RBI has initiated several policy measures to strengthen the cooperative banking sector by gradually introducing the prudential norms and regulatory prescriptions on par with commercial banks. It is heartening to see that cooperative banks are showing keen interest in diversifying their business and broad-basing their clientele. One can hope that changes in the existing legal framework, supportive regulatory environment, adoption of technology and re-orientation of business strategy can act as enablers for cooperative banks to contribute more meaningfully in the equitable economic growth across regions through their delivery model.

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12. FINANCIAL INCLUSION INITIATIVES TAKEN FOR COOPERATIVE BANKS IN INDIA

12.1 INITIVATIVES OF RBI

Besides the mandatory crop insurance, the KCC holder should have the option to take benefit of any type of Assets Insurance, Accident Insurance (including PAIS), and Health Insurance (wherever product is available) and have premium paid through his KCC account. Premium has to be borne by farmers/bank according to the terms of the Scheme. Farmer beneficiaries should be made aware of the insurance cover available and their consent (except in case of crop insurance, it being mandatory) is to be obtained, at the application stage itself.

12.2 COOPERATIVE BANKS AS AN INSTRUMENT FOR RURAL DEVELOPMENT:

With nearly one-third of India's rural population living below the poverty line and with most of the rural producers being small scale unorganized operators having virtually no bargaining power. Agriculture is the backbone of Indian economy and prosperity of agriculture can significantly contribute to the general prosperity of the nation. Cooperative societies are playing significant role in the development of the economy. The cooperative movement in India was started in the beginning of twentieth century. On the recommendations of different committees, the Cooperative Society Act 1904 was enacted. The objectives of the Act were to encourage thrift, self help and cooperation among agriculturist, artisans and persons of the limited means (Sharma 2014).

KISAN CREDIT CARDS ISSUED

The Kisan Credit Card (KCC) scheme introduced in August 1998 has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle free manner. The scheme was revised in 2012 to room for ATM enabled debit card, operation through wider delivery channels including branch/cheque facility / Business Correspondents/ATM (debit card)/mobile handsets, inbuilt cost escalation for assessing limits, wider coverage under crop loans, moving towards accessing online land record and creation of charge etc. Agency-wise Kisan Credit Cards issued since inception up to 2015-16 is given in following table.

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AGENCY-WISE KISAN CREDIT CARDS ISSUED					
S.No	**Year**	**Cooperative Banks**	**RRBs**	**Commercial Banks**	**Total (in millions)**
1	2002-03	0.16	0.01	0.62	0.79
2	2003-04	3.6	0.17	1.37	5.14
3	2004-05	5.61	0.65	2.39	8.65
4	2005-06	5.44	0.83	3.07	9.34
5	2006-07	4.58	0.96	2.7	8.24
6	2007-08	4.88	1.28	3.09	9.25
7	2008-09	3.56	1.73	4.4	9.69
8	2009-10	2.6	1.25	4.17	8.02
9	2010-11	2.29	1.41	4.81	8.51
10	2011-12	2.09	1.77	4.61	8.47
11	2012-13	1.34	1.41	5.83	8.58
12	2013-14	1.74	1.95	5.31	9.00
13	2014-15	2.81	1.78	5.58	10.17
14	2015-16	2.96	1.99	5.12	10.07
Cumulative#		43.66	17.19	53.06	113.91
Share in Total (%)		38.33	15.09	46.58	100

In 2016-17 Co-operative Banks issued nearly 35883 million cards, RRB's 12271 and Commercial Banks issued 23320 million cards.

In 2018-19 Co-operative Banks issued 3,34,94,661 cards, RRB's 1,21,93,439 and Commercial Banks issued 4,56,08,100 cards.

12.3 SUPPORT FOR DEVELOPING PRIMARY AGRICULTURAL CREDIT SOCIETY (PACS) AS MULTI SERVICE CENTRES

Due to the wide coverage of PACS at the ground level and the limited products at their disposal, NABARD extended financial support to StCBs/CCBs/PACS to develop Primary Agricultural Credit Societies as Multi Service Centres (MSCs) for meeting the various requirements of the farmers. During 2013-14, 625 PACS were supported with sanction of financial assistance to the tune of Rs.265.99 crore, of which, Rs.255.41 crore was loan component and Rs.10.58 crore was towards accompanying measures. The disbursement as on 31 March 2014 stood at Rs.159.35 crore (Rs.157.95 crore as loan and Rs.1.40 crore towards accompanying measures) and included assistance for establishment of agro service centres, rural retail outlets, agricultural-marketing infrastructure, rice mill, rural godown (including onion godown), farm machinery/implements for custom hiring, transport vehicle for agricultural produce and strengthening backward/forward linkages through onlending to members for agriculture/allied activities. The credit support could be both for cash credit limit (upto 12 months) for meeting the procurement cost under Price Support Scheme and supply of seeds, fertilizers, pesticides, plant protection material, etc. to the farmers and term loans for setting up of marketing infrastructure including grading and value addition.

12.4 FINANCIAL INCLUSION WITH FOCUS ON INFORMATION TECHNOLOGY:

Financial inclusion is a key element in the strategy to achieve inclusive growth. It is a crucial enabler of economic and social development. In India where a large segment of the population still lives outside the ambit of formal financial services, the need to focus on financial inclusion assumes greater significance. Extension of banking services to hitherto unserved areas and adoption of technology increase the availability of and access to financial services and hence addresses the supply side. Promotion of financial literacy encourages the demand for financial services.

12.5 SUPPORT TO CO-OPERATIVE BANKS AND RRBS FOR SETTING UP FINANCIAL LITERACY CENTRES FROM FINANCIAL INCLUSION FUND

The scheme for supporting RRBs and co-operative banks for setting up Financial Literacy Centres (FLCs) with an outlay upto Rs.5 lakh per Financial Literacy Centre under Financial Inclusion Fund was continued during 2013-14. As on 31 March 2014 grant assistance of Rs.37.69 crore has been sanctioned to RRBs and co-operative banks for setting up 801 FLCs in 19 States.

12.6 TRANSFER OF FARMERS DATA OF PACS TO COOPERATIVE BANKS

Assistance is available under Financial Inclusion Fund for transfer of farmers data of PACS on the CBS server of co-operative bank where the PACS are willing to work as Business Correspondent of a co-operative bank.

4. CONCLUSION

From the above discussion it is clear that Indian growth is not an inclusive growth because the real GDP percentage change per annum, growth of real GDP per head per annum are increasing whereas consumption inequality in India is increasing rapidly after 2015-16. Though poverty or the number of poor is decreasing over the years the trend is not spectacular. By being local in nature and intricately interwoven with the local community, cooperative banks have a clear advantage over commercial banks for financial inclusion. The labour costs of cooperative banks are considerably less than that of commercial banks and generally the operating costs are also minimal. Cooperative banks are a feasible option for inclusive growth through rural development by creating opportunity for

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employment and income generation. The shortfalls of cooperative banks should be mitigated and this will lead to inclusive growth in our country.

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