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CONTENTS

Sr. No.	Author's Name	Title Name	Page No.
1	Anshu Veenapani	Sustainable Environment and Society: Issues and Challenges in India	6
2	Dr. Dimpal Rani	Profitability Analysis of Public, Private and Foreign Banks in India	9
3	Dr. Kumari Anita Roy	Need For Banking in Rural and Agricultural Areas	17
4	Dr. Sanyukta Kumari	Change in Government Policy towards Public Sector	24
5	Dr. Sandeep Kumar Yadav	Votality in Indian Stock Market during Post SEBI Period	28
6	Kishor Kumar Mishra	Banking Sector in India : An overview	32
7	Dr. Lucy Kumari	Banker & Customer Relationship : Paradigm Shift Scenario in India	38
8	Dr. Md. Izhar Ali	A Critical Study of Women Entrepreneurship Development in India	44
9	Dr. Punam Kumari	The Affordable Housing System in India	49
10	Dr. Rajesh Pathak	Institutional Sources of Agricultural Credit	54
11	Sachin Raj	Role Of IRDA In Insurance Sector	61
12	Dr. Santosh Kumar	Problem & Prospects of Cooperative Banking in Bihar	66
13	Sapana Kumari	A Main Issues & Challenges of Women Entrepreneurship in India	71
14	Dr. Rupesh Kumar	History and Growth of NTPC, Kahalgaon	81
15	Dr. Rupesh Kumar	A Study on Different Types of Inventory Management	84
16	डॉ० संतोष कुमार	गाँधीजी के ट्रस्टीशिप सिद्धांत : एक अवलोकन	95

Sustainable Environment and Society: Issues and Challenges in India

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Introduction

Environment is generally equated with nature wherein the physical components of the planet Earth viz. land, air, water, etc. support and affect life in the biosphere. In ancient times, primitive man's environment consisted of nearly the physical aspects of the planet Earth like land, air, water and the biotic communities. But with the passage of time, civilized man extended his environment through his social, economic and political functions. Various combinations of environmental factors have not only affected but conditioned racial characteristics in different parts of the Earth's surface. Environment influences and conditions the thoughts, ideologies and cultures of human beings. Even the social, economic and political behaviour is influenced to a certain extent by man's perception of environmental factors and his responses to these factors. The frequency and magnitude of extreme natural environment decides his reactions and responses to these events.

The emergence of socially organized human communities, human civilization and farming practices changed the existing almost friendly and cordial relationship between man and his natural environment. Gradual but continues effort in farming practices resulted in gradual increase in human population and in the number of domesticated animals. More and more virgin lands were cleared through felling of trees, using more advanced tools and weapons and through burning of forests. This was done in order to increase the agricultural land, so that the increasing number of human beings could get sufficient food. People also moved from areas of greater concentration of people to other areas in search of new fertile land. This led to spread of human population which ultimately destroyed the natural ecosystem.

In our country, environment has been accorded a very high place in the scheme of things. Our poets, philosophers and saints have always emphasized that human beings can find happiness only by living in harmony with nature. But with the leaps that science has taken in the modern times, and coupled with man's greed for power, prosperity and prestige, man has caused untold damage to the environment. Man has used development as a means to exploit nature to its maximum not caring a bit for the damage it has done and is doing to humanity.

- Objectives

The paper intends to explain the environmental forces and the role of human beings towards conservation of environment and betterment of society at large. Sustainable development and environment is the need of the hour, so that sustainable society can emerge and sustain the human beings on this planet Earth.

- Towards Sustainable Environment

The Indian theory of nature and ecology is influenced by the theory of creation which accepts that every element, objective and living being in the universe is created by the same supreme being and man has no special dominion over nature. To Indians, relationship with nature and animals is not that of dominance and subjugation but is rather, a relationship of mutual respect and kindness. Indian culture in the ancient and medieval times, provided a system of moral guidelines towards environmental preservation and conservation. Environment in Indian thought is not conceived as physical lifeless entity, it is a living mechanism. To highlight the importance of our environment, various rituals have been institutionalized. In oral tradition of India, environment has been viewed as a living being which breathes, feels, protects etc. Various environmental components have been given special positions giving each a kind consideration as environmental forces.

The popularity and importance of forests in India can be gauged from the concept of the five-grove culture, which is called Panchavatti. Many sacred groves contain water resources such as ponds and streams, and the vegetative mass that covers the floor of a grove can absorb water during rainy seasons and release it during times of draught. Trees improve soil stability, prevent topsoil erosion and provide irrigation for agriculture in drier climates. Sacred groves preserved over the course of many generations represent native vegetation in a natural or near natural state and thus, are rich in biodiversity and harbour many rare species of plants and animals. The forces of the modern world are depleting sacred groves and weakening the traditions that protect them.

Conservation is the preservation of some level of biodiversity that is essential for the functioning of the ecosystem and the survival of mankind. Rainwater harvesting is the most cost effective and efficient way of water management. India has a rich legacy of water harvesting technology which our forefathers have left behind a dying wisdom which we should probably look back at and learn from.

- Towards A Sustainable Society

People in the world today have awakened to the need for taking tangible steps towards the existence of a sustainable society. A need for sharp decline of population in developing countries has been felt along with rational use and minimum waste. Materials must be recycled and reused and determined efforts must be made to conserve the life-support system and aid to its regenerability. We must follow a basic philosophy of blending environmental and economic needs into a connected whole, so that human beings work in harmony with nature.

If there is any one common issue that can bring the nations of the world together, it is the thread to our ecological security. To fight and face this, there is a strong need for common concerns, approaches and strategies. A common code is to be followed at different levels – individual, societal, community, national, regional and global for the developing of a cult of sustainability in development.

The major challenge facing the human race today is the move towards sustainability. If we continue at the present rate in India, we will continue to have agriculturists who are still living in medieval times and a small number of rich people living a lavish life. We must make quick and rational moves to bridge the gap between the two groups. Only then can we be sure of making a sustainable society where we have equity with social justice, environmental conservation, economic efficiency and local self-reliance.

An influential code of Ecology needs to be developed and followed on the following principles :

- (a) Providing steps and measures to protect and being regenerability of the life support systems for rational utilization of all available resources that includes developing and protecting renewable resources, conserving non-renewable resources, prolonging their lives by recycling and reuse, decreasing waste and seeing that more wastage does not occur in pursuit of making profits on the whole.
- (b) Making efforts to bring about a fair sharing of resources that are available along with the means and products of development between nations of the world.
- (c) Creating an awareness of the hidden social, economic and environmental costs of consumerism and overuse of resources with particular reference to its impact on developing nations.
- (d) Willingness to adopt sustainability as a way of life by getting work from less and in association with others.
- (e) Making measures to meet all the essential needs of society and logical legal desires by combining economic and environmental necessities for eradicating poverty.
- (f) Stopping and reversing the buildup of ornaments to propagate sustainable peace, security and environment.

But all these steps towards a sustainable society changes need to be brought at the individual level. If all individuals take up these measures of the code of ecology in time, the change will be noticed at the societal

and government levels too. Today, environment is no longer some concern about wildlife, deforestation and pollution, but it is a question, a conflict about the patterns of development that human race has followed till date and the kind of people we have developed into, and how we must change to survive. If a balanced and sound development is desired, then man's lifestyle and priorities may have to be defined and refined with respect to the needs concerned with energy, food, water, shelter, education employment and the like. We must limit or decrease wastage in our daily lives. Efforts must be generated towards development patterns that do not alienate humanity from environment but bring it to terms with it. Developmental objectives, processes and outcomes ought to be accompanied with human needs and the acceptance of sustainable development in view of the regenerating potentials of the environment and its resources at the local, regional, national and global levels. Environmental legislation must be made on the lines for guiding, regulating and controlling human behaviour and actions on the individual and institutional basis. This must be done for the rational use, management, protection and improvement of the environment and its resources. Environmental ethics is the ethical relationship between human beings and the environment in which they live.

Environmental ethics must be developed in each person, to command him as a force within to make decisions and take action on the different aspects of the environment which are not harmful to the community. Environmental ethics is a must as they aid in sharpening the judgment of a person and teach him for the sake of materials and political gains. Suitable strategies for developing environmental ethics must become a priority in the light of new environmental issues and problems in the contemporary society.

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Profitability Analysis of Public, Private and Foreign Banks in India

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Abstract

Scheduled commercial banks in India are one of the most important ingredients of existing financial system and around two-third of financial resources are accumulated and allocated by active participation of these banks. This industry had already seen various ups and downs before independence, but nationalization gave some boost and stability to this sector resulting in acceleration of economic growth, especially after reforms in 1991 and this step led the class banking to the mass banking, and the new private sector banks were allowed to run the banking business in India. With the accelerated competition and high emphasis on profitability, the public sector banks started adopting economic-oriented model instead of social approach followed for decades. Thus, restructuring of public sector banks and the emergence of new private sector banks exacerbated the professionalism in the banking sector, and this increased presence of the private and foreign banks during the last decade led to the competitive pricing of services, narrow spreads, and improvement in the quality of services. Consequently, the public sector banks (Nationalized banks and SBI Group), which had dominated the banking sector for decades, started feeling the heat of intense competition from private and foreign banks.

Keywords : Scheduled Commercial Banks, Financial Resources, Public Sector Banks, Private Sector Banks, Foreign Banks.

Introduction

Scheduled commercial banks in India are one of the most important ingredients of existing financial system and around two-third of financial resources are accumulated and allocated by active participation of these banks. This industry had already seen various ups and downs before independence, but nationalization gave some boost and stability to this sector resulting in acceleration of economic growth, especially after reforms in 1991 and this step led the class banking to the mass banking, and the new private sector banks were allowed to run the banking business in India. Besides, following India's commitment to the WTO, foreign banks were also given permission to open more branches with effect from 1998-99. With the accelerated competition and high emphasis on profitability, the public sector banks started adopting economic-oriented model instead of social approach followed for decades. Thus, restructuring of public sector banks and the emergence of new private sector banks exacerbated the professionalism in the banking sector, and this increased presence of the private and foreign banks during the last decade led to the competitive pricing of services, narrow spreads, and improvement in the quality of services. Consequently, the public sector banks (Nationalized banks and SBI Group), which had dominated the banking sector for decades, started feeling the heat of intense competition from private and foreign banks. But still banking industry is dominated by public sector banks for instance, almost two-third of deposits and advances are shared by public sector and only one-third is left for the private and foreign banks. Secondly, poor profitability of public sector banks, growing NPAs, nexus amongst banks officials, corporates and politician, and lack of consistency has always been major bottlenecks for this growing and vibrant industry. Furthermore, efficiency and profitability of banking sector has attained huge importance due to intense competition, high customer demand and accelerated reforms in India. Therefore, this study, is an attempt to measure the relative performance of Indian scheduled commercial banks on the basis of selected parameters viz. interest income, operating profit and return of assets etc.

Review of Literature

Ramchandran, Ismail and Kavitha (2006) assessed the profitability of scheduled commercial banks in India. All the scheduled commercial banks were divided into three groups namely, SBI group, Nationalized Banks and Private Banks. The study identified certain prominent factors to the profitability of banks and some suggestions were also made to increase the profit of all groups of banks.

Yadav, M.S. (2007) in their study revealed that existing level of NPAs in public sector banks affects fifty percent of profitability of banks and this has led to the reduction in the productivity and efficiency of public sector banks in terms of business per employee and operating profit per employee.

Kheechee, D.S. (2011) analyzed the comparative profitability of Indian scheduled commercial banks. Broadly, three parameters were selected viz. Return on Fund, Cost of Fund and Net Interest Margin. Net Interest Margin was very high in foreign banks followed by Private Banks and Nationalized Banks. The study revealed the significant difference amongst three groups of banks in terms of Return on Fund, Cost of Fund and Net Interest Margin.

Ibrahim, M.S. (2011) revealed that scheduled commercial banks in India have significantly improved their financial performance, and improvement in Investment-Deposit Ratio and share of priority sector lending in total credit can lead to improvement in operational efficiency and profitability as well.

Chaudhary, K. and Sharma, M. (2011) analyzed how efficiently Indian public sector banks and private sector banks manage their NPAs and reached on a conclusion that NPAs management in public sector banks was deteriorating continuously.

Ayyappam, S. & Sakthivadivel, M. (2012) revealed that the compound growth rate of private sector banks was better than public sector banks and it was also identified that at current rate of growth, private sector banks can pose a challenge in the market place.

Kumar, V. (2012) found that foreign banks on an average, were more efficient followed by private sector banks and public sector banks. The profitability of public sector banks was weak as compared to the other scheduled commercial banks.

Bapat, D.M. (2013) assessed the growth, profitability and productivity for Indian public sector banks, and significant difference was observed amongst the scheduled commercial banks in terms of business per employee and profit per employee for four out of seven years.

Rani, S. (2013) assessed the performance and growth of Indian scheduled commercial banks during the period from 2009 to 2012. The study found that during the global economic crisis, the Indian commercial banks maintained a positive trend for development.

Makkar, A. & Singh, S. (2013) compared the financial performance of Indian scheduled commercial banks. The study concluded that by and large, difference was not significant in terms of financial performance of the public and private sector banks in India.

Naser, A. V. (2014) revealed that financial performance and employee efficiency of foreign banks, working in India is better than other commercial banks. The public sector banks revealed low profitability, but comparatively high stability.

Haque, A. (2014) examined the comparative financial performance of commercial banks in India. The study included three parameters namely, Return on Assets, Return on Equity and Net Interest Margin. Besides, ANOVA technique was used to find out significant difference amongst the different groups of banks. The difference was insignificant amongst the selected groups of banks in terms of ROA and NIM, but difference was noticeable in terms of Return on Equity.

Chirag and Thakarshibhai (2014) made a comparative analysis of profitability between public sector and private sector banks on the basis of selected parameters viz. Net Profit Margin, Return on Assets and Return on Long-term Fund. The study revealed a significant difference between private and public sector banks in terms of Net Interest Margin, Return on Long-term Fund and Return on Assets Ratio.

Paul, P. (2015) assessed the working performance of all the commercial banks for the period of ten years from 2004 to 2013. The parameters selected for this study were Aggregate Deposit, Current-Deposit Ratio, Investment-Deposit Ratio and share of Scheduled Commercial Banks in the priority sector lending. Besides, the study revealed a significant improvement in the working performance.

Malyadan.P. and Sirisha. S. (2015) examined the trend and progress on the basis of various parameters such as, Profit per Employee, Interest Income, Other Income and Return on Assets etc. This study

found strong evidence that the private sector banks surpass the other group of banks and got the highest position in all the parameters, while public sector banks and foreign banks found lagging behind.

Pallauvi and Sluja, R (2017) assessed the profitability of scheduled commercial banks in India. Some parameters were selected in order to examine the profitability such as, operating profit as percentage of working fund and net profit as a percentage of total deposit and total income. The study concluded that net profit to working fund is better than operating profit to working fund and net profit to total income is better than net profit to total deposit.

After reviewing the existing studies, it is concluded that the available studies are indecisive, incomplete and do not make the comparison of profitability amongst different groups of banks on the basis of parameters selected under this study, and that is why this study was further proceeded to fill the gap.

Result and Discussion

Table-1 shows the comparison of various ratios on the basis of mean value for the period under the investigation. Moreover, the tables given below are divided in two parts; Upper part reveals the data taken from RBI website and lower part shows an analysis in terms of mean, standard deviation and standard error etc.

Table 1: Ratio of Interest Income to Total Assets (In %)

Years	Public Banks	Private Banks	Foreign Banks	All SC Banks
2016-17	7.20	8.27	6.33	7.42
2015-16	7.74	8.63	6.67	7.88
2014-15	8.12	8.81	6.71	8.18
2013-14	8.31	8.90	6.60	8.32
2012-13	8.54	9.04	6.89	8.53
2011-12	8.55	8.71	6.67	8.45
2010-11	7.52	7.59	6.15	7.44
2009-10	7.46	7.60	5.99	7.37
2008-09	8.05	8.65	7.49	8.12
2007-08	7.80	8.42	7.65	7.92

95% Confidence Interval for Mean				
Mean	7.9290	8.4620	6.7150	7.9630
Std. Deviation	.46264	.50708	.52871	.43290
Std. Error	.14630	.16035	.16719	.13689
Lower Bound	7.5981	8.0993	6.3368	7.6533
Upper Bound	8.2599	8.8247	7.0932	8.2727
Minimum	7.20	7.59	5.99	7.37
Maximum	8.55	9.04	7.65	8.53

The private sector banks attained the highest interest income to total assets i.e. 8.46 percent as compared to other scheduled commercial banks. The public sector banks got 7.92 percent followed by foreign banks 6.71 percent. Percentage of all scheduled commercial banks (7.96) was higher than public banks and foreign banks, but lesser than private sector banks. If analyzed consistency wise nationalized banks were found slightly more consistent (.4626) than private sector banks i.e. .5070. Comparatively, foreign banks had more variation in the interest income while all scheduled commercial banks had the lowest variation i.e. .4329. On both the parameters, foreign banks appeared to be the lowest performer i.e. less interest income and highest inconsistency.

Table 2: Ratio of Net Interest Income to Total Assets (In %)

Years	Public Banks	Private Banks	Foreign Banks	All SC Banks
2016-17	2.12	3.38	3.41	2.51
2015-16	2.23	3.41	3.59	2.58
2014-15	2.35	3.37	3.54	2.64
2013-14	2.45	3.31	3.54	2.70
2012-13	2.57	3.22	3.83	2.79
2011-12	2.76	3.09	3.89	2.90
2010-11	2.77	3.10	3.86	2.91
2009-10	2.29	2.90	3.96	2.54
2008-09	2.35	2.86	4.33	2.62
2007-08	2.35	2.67	4.33	2.58
95% Confidence Interval for Mean				
Mean	2.4240	3.1310	3.8280	2.6770
Std. Deviation	.21578	.25362	.32034	.14430
Std. Error	.06823	.08020	.10130	.04563
Lower Bound	2.2696	2.9496	3.5988	2.5738
Upper Bound	2.5784	3.3124	4.0572	2.7802
Minimum	2.12	2.67	3.41	2.51
Maximum	2.77	3.41	4.33	2.91

Table 2 shows net interest income, which is nothing but the difference between interest income and interest expenditures. Net interest margin was highest in case of foreign banks (3.82) followed by private sector banks (3.13) and public sector banks (2.42). Although private sector banks attained the highest interest income and foreign banks got the lowest interest income, in spite of that foreign banks emerged the best performer because of their cost efficiency. It has also been noted that net interest margin of all scheduled commercial banks (2.67) was lower than foreign banks and private banks, but it was higher than public sector banks. Hence, it can be realized that public sector banks have been lagging behind the foreign banks and private sector banks on the parameters of cost. Variation-wise, public sector banks (.215) were most consistent closely followed by private banks (.253) and foreign banks (.320).

Table 3: Ratio of Non-Interest Income to Total Assets (In %)

Years	Public Banks	Private Banks	Foreign Banks	All SC Banks
2016-17	1.20	1.88	1.95	1.42
2015-16	0.92	1.73	1.60	1.15
2014-15	0.91	1.72	1.99	1.15
2013-14	0.87	1.67	1.95	1.11
2012-13	0.87	1.62	1.83	1.09
2011-12	0.89	1.62	2.02	1.11
2010-11	0.99	1.64	2.38	1.21
2009-10	1.19	1.87	2.26	1.41
2008-09	1.25	1.82	3.68	1.57
2007-08	1.20	2.02	3.32	1.55
95% Confidence Interval for Mean				
Mean	1.0290	1.7590	2.2980	1.2770
Std. Deviation	0.1601	0.13412	0.67356	0.19032
Std. Error	0.05063	0.04241	0.213	0.06019
Lower Bound	0.9145	1.6631	1.8162	1.1409
Upper Bound	1.1435	1.8549	2.7798	1.4131
Minimum	0.87	1.62	1.6	1.09
Maximum	1.25	2.02	3.68	1.57

Table 3 reveals ratio of non-interest income to total assets. Foreign banks got the highest noninterest income in terms of mean value as compared to the private sector banks (1.75) and public sector banks (1.02). Non-interest income of all scheduled commercial banks (1.270) was higher than public sector banks, and lower than private banks and foreign banks. This difference clearly indicates that foreign banks and private sector banks have outperformed public sector banks not only in terms of primary banking activities, but also in secondary banking activities. Secondly, private sector banks were found the most consistent followed by public sector banks (0.160) and foreign banks (0.673) respectively.

Table 4 shows ratio of operating profit to total assets and operating profit is calculated by deducting operating expenditures from total income (Net Interest Income and Non-Interest Income). The foreign banks outperformed all the Indian banks (Private Banks and Public Banks) in terms of operating profit to total assets ratio i.e. 3.64 percent. Next is the place of private sector banks 2.67 percent and public sector banks 1.82 percent. Even on this parameter public banks found lagging behind foreign banks and private sector banks. Mean value of all scheduled commercial banks was 2.13 percent, higher than public sector banks. Contrary to this, public sector banks (0.174) were found most consistent followed by private banks (0.227) and foreign banks (0.587).

Table 4: Ratio of Operating Profits to Total Assets (In %)

Years	Public Banks	Private Banks	Foreign Banks	All SC Banks
2016-17	1.68	3.02	3.27	2.11
2015-16	1.51	2.92	3.13	1.94
2014-15	1.70	2.86	3.36	2.00
2013-14	1.71	2.79	3.28	2.04
2012-13	1.87	2.64	3.33	2.13
2011-12	2.05	2.51	3.44	2.24
2010-11	2.05	2.58	3.52	2.26
2009-10	1.87	2.68	3.70	2.17
2008-09	1.96	2.46	4.97	2.32
2007-08	1.84	2.28	4.40	2.15
95% Confidence Interval for Mean				
Mean	1.824	2.674	3.64	2.136
Std. Deviation	0.17411	0.22761	0.58742	0.11937
Std. Error	0.05506	0.07198	0.18576	0.03775
Lower Bound	1.6994	2.5112	3.2198	2.0506
Upper Bound	1.9486	2.8368	4.0602	2.2214
Minimum	1.51	2.28	3.13	1.94
Maximum	2.05	3.02	4.97	2.32

Table 5: Return On Assets (In %)

Years	Public Banks	Private Banks	Foreign Banks	All SC Banks
2016-17	-0.10	1.30	1.62	0.35
2015-16	-0.07	1.50	1.45	0.40
2014-15	0.46	1.68	1.84	0.81
2013-14	0.50	1.65	1.54	0.81
2012-13	0.80	1.63	1.92	1.04
2011-12	0.88	1.53	1.76	1.08
2010-11	0.96	1.43	1.75	1.10
2009-10	0.97	1.28	1.26	1.05
2008-09	1.03	1.13	1.99	1.13
2007-08	1.00	1.13	2.09	1.12
95% Confidence Interval for Mean				
Mean	0.643	1.426	1.722	0.889
Std. Deviation	0.43202	0.20684	0.25681	0.29501
95% Confidence Interval for Mean				
Std. Error	0.13662	0.06541	0.08121	0.09329
Lower Bound	0.3339	1.278	1.5383	0.678
Upper Bound	0.9521	1.574	1.9057	1.1
Minimum	-0.1	1.13	1.26	0.35
Maximum	1.03	1.68	2.09	1.13

Table 5 clearly indicates that foreign banks attained the highest return on assets i.e. 1.72 percent followed by private sector banks 1.42 percent, while public sector banks (0.643) got the lowest return on assets even lesser than all scheduled commercial banks i.e. 0.889 percent. Furthermore, it has also been noted that in last two financial years, 2016-17 and 2015-16, public sector banks got the negative return on assets i.e. -0.10 and -0.07 respectively, and these facts manifest the alarming situation in the public sector banks. Secondly, due to ups and downs in return on assets, public sector banks were found unstable i.e. 0.432 percent, while private sector banks and foreign banks were found comparatively stable i.e. 0.206 and 0.256 respectively. By and large, it can be inferred from the above analysis that public sector banks have been lagging behind the private sector banks and foreign banks.

Table 6: Return On Equity(In %)

Years	Public Banks	Private Banks	Foreign Banks	All SC Banks
2016-17	-2.05	11.87	9.12	4.16
2015-16	-3.47	13.81	8.00	3.58
2014-15	7.76	15.74	10.24	10.42
2013-14	8.48	16.22	9.03	10.69
2012-13	13.24	16.46	11.53	13.84
2011-12	15.33	15.25	10.79	14.60
2010-11	16.90	13.70	10.28	14.96
2009-10	17.47	11.94	7.34	14.31
2008-09	17.94	11.38	13.75	15.44
2007-08	17.13	13.43	16.05	15.98
95% Confidence Interval for Mean				
Mean	10.873	13.98	10.613	11.798
Std. Deviation	8.04534	1.87563	2.64153	4.57145
Std. Error	2.54416	0.59313	0.83533	1.44562
Lower Bound	5.1177	12.6383	8.7234	8.5278
Upper Bound	16.6283	15.3217	12.5026	15.0682
Minimum	-3.47	11.38	7.34	3.58
Maximum	17.94	16.46	16.05	15.98

Table 6 measures the return on equity in terms of mean value. The most efficient utilization of equity share holders fund was done by private sector banks since this sector has got the highest return on equity i.e. 13.98 percent followed by public sector banks (10.87). Besides, foreign banks on this parameter were found to be the lowest performer i.e. 10.61 percent only, and return for all scheduled commercial banks was 11.79 percent, higher than public banks and foreign banks. While public sector banks were ahead of foreign banks in terms of return on equity, but in 2016- 17 and 2015-16, this sector had to face negative return i.e. -2.05 and -3.47 percent respectively, and these negative facts had caused a huge variation in the return i.e. 8.045 percent, comparatively very high since variation in case of private banks (1.87) and foreign banks (2.64) was lesser than average of all scheduled commercial banks i.e. 4.571 percent.

Conclusion

Out of three categories of banks, private bank outperformed the foreign banks and public banks on the parameter of interest income, while foreign bank were found better than private banks and public banks on net interest income and non-interest income. However, private banks got the highest interest income, but foreign banks emerged as most cost-efficient banking institutions resulting into the highest net interest income. Besides, foreign banks managed secondary banking activities better than private banks and public banks since their non-interest income was also higher. By and large, public banks were found lagging behind private and foreign banks.

Second, the foreign banks performed better than private banks and public sector banks in terms of operating profit to assets ratio and return on assets ratio. While Indian banks (private and public banks) earned interest income more than foreign banks, but foreign banks succeeded and surpassed Indian banks in minimizing the interest expenditure and operating expenditures resulting into higher operating profit to assets and return on assets. Thus, the expenditure management in foreign banks is better than Indian private banks and public banks. Thirdly, private banks have completely outperformed foreign banks and public banks on the parameters of return on equity, which marked efficient utilization of financial resources in general and borrowed fund in particular under private sector banks. Hence, it can be inferred that efficient financial management led the highest return on equity for private sector banks. In nutshell, private banks performed better than public sector banks in terms of profitability and foreign banks were found better than Indian private banks for the same.

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Need For Banking in Rural and Agricultural Areas

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Abstract

Banks have been playing a prominent role in industrialization in general. But when it comes to industrialization in the rural areas, one cannot say with confidence that banks have been successful in achieving the objective of rural development through rural industrialization. In the last few years, the Indian economy has emerged as one of the fastest growing economies in the world. However, the vulnerability of the Indian economy with respect to the performance of the agricultural sector despite other macroeconomic indicators and sectors gaining in strength is well known. For example, the Indian economy grew at an estimated 5.7 per cent in 2008-09 against 6.9 per cent during 2007-08. This was largely because of the negative growth of the agriculture sector. Many economists and policy-makers increasingly believe that the future growth of the domestic economy, to a large extent, will depend on the robust performance of the agricultural and rural sector. The manufacturing and service sectors cannot sustain the economy's growth if the rural sector underperforms. This paper throws light on the possible role that the bank can play along with the professional service providers in rural Industrialization.

Keywords : Banks, Industrialization, Rural Areas, Agriculture, Indian Economic.

Introduction

The banking sector has witnessed huge growth in the recent years. However, despite such a growth, the credit flow by banks to the rural and agricultural sectors remains dismal, which, more or less, has resulted in financial exclusion of the rural masses. The rural and agricultural sectors have to play a very important role if a target of 8% GDP growth per annum as envisioned in the tenth plan is to be achieved. And the banks and the Chartered Accountants have a huge role to play in boosting the rural and agriculture sector through produce innovation, broadening the reach, promotion of SHGs/Micro enterprises and providing know-how, this article provides an overview of the concept.

In the last few years, the Indian economy has emerged as one of the fastest growing economies in the world. However, the vulnerability of the Indian economy with respect to the performance of the agricultural sector despite other macroeconomic indicators and sectors gaining in strength is well known. For example, the Indian economy grew at an estimated 5.7 per cent in 2008-09 against 6.9 per cent during 2007-08. This was largely because of the negative growth of the agriculture sector. Many economists and policy-makers increasingly believe that the future growth of the domestic economy, to a large extent, will depend on the robust performance of the agricultural and rural sector. The manufacturing and service sectors cannot sustain the economy's growth if the rural sector underperforms.

Objectives of the study

- i) To study the role being played by the banks in rural industrialization
- ii) To suggest remedies, if any, based on the findings of the data collected.

Data Collection

Most of the data collected is in the form of secondary data involving journals of reputed institutions like Reserve Bank of India, NABARD, Bank of India. However, in order to get exact and up to date information, some officers of the banks also were contacted. The author acknowledges the sincere thanks to these officers.

Literature Review

The contribution of the banking and financial sector to the current economic growth of the Indian economy is very significant. This is reflected in the growth in aggregate deposits and advances for scheduled commercial banks, which stood at 15.4 per cent and 27.9 per cent during 2004-2005. However, the access of banking services to the rural, agriculture and the common man in general is not as promising.

As Mr. V. Leeladhar (Deputy Governor, RBI, on the occasion of the Commemorative lecture at the Fedbank Hormis Memorial Foundation, Emakulam) said "Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include a vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services." The focus of Indian banks on financial inclusion i.e. delivery of banking services at an affordable cost of the low-income groups has been dismal. In India, the focus of the financial inclusion at present is more or less confined to ensuring a bare minimum access to a savings bank account without frills to all. Having a current account/savings account on its own, cannot be regarded as an accurate indicator of financial inclusion.

Need For Banking in Rural and Agricultural Areas

The rural population in India suffers from a great deal of indebtedness and is subject to exploitation in the credit market due to high interest rates and the lack of convenient access to credit. Rural households need credit for investing in agriculture and smoothening out seasonal fluctuations in earnings. Since cash flows and savings in rural areas for the majority of households are small, rural households typically tend to rely on credit for other consumption needs like education, food, housing, household functions, etc. Rural households need access to financial institutions that can provide them with credit at lower rates and at reasonable terms than the traditional money-lender and thereby help them avoid debt-traps that are common in rural India.

Current Trends: A Pointer To Financial Exclusion

Rural Credit

The 2001 census reveals the low level of banking usage among Indian households in general (35.5%) and rural households in particular (30.1%). This reflects on the latent demand for general banking needs in rural as well as urban segments.

The debt profile of rural households indicates that the major source of credit to rural households, particularly poor income working households, has been informal sector loans like money-lenders, which are usually at very high rates of interest. The terms and conditions attached to these loans impact the poor adversely.

This reflects the inadequate institutional credit flow to rural areas. As on 31-3-2003, rural and semi-urban centres had a Credit/Deposit (CD) ratio of 42% and 35% respectively as compared to a CD ratio of 69.5% and 59.3% for urban centres and national level. These trends broadly indicate that despite the widespread banking network in place, there is a continued migration of rural/semi-urban savings to urban/metro centres, thereby causing a banking divide between rural and urban areas.

Agricultural Credit

An equally important concern that needs attention is the flow of institutional credit to agriculture. The progress of agricultural credit in India has depended crucially on government intervention over the years i.e. package of incentives and policy measures, which the RBI and the Centre formulate and implement. The growth of commercial banks' lending to agriculture and allied activities witnessed a substantial decline in the 1990s as compared to the 1980s. Credit flow to the agriculture sector from all formal sources amounted to Rs. 70,810 crore in 2002-03 and Rs. 86,981 crore in 2003-04, much below the levels envisaged in the Tenth Plan. Agriculture's share in scheduled commercial banks' total outstanding credit as on 31st March 2005 was only Rs. 1,12,475 crore. The total agricultural lending by commercial banks is lower than credit in "personal loans" which stood at Rs. 2,66,988 crore, comprising advances for housing and consumer durables.

In recent years, retail advances have increased by 41.2 per cent in 2004-05 as compared to the growth of 27.9 per cent in the overall loans and advances of Scheduled Commercial Banks. As a result, their share in total loans and advances increased significantly during the year ended March 2005. However, according to a

recent study, only 15 out of 85 banks registered an increase in return on assets as at the end of 2004-05 over 2003-04. Hence, the argument that rural credit drives down the banks profits and increases NPA is not justified. NPA in rural credit are far less and the rate of retrieval of rural credit NPAs is faster than other advances. The annual growth rate of farm credit is around 15% and this growth in rural advances essentially comes from advances like gold loans for agriculture and Kisan Cards. About 70% of the present rural credit stock of over Rs. 115243 crore is Kisan Credit Cards spread over 4.8 crore of such card holders. This shows the narrow focus of the banks towards short-term production loans rather than for term loans.

Post reforms, the banking system has mobilised more deposits from farmers and extended less credit to a declining number of farmers.

Table 1 - Changes in farmers reliance on the banking system

Year	Farmer Deposits (Rs Crore)	Farmer Borrowings (Rs Crore)
1992	26211	17835
1994	29825	19493
1996	36583	19669
1998	43341	21334
2000	47433	23813
2002	53611	27448
2004	57442	29442
2006	78881	33094
2008	91009	36466
2009	99812	43420
2010 (Estimated)	108233	47430

Source: Statistical tables relating to banks in India (RBI)

Many scheduled commercial banks are shying away from agriculture and priority sector lending even though the commercial banks have an excess investments portfolio beyond the required limits of 25 per cent. Furthermore, scheduled commercial banks are resorting to the soft window option of investing in the Rural Infrastructure Development Fund (RIDF) of NABARD. Table B illustrates the growing contributions to the corpus of RIDF received by NABARD by way of deposits from Scheduled Commercial Banks against their shortfall in priority sector/agricultural lending during the preceding year.

Policy Initiatives by Government/RBI

To meet the gap that existed in meeting the credit needs of the rural poor, the Government appointed a working group on rural credit, the Narasimhan Committee in July 1975. Based on its recommendations, Regional Rural Banks (RRB) emerged in 1975. These banks were meant to take banking to the rural masses, particularly in areas without banking facilities, make available cheaper institutional credit to the weaker sections of society, mobilise rural savings and channelise them for other productive activities in rural areas and bring down the cost of providing credit in rural areas. The number of RRBs increased dramatically over a period of time. At the end of the fiscal year of 2002-03, there were 196 RRBs spread with a network of 14,350 branches, accounting for 44.5 per cent of the total rural network of all scheduled commercial banks (including RRBs).

The bulk of the loans from RRBs have been given to priority sectors, which accounted for over 70 per cent of the total. Agriculture alone took up 46 per cent of the priority sector advances. RRBs have also taken a lead role in the financing of Self Help Groups (SHG's) mostly comprising women leading to their economic and social empowerment. Cooperative banks were formed to promote the rural credit. Cooperative banks and RRBs differ in their ownership and management. Cooperative banks are state-government run banks while RRBs are managed by the sponsor bank with an equity stake of 35%. The Central Government and State Government hold 50% & 15% equity stake in RRBs. Since independence, the RBI has taken a number of measures to augment the flow of rural credit. It has a unique system of extending General Line of Credit-I for seasonal agricultural operations and General Line of Credit-II for the handloom sector out of the created money. The RBI has also been issuing directives for a long time now regarding 'social and development banking' like imposing a cap on the interest rates and sectoral allocation of credit and expansion of rural branches. The RBI has also made it mandatory for commercial banks to lend 40% of their advances to the 'priority sector'. The Service Area Approach was introduced by the Government in 1989, which imparted development orientation to agricultural lending. Other major innovations in the field of rural credit delivery in the 1990s were the successful introduction and implementation of Kisan Credit Cards (KCCs) and the extension of micro-finance in the form of Self-Help Group (SHG).

Table 2 - Deposits received under RIDF as on 31st March 2003

Year	Total (Crore)
1995-96	350
1996-97	1042.30
1997-98	1007.04
1998-99	1337.95
1999-2000	2306.63
2000-01	2653.64
2001-02	3590.72
2002-03	3857.09
Total	16145.37

Source: NABARD Report 2002-03

Challenges For Rural and Agricultural Credit

Agriculture is a matter of livelihood and food security, with nearly 60 per cent of the population depending on it. At the same time, to withstand the global competition, enhanced productivity and sustainability of the agriculture sector has become imperative. In addition, the majority of the country's population, more so marginal and disadvantaged sections of society, stay in villages. Hence, the role of banks in the enhancement of agriculture productivity, expansion of rural credit and poverty eradication assumes high priority.

Despite decades of efforts and experimentation in banking, the organised financial sector is still not able to meet the credit gap in the rural sector. The lower levels of per capita income, lack of infrastructure in the rural areas, focus in the urban sector and lack of proper connectivity were the main hindrances for banks to venture into rural areas. Directed lending, cumbersome procedures, delay in sanctioning loans and lack of statutory backing for recoveries were other major impediments to the growth of banking in the rural sector.

The focus in the past has always been to make available cheaper credit. When banks are forced to lend cheap, there has been a tendency for a scramble for credit by the non-target group of beneficiaries. While interest rates of scheduled banks for advances over Rs. 2 lakh is completely deregulated, loans up to Rs. 2 lakh are subject to maximum of prime lending rate (PLR). In the process of recovering the opportunity lost on income, the banks used to charge a high rate of interest for loans above 2 lakhs. This led to acceleration in

the process of willful defaulting. This has really damaged the credit culture and structure in the rural sector resulting in shutting down of non-viable outlets of rural branches of commercial banks, co-operative banks and RRBs in last few years.

Role of Government/RBI in Meeting the Challenges

The number of reports on the rural credit delivery system matches the population of co-operative credit institutions, is a common saying in banking circles. As the agriculture sector becomes more commercial, there would be a greater need for credit. Banks need to change their strategy towards agriculture lending, from 'directed' credit to the one that is business opportunity-led. A substantial jump in the credit flow to agriculture is envisaged in the Tenth Plan at Rs.7,36,570 crore, which is more than three times of what was achieved during the Ninth Plan. The contribution by commercial banks is projected at Rs.3,81,652 crore. In order to achieve this target, the Government has directed banks to double the flow of farm credit from the level achieved as on 31.03.2004 in the next three years. In this context, the Government/RBI needs to take a number of initiatives:

Revitalising RRBs

Although, RRBs have established themselves as a strong alternative mechanism for rural credit delivery, their potential and relevance is rather neglected in the current scenario. The issue of capital infusion of RRBs assumes critical importance to enlarge the scope of RRB operations. RRBs need to be provided with adequate capital support to enable them to have a net capital adequacy ratio (CAR) of 5 per cent. The share of sponsoring institutions in the capital structure of RRBs also needs to be enlarged to make them majority shareholders. By acquiring the majority shareholding in RRB, the sponsor banks/institutions can convert them into vibrant and professional subsidiaries and area-specific special business units (SBU). In the long run, they may merge all their agricultural and rural activities under the umbrella of these SBU. The government should further amalgamate regional rural banks (RRBs) with the sponsor banks to increase the reach of PSBs in rural areas. With the merger of RRBs with sponsor banks, the latter will get a wide branch network in rural areas.

In the long term, however, a single independent owner of all RRBs with exclusive focus on rural and micro-credit, would be a great step towards channelising resources for the purpose for which RRBs were established.

Suggestions

Increasing the scope of NABARD

NABARD has evolved over the past two decades into a strong and rural-sensitive developmental institution with a complete understanding of the complexities of the agricultural and rural sectors. NABARD should thus become an apex development bank in the rural and agricultural sectors with direct equity participation in RRBs along with sponsoring institutions. With presence on the boards of all RRBs and co-operatives, NABARD is fully equipped to emerge as a strong player in the rural credit system. NABARD promotion of self-help group (SHGs) movements reflects its immense capability in capacity building and nurturing the rural credit delivery system.

Minimum CD Ratio

In order to obviate the regional or urban/rural imbalances, the minimum benchmark CD ratio provided (for example 55%) should be envisaged in all districts of the country. That will assist broad-based and equitable credit expansion thereby contributing enhanced economic activity. The reason urban India is reflecting enhanced economic activity post-reforms is the availability and expansion of credit for housing and consumption purposes.

Reducing cost of rural credit

A different dispensation under CRR and SLR would help in making available more resources for rural credit deployment. The rate of interest paid on CRR balances held by these rural institutions might also

be marginally (100 basis points) above what is paid to commercial banks. Similarly, the Central Government and all State governments need to park their rural developmental funds with RRB to ensure cheaper flow of demand deposits. Regulation with respect to banking has been designed for delivery in urban India and distribution required more manpower to be deployed in rural areas. All rural financial institutions need special dispensation suited to their local potential and challenges.

Commodity Markets

The focus of the commodity exchanges has been confined to traditional future/derivative trading centres, and the farmers and actual commodity users are still not participating. Only traders and speculators are participating in it. Banks should be permitted to offer futures-based products to farmers in order to enable them to hedge against price or weather risk, etc. To mitigate the risk in the financing of agriculture, the Government should allow banks to operate on behalf of farmers and participate in commodity futures.

Allowing banks entry into commodity futures trading will not only boost liquidity and turnover volumes but will also provide them with a protective cover against default on agricultural loans. In the new arrangement, banks can lend to farmers or cooperatives and simultaneously encourage them to sell into futures contracts. This can help reduce the risk of farmers defaulting on their loans in the event of a fall in spot commodity prices or unexpected weather conditions.

Crop Insurance

The Agriculture Insurance Company of India (AIC) should further spread crop insurance awareness level among the Indian farming community, which is abysmally low. The Union and State Governments should give time-bound subsidy on premiums of crop insurance to increase the coverage of the AIC.

Promoting Micro-finance/ Micro enterprise

Micro-finance refers to the provision of small-scale savings, credit, insurance, and any other financial services to those who cannot access them from formal financial institutions. Due to issues of risk and cost associated with servicing the larger numbers of small low capital input businesses, the formal sector lending to micro enterprises is low. Banks offer a variety of potential advantages for financing micro-enterprises like commercial outlook and relatively sophisticated skills. Apart from acting as a credit provider, the banks should act as agents of change by helping people in acquiring the basic knowledge of business, policy environment, etc.

Well-defined investment policy

RBI/NABARD should also provide a well-defined investment policy for the above-mentioned institutions. This will help these institutions in better deployment of surplus funds. In comparison to PSB's and Private Sector banks these institutions can't afford to have statistically sophisticated models for investment and treasury management. In that regard they seek the guidance and assistance from the supervisor in this area.

Learning from other countries/Adopting new models: Banks also need to look at the models followed by banks in other countries. For example,

Bangladesh Grameen Bank model and micro-finance experience of Philippines are quite well-known. Banking Correspondents in Brazil is another successful model where banks can create a network of "banking correspondents". These banking correspondents are small outlets, which provide basic banking services, example drug stores, petrol pump, small stores in the neighbourhood, etc. The widely spread post-offices network in the country can also be used to deliver banking services. Banks and regulators need to look at these models and their feasibility in the Indian scenario to bridge the banking divide.

Conclusion

To achieve the ambitious average GDP growth of 8 per cent per annum target set in the Tenth Plan, it is important to revitalise and revamp not only the agricultural sector but also rural financial institutions. The directed lending norms that require commercial banks to allocate 40 per cent of their lending to the 'priority

sector' have not generated the intended results, since most of the banks get around this requirement by subscribing to other eligible instruments. Large farmers and agri-businesses seem to be able to obtain financial services from modern financial institutions but small and marginal farmers continue to depend, largely, on indigenous money-lenders.

Banks, Government and Chartered Accountants need to re-evaluate their pre-conceived notions about the commercial opportunities in serving the rural and agricultural sector. Banks can achieve commercial success and helps in societal improvement if it conceives the products and services keeping these segments in mind. Banks must also strengthen their credit delivery systems for Rural India. Today, finance and banking systems are very strong. It is time to focus on people at the bottom of the pyramid and align all sections with the systems that have been put in place. We can also conclude that there are a lot of untouched and unexplored areas for fulfilling social and professional commitments. There are tremendous opportunities for Chartered Accountants to excel in the agriculture and rural sectors and it all depends on how best one capitalises these.

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Change in Government Policy towards Public Sector

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Abstract

Disinvestment is a process. We can learn from experience. We can modify the modalities as we go along. It seems that there is no way of retreating from disinvestment. It has come to stay in Indian economy. Two points should be noted in connection with the disinvestment policy. First, some restructuring of PSUs may be needed before disinvestment to enhance the value of shares and increase sale proceeds. The three broad areas of restructuring would be corporate governance, financial restructuring and business and technological restricting. Secondly, the process of disinvestment has to take into account the conditions in the capital market. Disinvestment should not result in "crowding out" resources available for the private sector.

Keywords : Disinvestment, Indian Economy, Technological, Restricting, PSUs.

Introduction

The term „Disinvestment“ is the opposite of the term „Investment“. Investment is acquisition of earning asset with the help of money. For example if bonds are purchased or shares of companies are purchased by spending money it is known as investment. In the case of investment money is converted into earning asset to earn income. On the other hand in the case of disinvestment an earning asset is converted into liquid cash. Here we shall use the term disinvestment in a special sense. By disinvestment we mean the sale of shares of public sector undertakings by the government. The shares of government companies held by the government are earning assets at the disposal of the government. If these shares are sold to get cash, then earning assets are converted into cash. So it is referred to as disinvestment.

Change in Government Policy towards Public Sector

There was a radical change in government`s policy towards the public sector in 1991 when the new industrial policy was adopted. In the new industrial policy of 1991 the role of public sector has been reduced. In the industrial policy of 1956, seventeen industries were reserved exclusively for the public sector. Moreover, there were twelve other industries which were to be progressively state owned. But in the industrial policy of 1991 only eight industries have been reserved for the public sector. These eight industries include defense production, atomic energy, coal and lignite, mineral oils, iron ore, manganese, gold and diamond, atomic minerals and railways. It has also been stated that if need arises private sector units may also be permitted to enter these industries. Thus in the new industrial policy there is no such thing as the exclusive preserve of the public sector. In the new policy it has been stated that the government will run the public sector on sound commercial principles. Chronically sick public sector units will be referred to Board for Industrial and Financial Re-construction (BIFR) for examining their viability. The unviable public sector units will be closed down. A social security net will be created for the rehabilitation of the workers working in the affected units. Another important feature of the new policy on public sector is disinvestment of some selected public sector units. It has been decided that 20% of the shares of selected profit making public sector units will be sold to financial institutions, mutual funds etc. These institutions will hold the shares for a specified period of time after which they will be permitted to sell the shares in the share market. In the new policy it is also stated that the government will provide more autonomy to public sector units. The government will not interfere in the day to day functioning of the public sector units. Instead these units will be controlled by the government through memorandum of understanding (MOU) reached between these units and the government.

Disinvestment: Issues

The disinvestment policy of the government has been criticized by various groups- both within the government and outside the government. Critics have raised several issues in connection with the disinvestment policy; some of these issues are as follows:

1. Is the government`s classification of 1999 into strategic and non strategic sectors correct?
2. Is it desirable to disinvest profit making public enterprises?

3. What should be the procedure for disinvestment- public offer through the stock exchange or strategic sale to a private partner?
4. Should disinvestment create private monopoly in place of public monopoly?
5. What should be the method of valuation of a public sector undertaking (PSU) before a bid for disinvestment is made?
6. Should PSUs be allowed to participate in the bids for disinvestment of PSU?
7. How should the proceeds from disinvestments be utilized?
8. How should the interest of the workers be safeguarded?

Disinvestment of PSEs

The New Industrial Policy 1991 advocated the privatization of PSEs. The government appointed a committee on disinvestment in PSEs under C Rangarajan in 1993. The committee suggested that the government should reduce the equity in non-strategic⁷ PSUs to 26% or even 100% open for private sector⁸ and close down PSUs which cannot be revived. Subsequently, the government also set up Disinvestment Commission under G V Ramakrishna in August 1996 for deriving a long-term disinvestment program in order to modernize and upgrade the PSEs and also to ensure that disinvestment does not lead to private monopoly (Government of India, 2001-03, p. 150).

For disinvestment of PSUs, the government followed different methods such as Initial Public Offering (IPO), strategic sale, sale to foreigners⁹, management-employment buyouts,¹⁰ etc. In the initial phase (1991-92 to 1998-99), the government followed IPO¹¹ as a means to disinvestment, and strategic sales method was adopted in the later period¹². The prominent companies that have disinvested through strategic sale in the recent past include Modern Foods, BALCO, CMC, VSNL, IBM, ITDC Hotels, IPCL, Maruti Udyog Ltd., and HZL.

The privatization of PSEs in India is the result of the structural adjustment program introduced in 1991. Since 1991, the government has announced many policies and programs to deal with the disinvestment policy of the public sector. In this period, the government targeted disinvestment of 136,300 cr, whereas the actual received amount from disinvestment in the preference period was 99,738 cr, which is 73% of the targeted funds from disinvestment¹³ (refer Table 1). It indicates that irrespective of the series of policy initiatives dealing with public sector disinvestment, the gap between targets and actual funds from disinvestment persists.

Year	Target Receipts for the Years (₹ cr)	Actual Receipts for the Years (₹ cr)	Methodology Adopted
1991-91	2,500	3,038	Minority shares sold by auction method in bundles of very good, good, and average companies.
1992-93	2,500	1,913	Shares sold separately for each company by auction method.
1993-94	3,000	-	Equity of seven companies sold by open auction but proceeds received in 1994-95.
1994-95	4,000	4,843	Sale through auction method, in which NRIs and other persons were legally permitted to buy, hold or sell equity, allowed participating.
1995-96	7,000	362	Equities of four companies auctioned and Government piggy-backed on the IDBI fixed price offering for the fifth company.
1996-97	5,000	380	GDR (VSNL) in international market
1997-98	4,800	902	GDR (MTNL) in international market

Year	Target Receipts for the Years (₹ cr)	Actual Receipts for the Years (₹ cr)	Methodology Adopted
1998-99	5,000	5,371	GDR (VSNL)/ Domestic offerings with the participation of FIs (CONCOR, GAIL). Cross purchase by three oil sector companies, i.e., GAIL, ONGC and Indian Oil Corporation.
1999-00	10,000	1,860	GDR-GAIL, VSNL-domestic issue, BALCO restructuring, MFIL's strategic sale and others.
2000-01	10,000	1,871	Strategic sale of BALCO, LJM; Takeover – KRL (CRL), CPCL (MRL), BRPL.
2001-02	12,000	5,632	Strategic sale of CMC-51%, HTL-74%, VSNL-25%, IBP-33.58%, PPL-74%, and sale by other modes: ITDC and HCI; surplus reserves: STC and MMTC.
2002-03	12,000	3,348	Strategic sale: HZL-26%, MFIL-26%, IPCL-25% HCI, ITDC, Maruti: control premium from renunciation of rights issue, ESOP: HZL, CMC.
2003-04	14,500	15,547	Maruti- IPO(27.5%), Jessop & Co. Ltd. (Strategic sale-72%), HZL (call option of SP-18.92%), public offers-IPCL (28.95%), CMC (26%), IBP (26%), DRDG (20%), GAIL(10%), ONGC (10%), ICI (9.2%).
2004-05	4,000	2,765	Offer for sale of NTPC, sale of shares to IPCL employees, etc.
2005-06	No target fixed	1,569	Sale of MUL shares to Indian public sector financial institutions and banks and employees.
2006-07	No target fixed	-	-
2007-08	No target fixed	4,181	Sale of MUL (₹2,366.94 cr) shares to public sector financial institutions, public sector banks and Indian mutual funds and sale of PGCIL (₹994.82 cr) and REC (₹819.63 cr) shares through offer for sale.
2008-09	No target fixed	-	-
2009-10	No target fixed	23,552	(₹2,012.85-NHPC, ₹2,247.05-OIL and NTPC-8,480.098, REC ₹882.52, ₹9,330.42 NMDC)
2010-11	40,000	22,762.96	₹1062.74 SJVN, EIL 959.65, Coal India 15,199.44 CR; PGCIL 3721.17
Total	136,300	99,738	

Source: <http://www.divest.nic.in/SummarySale.asp>

Disinvestment is a process. We can learn from experience. We can modify the modalities as we go along. It seems that there is no way of retreating from disinvestment. It has come to stay in Indian economy. Two points should be noted in connection with the disinvestment policy. First, some restructuring of PSUs may be needed before disinvestment to enhance the value of shares and increase sale proceeds. The three broad areas of restructuring would be corporate governance, financial restructuring and business and technological restructuring. Secondly, the process of disinvestment has to take into account the conditions in the capital market. Disinvestment should not result in “crowding out” resources available for the private sector.

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Votality in Indian Stock Market during Post SEBI Period

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Abstract

In the era of globalization and liberalization, the capital markets assume a greater importance. The smooth functioning of the capital market depends on the regulators, participants and investors. The past decade has been a golden age for securities market in India. It is now a far more important source of finance than traditional financial intermediaries for corporate sector which is poised to dominate the future of corporate finance in India. The introduction of electronic trading and “order matching” system in all the 23 stock exchanges, have led to reduction in transaction costs, speedier execution of trades and gains in liquidity. The spreads have dropped by a factor of 10 and volumes have raised a hundred fold in respect of many shares. The Indian stock market mainly functions on two major stock exchanges, the BSE (Bombay Stock Exchange) and NSE (National Stock Exchange). In terms of market capitalization, BSE and NSE have a place in top five stock exchanges of developing economies of the world. Out of total fourteen stock exchanges of emerging economies, BSE stood at fourth position with market capitalization of \$1,101.87b as on June, 2012 and NSE at fifth position with market capitalization of \$1079.39b as on June, 2012.

Key words : Globalization, Liberalization, Capital Market, Stock Exchange, NSU, BSE

Introduction

The origin of the stock market relates back to the year 1494, when the Amsterdam Stock Exchange was set up. In India it dates back to the 18th century, an era when the East India Company was a dominant Institution in those days and business in its loan securities used to be transacted towards the close of the eighteenth century. By 1830's business on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Though the trading list was broader in 1839, there were only half a dozen brokers recognized by banks and merchants during 1840 and 1850 .The 1850's witnessed a rapid development of commercial enterprise and brokerage business attracted many men into the field and by 1860 the number of brokers increased into 60.

In 1860-61 the American Civil War broke out and cotton supply from United States of Europe was stopped; thus, the 'Share Mania' in India begun. The number of brokers increased to about 200 to 250. However, at the end of the American Civil War, in 1865, a disastrous slump began (for example, Bank of Bombay Share which had touched Rs 2850 could only be sold at Rs. 87).

At the end of the American Civil War, the brokers who thrived out of Civil War in 1874, found a place in a street (now appropriately called as Dalal Street) where they would conveniently assemble and transact business. In 1887, they formally established in Bombay, the “Native Share and Stock Brokers' Association” (which is alternatively known as “The Stock Exchange”). In 1895, the Stock Exchange acquired a premise in the same street and it was inaugurated in 1899. Thus, the Stock Exchange at Bombay was consolidated.

Recognized Stock Exchanges in India

Stock exchanges are granted recognition for their operations in the securities market by SEBI under Section 4 of the SCRA, 1956. As on March 31, 2016 there were seven stock exchanges in India, of which four have been granted permanent recognition, the Metropolitan Stock Exchange of India Ltd. has been granted renewal of recognition while the remaining two stock exchanges, Magadh Stock Exchange and the Delhi Stock Exchange, have been de-recognized and are in the process of exiting. Out of the four permanent exchanges, Ahmedabad Stock Exchange and Calcutta Stock Exchange are also in the process of exit. Pursuant

to the exit policy for de-recognized/non-operational stock exchange notified by SEBI in 2012, 17 stock exchanges have exited so far. Of these, 12 exited during 2012-13, 2013-14 and 2014-15 and five more stock exchanges exited during 2015-16. Among the seven stock exchanges, the Bombay Stock Exchange, the National Stock Exchange and the Metropolitan Stock Exchange of India have been granted permission for carrying out trade in four segments that are equity, equity derivatives, currency derivatives and interest rate derivatives.

Table 1 Recognized Stock Exchanges in India in the Current Scenario

Year	Stock exchanges at the beginning	Exited during the year	Exchanges with the permanent registration at the end	Renewal granted during the year	Derecognized during the year	Stock exchanges at the end
2013-14	24	3	8	8	5	21
2014-15	21	8	6	1	6	13
2015-16	13	5	4	1	2	7

Source: Annual Reports, SEBI

Indian Stock Market

In the era of globalization and liberalization, the capital markets assume a greater importance. The smooth functioning of the capital market depends on the regulators, participants and investors. The past decade has been a golden age for securities market in India. It is now a far more important source of finance than traditional financial intermediaries for corporate sector which is poised to dominate the future of corporate finance in India. Reforms in the securities market, particularly the establishment and empowerment of SEBI, market-determined allocation of resources, screen-based nation-wide trading, dematerialization and electronic transfer of securities, rolling settlement and ban on deferral products, sophisticated risk management and derivatives trading, have greatly improved the regulatory framework and efficiency of trading and settlement. Indian market is now comparable to many developed markets in terms of a number of qualitative parameters. Over the past several years the securities market has witnessed a sea change. The market has become more in terms of infrastructure, adoption of best international practices and introduction of competition. With the maturity of the regulatory framework and increased market surveillance, the market has also become safer and investor is better protected. The extensive reforms introduced by SEBI over the last few years have enhanced the integrity, transparency and efficiency of the operations of the securities market. The introduction of electronic trading and “order matching” system in all the 23 stock exchanges, have led to reduction in transaction costs, speedier execution of trades and gains in liquidity. The spreads have dropped by a factor of 10 and volumes have raised a hundred fold in respect of many shares. The Indian stock market mainly functions on two major stock exchanges, the BSE (Bombay Stock Exchange) and NSE (National Stock Exchange). In terms of market capitalization, BSE and NSE have a place in top five stock exchanges of developing economies of the world. Out of total fourteen stock exchanges of emerging economies, BSE stood at fourth position with market capitalization of \$1,101.87b as on June, 2012 and NSE at fifth position with market capitalization of \$1079.39b as on June, 2012.

Stock Market Volatility

Volatility measures the risk of a security. It is used in alternative pricing method to measure the fluctuations in the returns of the fundamental assets. Volatility indicates the pricing behavior of the security and helps estimation of the fluctuations that may occur in a short period of time. It is a rate at which the price of a security increases or decreases for a given set of returns. Volatility is measured by calculating the

standard deviation of the annualized returns over a given period of time. It shows the range to which the price of a security may increase or decrease. If the prices of a security fluctuate rapidly in a short time span, it is termed to have high volatility. If the prices of a security fluctuate slowly in a longer time span, it is termed to have low volatility.

Volatility Index (VIX)

The Volatility Index (VIX) is a contrarian response indicator that helps to find out when there is too much optimism or fear in the market. When reaction reaches one extreme or the other, the market typically reverses course. The Volatility Index works well in conjunction with other "overall market indicators." By studying its communication, traders will have a better understanding of investor response, and thus potential reversals in the market. The VIX rises when put option buying increases; and falls when call buying activity is more robust. The most popular measure of market volatility in the US is the CBOE Market Volatility Index (the "VIX") which is also known rather ominously as the "fear gauge." The VIX measures a weighted average of the implied volatility of a wide range of S&P 500 options with a 30 day maturity. Quite simply, the VIX is the implied volatility of the S&P 500 and is frequently thought of as the market's broad expectation of volatility over the next 30 day period. The VIX has been on a downward trajectory since 2010.

Volatility in Indian Stock Market (post liberalization)

The high volatility is due to much foreign equity inflows. This results into dependence of Indian equity market on global capital market variations. It means any happening outside India will have its impact here as well. As when US economy was improving, resulted into falling rupee led negative sentiments to stock market crash. Domestic savings are lower which is increasing more foreign investments. According to RBI Handbook of Statistics (September, 2013), only 3.1% of incremental financial assets of household sector in fiscal year 2013 is invested in shares and debentures. Retail investor is participating less in equity market. Bank accounts consist of about 54% of the total household financial savings show that people want to invest less in risky assets. So, decline in domestic equity savings is biggest problem.

Major Indian Stock Exchanges

Bombay Stock Exchange

Bombay Stock Exchange is located on Dalal Street, Mumbai. In terms of market capitalization, BSE is the eleventh largest stock exchange in the world on 31st December, 2012. BSE is the oldest stock exchange in India. In the beginning during 1855, some stock brokers were gathering under Banyan tree. But later on when the number of stock brokers increased, the group shifted in 1874. In 1875, the group became an official organization named as "The Native Chor and Stock Brokers Association". In 1986, BSE developed its Index named as SENSEX to measure the performance of the exchange. Initially, there was an open outcry floor trading system which in 1995 switched to electronic trading system. The exchange made the whole transition in just fifty days. BSE Online Trading, known as BOLT is a automated, screen based trading platform with a capacity of 8 millions orders per day. BSE provides an transparent and efficient market for trading in equities, debentures, bonds, derivatives and mutual funds etc. It also provides opportunity to trade in the equities of small and medium term enterprises. About 5000 companies are listed in Bombay Stock Exchange. As on January 2013, the total market capitalization of the companies listed in BSE is \$1.32 trillion. In terms of transactions handling, BSE Ltd. is world's fifth exchange. As far as Index Options trading is concerned, BSE is one of the world's leading exchanges. Some other services like risk management, settlement, cleaning etc. The purpose of BSE automated systems and techniques are to protect the interest of the investor, to stimulate market and to promote innovations around the world. It is the first exchange across India and second across world to get an ISO 9000:2000 certification. BSE indices: Bombay Stock Exchange calculates the following indices. Sensex, BSE-100, BSE-200, BSE-500, Dollex-200, BSE-PSU Index, Dollex-30, BSE Teck Index

National Stock Exchange

The National Stock Exchange is located in Mumbai. It was incorporated in 1992 and became a stock exchange in 1993. The basic purpose of this exchange was to bring the transparency in the stock markets. It started its operations in the wholesale debt market in June 1994. The equity market segment of the National

Stock Exchange commenced its operations in November, 1994 whereas in the derivatives segment, it started its operations in June, 2000. It has completely modern and fully automated screen based trading system having more than two lakh trading terminals, which provides the facility to the investors to trade from anywhere in India. It is playing an important role to reform the Indian equity market to bring more transparent, integrated and efficient stock market. As on July 2013, it has a market capitalization above than \$989 billion. The total 1635 companies are listed in National Stock Exchange. The popular index of NSE, The CNX NIFTY is extremely used by the investor throughout India as well as internationally. NSE was firstly introduced by leading Indian financial institutions. It offers trading, settlement and clearing services in equity and debt market and also in derivatives. It is one of India's largest exchanges internationally in cash, currency and index options trading. There are number of domestic and global companies that hold stake in the exchange. Some domestic companies include GIC, LIC, SBI and IDFC Ltd. Among foreign investors, few are City Group Strategic Holdings, Mauritius limited, Norwest Venture Partners FII (Mauritius), MS Strategic (Mauritius) limited, Tiger Global five holdings, have stake in NSE. The National Stock Exchange replaced open outcry system, i.e. floor trading with the screen based automated system. Earlier, the price information can be accessed only by few people but now information can be seen by the people even in a remote location. The paper based settlement system was replaced by electronic screen based system and settlement of trade transactions was done on time. NSE also created National Securities Depository Limited (NSDL) which permitted investors to hold and manage their shares and bonds electronically through demat account. An investor can hold and trade in even one share. Now, the physical handling of securities eliminated so the chances of damage or misplacing of securities reduced to minimum and to hold the equities become more convenient. The National Security Depository Limited's electronically security handling, convenience, transparency, low transaction prices and efficiency in trade which is affected by NSE, has enhanced the reach of Indian stock market to domestic as well as international investors.

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Banking Sector in India : An overview

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Abstract

The history of banking system in India is not new. The structure of banking system in India is also versatile. Both Government as well as private capital participation exists in Indian banking system. Co-operative forms of organization are also allowed to conduct business in India. The banking sector in India has witnessed remarkable changes over the years. Business environment for banking sector has become very dynamic particularly in the post reforms period. With the changing business scenario, banks are now exposed to different kinds of risk such as credit risk, market risks, regularity risk and operation risks.

Keywords : Banking, Versatile, Government, Private Capital, Cooperative, Risk.

Introduction :

In the economic history of a country banking and bankers have always occupied a respectable place. In case of India also “there is plenty of evidence to show that India was not a stranger to concept of banking”. Chanaka’s Arthasathra²⁰ (about 300B.C.) is full of facts to show that existed guilds of powerful bankers who received deposits, advanced loans and carried on other banking functions. Manu in his smriti has written considerably on such types of activities by a section of persons of the society. It was the foreign invasions from 6th century onwards and consequent political instability that seriously undermined their status and standing. Individual bankers had continued to prosper so much that the famous Dilwara temple on Mount Abu is said to have been built by two bankers during 1197 and 1247 A.D. J.B.Travernier, a French traveler in 17th century, has mentioned that practically every village of India was having a shroff²¹ who according to him acted as banker. During the mughal period, the indigenous bankers were fairly prominent in the financing of trade and the use of instruments of trade and the use of instruments of trade. Emperor Aurangazeb in his regime conferred the title of “seth” on the most eminent banker of his time known, as Maneek chand and his five other brothers were equally great bankers. Emperor Farrukhsiyar conferred on Fatehchand, nephew of seth Manikchand, the title of ‘Jagat Seth’ the banker of the world. The house of Jagat seth virtually came to occupy their position of the Rothschild’s of India and rendered great assistance to the East India company, in the early days of the British Advent. Lord Clive in 1859 is said to have entertained Jagat seth for four years at a cost of R.17374. In those days the revenue of the East India Company was collected primarily through these indigenous bankers of various in particular in Bengal (Desai. V.,2005). Besides the above mentioned evidence of existences of Indigenous banker in India, banking in the modern scene came to be established in India with the setting up of three presidency bank that were successor to agency houses, which invariably combined banking with their commercial and trading activities, and were floated by East India company to facilitate the borrowings of the government and maintenance of credit.

Modern Banking in India: An overview

Besides the above mentioned genesis of banking offering phases of transformation of modern Banking in India can be classified into following categories:

- Pre Independence period: Evolution of modern Banking in India (before 1947)
- Post independence and prior to liberalization : Financial repression (between August 1947 to 1990)
- Post liberalization : Financial Liberalisation (after 1990)

Pre Independence Period (Before 1947): Evolution of Modern Banking in India: The unification of currency under the East India Company and the changeover of a single sovereign took away the business of banking from the hands of the shroff. Commercial Banking in India on the western lines can be traced from the beginning of the 18th century in form of “Agency House”, which was started by the employees of the East

India Company. Agency Houses were in operation upto 1929-32. [Gupta, 2001 and Roy, 2000] Bank of Hinustan (1770) established by Calcutta by M/s Alexander & Co an Agency House that had the honor of first joint stock bank in India. This bank was wound up in 1832 with the failure of the firm. The Bengal Bank (1785) and the General Bank of India (1786) came into being, but both these banks too had to face the fate (Verma and Malhotra, 1993).

Three presidency Bank were established through a charter of East India company with financial participation of the state government, Viz., the bank of Bengal (1806), the Bank of Bombay (1840) and the Bank of Madras (1843).[Bagchi, 1989].

India managed joint stock banks were also floated. The first purely Indian was the Oudh commercial Bank, established in 1881, followed by the Punjab National Bank in 1894, and the people's Bank in 1901. The swadeshi movement of 1906 gave a great stimulus to the establishment of Indian Banks namely, Bank of India, the Indian Bank of Mara, the central Bank of India, the Bank of Baroda and many more such banks were also started. Many of these banks were started with inadequate capital. Lack of knowledge regarding Banking practices and principles among the Indian Bankers along with other factor made a case of serious crisis. This led to failure of 87 Banks during the period 1913-17.

Three presidency Banks (the Bank of Bengal, the Bank of Bombay and the Bank of Madras) were in operation for nearly a century. During the banking crisis of 1913-17, which observed failure of a larger number of commercial Banks, these three presidency Banks were amalgamated under the Imperial Bank of India Act, (1920).

There was global depression after the First World War, which was responsible for the contraction of currency. This led to rapid decline in the deposits of Banks. About 373 commercial Banks with a total paid-up capital of Rs.6.82 crores, failed during the period 1922-36

The two world wars proved a boon to the banking industry when many large and small banks were started. A good proportion of them stood the test of time and survived the subsequent crises, especially the Great Economic Crash (1929-33). But at least an equal number of them failed and fell like the leaves of autumn as soon as the war was over. (Sharma B.P., 1974).

The Central Banking Enquiry committee, appointed on 22nd July 1929 recommended enactment of a comprehensive Banking legislation relating to organization, management, audit and liquidation of Banks in India. Some of the committee's recommendations were implemented in 1936, when the Indian companies Act, 1913 were amended. Banking Company, the minimum capital required by a Banking company to commence, and granting of moratorium to a bank in temporary difficulties.

The year 1935 opened a new gateway in the history of Indian Banking, when the Reserve Bank of India was established to act as a central Bank of the country with monopoly of note issue and serve as banker's bank and government. Though the Reserve Bank of India was constituted in 1935, much could not be done in respect of bank failures till the Banking Companies Act was put on the statute book in March 1947. It changed the whole approach towards commercial Banking and government came to recognize it as a positive instrument for faster economic development.

Post Independence but Prior to Liberalisation: Between August 1947 to 1990

The post Independence period (August 1947 onwards) and prior to 1991 can be categorized into following three phases viz. (Verma M.S., 1999)

- Foundation Phase
- Expansion phase
- Consolidation phase

Foundation Phase (1950s -1960s): the Foundation phase can be considered to cover 1950s and 1960s till the nationalisation of the banks in 1969. The focus of strategy during this phase was to lay the foundation

for a sound banking system in the country. Consequently, this phase witnessed the development of necessary legislative framework for facilitating re-organisation and consolidation of the Banking system, for meeting the requirements of the Indian Economy. A major development during this period was the transformation of Imperial Bank of India into state Bank of India (July 1955) and redefined on of its role in the Indian economy. Banking sector, which was catering to the needs of the Government during pre-Independent India, individuals and select traders opened their doors for wider sections of the society that were neglected earlier. With this for the first time Banking in Indian has vision and Mission to meet the requirements of the entire Economy, taking into its fold even small Industrial and Business units including Agriculturists²² .

Expansion Phase: this phase of the banking sector in India has begun in mid-60s but gained momentum after the nationalization of the large commercial Banks in 1969. On 19th July, the government of India took revolutionary steps and nationalized 14 major India commercial Banks having deposits of more than 50 crores each as December 31, 1968 by promulgating an ordinance, called the Banking companies (Acquisition and transfer of Undertakings) ordinance, 1969. However, foreign Banks were excluded from the purview of ordinance. The ordinance was replaced by Banking companies Act (1969) on 9th August 1969 and the Act came into the force with effect from 19th July 1969. The position of 14 Nationalised Banks on the eve of nationalization is presented in the following Table No:

The Banking companies (Acquisition and Transfer of undertakings) Act 1969 was declared invalid by Supreme Court on 10thFebruary 1970 on the grounds that, it violated Articles 14(Discrimination) and Article 31(compensation of compulsory Acquisition of property) of the Indian constitution). On 14th February 1970, the president of India promulgated another ordinance called Banking companies (Acquisition and transfer of Undertakings) ordinance (1970) by nationalizing the fourteen major Banks. After wards, the ordinance was replaced by the Banking companies (Acquisition and Transfer of undertakings) Act, 1970 which received the president's assets on 31stMarch, 1970²³ .

Table 1: Position of Nationalised Banks in 1969 (Rs. In Crores)

S. No.	Name of Banks	Branches (No.)	Deposits	Advances
1	Central Bank of India	564	442	303
2	Bank of India	274	358	243
3	Punjab National Bank	570	358	257
4	Bank of Baroda	373	283	176
5	United commercial Banks	349	203	136
6	Canara Bank	325	148	109
7	United Bank of India	175	147	107
8	Dena Bank	234	125	76
9	Union Bank of India	245	115	74
10	Allahabad Bank	153	114	82
11	Syndicate Bank	307	110	90
12	Indian Bank	218	79	60
13	Bank of Maharashtra	153	78	65
14	Indian overseas Bank	198	67	45
	TOTAL	4134	2627	1823

Source:Ranga Swamy, B, op, cit p.20

The government of India took over another six commercial on April 1980 through a presidential ordinance.

Table 2: Position of Nationalised Banks in 1980 (Rs. In crores)

S. No.	Name of Banks	Branches (No.)	Deposits	Advances
1	Punjab and Sind Bank	520	468	336
2	Andhra Bank	588	460	308
3	New Bank of India	402	291	237
4	Vijaya Bank	571	365	208
5	Oriental Bank of Commerce	301	216	152
6	Corporation Bank	304	212	134
	TOTAL	2686	2110	1375

Source: Ranga Swamy, B, op, cit p.30

The purpose of Nationalisation was to convert banking of “classes” into Banking of “masses”, so that the layman could identify himself more closely with the nation’s socio-economic goal .

Branch network of the banks was widened at an almost furious pace covering the rural and semi-urban population which had no access to banking hitherto. It is important to note that during this period credit flows were guided towards the preferred sectors viz., small scale, small business and agriculture. These sectors of the economy which were earlier largely unattended by banks, were recognized as priority sector and the banking sector was given the responsibility to satisfy their banking needs.

The fifteen years down the line since the nationalization of banks in 1969 Banking sector was dominated by expansion at a feverish pace (Rao, H.N., 1987). During this period transformation of the Indian Banking system, and commercial Banks emerged as an important engine of socio-economic change. With the rapid branch expansion the objective of wider geographical coverage was achieved; lines of supervision and control was stretched beyond the optimum level. Moreover, retail lending to select areas at concessional rate of interest affected the quality of banking assets negatively and this further pressurized their profitability. The competitive efficiency of the Indian Banking system was at low ebb.

However, the first two phases can be termed as a period of financial repression with the characteristics of administrative interest rate, large pre-emption of resources by the authorities and micro regulation.

The true health of financial Intermediaries was passed with following features.

- Opaque Account Norms
- Little Disclosure
- Little Transparency

Interest rates on government securities one of the important segment of fixed income securities were decided through administered flat system.

c. **Consolidation Phase:** With the realisation of the above mentioned weaknesses the banking sector moved into the next phase of development i.e., the phase of consolidation. This phase can be said to begun in 1985 when a series of policy initiatives were taken by central Bank to marginally relax control over the banks. During this period there was marked slowdown in the branch expansion and attention was paid in improving housekeeping, customer service, credit management, and staff productivity, profitability of Banks and introduction of Health code system. Steps were taken during this phase to rationalize the rates of interest on bank deposits and lending. Several measures were also initiated to reduce the structural constraints that obstructed the growth of money market.

Post Liberalisation : A Reform Phase (After 1991)

Post liberalization period in India can be observed as the reform phase in Indian Banking History. The year 1991 and 1998 marks the points of initiation of first generation reforms and second-generation reforms

respectively. Indian Banking system has been under the grip of declining productivity, inefficiency, profit erosion due to mounting level of NPAs, high levels of reserves requirements, administered uneconomical interest rates & poor cost management system. Inadequate operational flexibility and functional autonomy were also responsible for poor performance of Indian Banks. The intended socially oriented credit in the process, degenerated in irresponsible lending Narsimham committee, 1991.

The macro-economic crisis faced by the country in 1991 paved the way for extensive financial sector reforms. Despite impressive expansion of the banking system there was a general consensus that it had not actually become sound and vibrant, as it needed to be. By 1990, there was cause for serious concern on account of poor financial conditions of commercial Banks most of which by then were in the public sector. Some of these had already become unprofitable, undercapitalized and with high levels of non-performing loans.

Recognising the looming danger to the system, the government appointed a High-Level committee headed by M. Narasimham, ex-RBI Governor, to address the problems and suggest remedial measures (Patnaik & Patnaik, 2005). Following are the recommendations of the committee (1991), important initiatives with regard to reforms of the financial sector. The area of reforms include entry deregulation, branch de-licensing, de-regulation of Interest rates and allowing public sector Banks to raise up to 49% of equity in the capital Market. Other important areas of change have been introduction of new accounting and prudential norm relating to income recognition, provisioning capital Adequacy norm, gradual reduction in cash Reserve Ratio (CRR) and statutory liquidity Ratio (SLR).

While these reforms were under way, many important developments were taken place in the world economy, especially global integration of financial services (Ram Mohan TT, 2005). With the increasing global focus on the need for adequate regulation, supervision of Banks in view of south East Asian crisis and the adoption of Basel committee's prudential regulation and further adoption of recommendations the Narasimham Committee II (April 1998) paved the way for "second generation reforms" in the Indian Banking Industry. The Narasimham committee II, laid stress on prudential measures like higher CRAR, allowing for market risk on government securities, stricter NPAs norms, introduction of Assets- Liabilities Management (ALM) and Risk Management guidelines. Khan committee (May 1998) recommended the consolidation of Banking system through a move towards universal Banking, merger between Development Financial Institution (DFIs) and banks and harmonizing the role, operation and regulation for both.

The history of banking system in India is not new. The structure of banking system in India is also versatile. Both Government as well as private capital participation exists in Indian banking system. Co-operative forms of organization are also allowed to conduct business in India. The banking sector in India has witnessed remarkable changes over the years. Business environment for banking sector has become very dynamic particularly in the post reforms period. With the changing business scenario, banks are now exposed to different kinds of risk such as credit risk, market risks, regulatory risk and operation risks.

Particularly, due to changes in supervisory and regulatory norms, there is excess pressure on the bottom of Banks. As we have gradually adopted international prudential practices laid down in the Basel I & II agreement, banks are now required to allocate funds for increased CRAR and tightened NPA norms. Thus the need of the hour is to make the banking system immune to the aforesaid risk as secure optimum size of bottom line. In this backdrop EAGLES model can be one of the best performance evaluation tools in the hands of both regulators and Banks.

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Banker & Customer Relationship : Paradigm Shift Scenario in India

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Abstract

Today the relationship between the banker and customer has come under sharp focus both at the banker's, as well as at the customer's ends. Many customers do not only want, but also expect better services. The factors viz., lack of competition, administered regime, insulated economy which hindered market for customers are fading away thus forcing banks to focus on the customers. The dominant questions which are bothering the minds of bank management today, is how to improve customer service and competitive advantage. The products are almost the same, however, the battleground is service.

Key words : Customer's, Banker's, Bank Management, Service

Introduction

The banking scene has seen paradigm shifts in the nineties. First these shifts occurred during the 1991-94 phase, in which the emphasis shifted from growth to profits, from balance sheet, from regulated and administered regime to a relatively deregulated one. During the next phase (1994-98), the financial markets started giving interest rate signals, links between forex and money markets became strong, interest rates were deregulated and competition intensified.

The process of economic liberalisation and financial sector reforms brought the issue of customer focus to the forefront. Towards getting closer to the customers in the identified market segments with well defined characteristics, banks are establishing strategic business units, such as; Corporate Account Group, National Banking Group, International Banking Group etc. We are able to witness attempts by various public as well as private sector banks to shape their structure and functioning with customers in view. It means that banking services have been oriented towards

greater customers' satisfactions.

• Need for Customer Focus

The customer choice and awareness have been increasing tremendously during this decade due to more open economy, the advent of information technology and media revolution, besides hectic competition for resources by banks and non-banks. Banks are attempting, by creating exclusive delivery channels, for specific customer segments. As markets become increasingly competitive, customers can now immediately go elsewhere if they don't get what they want. Continuous improvement,

gaining the competitive edge, increased market share, higher profits none of these things is possible unless business can find new ways of maintaining the loyalty of existing customers. Customer focus is the ability to provide predictably positive experiences that consistently meet or exceed the customer's expectations.

Customer focus should be managed by "moments of truth".

A "moments of truth" refers to "any episode/incident when a customer comes into contact with any aspect of the service offered and, on the basis of the contact, forms an opinion about the quality of the service and the quality of product offered".

• Changing Perception of Customer

The customer perception is changing day-by-day. Peter Drucker said twenty five years ago - "*The purpose of a business is to attract and retain a customer*". It sounds simple, but too many businesses have forgotten it to their cost. There is a phenomenal change and paradigm shift towards customer focus for the past five decades.

<i>Serving the Customer</i>	1950's to 1960's
<i>Satisfying the Customer</i>	1960's to 1980's
<i>Pleasing the Customer</i>	1980's to 1990's
<i>Delighting the Customer</i>	1990's to 2000 AD
<i>Retaining the Customer</i>	2000 AD and beyond

• **Banker and Customer Relationship**

Today the relationship between the banker and customer has come under sharp focus both at the banker's, as well as at the customer's ends. Many customers do not only want, but also expect better services. The factors viz., lack of competition, administered regime, insulated economy which hindered market for customers are

fading away thus forcing banks to focus on the customers.

The dominant questions which are bothering the minds of bank management today, is how to improve customer service and competitive advantage. The products are almost the same, however, the battleground is service. The shift in the banking scenario and changes in working pattern could be presented in the tabular form as below :

PARADIGM SHIFT - SCENARIO IN INDIA

BEFORE 1991	AFTER 1991
Seller's market	Buyer's market
Protected markets	Open market
Not many global brands	Increase in number of global brands
Friendly competition	Cut-throat competition
Patient customers	Demanding customers
Limited choice for customers	Increasing choice for customers
Limited TV promotion	Extensive TV promotion
Cost plus pricing	Competitive price-cutting
Limited role of services	Increased role of services
Slower marketing reflexes	Quicker marketing reflexes
Speed @ will	Turbo speed
Fundamental standalone system	Enterprise system (ERP/CRM/SCM)
IT - competitive advantage	IT - Enabler
Gaining new customers	Retaining existing customers
Monologue	Dialogue
Transaction	Relationship
Standard of living	Quality of life

- **Building Customer Relationship**

Marketing approach lays emphasis on building long-term mutually beneficial relationships with the customers. Organisations which look only to short run profits and disregard the customers interest, do so at their own peril. Banking is a service oriented industry, and it has the potential to reach almost the majority sections of the

population. In a competitive environment, people can choose. In choosing their banks customers are influenced by the image of the bank and the perceived quality of service. The bank that provides better service and the bank that is perceived to be “*different*”

from the average gets the attention of the customer. Perceptions of good service would relate to courtesy, promptness, employees’ attitudes, physical facilities, customers’ identification and recognition, speed, clarity and communicative skills and a host of such features. It gets manifested in the forms of the care, concern, commitment and sensitivity shown by the bank staff in dealing with the customer, big or small, old or new. It relates to living up to every letter used in the advertisements and publicity campaigns aimed at projecting themselves. Ensuring quality service implies giving attention to details, being sensitive to customer expectations. In this regard the quality service is important that includes. The following coherent elements :

As a matter of part of fact, the word - Quality has many meanings :

- A degree of excellence
- Conformity with requirements
- The totality of characteristics of an entity that bear on its ability to satisfy stated or implied needs
- Fitness for use
- Fitness for purpose
- Freedom from defects imperfections or contamination
- Delighting customers

Certain key points which the banks should focus on, for providing better customer service are -

- Setting service standards and improve measurement of service - Some banks started obtaining ISO certification for their branches and administrative offices.
- Providing skill based training and product/service knowledge to the front line staff.
- Establishing incentives and motivation for quality service.
- Enunciating a new corporate philosophy (mission/vision) based on quality of service by changing the cultural and attitudinal bias in the organisation.
- Making customer satisfaction a central focus at the corporate level.

Price and delivery are both transient features, whereas the impact of quality is sustained after the attraction or the pain of price and delivery has subsided.

- **Customer Culture**

There are three main elements to be considered when aligning the business towards a customer relationship format.

- The first is to do with retention.
- The second stage is to develop customer potential - turning that one off infrequent casual customer into a higher spending, more frequent, referring advocate.
- The third element of Customer Relationship Management (CRM) is the de-

selection of customers. This means that at some point, the bank has to start to lose those customers, who are not ones.

- **Customer Life Time Value**

Customer lifetime value is typically the revenue that one customer can spend with the bank directly or one customer can spend with the bank indirectly or through

referral and recommendations over a nominal period. A customer who avails the services from the bank, is probably doing so as a trial. The more frequently they come back to the bank, the more their loyalty builds; they will then turn from a 'one-off customer' into an 'ongoing client' and eventually a 'self-perpetuating advocate'. A loyal customer will often pay more as well; they will also be less sensitive to tactical discounting than the customers that the bank can attract through special promotion offers. The emotional link that a customer has with the bank, the people that serve in it, or the brand that it promotes, are also critical factors in understanding customer

loyalty and lifetime value.

- **Relationship Banking**

A new approach to the marketing of bank services that is receiving growing attention in banks, is "relationship banking". The emphasis here is on viewing the customers as a long term business relationship, rather than confining attention to the particular transaction. Banks make strategic plans to meet the total banking requirements of the customers and expect repeat business from them. Banks take on the role of all weather friends and establish a firm relationship, wherein the customers confine all their banking transactions to them. For building up profitable customer relationship, it is inevitable on the part of the bankers, first of all, to know more about the customer and his banking needs and towards this end, banks need to prepare customer profiles. Building a long-term profitable relationships with customers calls for systematic efforts. In order to ensure customer in making the right choice from among the available range of services and facilities.

- **Customer Service Model**

Customers who contact any bank, want two things :

- They need a solution to a problem relating to investment/credit.
- They want to feel in some way "special" .

Looking at number one, when the bank is providing appropriate solution for the problem, say,

- offering a loan for purchase of house, car or motorcycle,
 - keeping the amount in saving/term deposits suiting to the needs of the customer.
 - issuing a demand draft so that the customer's needs are satisfied very often
- the only time that customers will contact the bank is when they have a problem with some services that they have availed /they want to avail - say,
- delay in getting a loan,
 - delay in getting a term deposit receipt
 - delay in getting a demand draft,

The second element of any' customer service satisfaction model is that each and every single element in making a customer feel "*special*".

Speed and Time : Speed and time measures are very important factors to many customers. The speed with which the banks offer their services will actually gain a competitive advantage and allow them to offer higher satisfaction. On account of technological revolution, at present products are offered to take care of the element

of “speed and time” like;

- Internet and mobile banking
- Debit cards
- Anywhere banking
- ATM etc.

Personal Interaction With A Customer

How well and how able a bank does this, varies from the small to the large. Small matters like, remembering a customer’s name, a tone of voice and remembering details about the customer including his/her birth date are to be taken care. There are certain banks that identify every opportunity that they possibly can make the customer feel unique and an individual. The frontline staff should be trained to answer the telephone calls and deal with the customers face-to-face, to treat every single customer as, not their only customer, but their most important customer.

Courtesy and competence

Common courtesies and manners are very important, probably more important than the banks may consider. Competence means that whoever serves the customer or whoever supports people that serve customers, has to give things and do them well. It means getting things done rightly at the first time. It means knowing what should be done and how best it can be done. Courtesy and competence, hand in hand - it is a licence to keep customers for life time.

Expectations

A successful banker will be judged by his ability to manage the expectations of his customers well and how efficiently they systematically and consistently they achieve them. A delighted customer will come back to the bank, will convey his friends about his experience and will become an ambassador for the bank’s business - an unpaid salesperson. A satisfied customer is one whose expectations are equal to the experiences.

Where the experience of a customer is less than the expectation, he becomes annoyed and impatient and moves as a ‘dissatisfied customer’.

Applying the process of managing and then exceeding expectations in one that can happen randomly and through the creative ingenuity of a few customer-focused individuals, but it really should not be left to chance. The successful banker trains all his employees as customer-focused individuals.

Information Need to Retain Customers

One of the simplest ways to keep customers feeling special and make them feel important, is to keep them informed. They should be informed of things they are waiting for and let them know how things are going on.

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A Critical Study of Women Entrepreneurship Development in India

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Abstract

Women in India constitute a large proportion of total unemployed population and hence it is imperative to find out the entrepreneurial constraint faced by them. Entrepreneurship is a key to economic development of a country. It is considered as an important means for checking concentration of economic power in the few hands and bringing about economic dispersal and more equitable distribution of national Income. Women entrepreneurs are the women or a group of women who initiate, organize and operate a business enterprise

Keywords : Women, Working Environment, Untapped Skills, Personality, Government, Goal.

Introduction

The all round development of women has been one of the Focal Point of Planning Process in India. The First Five Year Plan (1951-56) envisaged a number of welfare measures for women. Establishment of the central social welfare board, organisation of Mahila Mandals and the Community development programmes were a few steps in this direction. In the Second Five Year Plan (1956-61) the empowerment of women was closely linked with the overall approach of intensive agricultural development programmes. The Third and Fourth Five Year Plans (1961-66 and 1969-74) supported female education as a major welfare measures. The Fifth Five Year Plan (1974-79) emphasized training of women, who were in need of income and protection. This plan coincides with International Women's decade and the submission of report of the committee on the status of women in India. In 1976, women's welfare and Development Bureau was set up under the Ministry of Social Welfare. The Sixth Five Year Plan (1980-85) saw a definite shift from welfare to development. It recognized women's lack of access to resources as a critical factor impeding their growth. The Seventh Five Year Plan (1985-90) emphasized the need for gender equality and empowerment for the first time, emphasis was placed upon qualitative aspects such as inculcation of confidence, generation of awareness with regard to rights and training in skills for better employment. The Eighth Five Year Plan (1992-97) focused on empowering women especially at the grass roots level, through Panchayat Raj Institutions. The Ninth Five Year Plan (1997-2002) adopted a strategy of women's component plan, under which not less than 30% of funds / benefits were earmarked for women specific programme. The Tenth Five Year Plan (2002-07) aims at empowering women through translating the recently adopted National Policy for empowerment of women into action and ensuring survival, protection and development of women and children through rights based approach.

The Eleventh Five Year Plan (2007-12) gives more importance for women empowerment. It aims to strengthen legal systems by elimination of all forms of discrimination against women, and gives equal access to participation and decision-making of women in social, political and economic life of the nation. It also aims to create an environment through positive economic and social policies for full development of women to enable them to realise their full potential.

Women in India constitute a large proportion of total unemployed population and hence it is imperative to find out the entrepreneurial constraint faced by them. Entrepreneurship is a key to economic development of a country. It is considered as an important means for checking concentration of economic power in the few hands and bringing about economic dispersal and more equitable distribution of national Income. The nature and characters of Small Scale Industries (SSI) is suitable to women to become entrepreneurs. Women entrepreneurs are the women or a group of women who initiate, organize and operate a business enterprise.

The government of India notes women entrepreneurs as, “an enterprise owned and controlled by women saving a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women”. The Government programme for women development began as early as 1954 in India but the actual participation began only in 1974. At present, The Government of India has over 27 schemes for women operated by different departments and Ministries. Entrepreneurship is the core of economic development. It is a multi dimensional task and essentially a creative activity. It is a key factor of entrepreneurship. An effective entrepreneur requires certain basic qualities such as innovative thinking and far sightedness, quick and effective decision making skill, ability to mobilize and marshal resources, strong determination and self-confidence, prepare to take risks, accepting changes in right time, Access and alertness to latest scientific and technological information. In the process of entrepreneurship, women have to face various problems associated with entrepreneurship and these problems get doubled because of her dual role as a wage earner and a home maker.

Entrepreneurship is like giving birth to a child. The women’s love of child overcomes the risk of life. The entrepreneur overcomes the risk of loss with the passion of entrepreneurship. Bringing life by the women is experiencing the inborn creative capacity when women bring life in to this world, it contributes to the society. When an entrepreneur creates an enterprise, it generates employment, create wealth.

Entrepreneurship is a prerequisite for the development of any nation. Hence the contributions of women entrepreneurs are a prerequisite for nation building. Women entrepreneurship, women empowerment and nation building are therefore synonymous Women are naturally endowed with the emotions of love. This positive energy could be used for managing human resources efficiently. All the women have all the resources to manage an enterprise. Women entrepreneurship can only bring about women empowerment. Women entrepreneurship means all women are endowed with innate power that can make them successful entrepreneurs. Women have innate ability to face the risk of life with firm courage. Women entrepreneurship is inherent and also a natural process. Women are naturally endowed with the qualities of entrepreneurship, Women empowerment becomes reality by nurturing their innate qualities of entrepreneurship.

Women entrepreneurship and women empowerment would be the realities of tomorrow. Women have the innate ability to face the risk of life with firm courage. This is an essential quality for entrepreneurship. Women entrepreneurship is therefore a natural process for women. Encouragement of women entrepreneurs are the only solution for women empowerment.

In India, the literary and educational status of women improved considerably during the past few decades, more and higher educational and research institutions are imparting knowledge and specialization. At this juncture, effective steps are needed to provide entrepreneurial awareness orientation and skill development programmes to women. The Institutions available at present are very limited. More-over their functions and opportunities available with them are not popularized much.

INSTITUTIONAL SUPPORT TO WOMEN ENTREPRENEURSHIP

There are a number of **Institutions in India** who have been created to support women entrepreneurship and help them to make a standing of their own in the society, further helping in the economic development of the Nation as a whole. Some of these institutions (Poornima Charantimath, 2009)) are described below-

Consortium of Women Entrepreneurs of India:

The *Consortium of Women Entrepreneurs of India (CWEI)* is a registered civil society that works for the economic empowerment of women in the country. It provides a platform to help women entrepreneurs to find innovative techniques of production, marketing and finance. The main aim for the establishment of this Consortium was to upgrade the technology and achieve new heights in economy. CWEI comprises of NGO’s, voluntary organizations, self-help groups, institutions, individual enterprises both from rural and urban areas, which collectively support and also benefit from the activities taken up by the Consortium. The CWEI not

only helps in the product development but also takes activities of manpower training. At times, it also acts as an intermediary between Indian entrepreneurs and overseas agencies for marketing and export.

Federation of Indian Women Entrepreneurs:

The Federation of Indian Women Entrepreneurs (FIWE) was started in the year 1993, as a result of the decisions taken at the 4th International Conference of Women Entrepreneurs, which was held at Hyderabad in December. The various Associations of Women entrepreneurs in different States and districts are affiliated to FIWE and the main aim to establish this was to provide services and networking to them. Individual women entrepreneurs can also avail the facilities by being a general member. The main objectives or the functions of FIWE are to provide training facilities for export and domestic marketing, quality control etc. It also helps in providing access to latest technologies, know-how, networking within the country and abroad, expansion of enterprises, facilitate participation in international and national exhibitions and seminars, identify and solve problems faced by women, exposure to global business environment, enhance access to term loans and assist in the identification of investment opportunities

Federation of Ladies 'Organization:

The Federation of Ladies 'Organization (FLO) is the women's wing of the Federation of Indian Chambers of Commerce & Industry (FICCI). It was formed in 1983 with the basic objective of 'Women Empowerment' and works with an aim to promote entrepreneurship and excellence among women. Working towards the economic and social advancement of the society, it makes the women aware of their strengths and helps them to exploit their potential through educational and training programmes. The FLO also arranges for seminars, talks, panel discussions and workshops on innumerable topics which in turn help the females to move their entrepreneurial steps in a particular direction.

This Federation works at three different levels helping ladies at the basic level, or we can say for females at the zero income level, the second is the middle level where it holds seminars and workshops for them to start small scale units and then at the advanced stage where the FLO helps them in areas such as marketing and finance. FLO also takes and receives delegations abroad to promote bilateral trade, international exposure and fellowship among women.

Women's India Trust:

Women's India Trust (WIT) is a charitable organization established in the year 1968 by Ms. Kamila Tyabji. WIT was launched with two shops in Mumbai and a training and production centre known as the Kamila Tyabji WIT centre at Panvel. The Mumbai trust did so well that the Kamila Trust, UK, was set up in the early 1990's with the aim to sell the product of the WIT family of India. The Kamila Trust opened a retail outlet in 1994 in London named, KASHI. WIT started by training less privileged and unskilled women in Mumbai to stitch sari petticoats. Since then WIT has helped many women to develop skills and earn a regular income; this has changed their lives and the lives of their families. Here, educational programs and vocational skills training are taught. It also houses the production units. WIT has created a sound platform to provide training and employment opportunities for the young girls and women in need. Hundreds of women have not only benefitted financially from WIT but have also been able to develop their self-confidence and self-reliance. It has provided training and employment opportunities to needy and unskilled women in and around Mumbai. The training and development centre at Panvel, WIT is able to help the needy women in stitching skills, nursing, kindergarten, block printing, toy making, catering and computer education, etc.

Central Bank of India Credit Schemes:

Central Bank had started a special scheme known as the 'Cent Kalyani' which provides financial assistance to women entrepreneurs in industry, agricultural and allied activities. The scheme is aimed to help to women entrepreneurs to start up an enterprise of their choice. The credit facility is available to women entrepreneurs under various heads like, small business, professional and self-employed, retail trade, village and cottage industries, small-scale industries, agricultural and allied activities and government sponsored programs. Capital subsidies are available under various government sponsored programs.

National Bank for Agriculture and Rural Development:

The main aim of the National Bank for Agriculture and Rural Development (NABARD) is to remove all the barriers of women entrepreneurs and treat them as risk-free bankable clients. NABARD was set with aim to promote sustainable rural development by facilitating credit flow among village industries. NABARD not only for supports the agricultural development, but also the non-farm rural activities and hence plays a crucial role towards financial security of the rural sector.

It also helps the women SHG's and links them with formal banking system. NABARD also promotes entrepreneurship under the Rural Entrepreneurship Development Programme (REDP) by imparting training entrepreneurial skills. Improvement in the condition of women is another important aspect of NABARD. It has evolved special schemes for women like Assistance to Rural Women in Non-farm Development (ARWIND), assistance for Marketing of Non-farm Products of Rural Women (MAHIMA) and also provides grant assistance in setting up 'Women Development Cells' by RRBs/ Cooperative Banks.

State Government Schemes for DWCRA:

The Development of Women and Children in Rural Areas (DWCRA), scheme was started in the year 1982-83 with an aim to organize women in a systematic manner so that they are able to avail the opportunities of self-employment. Thousands of rural women have participated in this scheme and have benefitted under the DWCRA banner. It works for the improvement of the social, economic, health and educational status of the rural women. It encourages the rural women by providing training in their skill which may be gainful to them and also helping them in increasing productivity in their existing skills. It also encourages them to take up new activities which may be beneficial for them. Though the DWCRA program was not very successful in the rest of the country, it was successful in Andhra Pradesh.

Small Industries Development Bank of India (SIDBI):

The Small Industries Development Bank of India (SIDBI) helps and guides the entire SSI sector which also includes the tiny, village and cottage industries through its schemes which have be planned specially to meet the requirement of setting up new ventures, its expansion, diversification etc. SIDBI is implementing Poorest States Inclusive Growth Programme (PSIG) - Financial Inclusion and Women Empowerment). The programme aims to ensure poor and vulnerable people in low income states (especially women) benefit from economic growth through better access to financial services. This project aims to ensure that 12 million poor households are reached with financial services and over 5 million women clients testify improvements in social status and mobility. PSIG is expected to leverage private sector financial and technical resources to reach up to 12 million direct and indirect Programme participants in 4 states of UP, MP, Bihar and Odisha. The programme duration is 6 year starting from April 2012-March 2018, extendable upto March 2019.

Self-Employed Women Association (SEWA):

SEWA is an association, which was registered in 1972 for the poor, self-employed women workers. This group helps the women who earn a living through self-employment, small business and own labor. SEWA aims at organizing the women workers so that they get work security, income security, food security and social security as well which includes health care, child care and shelter. It also helps women to be self-reliant economically and in decision making ability. These activities are carried out with the joint effort of the centre and the cooperatives. SEWA in Madhya Pradesh has successfully developed several campaigns to press for the rights of its members. It has been organizing workers for the last 27 years, and today it has grown to a union of 6,00,950 workers in 18 districts of the State.

Association of Women Entrepreneurs of Karnataka (AWAKE)

Association of Women Entrepreneurs of Karnataka (AWAKE) was established in 1983 and is a not-for-profit, Non-Governmental Organization (NGO) based in Bangalore, India. It is totally devoted to the women entrepreneurship development with the main aim to empower women folk through entrepreneurial development and to improve their economic condition. AWAKE targets at women who want to grow and are seeking guidance. These women are mainly from the rural areas and almost half of them belong to the low income groups. The activities involves counselling the women, conducting Entrepreneurship Development

Programs, organizing exhibitions and motivating women entrepreneurs. AWAKE's services are extended to women Self Help Groups (SHGs), NGOs and other development agencies engaged in Income Generation Activities and Entrepreneurship Development.

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The Affordable Housing System in India

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Abstract

Housing is a basic social aspiration and indicator of living quality. Affordable Housing (AH) is socio-political agenda in any democratic country which ensures every family has a shelter to reckon with. India intensified its search for alternate options to AH as around 1.77 million people live without a roof over their heads (Jha, 2013) and around 10 million of the houses are dilapidated state while around 7 million are living unliveable conditions (MHA, 2011). To overcome this giant gap, the Government of India (GoI) has come up with an ambitious plan of providing permanent shelter through the mission 'Pradhan Mantri Awas Yojana' (PMAY 2015)- Housing for All by 2022, with significant deviations from previous schemes. Policies are instrumental to realize socio-economic development goals set by any government which they propose in their election manifesto. Housing policy includes agenda-setting and creating procedural tools for policy application and appraisal. Implementation tools are fundamental to policy design and they device modification in the way services are provided to public or the approach of implementation of processes. Land and Finance mechanisms have evolved further in PMAY in comparison to other previous programs launched after independence of the country in 1947.

Key words : Housing, Social Aspiration, Living Quality, Affordable Housing, Democratic Country.

Introduction

The affordable housing sector has begun to receive traction from the real estate industry in major cities owing to the new push from a slew of schemes and budgetary allocations from the Union government. Several leading players in development and construction have focused their attention on providing affordable housing.

The Pradhan Mantri Awas Yojana (PMAY) envisaged in 2015 is seen as a proactive intervention on the supply side. It has led to 0.57 million units being added in this sector since 2016 in top eight cities, viz., Mumbai, NCR, Bengalure, Pune, Chennai, Hyderabad, Kolkata and Ahmedabad. But analysis of demand versus supply covered under a RICS-Knight Frank study recently finds that on an average, nearly 0.6 million homes are required every year in these cities against a supply of 0.2 million units annually.

With 70% of jobs being created in the urban areas, it is expected that 40% of India's population will come to live in urban areas by 2030. Revised estimates of the Ministry of Housing and Urban Development reveal that urban India faced a deficit of 100 million housing units in 2017. Ninety five per cent of this shortage is in the affordable housing segment. Majority of these people are new migrants to the cities and need affordable houses. Presently, 80% of these households are living in congested or dilapidated dwellings and are in need of new houses. It is observed that 50% of people in India live in their own houses, while almost 30% people live in rented houses.

Nearly one million households are living in non-serviceable katcha (mud and brick structures) houses, while over half-a-million are living in homeless conditions. It was in this backdrop that the PMAY envisaged the objective of providing every family a pucca house with water connection, toilet facilities, and 24 x 7 power supply. It subsumed all the previous urban housing schemes and fixed the target of constructing 20 million under 'Housing for all' by 2022.

TEMPORAL SHIFT IN HOUSING POLICIES IN INDIA

After six decades of housing policy design and implementation for EWS and LIG housing in India, significance and limitation of these policies are being critically reviewed (Hingorani, 2011). After Independence, the young nation was reeling with burden of migrated people. Policies evolved with time

to address changing socioeconomic context. Initially, housing policies considered house to be a provision to be made available by the government, and no participation was expected from the target beneficiaries. A comprehensive list of policy initiatives are presented in Table 1. The quality of the housing provided was not good. Readily available housing could not evoke any sentimental attachments. People from lower income group could not retained ownership of the same for long. Market economy played role in change of ownership from the beneficiaries to higher income group which was in contrary to original intention. Rent control act led poor maintenance of rental housing stock leading to worse living conditions for tenants and loss of capital and income for landlords.

PMAY-2015

In the year of 2014, the GoI planned to provide roof to every urban homeless family with a dwelling unit under Sardar Patel Urban housing Mission. Later the mission was discussed further and the “Pradhan Mantri Awas Yojana – 2015: Housing for all” is launched. The Mission identified scope to address the housing requirements of the Urban Poor (including slums) in four verticals (MoHUPA, 2015):

- Slum rehabilitation of Slum Dwellers with participation of private developers using land as a resource
- Promotion of Affordable Housing for weaker section through credit linked subsidy
- Affordable Housing in Partnership with Public and Private sectors
- Subsidy for beneficiary-led individual house construction

This is meant to cover all statutory towns as per Census 2011 and priority will be 500 Class I cities. These 500 Class I cities will be covered in three phases: Initial phase will end by 2017 with focus on 100 cities and then 200 each for 2nd and 3rd phase planned to finish by 2019 and 2022 respectively.

Slum Dwellers, Urban poor living in non-slum area, Prospective Migrants and Homeless and Destitute are in focus of the Mission. The recognized policies are: In-situ development/ upgrading for slum dwellers; affordable housing in partnership for urban poor; Temporary rental housing/ affordable house with interest subvention for migrants and government sponsored rental housing/ night shelter for homeless. The Mission is expected to support construction of houses upto 30 m² carpet area with basic civic infrastructure. The States/UTs have the flexibility to determine the size of the house and other facilities at state level with consultation with the GoI but the central financial assistance not to be enhanced. Target of developing ten million dwelling units has been set under this scheme. It is the state government who will select the cities, deal with private investors, and decide upon building norms / guidelines like allowable built area, density etc. as per regional requirements, framed in consultation with experts from regional technical institutes. “In-situ” Slum Redevelopment using land as Resource. This is an important tool for providing houses to eligible slum dwellers. This approach aims to leverage the locked potential of land under slums to provide houses to the eligible slum dwellers bringing them into the formal urban settlement (MoHUPA, 2015). Private Partner would be selected through Open Bidding System. The government has a provision of doing the resettlement by self or by the help of private partners. The land of the slum would be under Central Government. Table 2 tabulates the process flow and role of stakeholders involved under this vertical. The larger portion of the land will be used for redevelopment of slum. But a small proportion of the land can be used for generating revenue by cross-subsidization and other tools. Credit Linked Subsidy Scheme. (MoHUPA, 2015) This scheme is meant for the beneficiaries of EWS and LIG sector, seeking loans from Financial Institutions. The eligible beneficiaries will get the loans for an interest subsidy at the rate of 6.5 % for a tenure of 15 years or during tenure of loan whichever is lower. The subsidized rate would be applicable for loan amount of Rs. 6 lakhs only, for the Dwelling Unit with Carpet Area 30 m² and 60 m² for EWS and LIG sections respectively. Affordable Housing in Partnership (AHP). AHP is the only scheme in the policy with a supply side intervention. For any AH project (as defined by PMAY), the Central Government will provide an assistance of Rs. 1.5 Lakhs per EWS dwelling unit to the developer. Benefits and credentials, definition of EWS etc. can be changed by State Governments with consultation of Ministry of GoI. Beneficiary led individual house construction or enhancement. The beneficiary, living in or outside the slum, will get central assistance of Rs. 1.5 lakh for construction of new houses under the mission. The 4th vertical recommends that the beneficiary of this scheme should not be taking advantage over any other schemes of the policy (MoHUPA, 2015).

FINANCE MECHANISM FOR AH Housing finance is relatively recent phenomenon. It became more popular in developed economies after 1993. Recently developing economies are also experiencing growth of different magnitude in housing finance. Traditional two major financial mechanisms for housing are, debt and residential mortgage¹. In developed economies housing loan is very significant, whereas developing economies like India, housing loan constitutes for 5% of GDP. Financial liberalization after 1991 and access to capital market have significantly changed housing and real estate scenario in India. Control of state run housing finance institution shrank significantly, at least in open market. But housing for economically weaker section still remains a challenge in housing finance. Even for open market housing finance has become critical after global financial meltdown and Eurozone crisis. Now states are cautious to reduce risk of its banks and limiting bad loans. Following the financial crisis bad loans and non-performing assets (NPAs) in Indian banks stood very high. NPA for Indian banks varies from 3% to 4.25%, with state run banks perform poorer than private banks. Private Banks focus more on retail lending, unlike state run banks which have more exposure in housing and infrastructure. Even for state controlled banks, it is difficult to lend for mass housing or housing for economically weaker section, fearing loan recovery woes. In this increasingly complicated financial environment state run banks also need to compete with privately operated bank for profit and efficient services. Otherwise capital market with some control of the state might collapse. Sustainable housing finance system is built over a certain period with effective regulations and innovative financial policy. But financing affordable housing needs a different financial strategy than in free market. This paper will explore some emerging means to facilitate access to housing finance for affordable housing and its relevance in PMAY-2015. Mortgage has been very common tool utilize in housing finance but is less explored in affordable housing. EWS and LIG households are unable to access mortgage loan due to their below par credit worthiness. They do not have any asset or ability to contribute for initial down payment or repayment in installments. States are constrained in extending credit due to the fear of market collapse. And lenders are not very keen for financing due to credit credibility of borrowers, liquidity and high interest rates. In this context, government security can be beneficial for lenders to gain confidence in aggressive promoting of housing finance. Mortgage bonds were first introduced in Europe in the late 18th century and are a major component of housing finance today (EMF, 2001). Mortgage Pass-Through securities were introduced in the United States in the early 1970s and along with more complex structured finance instruments now fund more than 50 percent of outstanding debt in that country. Today, mortgage-related securities have been issued in almost all European and many Asian and Latin American countries (Chiquier, et al., 2009). Once security is confirmed, many lenders feel confident in financing through mortgage. It attracts investment within the country or from foreign investors, increase competition among lenders, increase efficiency in fund flow in housing market. Institutional investors like pension and insurance authorities are effective buyers of mortgage securities. These institutions have enough liquidity and long term liability which is advantageous than short term lenders. Mortgage insurance is another instrument which protects investors and buyers from default in repayment by the borrower. Borrower's credibility and asset are calculated through loan to value (LTV) ratio, which divulges information like loan default probability. But it depends on individual state and its risk-taking ability to support with insurance. Microfinance is also getting popularity to fund small housing and housing repair. Microfinance can be useful for low income household which often finds it hard to approach capital market due to collateral shortages. Often government policies in developing country revolve around direct subsidization or cross subsidization. But cross subsidization has other social equity issues which hinders its novelty as a financial mechanism. Developing economies have basic structural problem. It has unusual high percentage of informal economy, maximum cash transaction and high levels of inflation. Combination of all three implies underpayment and decrease in their savings. A large percentage of population is outside the purview of government benefits like provident fund, medical insurance and pension schemes. But countries with more structured economies adopt housing provident funds (HPFs) as a measure to tackle housing finance. HPFs function as long term saving schemes that operate through mandatory equal contributions from the government and the employee. Beneficiary can withdraw funds from their accrued savings or take long

term loan only for housing. HPFs have been created in many emerging economies, including Mexico, Nigeria, Brazil, Jamaica, Philippines, and China (Chiquier, et al., 2009).

RECENT POLICY TRENDS IN HOUSING FINANCE FOR AH

After identifying the emerging financial mechanism to fund affordable housing, the following sections will analyze PMAY 2015 to comprehend the scope and opportunity of financing affordable housing in India. The policy underlined four financial strategies to implement affordable housing. These are;

- i. In situ slum redevelopment through private participation. In exchange incentive for private participation would be TDR and extra FSI/FAR.
- ii. Affordable housing through credit linked subsidy, by interest subvention subsidy for EWS and LIG for new housing or to build incremental housing.
- iii. Affordable housing in partnership with private sector or public sector including parastatal agencies.
- iv. Subsidy for beneficiary led individual house construction.

Housing finance and alternative strategies that facilitates deprived people to acquire shelter has almost remained the same in India over the past many decades. The policy rightfully seeks private participation to solve an estimated 18.78 million housing shortages in India. But TDR and FSI/FAR is yet to prove very strong intensive for private participation in venturing into affordable housing. Financing slum redevelopment is a major challenge than to provide affordable housing to EWS or LIG. There needs to be a comprehensive financial strategy to enhance capability of slum dwellers to access housing finance. It may be a strategy implementation proven elsewhere in the globe or a completely new strategy. It's not only an economic but social issue. Economic participation from slum dwellers enables belongingness to their shelter and more attention to transform it into habitat from housing only.

Second strategy targeted towards EWS and LIG is to only subsidize the interest payable by the borrower. The strategy is very effective for the borrower as they have to pay less for their loan. But with limited government resource the number of beneficiary is restricted every year. With an estimated housing shortage of 18.78 million, this strategy will not affect significantly in reducing the number rapidly. The major concern is that subsidy in interest will reduce profit of state run financial institutions and its ability to fund any such project independently in future.

Affordable housing in partnership seeks partnership with public and private enterprises. In case of 35% of total constructed houses are of EWS category, the GoI would finance part of the project. The ratio of finance is not mentioned and hence might be decided on case basis. Here the strategy depends on direct financial assistance and cross subsidy from the project sell. This strategy is limited to government's fiscal capacity and the non-subsidized housing market. The final strategy is to extend subsidy to individual house owner in building her/his own house. The government appointed to nodal agencies to disburse fund through state to individual beneficiary.

SUSTAINABLE INTERVENTION

Affordable Housing under PMAY has the opportune moment to go beyond regular concept of low-cost housing. Central theme shall evolve around sustainability concept of quality living through socially responsive community interaction, livelihood options and optimum resource utilization. Elderly and children friendly, hazard resistant, comfortable and functional built and open spaces can be designed and planned in such a way so that beneficiaries can associate themselves with their shelter from conceptual stages. It shall meet their future aspirations and don't feel to sell their property. The Sustainable Total Living Environment for Affordable Housing (SUSTLE-AH) model is proposed as a viable intervention for this.

SUSTLE-AH MODEL

The SUSTLE-AH model (Mukherjee, 2015) recognizes 4 stages of a built-environment's lifecycle: pre-design, design, construction and post-construction; and the Design stage builds its premise for discussion in this article. Implementability review i.e. the Predesign exercise which takes care of land and finance considerations, Construction and Post-construction operation and maintenance (O&M) are outside the scope for discussion at present. Design stage allows innovative exploration of sustainable options in the

SUSTLE-AH model and includes principles of Design and Planning, Technology and Materials, Eco-services' System Network and Risk Reduction.

DESIGN AND PLANNING

Climate and local context play vital role in any housing design. These prime motives often wither away in the process of delving balance between maximum constructed floor space and profit. Social sustainability through designed built- and open spaces, natural light and air for comfort, introduction of green infrastructure as resource conservation measures, and provision of livelihood opportunities are contextual challenges for building design and site planning. Good connectivity to public transportation and selection of brown site over green site are appreciable generator of the SUSTLE-AH.

Space Design Layout at Site and Block Level. Underlying sustainable strategy for site planning is minimum intervention in the natural setup. Housing in warm-humid climate may have well-spaced staggered arrangement so as prevailing air may pass through and provide thermal comfort. Cold and hot-dry zones should have compact planning so they may provide mutual shading and protection from freezing/ hot winds. In Composite climate, blocks may be placed near to each other for mutual shading and reducing solar gains but should also be well ventilated. Preferably the longer axis of a block in such climatic zone should be along east- west axis. A tilt upto 15o towards south will allow south-east rising sun inside but will obstruct south- west harsh sun. Retention of site feature like water bodies can be used as green infrastructure, as natural reservoir for rainwater and be a source of water in case of fire breakout. It can act as part of waste water treatment and for pisciculture.

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Institutional Sources of Agricultural Credit

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Abstract

The institutional credit to agriculture and allied activities has been increased in India. It is an effective step to promote the growth rate of agricultural sector because it helps the farmers in various ways. They can buy the essential equipments for agricultural activities with the help of this credit. But there is need of taking some efforts by the banks to reduce its outstanding, so that the improved institutional credit can be pumped into the agricultural sector which will in turn help in the further growth of agriculture.

Key words : Institutional Credit, Agriculture, Allied Activities, Agricultural Sector, farmers.

Introduction

The rapid increase in the banking sector particularly after the green revolution, the rural sector had a positive impact on farming and non-farming output, employment, and income. These banking opportunities allowed farmers to take different credit services, facilities and various loans to meet their production requirements.

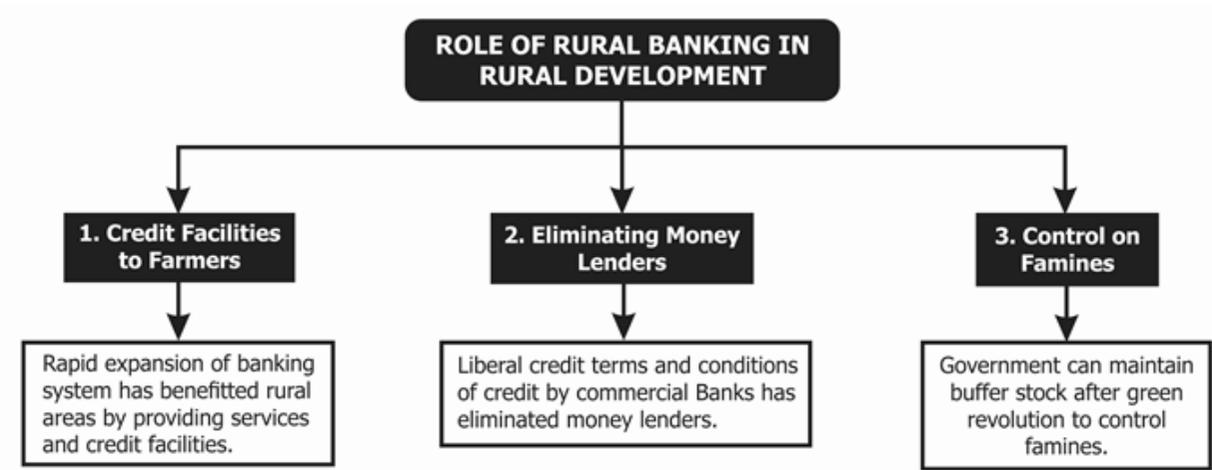
Here are a few major credit sources of rural credit in India.

- **Co-operative Credit Societies-** This source of credit is the most economical and important source of rural credit. It was set up with the aim of facilitating the complete credit needs for small and medium farmers. Co-operative Credit Societies progressed steadily after a few years for inception. They started supporting the farmers in a significant way with short-term loans issued by Primary Agricultural Credit Societies (PACs), which progressed from ₹305 crores in 1965-66 to ₹5,200 crores in 1999-00. At the same time, the loans granted raised from ₹37 crores to ₹2,100 crores. However, the co-operatives could not meet the credit needs completely, so the moneylenders kept on controlling the rural economic markets.
- **Land Development Bank-** This source of credit is also known as a land mortgage. It essentially gives farmers a long-term loan option upon the mortgage of their land at low-interest rates over a period of 15 to 20 years. These type of loans are usually taken if the farmers have some land developments work or digging of wells, etc, if extra land is to be taken through out-and-out purchase, or if previous dues are to be repaid. Though land development bank has made notable progress still the contribution is insignificant because most of the farmers are not aware of the existence of such land schemes or the importance and use of such banks. However, such a bank set up by the primary banks and the government has increased immensely over the years.
- **Commercial Banks-** Earlier, these banks were only received deposits from the urban population and issued loans only for trade and industry. They generally neglected agriculture and rural industries because by nature agriculture is a high-risk venture. However, today these banks give both direct and indirect investment to agriculture. Here, direct finance is issued for a small and medium term allowing farmers to conduct agricultural operations easily. Indirect finance is given in advances form to purchase things like grains and fertilisers. Commercial banks also grant finance to the Food Corporation of India, and State food agencies for operations like food procurement. These banks also give credit options for stocking and delivery of agricultural inputs. They have also executed the

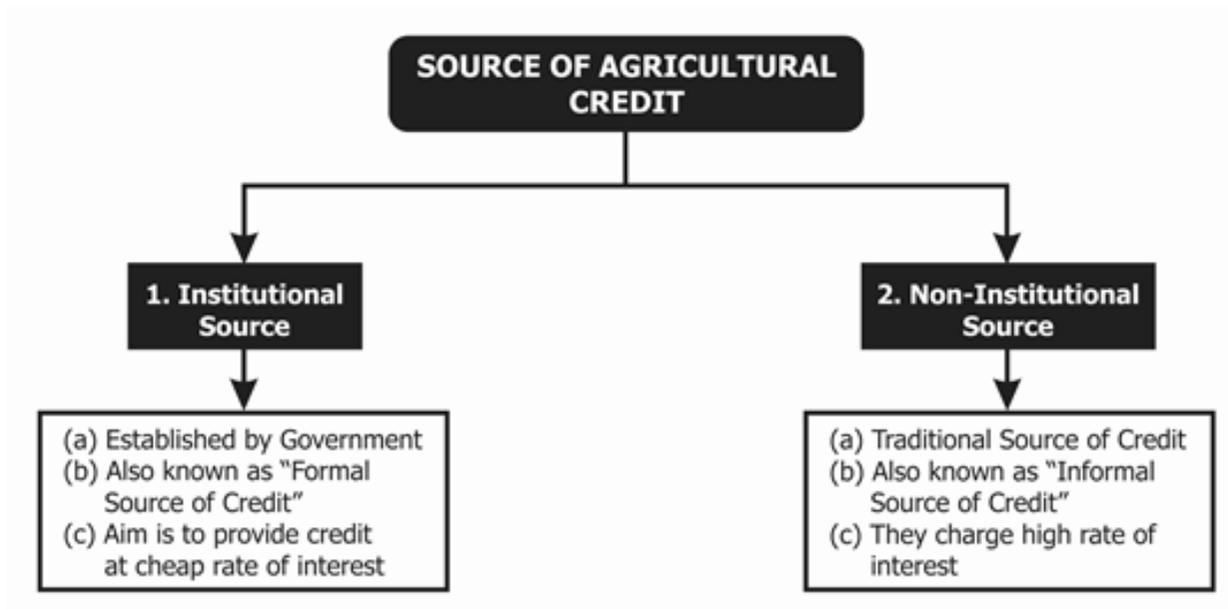
‘village adoption scheme’, firstly initiated by the State Bank of India, to examine into credit and additional requirements of the farmers.

- **Regional Rural Banks-** Government initiated regional rural bank was set up to examine the specific needs of landless workers, small and marginal farmers, rural poor and artesian.
- **The Government-** The Government provides short and long term goals to farmers if there is an emergency like famine and flood. These type of loans are also known as Taccavo loans.

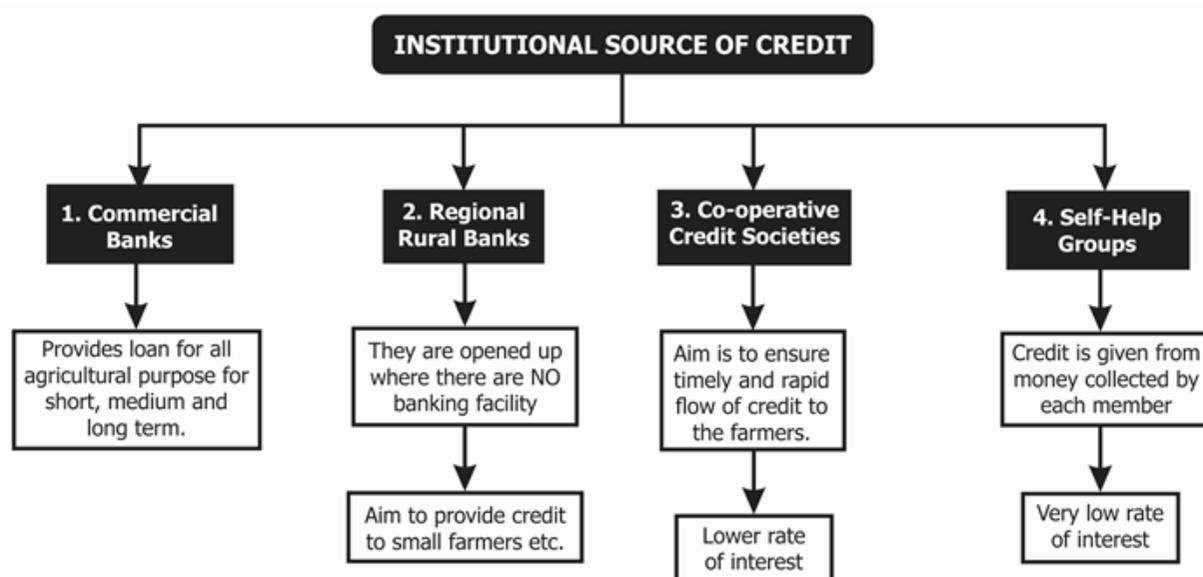
Role of Rural Banking in Rural Development



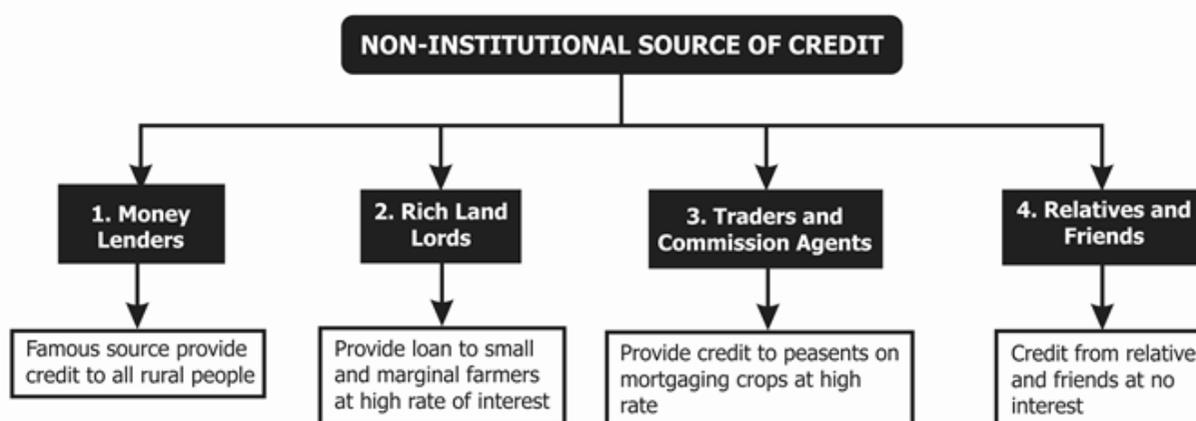
Source of Agricultural Credit



Institutional Source of Credit



Non- Institutional Source of Credit



Review of Agricultural Credit

- A Working Group constituted by the Reserve Bank of India to review agricultural credit released its report on September 13, 2019. It was asked to examine: (i) reach of institutional credit, (ii) ease of credit and inclusiveness, and (iii) impact of loan waivers on state finances and credit discipline. Key observations and recommendations of the Working Group include:
- **Increase in share of short-term crop loans:** The Working Group observed that the interest subvention scheme for short-term crop loans has increased the share of such loans in agricultural credit from 51% in 2000 to 75% in 2018. The scheme has incentivised short-term production credit over long-term investment credit which is important for long-term sustainability of the sector. The Working Group noted that the central and state governments need to increase their capital expenditure which will stimulate the demand for investment credit in agriculture. It also recommended that banks should provide crop loans under the scheme only through Kisan Credit Cards in order to curb the misuse of interest subsidy.
- **Loan waivers:** The Working Group observed that since 2014-15, 10 states have announced loan waivers worth Rs 2.4 lakh crore (1.4% of the 2016-17 GDP), mostly near elections. It noted that loan waivers do not address the underlying causes of farm distress and destroy credit culture, potentially harming farmers' interest in the medium to long term. It also noted that loan waivers squeeze the fiscal space available for productive investment in agriculture. The Working Group recommended that: (i) loan waivers should be avoided, and (ii) the central and state governments should undertake a

holistic review of agricultural policies and input subsidies in order to improve the overall viability and sustainability of agriculture.

- **Credit for allied activities:** The Working Group observed that allied activities (livestock, forestry, and fisheries) receive only 10% of the total agricultural credit while they contribute 40% of the agricultural output. It noted that this could be due to the lack of a proper definition for farmers doing such activities, as the Census defines a farmer based on his landholding. As a result, banks insist on land records for providing credit to such farmers. Also, banks do not have any specific mandate such as priority sector lending to lend towards allied activities. The Working Group recommended that separate lending targets should be set for allied activities and banks should not insist on land records for up to two lakh rupees of such credit.
- **Sources of credit:** The Working Group observed that in 2016-17, 72% of the credit requirement of agricultural households was met through institutional sources and 28% from non-institutional sources such as relatives and moneylenders. It noted that reliance on non-institutional sources could be due to: (i) lack of collateral security with landless labourers, tenant farmers, and sharecroppers, (ii) poor credit rating, and (ii) involvement in unviable subsistence agriculture.
- **Land reforms:** The Working Group noted that in the absence of a proper land leasing framework and lack of records, landless labourers, sharecroppers, tenant farmers, and oral lessees face difficulty in accessing institutional credit. Also, due to fear of eviction, they do not have an incentive to invest in agricultural land, leading to low productivity. It recommended the central government to push states to timely complete the process of digitisation and updation of land records. States having highly restrictive land leasing frameworks should be encouraged to adopt reforms based on the Model Land Leasing Act and the Andhra Pradesh Land Licensed Cultivators' Act, 2011.
- The Working Group observed that reforms such as the model Acts have not been adopted by many states, which could be due to a lack of consensus on concerns raised by states during consultations. The Working Group recommended that for building a consensus, the central government should set up a federal institution, on the lines of the GST Council, to suggest and implement reforms in agriculture.
- **Credit for small and marginal farmers:** The Working Group observed that small and marginal farmers hold 86% of the operational landholdings and have 47% share in the total operated area (2015-16). However, only 41% of such farmers could be covered by banks. It recommended that the lending target for small and marginal farmers should be revised from the existing 8% to 10% with a roadmap of two years.
- **Regional disparity in credit:** The Working Group observed that some states are getting higher credit as a proportion of their agricultural GDP, indicating the possibility of diversion of credit for non-agricultural purposes. In contrast, this credit to GDP ratio is particularly low for states in the central, eastern, and north-eastern regions of the country. It recommended that the priority sector lending norms should be reviewed and suitable measures should be introduced for improving the credit off-take in these regions.

Table 1 : Direct Institutional Credit for Agriculture and Allied Activities - Short-Term

Billion								
Years	Loans Issued				Loans Outstanding			
	Cooperatives	SCBs	RRBs	Total	Cooperatives	SCBs	RRBs	Total
2003-04	293.26	241.34	61.33	595.93	308.08	319.82 7	76.64	704.54
2004-05	318.87	299.78	98.83	717.48	324.81	427.98	109.80	862.59

2005-06	356.24	456.44	128.16	940.84	341.40	599.71	138.77	1079.88
2006-07	407.96	652.45	170.31	1230.72	377.64	760.06	187.07	1324.77
2007-08	473.90	682.43	203.77	1360.10	436.96	961.52	227.48	1625.96
2008-09	480.22	1077.66	228.51	1786.39	456.86	1262.85	266.52	1986.23
2009-10	569.46	1246.46 3	305.29	2121.21	357.17	1676.23	336.63	2370.03
2010-11	690.38	1460.63	385.60	2536.61 4	496.45	1932.62	406.63	2835.70
2011-12	818.29	2178.97	470.11	3467.37	445.17	2690.30	465.80 3	3601.27
2012-13	1025.92	-	577.57	-	-	3534.25	552.55 -	-
CGR								

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

SCBs: Scheduled Commercial Banks.

RRBs: Regional Rural Banks.

The above table reveals the data on short term direct institutional credit on agriculture and allied activities from 2003-04 to 2012-13. The table shows that the loans issued increased gradually from 595.93 billion in 2003-04 to 3467.37 billion in 2011-12. The highest increase in loans issued was in case of SCB (scheduled commercial banks), and lowest in the case of co-operatives. At the same time loans outstanding increased from 704.54 billion in 2003-04 to 3601.27 billion in 2011-12

Table 2 : Direct Institutional Credit for Agriculture and Allied Activities - Long-Term

Billion								
Years	Loans Issued				Loans Outstanding			
	Cooperatives	SCBs	RRBs	Total	Cooperatives	SCBs	RRBs	Total
2003-04	107.23	120.69	10.42	238.34	405.95	361.21	40.58	807.74
2004-05	131.22	183.89 2	20.43	335.55	463.41	527.21 5	57.30	1047.91
2005-06	124.99	349.55	24.84	499.38	481.87	756.32	57.30	1314.51
2006-07	132.23	500.21	31.98	664.42	516.79	930.12	87.45	1534.36
2007-08	102.53	452.29	34.61	589.43	219.70	1066.44	104.68	1390.82
2008-09	107.65	529.24	36.48	673.37	183.59	1298.34	107.15	1589.08
2009-10	65.51	636.07	41.11	742.69	240.74	1478.13	126.19	1845.06
2010-11	90.83	767.29	54.05	912.17	270.29	1478.13	144.04	2057.55
2011-12	61.34	949.80	60.48	1071.62 2	280.28	1742.68	172.44 2	2195.40
2012-13	86.11	-	68.92	-	-	1690.53 1	194.06	-

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

SCBs: Scheduled Commercial Banks.

RRBs: Regional Rural Banks.

The table 2 depicts the data on the long term direct institutional credit to agricultural and allied activities. It shows a significant increase in the loans issued during the period under study. These loans increased from 238.34 billion in 2003-04 to 1071.62 in 2011-12. The lowest loans issued increase was in the case of co-operatives while the highest in the case of scheduled commercial banks. At the same time the loans outstanding increased from 807.74 billion in 2003-04 to 2195.40 billion in 2011-12. It was also highest in case of SCB and lowest in the case of co-operatives.

Table 3: Direct Institutional Credit for Agriculture and Allied Activities –Total
(Short-Term and LongTerm)

Billion									
Years	Loans Issued					Loans Outstanding			
	Cooperativ e	State govern ments	SCBs	RRBs	Total	Cooperati v es	SCBs	RRBs	Total
2003-04	400.49	-	362.03	71.75	834.27	714.03	681.03	117.21	1512.28
2004-05	450.09	-	483.67	119.27	1053.03	788.22 9	955.19	167.09	1910.50
2005-06	481.23	-	805.99	153.00	1440.21	823.27 1	1356.03	215.10	2394.39
2006-07	540.19	-	1152.66	202.28	1895.13	894.43 1	1690.18	274.52	2859.13
2007-08	576.43	-	1134.72	238.38	1949.53	656.66	2027.96	332.16	3016.78
2008-09	587.87	-	1606.90	264.99	2459.76	640.45	2561.19	373.67	3575.31
2009-10	634.97	-	1882.53	346.40	2863.90	597.91	3154.56	462.82	4215.09
2010-11	781.21	-	2227.92	439.65	3448.78	766.74	3575.84	550.67	4893.25
2011-12	879.63	-	3128.77	530.5	4538.98	725.45	4432.98	638.23	5796.66
2012-13	1112.03	-	4844.99	646.49	-	-	5224.78	746.61	-

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

The above table displays the data on the total direct institutional credit on agriculture and allied activities. The loans issued increased from 834.27 billion in 2003-04 to 4538.98 billion in 2011-12. The loans outstanding increased from 1512.28 billion in 2003-04 to 5796.66 billion in 2011-12.

An increase has been noted in the indirect institutional credit for agriculture and allied activities during 2003-04 to 2012-13. It is depicted in the following table:

Year	cooperativ es	SCBs	RRBs	REC	Total	cooperativ es	SCBs	RRBs	REC	Total
2003-04	935.66	89.36	-	60.17	1085.19	1023.07	285.2	-	183.05	1331.16
2004-05	1141.32	217.28	-	74.41	1433.01	1101.32	360.71	-	210.62	1491.32
2005-06	1220.67 2	277.51	-	74.89	1573.07	1199.32	571.75	-	245.64	1672.65
2006-07	1357.4	387.66	-	107.33	1852.39	1363.92	825.64	-	312.62	2016.71
2007-	1457.78	402.78	-	129.53	1990.09	1363.92	934.43	-	386.15	2502.18

08										
2008-09	-	737.21	-	171.57	-	-	1107.02	-	506.53	2800.4
2009-10	-	828.39	-	211.32	-	-	1455.54	-	659.79	-
2010-11	-	867.32	-	245.19	-	-	1455.54	-	817.25	-
2011-12	-	694.44	-	278.21	-	-	1425.85	-	1014.26	-
2012-13	-	-	-	392.75	-	-	1425.85	-	1273.56	-

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

In brief, in the modernization of agriculture and to improve its productivity, credit has a great role to play. The institutional credit to agriculture and allied activities has been increased in India. It is an effective step to promote the growth rate of agricultural sector because it helps the farmers in various ways. They can buy the essential equipments for agricultural activities with the help of this credit. But there is need of taking some efforts by the banks to reduce its outstanding, so that the improved institutional credit can be pumped into the agricultural sector which will in turn help in the further growth of agriculture.

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Role Of IRDA In Insurance Sector

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Abstract

Insurance Regulatory and Development Authority (IRDA) is an autonomous apex statutory body which regulates and develops the insurance industry in India. It was constituted by a parliament of India act called Insurance Regulatory and Development Authority Act, 1999 and duly passed by the government of India. The agency operates its headquarters at Hyderabad, Andhra Pradesh where it shifted from Delhi in 2001. IRDA issue the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration and protect the interests of the policy holders in matter concerning assigning of policy, further it regulates investments of funds by insurance companies, regulating maintenance of margin of solvency, adjudication of disputes between insurers and intermediaries of insurance intermediaries.

Keywords : Insurance Regulatory, Development, Authority, Renew, Modify, Withdraw, Suspend, Interest, Funds.

Introduction

Insurance Regulatory and Development Authority of India, commonly known as, IRDA, is the supreme authority that authorizes the insurance business in India. It was established by the Insurance Regulatory and Development Authority of India Act, 1999 after the declaration made by the former President of India, Pranab Mukherjee, on Insurance Laws (Amendment) Ordinance of 2014.

Establishment of IRDA

The Insurance Regulatory and Development Authority of India was established on the recommendations made by the *Malhotra Committee* in its report. This committee was headed by Mr. R.N. Malhotra (retired Governor of the Reserve Bank of India). It was finally set up at New Delhi on April 2000, but later on, it was shifted to Hyderabad, Telangana in 2001. The main recommendation made by this committee was to allow the entrance of private sector companies and foreign promoters and independent regulatory authority for the Insurance sector in India.

Objectives of IRDA

Following are the objectives of the IRDA:

- To carry forward the interests of the policyholders.
- To uphold the development of the Insurance industry.
- To ensure speedy resolution of claims.
- To prevent frauds and malpractices.
- To ensure fair conduct on the part of the financial market and transparency when dealing with insurance.

Composition of IRDA

According to Section 4 of the Insurance Regulatory and Development of Authority Act, 1999, the members of the Authority will consist of the following :

a chairman not more than five full-time members not more than four-part time members

And together they are supposed to work as a team, work cooperatively and not individually.

These members are to be appointed by the Government of India from amongst the persons exhibiting qualities that would be useful to the Authority like, exceptional knowledge in the field of life insurance, financial markets, economics, law, accountancy, general insurance. They should have good experience in these fields, too. Though, the chairman and each of the five full-time members are expected to have knowledge and experience in life insurance, general insurance, or actuarial science respectively. The current chairman of the Authority is Subhash Chandra Khuntia. He was appointed in 2018.

It has the right to sue the other party on its name. It can also be sued in its name. Also, if any of the members dies or resigns, the Authority will continue to work.

Powers of IRDA / IRDA Functions

- As per Section 14 of the Insurance Regulatory and Development of Authority Act, 1999 the Authority has to ensure the regulation, development and promotion of the insurance business and reinsurance business. Following are the other powers, duties and functions of the Authority:
- To avail the applicant a certificate of registration, renewal, modification, withdrawal, suspension or cancellation of such registration.
- To protect the interests of the policy holders in cases related to assigning and nomination of policy holders, understanding of insurance claims, insurable interests, surrendering of the value of the policy and other terms and conditions of the insurance contract.
- To specify the necessary qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents.
- Explaining the required code of conduct to the surveyors and loss assessors.
- To ensure that the proficiency and efficiency of the conduct of the business of insurance.
- To encourage and regulate the relationship between the professional organisations and the insurance and reinsurance businesses.
- To levy charge to carry out the purpose of the Act.
- To call for the information, undertaking an inspection of, conducting enquiries and investigations including the audit of insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business.
- To control and regulate the rates, benefits, terms and conditions which are offered to the insurer in respect of general insurance business that is not controlled and regulated by the Tariff Advisory Committee under Section 64U of the Insurance Act of 1938 (4 of 1938).
- To specify the manner in which the books are to be maintained and the way in which the statement of accounts shall be rendered by insurers and other insurance companies.
- To maintain the investment funds by the insurance companies.
- To regulate the maintenance of margin solvency.
- Deciding the disputes between the insurers and the intermediaries of insurance intermediaries.
- Administering the functioning of the Tariff Advisory Committee.
- To set down the percentage premium income of the insurer of finance schemes for promoting and regulating the professional organisations.
- To protect the interests of the policyholders in cases related to assigning and nomination of policyholders.

- To set out the percentage of life insurance business and general insurance business to be taken forward by the insurer in the rural or social sector.
- Exercising other powers as may be prescribed.

Chairman of IRDA

The Chairman of the Insurance Regulatory and Development of Authority of India is appointed by the collegium (consisting of three members) in consultation with the President of India. The present (as of August 2019) Chairman of the Insurance Regulatory and Development of Authority of India is *Subhash Chandra Khuntia*. He was appointed in 2018. The Government had short-listed eight candidates for the appointment.

As per the Insurance Regulatory and Development of Authority Act, 1999, the salary of a Chairman of the Insurance Regulatory and Development of Authority of India is Rs. 4.5 lakh per month. He holds office for a term of five years, according to Section 5 Insurance Regulatory and Development of Authority Act, 1999.

Role of IRDA

- The role of IRDA includes:
- To ensure interests and fair treatment to the insurance policy holders.
- To ensure the development of the insurance industry or sector and to impart benefits to people and long-term funds to increase the growth of the economy.
- To promote and apply high standards of integrity, fair dealing, the ability of all those companies that it administers.
- To ensure clarity and accuracy while contracting with the insurance policyholders. The Authority has to ensure that true information has been rendered regarding products and services. Also, to make policyholders aware of the different plans and policies that are being implemented by the Insurance sector.
- To provide speedy trials in case of disputes and to prevent fraud or any other misconduct.
- To initiate new standards where they are needed or where there is lack of such standards.
- To promote self-regulation in daily activities with the necessary regulations

IRDA Effect

Effects of Insurance Regulatory and Development Authority are as follows:

Effects over-regulation of Insurance Sector

IRDA has a huge impact on the Insurance sector of India. The Authority has to keep a close check on the Insurance sector to ensure that the interests of the policyholders remain intact. It regulates every activity of the insurance sector.

Effects over Policyholders Interests Protection

The main purpose of this Authority is to protect the interests of the policyholders and it has kept up with its purpose.

Effects over Awareness to Insurance

The IRDA, in order to ensure that the interests of the policyholders are protected, has to make sure that policyholders are aware of all the latest policies and plans of the Authority that would benefit them.

Effects over Insurance Market

There is a great transformation in the market due to the effects of the Insurance Regulatory and Development Authority be it with respect to marketing, insurance products, competitions and customer awareness.

Effects over Development of Insurance Product

In order to ensure the growth of the insurance market, IRDA has to introduce new methods that would help in increasing its efficiency. The development of Unit-Linked Insurance Plans is the result of privatization of the insurance sector, a step taken by the Insurance Regulatory and Development Authority of India.

Effects over Competition in the Insurance Sector

Initially, when there was no privatisation there was no competition. The different companies in the Insurance sector had to compete amongst themselves. But, after the advent of privatization of the Insurance sector the competition has increased, now it means international competition. It has increased the level of competition.

Effects over Government Responsibility

It is because of the Insurance Regulatory and Development Authority (IRDA) that the government is doing everything possible to ensure uniformity, accountability and responsibility in the Insurance sector.

Effects over Banks and Post Offices

Insurance has resulted in giving security against any kind of uncertainties or risks, so the Insurance sector has become a popular medium for savings and investments. Thus, the Insurance Regulatory and Development Authority has helped in diverting the flow of funds from banks and post offices to the insurance industry.

Effects over individual Life's

Now, because of the awareness created by the Insurance Regulatory and Development Authority and the policies introduced by it has resulted in a great impact on the life of an individual.

Effects over Share Market

Since the Insurance Regulatory and Development Authority has introduced Unit-Linked Insurance plans (an insurance plan in which the policyholders get investment and insurance in a single plan) more and more people are trying out the plan. Therefore, with the help of insurance products can now be raised more easily for the companies and has attached many persons indirectly with the activities of the share market.

Effects over the Economy of India

Insurance Regulatory and Development Authority effects over the economic development of the country because money invested by the investors or the individuals in various types of insurance products has channelized the funds of a country for a non-economic activity to economic activity and has made available to the government of a country in order to implement the various developmental activities in the country.

IRDA Guideline and Rules for Health and Mediclaim Insurance

India has seen a high rise in the growth of the health insurance sector for the past few years. The reason behind this growth can be considered as an increase in the awareness amongst the people regarding the importance of health and insurance and also, rise in the disposable income of the people. The main purpose of the insurance of the health industry is not only to sell health insurance policies but also to effective and speedy remedy in case of any necessity. But some complaints have been made by the customers about denial by the insurance companies on perky grounds. Therefore, the Authority decided to introduce reforms that would help people in making successful claims and getting the appropriate remedies.

New Rules to standardize Health Insurance Sector by IRDA

The Insurance Regulatory and Development Authority of India aims at increasing the efficiency and protecting the interests of the policyholders. To avoid any kind of misunderstanding the Authority has decided

to introduce guidelines. This also helped in standardizing the health insurance policies. The guidelines include some provisions that are necessary to be fulfilled by every health insurance policy and the policyholders.

The guidelines introduced by the IRDA aims to reduce fraudulent cases and provide contentment to the policyholders. Normally, the policyholders don't trust the insurance policies, so the Authority tried to work on this aspect, too. It has tried to increase the level of trust between the policyholder and the insurer. Through this the policy seekers will be able to understand different clauses which in turn help them in investing in only those policies which will satisfy their requirements.

Conclusion

Insurance is an important aspect of the economy which requires changes from time to time according to the needs of the people. An individual should be aware of the opportunities that are available to him in the form of health and life insurances. The Insurance Regulatory and Development Authority of India plays a significant role in ensuring that the interests of the policyholders remain secured. Though competition has increased with necessary changes, the objectives of the insurers and policyholders can be achieved.

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Problem & Prospects of Cooperative Banking in Bihar

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Abstract

The present system of cooperative banking in Bihar does not conform to the ideas and objectives it was beset with. Judging from the contributions of credit cooperatives in the money market, we may have an idea of the insignificant role of credit cooperatives in Bihar. The fact is that the proportion of loans advanced by credit cooperatives to total borrowing is not upto the mark. This reflects that the money market of Bihar is largely being dominated by money-lenders. According to the findings of Central Banking Enquiry Committee the credit facilities provided by Cooperative Movements agriculturists cover but a very small proportion of their needs.

Key words : Cooperative Banking, Cooperative Moments, Credit Facilities, Agriculturists, Money.

Introduction

The present system of cooperative banking in Bihar does not conform to the ideas and objectives it was beset with. Judging from the contributions of credit cooperatives in the money market, we may have an idea of the insignificant role of credit cooperatives in Bihar. The fact is that the proportion of loans advanced by credit cooperatives to total borrowing is not upto the mark. This reflects that the money market of Bihar is largely being dominated by money-lenders. According to the findings of Central Banking Enquiry Committee the credit facilities provided by Cooperative Movements agriculturists cover but a very small proportion of their needs.

The cooperative banks in Bihar have not only failed in eradicating the debt of cultivators but have also failed in reducing the debt of the cultivators. Though there has been a silent decrease in the amount of debt, but keeping in view the time that has passed since the inception of the cooperative credit, the achievements in this direction are not very significant.

Several cause have been responsible for the haphazard development of co-operative banking in the state. The most important among them are :-

LACK OF SPONTANEITY AND STATE CONTROL

The origin of the cooperative banking in Bihar is not to the spontaneous reaction of the people against money lending trade system but to the government policy to solve the problem of indebtedness. At present the registration of the credit societies, the supervision of their working and their subsequent winding up (at the time of liquidation_ are statutory functions of the Registrar of the Bihar Cooperative Societies, acting as "Creator, sustainers and destroyer" of the Co-operative banks. The audit; and inspections are carried out by the Cooperative department through Cooperative Auditors. The members take these societies as government financing agencies.

In the initial stages of these Institutions in 'an' under developed state like Bihar, State Control was essential to foster an environment for the evolution of cooperative banking in the real sense. But the State Control has become long lasting It in However, gratifying to point out that the Government of Bihar has recently taken wise step in deofficialising the whole operative movement. Henceforth credit comparatives imbued with true voluntarism may come into existence

ILLITERACY AND IGNORANCE

The understanding of cooperative principles has not penetrated into the minds of the members due to illiteracy and ignorance. This has made the people so septic that they do not believe in the efficacy of the cooperative banking. The understanding of the principles of cooperation and the knowledge of the essentials of rural credit as lacking among a large proportion of the members. The essence of the movement is that its members must

learn to manage their own affairs. The task of teaching illiterate farm people is a slow and elaborate process. But the supreme importance of educating and supervising them has not been adequately realized, and the desire to produce quick and extensive result has hampered the real progress of the movement.

HONORARY WORKER

The honorary service of the workers is another defect of the credit cooperatives of Bihar. However, accountants are paid employees, but their remuneration is quite manager.

Honorary or ill paid workers cannot be expected to do that much of work as is essential for the healthy working of credit cooperatives. These selfless workers fall prey to the adverse propaganda. Sometimes under such circumstances they being to feel that they are suspected as dishonest worker and they become inactive. The efficient and capable workers do not come forward and thus the fate of the institution hangs in balance.

PROBLEM OF LEADERSHIP

The lack of proper leadership has also been a major factor in the slow growth of credit cooperatives in Bihar. The all India Rural Credit Survey Committee observed that the cooperative organization today contains middle class leadership of varying and conflicting interests, It is only in India one finds mill-owners, rentier, landlords and traders being the leaders of cooperative organization.

These problems have not only remained confined to the primary level but have also captured the Central and State Cooperative Banks. There is great dearth of members on the Board of Management in these Institutions who are actually cultivators and craftsman.

ABSENCE OF DEMOCRATIC SPIRIT IN THE MANAGEMENT

Inspire of the statutory provisions laid down in the bye laws and. The Act itself for the democratic management of these cooperatives, fictitious display of democratic spirit has become a common feature. Various unhealthy factors outside and inside the cooperative credit Institutions have ushered in which impair the free development of democratic administration of credit cooperatives. Excessive interference of the Government and unhealthy group politics are other main factors responsible for undemocratic management of these organization.

INADEQUACY OF FINANCIAL RESOURCES

The resources of cooperative institutions for raising finances to meet out their financial operations are manager and scanty. There has been almost no substantial increase in the amount of paid-up share capital, reserves and deposits. The causes for this inadequacy have been as under :-

1. Share Capital :

The methods of raising share capital by the banks do not conform to the provisions of the Act and bye-laws. The members of the banks and office-bearers vested with selfish motives or under the impact of party affiliation, discourage or almost refuse admission of new members. The bye-laws of credit societies provide that the value of shares is to be realized in installments. But in practice, it is paid in lump-sum with the result that the poor members who cannot afford to pay this amount, either resort to borrowings from money-lenders to purchase a share or remain outside the field of cooperative credit institutions.

2. Reserve and other Funds :

Reserve fund which is an important component of owned capital is very manager in cooperative credit institutions of Bihar. The volume of reserve fund entirely depends upon the volume of net profits. Owing to high cost of management of these institutions a very insignificant portion of net profit is left to be credited to this fund. This is the reason that volume of reserves and of other funds not only in primary cooperative institutions of the state but also in central and State Cooperative Banks in very meager.

3. Deposits -

Cooperative credit institutions in Bihar have not succeeded in mobilizing deposits from the small savings of both rural and urban population. The deposits from individuals, both, the members and non-members are not satisfactory party due to the lack of confidence of members in these banks, and

partly due to their poverty. It may be added here that institutions in Germany raised more than 87 percent of their working capital by way of deposits

4. Dependence on Outside Borrowings :-

The inadequacy of owned resources and deposits to meet the credit requirements of members lead these institutions to borrowings In Bihar credit cooperative societies entirely depend on Reserve Bank of India / NABARD for financial assistance which provide finance to these institutions for all sorts of needs through Bihar State Cooperative Bank. The dependence of the Bihar State Cooperative Bank on Reserve Bank of India / NABARD has been a major weakness of the whole Cooperative Credit Movement

Defective Lending Policy:

Loans are not granted as and when required by the members. It is necessary to grant adequate amount of loans to the members to satisfy their short-term and medium-term needs. The crop-loan system with the objective of financing total Productive needs of the members has also resulted in wide variation in fixation of credit limit. As a result of which the cultivators fail to satisfy their credit needs. As such there is probability of their falling a prey to the money lenders.

This system has also neglected the consumption needs which are more pressing. There are certain incidental anomalies attributable to irregularity and unpromptness of Managing Committees of the credit cooperatives at primary level. A large number of cases have been reported where the papers required for the fixation of credit limit are not sent to the central cooperative bank in time, with the result that the Central bank continued to advance loans against the credit limit fixed for the previous years. Consequently, cultivators fail to avail themselves of better financial facilities. Besides, the occasional partiality of the office-bearers or Board of Directors of the bank and societies due to communal or party affiliations resulted in various anomalies in matters of granting loans to the members It was also reported that loans by Central Cooperative banks were also granted to a society even before its formal admission to the bank as a member. Such things cause a great difficulty in the event of disputes. The granting of loans in kind, i.e., fertilizers and seeds, etc. with a cash credit to ensure proper application of loans has raised serious problems.

Misuse of Loans :-

The loans by cooperative credit society are advanced for productive purposes. But the illiterate and Ignorant borrowers cannot refrain themselves from utilizing the amount of money for their more pressing needs arising out of domestic requirements. It has been observed that the bulk of the loans are utilized by these borrowers for consumption purpose with the result that at the time of repayment nothing is left with them to pay off the debt.

Laxity in Realisation of loans :-

The most prominent defect in the working of the co operative banks and societies of Bihar is laxity, irregularity and unpunctuality on the part of the members in repayment of loans in time. The percentage of recovery of loans to over-does of the agricultural and non-agricultural credit societies reaches a higher degree. The over dues particularly in agricultural societies have accumulated to a great extent.

The failure of individual borrowers in repayment of loans in time upsets the whole working of cooperative banks. The failure of individuals in timely repayment of loans to the society makes it disable to repay its loan to central cooperative banks with the result that the central cooperative banks also find themselves unable to repay their due instalment to the Bihar State Cooperative Bank before the due date. When loans are not repaid by the Bihar State Co-operative Bank to the Reserve Bank of India in time corresponding promotes of central cooperative banks become time barred. Obviously the Reserve Bank of India would not like to accept time - barred promotes as security for fresh loans. The Bihar State Cooperative Bank would not get the needed finance and the whole structure would suffer. Besides, the inability of the Bank to honour its commitments on due date sign of financial weakness and affects its goodwill.

Over Dues :

The absence of prompt and regular repayment has raised the problem of over dues and outstanding loans. In spite of an increase in the percentage of recovery, the existing volume of overdue loans is still very discouraging. The main reasons are :-

- i. Lack of will and efforts therefore on the part of the non officials on the managements of the societies some of whom being defaulters themselves have not been keen on Initiating coercive action even against the recalcitrant defaulters.
- ii. Absence of a paid Manager in most of the societies,
- iii. Inability of central cooperative banks, which have no control over field staff.
- iv. Absence of involvement of the department officials posted in districts in the general recovery derive.
- v. Lack of will among the borrower members to clear their defaults as they are in view of their past experience, generally apprehensive about the ability of their societies to issue trash finance.
- vi. The borrowers are also not concerned about straining their relation with the society of their area as the benefit accruing to them from societies, which do not generally undertake the business of supply of inputs, etc are very limited and the denial of such benefits by virtue of their defaults, therefore, does not make matters difficult for them.

Competition with Private Agencies :

One of the basic defects attributable to the unhealthy feature of the cooperative banks in Bihar is the competition. Virtually, the opposition withstood by Cooperative Bank is from private agencies like money-lenders and commercial banks. This competition has adversely affected the deposit of the cooperative banks. Owing to their widespread net work and their sound financial position, those cooperative banks are placed at a disadvantageous position. As pointed out by the All India Rural Credit Survey Committee, the ubiquity of this agency. (Private agencies) its widespread net work from village to town and city and in particular, the financial strength which it derives from its connections with some of the most powerful elements of the urban economy, are all of them important factors, which place the cooperative society and organization at great disadvantage in comparison with it and render the competition between them wholly unequal and one sided.

Defective Audit :

As against the statutory provision for regular audit, at least once a year, most of the credit societies at the primary level and central banks of the State remain unaudited. The Statistical Statement Relating to Cooperative Movement reveals that most of the credit societies of the state could not be audited partly due to inadequacy of auditors and partly due to the failure of societies in preparation of necessary papers. The audit of cooperative credit societies and banks are irregular

Our above discussion leads us to take into account the future prospects of the Central Cooperative banks in Bihar in general and in Motihari (East Champaran) particular. In order to make this financing agency effective instruments of the development of agricultural credit must not purvey adequate and timely credit but also offer a variety of services to the cultivators of their area.

It is well known that in Bihar about four-fifths of the cultivators are small and marginal. The central cooperative banks can help them a lot if their working is streamlined. They can offer good services if they are equipped with independent full time, adequately full-time, adequately qualified, trained and well paid manager alongwith godown facilities etc.

These banks can be in a position to command adequate business if they are strong and viable institutions. They can employ well paid and fulltime employees.

The non-officials can also play a good role in the progress and achievement of the goals of these financing institutions, If they rise above petty considerations. They can achieve splendid results, heading the banks to appreciable progress

The banks can achieve their objectives, if suitable plans are awn. These plans should be workable economically viable to concerned and worthy of implementation within a short-time.

The anlysis of the position and identification of the problems of the central cooperative banks would require to ensure a higher annual growth rate. Their working has got to be improved so that they may be in a position to shoulder the responsibilities which have been envisaged for them.

If the Central Cooperative banks are strengthened, both financially and organizationally, they can be in a position to shoulder greater responsibility than at present in meeting the short-term credit requirements of agriculture.

These banks should strive to quality themselves for a loan from Reserve Bank of India under the deposit mobilization scheme. This will require higher level of deposits with them. In our State these banks have negligible involvement in non- agricultural advances.

These banks should be dynamic. They should spread their branch network. They may have to give greater attention for giving proper face-lift to their offices. For this they should approach the State Cooperative Bank and get sanctioned suitable medium-term loans to be appropriated from their future profits. And the Central Cooperative banks should open branch in market area for mobilizing deposits. They may introduced new deposits schemes and extend such facilities and services as would accelerate their programmes of deposit mobilization

In order to make those banks eligible banks under the Deposit Insurance Act, the State Government should make necessary amendments in the Bihar and Orissa Coopeative Societies Act. This would give support in their programmes of deposits mobilization and ensure other falcities also.

The Central Cooperative banks should follow the guide lines as laid down in the manual Production Oriented System of lending for Agriculture and fix up scules of finance in cash and kind per acre per crop keeping in view the conditions in different areas. This step would make these banks more popular.

In view of the above discussion, we could inescapably conclude that future prospects of the Central Cooperative banks in the East Champaran in particular and Bihar, in general, are quite bright, if the State Government and our co-operators take keen interest and streamline their working.

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A Main Issues & Challenges of Women Entrepreneurship in India

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Abstract

Entrepreneurs play an important role in the economic development of a nation. Women's skills, knowledge, talents, abilities and desire of to do something for themselves and their children or family are some of the reasons for the women to become entrepreneurs. But, the challenges and opportunities for women entrepreneurs are growing rapidly. In India, although women constitute the majority of the total population, but the entrepreneurial world still seems a male dominated one, which exposes women entrepreneurs to often face some major constraints in running their enterprise successfully. Many women entrepreneurs are either housewives or illiterates or a fresh graduate with no previous experience of running a business enterprise.

Key words : Entrepreneurship, Employment, Economic Development, Challenges, Opportunities.

Introduction

Winn (2004) inspects certain decision making factors and socio-personal constraints for development of women entrepreneurship. He emphasises on business/family interface for overcoming the barriers that women entrepreneurs face as they pursue their careers. **Jamali (2009)** examines various constraints and opportunities affecting women entrepreneurship and clearly illustrates the relevance of micro- and macro-level factors in entrepreneurship to manage the complexity of the women entrepreneurship in any particular context. **Sarbapriya and Ishita (2011)** while discussing the status and problems faced by women entrepreneurs, emphasized on significant differences between women entrepreneurs and the men entrepreneurs on ground of perseverance, potentiality and ability to work hard, as well as the abilities specific to emotional intelligence. **Goyal and Parkash (2011)** opine that despite the promise of giving equal opportunity to the Indian women, the government sponsored development activities have benefited only a limited section of women. The beneficiaries have been mainly the urban middle class women. **Lathwal (2011)** identifies the major problems of women entrepreneurs in Delhi. He concludes that a majority of women belonged to business families and business environment helped them to get prepared mentally. **Kumbhar and Kumbhar (2011)** also discuss several problems faced by women entrepreneurs like start up finance, access to technology, management and marketing skills and lack of confidence. The emphasis is been on development of women enterprises through Self Help Groups. **Behara and Niranjana (2012)** highlight the motivating and de-motivating factors of women entrepreneurship in Indian context and also suggest the way of eradicating these hurdles. **Kumari, S (2012)** while analysing different problems and challenges faced by women entrepreneurship in India state that it's high time for women to come out of the drudgery of housework and express their creativity and entrepreneurship.

Government has been making every effort, yet the breakthrough can be achieved by giving equal opportunities to them at par with men. **Kumbhar, V (2013)** discusses the challenges faced by women entrepreneurs in rural India. Lack of balance between family and career obligations, lack of freedom to take financial decisions, absence of direct ownership of the property, lack of awareness of various operational aspects and capacities, low ability to bear risk, dealing with male workers, being non-familiar with financial institutions, lack of self-confidence, lack of professional education, mobility constraints and lack of interactions with externalities are major problems of women entrepreneurship development in India. **Mehta and Mehta (2011)** emphasizes on creation of a favourable atmosphere to increase self-employment for women. He further states there are bright prospects for rural women entrepreneurship in India. **Choudhary**

and **Royalwar (2011)** have raised the issue of giving equal opportunities to women entrepreneurs as men. He further states that Indian rural market embeds unique opportunities for women entrepreneurs.

In context of the above literature, an attempt has been made to analyse various constraints faced by the women entrepreneurs.

A. Constraints in Starting an Enterprise.

B. Constraints in Running an Enterprise

A. CONSTRAINTS IN STARTING AN ENTERPRISE:

It highlights various barriers and obstacles which these women entrepreneurs faced while initiating their enterprises.

Raising the Funds:

One of the important challenges which women entrepreneurs faced in the study region was of **raising the funds** for the initiation of their venture. This problem was more prominent among rural/semi-urban women entrepreneurs as they lacked information relating to the banks and financial organizations who could help them in the above said. They have to arrange for funds to start the business by borrowing or taking loan. The savings which they have is often insufficient to start the venture. This way they start raising their dependency on private moneylenders in villages. On the contrary the females from Indore city were not very high in number. In their case, education played an important role in making the females aware of the facilities provided by the banks and the government for their benefit. The Banks and the financial institutions are active in the semi-urban area also but here the women entrepreneurs are either ignorant or hesitant to approach them.

Lack of Entrepreneurial skills:

With respect to *possession of soft skills and managerial skills* between rural and urban entrepreneurs, data clearly elucidates that there exists a substantial difference with respect to the above mentioned skills. The majority of women entrepreneurs both in urban as well as semi-urban areas have *lacked the entrepreneurial skills* relating to *administration, marketing, accounts, public relations* etc. The proportion of such women is much higher amongst the rural/semi-urban entrepreneurs as against their urban counterpart. Women in urban areas are marked ahead of their rural counterparts in this context. The possession of soft skills as well as managerial skills has very strong linkages with the level of education of the respondents. This is one of the prime factors which have given distinct edge to the urban women entrepreneurs. The reason for this was the lack of education amongst the semi-rural females in comparison to the urban women. The study also disclosed that these females were not exposed to activities where they could have gained confidence and become aware of the surroundings. More or less they were pushed into the entrepreneurial work due to circumstantial needs.

This is very sad to note that majority of women entrepreneurs in rural areas were not even sent to schools by their parents. This has come up as a big hindrance in their capabilities of starting their enterprises. This in fact calls for bridging the gap by virtue of imparting suitable training programs which inducts learning among them with their comfort level.

Combining work with Family, Insecurity & Lack of Self-confidence:

One of the vital obstacles faced by the women entrepreneurs was *combining work with family*. As an individual the women entrepreneurs have some personal constraints besides having business challenges. They face many such obstacles which they have to overcome on their own. If any woman desires to start a business venture she has to be confident of the risk which she will be taking in it. The fear to **bear the risk** should be dominated by her passion to be an entrepreneur. A woman entrepreneur should keep in mind that she has to **bear the risk of loss**, time and her efforts. This is the obstacle which she needs to overcome all by herself.

An important obstacle which was faced by the women entrepreneurs was *insecurity & lack of self-confidence* that they will be able to do **justice to their venture** and at the same time **manage the family** also with equal sincerity and dedication. The majority of women entrepreneurs both in urban as well as semi-urban

areas have *faced problems* relating to **insecurity & lack of self-confidence**. The proportion of women entrepreneurs with *insecurity & lack of self-confidence* accounted to around **42%**. The proportion of such women is much higher amongst the rural/semi-urban entrepreneurs as against their urban counterpart. This insecurity was also because of insufficient support from the family and gender issues which they faced at many places. In the semi-urban/ rural areas it was predominantly seen that the females were responsible for all the household work irrespective of the fact that they were into business.

Lack of Family Support:

Confidence to step out of the four walls of the house is an important aspect which the women entrepreneur needs to possess. Her confidence level makes her to start the business venture. A constant fear of failure in doing justice to their venture and at the same time managing the family with equal sincerity and dedication often puts tremendous pressure on women entrepreneurs thus affecting their efficiency and zeal to perform. This insecurity is further aggregated because of *insufficient support from the family* which they face at many places. The **family support** was an important reason for many females to avoid stepping into the entrepreneurial venture.

Gender Biasness and Non Acceptance:

Gender biasness has always been a big obstacle in the path of the female entrepreneurship. There has been biasness in our society from years infinite relating to the issues concerned with females. The women entrepreneurs till date are a victim to **Gender biasness**. It may be the case of education, rights, property, business or any other issue. The females are always ignored by the male dominating society. People who have daughters do not prefer to include her in the family business thinking that she is incapable and secondly will be married to a third person. They prefer to partner their sons in the family business even if he is not efficient enough to handle it. They are often a victim of the male dominating society whenever they try to prove their worth. Initiating a business enterprise is not whole heartedly accepted by their male counterparts in most of the cases even in current era of advanced civilization where our Constitution gives equal rights to women folk. If a lady in a family moves out to do some business or any activity to support her family, this often becomes a prestige issue among few castes in our country. Thus initiating a business enterprise by a woman is a big challenge even in this twenty first century. This biasness in the thought process is a big obstacle in her growth as a successful entrepreneur.

Lack of Awareness and Adequate Knowledge:

Lack of awareness and adequate knowledge of the work or the related activities is another obstacle which is often faced by the women entrepreneurs in smooth functioning of various activities in their venture. The proportion of such women entrepreneurs accounts to around 22 per cent. They need to upgrade themselves from time to time by attending training programs or workshops to enhance their knowledge. Some women enter into the business with the help of a friend or a family member but they themselves possess little knowledge of the work done. During study, we have come across many women entrepreneurs who in fact had a very meager idea about the enterprise before initiating it. This is one of the reason that lack of knowledge about business operations often creates hurdles for them while running their enterprises later on and they are not able to cope up with the day to day activities. Therefore, it becomes important for them to have sufficient knowledge of the work which they are doing.

Finding Right Contacts for Support:

Finding the **right contact** was another important issue which was an important constraint for the female entrepreneurs. The proportion of women facing problem is much higher amongst the rural/semi-urban entrepreneurs as against their urban counterpart. The females of the rural/semi-urban area were unaware of the contact persons who could help them in expanding their work. The urban women were comparatively better off in this regard. One of the most prominent reasons which we found was the same as mentioned earlier that

is education. The women entrepreneurs from the urban area were exposed to the NGOs, business houses and other organizations which were available to guide and help these women with their ventures.

Lack of Proper Advice and Guidance:

Lack of proper guidance and advice to initiate and move ahead in their entrepreneurial venture was seen more among rural/semi-urban females in comparison to the urban ladies. The higher illiteracy level among semi-urban/ rural women and lack of interest and time among the urban entrepreneurs could be the reasons for this. The females often felt reluctant or hesitant to approach people for further direction and guidance. At times, they were also unaware about whom to approach to seek right guidance. There are government institutions present both in the urban and semi-urban/rural regions who are ready to provide entrepreneurial guidance. These females were not aware and at times were not confident of approaching them.

Lack of Computer Literacy:

Computer literacy was also one of the important obstacles which were faced by the women entrepreneurs of the urban area which they said could have helped them in smooth functioning of various activities in their venture. The reason for *lack of computer education* which the urban ladies gave was that they were educated to start the venture but did not receive any technical training or education to handle the computer comfortably. However, this problem was seen in a negligible number among the rural/semi-urban women entrepreneurs.

Lack of Adequate Premise:

A substantial number of females were those who faced an obstacle of **proper/adequate premises** or space to initiate their business. They did not have sufficient funds to hire the premises and at home there was no vacant space to start the venture. There were activities which could be handled by them in the space available at home once they were free from the household chores. On the other hand, females staying in joint families were not able to arrange for vacant space due to the number of members in the house. The amount of concentration and dedication which was required for a particular work also could not be given in a large family. This problem was more prevalent among rural/ semi-urban women entrepreneurs.

There were hardly few women entrepreneurs in both the backgrounds who did not face **any obstacle** while starting a venture. They had full support from their family, no worry of funds and someone to guide and help them in establishing and growing their entrepreneurial venture.

B. CONSTRAINTS IN RUNNING AN ENTERPRISE:

A number of obstacles or constraints arise before the women entrepreneur when she steps in the competitive world. Facing them bravely and then starting her own business is commendable on her part. As the business proceeds, she comes across several other obstacles which slower her process of work and often demoralize her. It is observed that women entrepreneurs not only face problems while initiating a venture but continue to do so once they start functioning. There is a difference in the constraints and the problems which they face before entering into a venture and the problems which they face later.

Inadequate Finance and Working Capital:

The most important problem which any woman entrepreneur faces is the arrangement of **adequate finance**.

A woman takes a bold step to enter into the business world and then to face the inadequacy of funds is very discouraging. Funding (Working Capital) has always been an important hindrance in running the venture by women entrepreneurs. Once the females are able to start a venture after arranging the finances, the problem is not over. They often have to face shortage of liquidity in their finances to cover the operational costs. At times when the business receives a positive response and the demand rises, the female entrepreneurs are not able to cater to the demand due to shortage of funds. The women from the urban background are slightly better placed as they are aware of the option of taking a loan from the Banks or other financial institutions. Whereas, the semi-urban women are often hesitant to approach the banks for finances and often depend upon

their savings or borrowings. They often fail to make arrangement of liquid money. By and large, be it an urban female or a women entrepreneur from semi urban/ rural region, arranging finance is an important constraint which at times delays the progress of their enterprises.

Lack of Administrative Skills:

The women entrepreneurs face many problems in managing the day to day activities in the business place. They often come across difficult employees and customers too. Handling the employees and getting the work done from them to the maximum is not easy when these ladies have male employees working under them. These women entrepreneurs are able to handle the tantrums of their difficult employees with experience and patience. In the initial years of the business, it becomes important for them to establish their venture and earn a name in the market. This requires timely delivery of work with quality. Here, the administrative skills of the females come into light.

Work-life Balance and Time Management:

Managing time between their family and the work is also another important factor which becomes difficult for the women. In the initial months the venture requires more attention and time of the entrepreneur. The women entrepreneurs have to make a stand in the market and position themselves. This often requires late hours of working and concentration at work. The women have to take care of their household responsibilities also and at times find it difficult to make a choice. Some females are staying in joint families and have to fulfill their duty towards the elders of the family also.

Work-life balance and Time management is of utmost importance for the females who have to balance between their family and the work place. A woman entrepreneur has to take care of her responsibilities as a mother, wife and daughter-in-law also. At the same time she is the Boss at her work place. There are several occasions where her physical presence is required at both the places. It becomes difficult for her to prioritize between the situations. In most of the cases the responsibilities towards the family are chosen and the work is affected. If she delays any particular activity, the whole schedule of the day is disturbed which in turn affects her performance in the business. She often utilizes her time on holidays and her visits to the market become multipurpose. When the time is not managed, it affects her work which requires supervision or personal care. This happens with almost all the women entrepreneurs who are staying in a nuclear family or are a single parent. The children have always been their responsibility which they have to take care even if they are at work or are sick. The growing responsibility of the family, children and at times in-laws is to be handled simultaneously with the rising demand of the work place.

Thus running an enterprise by a woman under the circumstances often becomes a very challenging job. As the enterprise grows, it requires more time, money, efforts in order to position itself better in the market. The women have to manage both the places so that they can benefit in their work. Time management is therefore a big challenge for women entrepreneurs. Time constraint is to be handled carefully in order to do justice to the business as well as the household responsibilities.

Lack of Spouse/Family support:

Spouse/family support is of utmost importance for the women entrepreneurs in order to position them. Balancing the business activities with the household responsibilities is only possible for a woman entrepreneur with the family support

If it is a nuclear family then the support of the spouse and the children is very important. On the other hand the females belonging to a joint family look forward to the support from their in-laws and other family members. A woman entrepreneur needs to fulfill her family responsibilities in such a way that there is full support from the members of the family. In the beginning of the venture, everything seems to be bright and happening but as the time passes things change. With the passage of time the venture starts demanding more time and dedication. It is this phase where the support of the family/spouse is required. Most of the women

entrepreneurs face a problem from the family side when they are not very supportive. This does hinder the working of the females and often have to compromise at the work front.

Lack of Training Opportunities:

Training in enterprise development not only makes women entrepreneurs skillful but also provides them more opportunities to do better and expand their enterprises. **Training** in the particular activity related to any entrepreneurial venture helps the enterprise to grow in a smooth manner.

Lack of education and ignorance of the facilities offered by the government affects the performance of the females. They are not able to give their 100 % in the work due to lack of training. On top of it if activities require some strategic planning or expansion program, the untrained female entrepreneurs are not able to do justice to their work.

The study assisted to identify that most of the ladies did not receive any formal training for their business. A very few women entrepreneurs in urban areas have taken some formal/informal training for their respective enterprises before or after the start of business, however the proportion of such women in rural areas is almost negligible. This is one of the prominent factors for lack of success among the enterprises run by women in rural areas.

Dealing with Male Counterpart:

Dealing with **the male counterpart** during the various dealings whether it is sales, purchase, marketing or any other business activity is not easy. As it is a man's world, the men find it difficult to accept a lady as their boss or accept the proposal which she gives. The ladies here have to be perfect in their ideas and work so that they do not face any non-acceptance from the males. At times even if they have better ideas still they face rejection from their male counterparts for no valid reason at all. The men could not accept the females to stand before them and compete.

According to these women entrepreneurs, the males were not ready to accept the females to stand before them and work on similar lines. Business deals, material supply, order for products etc. are all affected when it comes to a lady entrepreneur. They would often try to disrupt their working and create hindrances in their way. In many cases, the lady entrepreneurs also faced non-acceptance from the domestic front. Their family members specially the males of the family were not ready to digest the fact that the ladies were earning and stepping out of the house.

Mental & Physical Stress:

It is observed during the study that *mental and health stress* was an issue of and concern for women entrepreneurs in the study area.

Health is such a thing which can affect the working of any person, be it a male or a female. The women entrepreneurs who need to take care of dual responsibilities of their business and the household are often affected with ill health. Their health is very important for their business as well as the household. A woman when sick is not able to do justice to her business and is often irritated for petty things. The business suffers and so does the house. The entrepreneurial activities which require them to be always on the move often result in fatigue and stress.

Physical stress in managing and coordinating with the day to day activities often lowers the output and quality of these females. They not only face physical stress but also go through **mental pressure** to maintain a balance in work and family life. As the venture expands or is trying to position itself in the market, both mental and physical stress increases. This at times makes the females feel low and the work starts to suffer.

Women entrepreneurs have to play multiple roles as of an entrepreneur, a mother, a daughter, a wife, a cook, etc. To play all these roles efficiently, they experience a lot of **strain** and often undergo **mental stress** and **physical trauma**. The majorities of respondents have reported high levels of stress and stress related illness and maximum said that establishing balance between enterprise and home affairs was their main cause

of stress. At the same time, some, especially the urban entrepreneurs confessed that their own **careless attitude and changing life style**, many a times led to this situation. The ventures in which they are to be seated for a lot of time caused health issues due to lack of movement and exercise.

Tough Competition:

Competition is another important obstacle which is faced by the women entrepreneurs. Around 73% of rural women entrepreneurs and 43% of urban women have struggled to counter tough competition in the market. This competition can be related to product/service price, availability, packaging, marketing tactics or upgraded technology. The females who have just started the venture and their production are not on a large scale, they are unable to compete on the price front. **Cut-throat competition** with other group of men and established self-sufficient entrepreneurs is another problem faced by women entrepreneurs. They do not have a proper organizational set-up to pump in a lot of money for canvassing and advertisements. Thus they have to face a stiff competition with the men entrepreneurs who easily involve in the promotion and development area and carry out easy marketing of their products with both the organized sector and their male counterparts. Such a competition ultimately results in the insolvency of women entrepreneurs.

Tough competition, especially in urban areas in the industry with big brands is another factor which often disrupts the working of the female entrepreneurs. The competition which they face against their product or service is often from big brands and even from the locals. This competition faced is related to advertisement, price, packing, quality or brand. The competitor may also be into mass production and thus enjoys economies to scale. This leads to low cost of production and thus lower price. Not only can the price, the latest trends in marketing can also be adopted by the competitors whom may not be possible for the women entrepreneur to afford. Whatever may be the reason but this competition often does have a negative impact on the smooth functioning of their business.

High Cost of Production:

Majority of the women entrepreneurs engaged in tertiary sector in the district had small scale ventures. Their capital, premises, raw material etc. were small in quantity. The output was obviously small which gave rise to **higher cost of production**. The operating costs on rent, electricity, labor could not be cut down. They were unable to curtail the expenditure in order to lower the production cost. On the other hand, economies of scale were also not possible due to many constraints. The limited means of financial resources thus often led to higher cost of output. All these factors combined together often retard the growth of their enterprises.

Travelling and Mobility Problems:

As the times are moving ahead at a fast pace the methods of business are also changing. The females who are in the business venture need to move about in order to crack better deals. **Incapability to move** becomes a hindrance for the females whether it is related to transport or accessibility of the market. They are often dependent on paid transport or their spouse to move around for the various deals of their business. Such kind of obstacles often hinders the smooth working of the entrepreneurial venture. Travelling for their business is thus a big challenge for women entrepreneurs in the district. Travel for their business, no matter even if it was for a day, leaving the business in reliable hands in their absence was an important obstacle to them. At times the responsibilities towards the family were a big hindrance to leave the station and go out for business deals. It could be a business deal or *replenishing the goods* in their venture.

Procurement and Refilling:

Procurement and replenishing the goods is another important hindrance, especially for women entrepreneurs of the district. The women entrepreneurs who were into trading of various goods had to move out to refill their items. This is in fact a tedious task for women entrepreneurs to look for a vendor who would provide them with the material at a reasonable price. To crack a deal with the suppliers where they had to procure the raw material for their venture at the right place on a reasonable price, is not an easy task. The

females are often not comfortable and confident to talk to the men suppliers. Taking the help of a broker/agent for the procurement of raw material is also not very profitable at times. Many were getting the stuff through transportation but there were few who brought it themselves. Therefore, the procurement and refilling stock at right time is a big challenge for women entrepreneurs in the district.

Location of the Enterprise:

The entrepreneurs often set up their enterprise where they can get the *premises* on a cheaper cost so as to invest less in the infrastructure. The *location of the working place* is reported as a big challenge for women entrepreneurs in the district. As observed, some of the women entrepreneurs have put up their workplace in the out skirts of the city/ hometown where they could get the premises on a cheaper cost. This further leads to problems like safety of the female workers. During festival seasons, the work demands more time input from all the employees. At this juncture safety of the workplace matters. Working late hours and moving in bad weather condition affects the business and efficiency of the female employees as well as the owner.

Under the circumstances, it is suggested to have location of the premises easily approachable by the vendors, suppliers and employees. It should be well connected with local transport so that anyone and everyone can reach there easily. Commutation time should be always less so as to avoid fatigue to the employees.

Marketing Constraints:

Another important factor which is connected to the location of the premises is the marketing of the product/service. This is inter-related to the location of the enterprise. If the working place or the production unit is far away in the outskirts of the city, the woman entrepreneurs are definitely going to face marketing problems. The delivery of the product to the customers, the meetings with the clients etc. all will be not easy. Another side of the marketing problem of the women entrepreneurs is the lack of knowledge of strategies which could ease to market the product. The questions which women entrepreneurs are unable to handle are, Where to sell? Who to sell and How to sell?? These questions often hinder the best of produce to be marketed.

As many as 32% of women entrepreneurs are found suffering from the problem marketing of their product/service. Exploring new places and venues for sale of their product was a difficult task for the women entrepreneurs. They were confined to their own outlet and did not have much idea or time to look for better places which may be profitable. Exhibitions and market areas during festivals and occasions often prove to be beneficial for the business. Majority of women entrepreneurs in the district were unable to explore such places.

Lack of Expertise & Decision Making:

Any business enterprise, how big or small it may be, its success and growth depends on timely and appropriate decision making process involved in running it. It is in fact discouraging to observe that around 47% of rural and 34% of urban women entrepreneurs have failed to involve themselves in suitable decision making process while running their enterprises. This clearly reflects that most of these women entrepreneurs lack insight and therefore are not able to take appropriate and timely business decisions. Lack of training programs and professional education becomes a hindrance for them to be strategic in their decision making power and thus the business often suffers. Although with time, experience and maturity, these females gradually learn and are able to take suitable decisions but in the initial stages they are often not very wise. This *fear of failure* often leads to doubt in their minds which leads to delay in taking decisions. *The fear and doubt* arises from lack of education and training programs which they are often not able to undergo. The *incomplete knowledge about their venture* creates doubts and this leads to *slow decision making*. This often gives rise to failure and losses. It becomes like a vicious circle where the women folk start becoming hesitant to take part in any business. This leads to their lack of confidence and then hesitant of stepping in any business venture.

Transportation Bottlenecks:

The success of any business also depends on the efficiency of the transport system available and used.

The procurement of the raw material, machinery, delivery of finished goods or samples, all need to be on time. The delay in any of this affects the goodwill and reputation of the enterprise. The women entrepreneurs in the early stages of their business are not able to afford faster means of transport. At times their goods are not delivered on time due to the slow means of transport. This further affects their business deals and activities. Thus the *bottlenecks in the transport system* used by women entrepreneurs often put them in a disadvantageous position.

Pricing Problems:

The smooth running of an enterprise often faces competition on the grounds of lower price of the product introduced in the market by the competitors. In order to survive in the industry and retain their position in the market, the women entrepreneurs are thus forced to reduce the price of their products often at a loss. This forced reduction of price and loss from the production front is a great setback to the business revenue. Thus the low priced strategy adopted by women entrepreneurs further makes their survival difficult in their business pursuits.

Lack of Skilled Workforce:

Another important obstacle which the women entrepreneurs face is the **lack of skilled workers** due to **low remuneration** paid by them to the employees. The enterprise which requires skilled labor or workers need to pay a higher amount to retain them in the enterprise. This becomes difficult for the ladies who have started their venture on a small scale and have to pay more in order to take the services from the skilled employees. The low remuneration fails to attract the expert and experienced employees for work. The naïve and not so experienced workers are available on low remuneration and they are not able to deliver quality work. This is proving to be a big hindrance in the growth of their enterprises in the district.

High Rate of Interest:

Most of the women entrepreneurs have initiated their business after taking a loan from the Banks or the financial institutions. They have to pay a large sum as interest towards it. At times, paying a high rate of interest every month on the capital taken becomes a block for the growth and overall running of the business. The problem of paying high rate of interest is more prominent among rural/semi-urban women entrepreneurs (37.65%) in the district. Paying higher rate of interest is really very painful for women entrepreneurs to manage when their revenue generation is not very high.

Day to Day Problems at Workplace:

The **working environment** is also an important determinant for the employees to perform better. No matter even if you pay a high remuneration but if the working place lacks the basic amenities, the employees will not be happy working there. The output of the workers is affected and their quality also deteriorates. In order to optimize the output of the workers it is important of the women entrepreneurs to arrange for a congenial and comfortable working place.

Lack of Awareness about Government Schemes and their Rights:

Lack of awareness, often leads to inadequate knowledge of the business being done. When the women entrepreneurs are not very comfortable about the business operations they are engaged into, they not only lack confidence but are also unaware of the facilities which they can avail of. The government has introduced several schemes for the women entrepreneurs but Lack of awareness has served as a hindrance in availing benefits from all such schemes. Lack of awareness about their rights and the facilities & benefits available for them, are few of the important obstacles which these women entrepreneurs need to overcome as soon as possible. Realizing their strengths and making use of it is the biggest challenge which the women entrepreneurs need to face.

Fear of Failure:

There is a tremendous pressure as these women entrepreneurs enter into entrepreneurship against all odds. The survival against all internal as well as external pressures becomes a very difficult proposition and often develops a fear of failure among such women entrepreneurs.

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History and Growth of NTPC, Kahalgaon

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Abstract

Kahalgaon Super Thermal Power Station (KhSTPP) is located in Kahalgaon in Bhagalpur district of Bihar. The power plant is one of the coal based power plants of NTPC. The coal for the power plant is sourced from Rajmahal coalfield of Eastern Coalfields Limited. Source of water for the power plant is Ganga River. The Kahalgaon power station is a 2340 megawatt (MW) coal-fired power station in Bhagalpur, Bihar state. The most recent edition is Unit 7 (500 MW), completed in 2010. Unit 7 is also known as Stage II, Phase II.

Keywords : NTPC, Power Plant, Coal, Water, Ganga River, Megawatt

Introduction

Kahalgaon Super Thermal Power Station (KhSTPP) is located in Kahalgaon in Bhagalpur district of Bihar. The power plant is one of the coal based power plants of NTPC. The coal for the power plant is sourced from Rajmahal coalfield of Eastern Coalfields Limited. Source of water for the power plant is Ganga River. The Kahalgaon power station is a 2340 megawatt (MW) coal-fired power station in Bhagalpur, Bihar state. The most recent edition is Unit 7 (500 MW), completed in 2010. Unit 7 is also known as Stage II, Phase II.

Project Details

Location: Kahalgaon village, Bhagalpur district, Bihar

Status:

Stage I

- Unit 1: Operating 1992
- Unit 2: Operating 1994
- Unit 3: Operating 1995
- Unit 4: Operating 1996

Stage II

- Unit 5: Operating 2008
- Unit 6: Operating 2009

Stage II, Phase II

- Unit 7: Operating 2010

Nameplate capacity: 2,340 existing MW

Stage I

- Unit 1: 210 MW
- Unit 2: 210 MW
- Unit 3: 210 MW
- Unit 4: 210 MW

Stage II

- Unit 5: 500 MW
- Unit 6: 500 MW

Stage II, Phase II

- Unit 7: 500 MW

Upcoming Projects

- The National Thermal Power Corporation (NTPC) has issued a tender for the installation of 3 MW of solar power projects at its Kahalgaon unit, located in Bhagalpur district of Bihar.
- The projects will be developed on a turnkey basis. The brief scope of work includes the design, supply, erection, testing, and commissioning of the projects along with three years of operations and maintenance (O&M) services.

NTPC's Kahalgaon Super Thermal Plant to Produce Solar Power

NTPC is also planning to produce 450 kilowatt of electricity by installing solar plant panels on the rooftop of KhSTPP buildings.

State-owned power generator NTPC's Kahalgaon Super Thermal Power Plant (KhSTPP) near Bhagalpur has planned to produce at least 15MW electricity through solar energy even while continuing to rely on conventional coal for power generation.

The last date for submission of bids is April 22, 2019. The technical bids will open on the same date. To be eligible to bid, a developer must have designed, supplied, installed, and commissioned grid-connected solar projects of a minimum 2.4 MW and they should be in successful operation.

The average annual turnover of the bidder should not be less than Rs.171 million (~\$ 2.50 million) in the last three financial years.

Coal Supply Problem

Two projects that were perennially short on coal through whole of last year were NTPC Ltd's 2,340 MW Kahalgaon station in Bihar and the 2,100 MW Farakka station in West Bengal. The irony is that while Kahalgaon is located right on the pithead (at the coal mine itself, so that there is no need to transfer the coal to the plant), Farakka is not too far. And both are among stations that form the backbone of the eastern region's generation sector. While the Farakka station has infrastructure in place to operate at over 90 per cent plant load factor, the utility is mostly operating at only 70 per cent because of the short supply of coal. The shortfall in domestic supplies is being made up by imports, which, in turn, jacks up tariffs. Most coal reserves in the east are located in Maoist-infested areas. A senior government official says that the entire coal mining value chain in the eastern region is ridden with trade unionism and gangs who pilfer coal, especially from easy targets that include public sector firms or smaller private power producers. The head of a mid-sized state-owned generation firm has repeatedly been complaining about local Coal India employees colluding with middlemen to siphon off his fuel. "The coal mafia is strong and there is absolutely no guarantee that coal will reach the designated consumer, despite assurances from Kolkata (where Coal India is headquartered) or New Delhi," the official says. With the coal crisis showing little sign of a resolution, despite the Prime Minister's intervention, utilities across the country have been instructed to make design changes in all future coal-fired projects to enable higher imported coal blending. However, running power plants on imported coal involves an entirely different challenge."

Vision & Mission of NTPC

NTPC vision and mission are main thrust in our entire attempt to eventually create and convey quality power in ideal expense and eco-accommodating way through purposeful collaborations and powerful frameworks. Being a public service organization, Kahalgaon main goal is adjusting its services and output accordingly with corporate Mission and Vision.

MISSION: —Develop and provide reliable power, related products and services at competitive prices, integrating multiple energy sources with innovative and ecofriendly technologies and contribute to society.

VISION: —A world class integrated power major, powering India's growth, with increasing global presence.

Human Resource at NTPC

People are the heart, blood and soul of NTPC. The company is deeply passionate about ensuring the holistic development of all its employees as distinct individuals and good citizens. Currently it is the source of daily bread of approximately 24,546 employees. Competence building, Commitment building, Culture building and Systems building are the four support systems of this company.

Recruitment

NTPC believes in paving its own way. Official Trainee system was shown in 1977 with the target of raising a structure of homemade masters. In any case Division Post Graduates and Graduate Engineers are contracted through the country over open capable examinations and grounds enrolments. Contracting is trailed by 52 weeks of completely paid activation. Different types of training that are provided by NTPC for betterment of itself and its employees comprise of - hypothetical contribution, on occupation training, identity improvement and administration modules.

Professional success and Opportunities

NTPC has a settled capacity organization system set up, to ensure that they fulfil on their part vital improvement and applicable challenges for their delegates. Capacity organization structure includes Performance Management, Career Paths and Leadership Development.

Rewards & Recognitions

NTPC perceives that prizes and acknowledgments inspire their partners. To this end, they have made a separate regulatory body looking after prizes and appreciation through celebration of various achievements and seeing the duties behind such accomplishment.

Innovate, Create & Compete

NTPC has familiar different exercises which search for with redesign the creativity, advancement, down to earth wellness and collaboration of their specialists. These exercises consolidate the National Open Competition for Executive Talent (NOCET), Professional Circles, Quality Circles, Business Minds and MedhaPratiyogita (a test for their specialists). An organization publication by the name Skyline gets quarterly distributed which engages its labourers in disclosing personal contemplations, involvements plus experiences with this association.

Quality of Work-Life

This association pledges for providing accessible, comfortable and economic living atmosphere to its representatives. Notwithstanding guaranteeing safe and tastefully satisfying work places, NTPC effectively energizes a society of common regard and true belief between its companions, bosses and workers.

Away from the hustle-bustle of metro cities, NTPC townships depict examples of quietness, common magnificence showcasing communal harmony. An extent of welfare and delight workplaces including schools, recuperating focuses and social clubs are given at the townships to enhance the individual fulfilment and the thriving of agents and their families. An entire degree of points of interest, from take care withdraws to post-retirement wellbeing. Favourable circumstances are extended to labourers to beat the challenges that come across in the journey of life.

Knowledge Management in NTPC

For fulfilling NTPC's potential target of transforming this body in a learning hub, a coordinated Knowledge Management System has been created, which encourages unsaid information through learning and encounters of work.

Training & Development

NTPC believes that in any institution proficiency, adequacy and achievements depend greatly on the aptitudes, capacities and duty of the representatives who constitute the most essential resource of the organization. NTPC have built up their exhaustive training framework.

Education Up-gradation Schemes

When any organisation upgrades its specialist's aptitudes, it updates itself. NTPC adequately empowers its potentially capable and willing candidates for pursuing further education while still being actively involved in their respective jobs. Thus they are able to acquire advanced knowledge which is in accordance with their jobs. NTPC has tie-ups with driving establishments like MDI, Gurgaon; IIT Delhi; BITS Pilaniare eye-witnesses of its policies. NTPC reinforces gatherings of delegates who are drafted into their courses in perspective of their execution rating in the association and their execution in the choice test coordinated by the individual foundations. Not at all like other study leave and occasions, do delegates encountering have these courses foregone their compensation or advancement in the midst of the course.

Looking for Feedback

NTPC effectively looks forward at representative criticism and suggestions so that their HR intercessions along with recommendations stay applicable plus important. They routinely direct Employee Satisfaction and Organizational Climate Surveys.

Recompenses

Throughout all the functioning times, NTPC has gotten various recompenses, acknowledgments which have strengthen their HR reasoning and policies. It acts as a score sheet that they are moving on the right path with the help of their equally effective HR venture.

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A Study on Different Types of Inventory Management

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Abstract

Inventory management is a challenging problem area in supply chain management. Companies need to have inventories in warehouses in order to fulfil customer demand, meanwhile these inventories have holding costs and this is frozen fund that can be lost. Therefore, the task of inventory management is to find the quantity of inventories that will fulfil the demand, avoiding overstocks. This paper presents a case study for the steel manufacturing industry (Small Scale Industry) on inventory management. The relationship between the inventory management and company performance was determined based on inventory days and return on asset (ROA) analysis. The research found that company X had a few inventory problems such as unorganized inventory arrangement, large amount of inventory days / no cycle counting and no accurate records balance due to unskilled workers. The study also proved that there was a significant relationship between return on asset (ROA) and inventory days. This paper also provides recommendation to the company and for further research.

Keywords : ABC classification, demand forecasting methods, inventory management, replenishment policies

Introduction :

Inventory is the supply of raw materials, partially finished goods called work-in-progress and finished goods, an organization maintains to meet its operational needs. It represents a sizeable investment and a potential source of waste that needs to be carefully controlled. Inventory is defined as a stock of goods that is maintained by a business in anticipation of some future demand. The quantity to which inventory must fall in order to signal that an order must be placed to replenish an item. Using an extension of a standard inventory-dependent demand model provide a convenient characterization of products that require early replenishment. The optimal cycle time is largely governed by the conventional trade-off between ordering and holding costs, whereas the reorder point relates to a promotions-oriented cost-benefit perspective. The optimal policy yields significantly higher profits than cost-based inventory policies, underscoring the importance of profit-driven inventory management. To work towards perfect order metrics, there has to be aggressive inventory management, restructuring supply chain operations, and updating standards to the perfect standard. When updating the metrics, this would include the cases shipped vs. the orders on-time delivery, data synchronization, damages and unusable products, days in supply, the ordering time cycle, and shelf level of service.

Inventory problems of too great or too small quantities on hand can cause business failures. If an organization experiences stock-out of a critical inventory item, production halts could result. Inventory management indicates the broad frame work of managing inventory. The inventory management technique is more useful in determine the optimum level of inventory and finding answers to problem of safety stock and lead time. Inventory management has become highly developed to meet the rising challenges in most Corporate entities and this is in response to the fact that inventory is an asset of distinct feature.

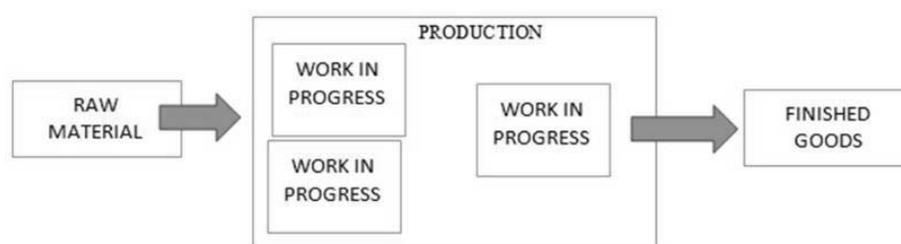


Figure 1. Showing production of raw material into finished goods

Inventory costs have lot of impact on the profitability of the firm and its success. Inventory management and its optimized decisions are depending on the identification of key success factors and right decisions at right moment. In a dynamic market environment, it is necessary to focus on the decision making and the factors influencing

decision making in order to optimize the results of inventory function. The survey approach can bring a light on the variables and these have lot of biased information. Testing of the factors influence on inventory decisions by using scientific methods can help to improve the reliability of the factors taken as key variables in decision making.

Hence, the present research is focused on the dimensions namely identification of actors influencing inventory optimization among SMEs in steel sector through a structured and unstructured questionnaire and grouping them into two sets as internal variables and external variables and optimization by grouping the information for appropriate decision.

Technique of inventory Management

- a. ABC analysis
- b. Economic Order Quantity
- c. VED Analysis
- d. Re-Order Level
- e. Safety stock
- f. Inventory Turnover Ratio

ABC Analysis

ABC analysis classifies various inventory into three sets or groups of priority the allocates managerial efforts in proportion of The priority the most important item are classified into “class – A”, Those of intermediate importance are classified as “class – B” and remaining items are classified into “class – C”.

The financial manager has to monitor the items belonging to monitor the items belonging to different groups in that order of priority and depending upon the consumptions. The items with the highest values is given priority and soon and are more controlled then low value item. The rerational limits are as follows.

Category	% of items	% of total cost of materials
A	5-10	60-75
B	15-25	15-25
C	60-75	5-15

Procedure

- I. Items with the highest value is given top priority and soon.
 - II. There after cumulative totals of annual value consumption are Expressed as percentage of total value of consumption.
 - III. Then these percentage values are divided into three categories.
- ABC analysis helps in allocating managerial efforts in proportion to importance of various items of inventory.

VI. ABC Analysis

- a. Raw Material (At Closing Stock)

Table 1 : Raw Material

YEAR	AMOUNT OF RAW MATERIALS
2011	130.35
2012	95.65
2013	102.37
2014	30.22

The above table shows the amount of raw materials at cost. In 2011 the cost of material is 130.35Rs decreased in this year and in 2012.It is decreased to 95.65Rs and in 2013 it is increased to Rs102.37and in 2014 it is decreased to 30.22.

Stock in Process (At Closing Stock):-

Table 2 : Stock in Process

YEAR	AMOUNT OF STOCK IN PROGRESS
2011	167
2012	110.07
2013	76.08
2014	25

The above table shows the amount of raw materials at cost. In 2011 the cost of material is 167Rs increased in this year and in 2012.It is decreased to 110.07Rs and in 2013 it is decreased to Rs76.08 and in 2014 it is 25.

Finished Goods (at Closing Stock):-

Table 3 : Finished Goods

YEAR	AMOUNT OF FINISHED GOODS
2011	157.67
2012	194
2013	190
2014	80

The above table shows the amount of raw materials at cost. In 2011 the cost of material is 157.67Rs decreased in this year and in 2012.It is increased to Rs 194 and in 2013 it is decreased to Rs190 and in 2014 it is decreased to Rs 80.

Stores, Spares & Consumables (Closing Stock):-

Table 4 : Stores, Spares & Consumables

YEAR	AMOUNT OF COST OF STORES AND SPARES
2011	157.74
2012	160
2013	137.11
2014	85

The above table shows the amount of raw materials at cost. In 2011 the cost of material is 157.74Rs decreased in this year and in 2012.It is increased to 160Rs and in 2013 it is decreased to Rs137.11 and in 2014 it is decreased to Rs85.

i. Raw Material Consumed:-

Table 5 : Raw Material Consumed

YEAR	AMOUNT
2011	75.45
2012	99.7
2013	50.70
2014	16.36

The above table shows consumption of raw materials .The consumption of raw material in the year 2011 is Rs 75.45 the consumption of raw material increased in the year 2012 in the rs 99.7. And it is decreased to Rs 50.70 in the year 2013 and it decreased to Rs 50.70 in the year 2014 it is decreased to 16.36 Rs.

Economic Order Quantity During 2011-2012:

The firm requires below given units of material for manufacturing of steel. The following are the details of their operation during 2011-2012.

Table 6 : Economic Order Quantity

PARTICULARS	
Billets/Blooms	2,889 (MT)
Ordering cost per order	Rs. 2500
Carrying cost	12%
Purchase price per unit	500

Calculation of EOQ:-

Total units required (A) =2889

The ordering cost per order (O) = Rs.2500

Carrying cost per unit (C) = 12%

(i.e.) 12% of Rs.500 =Rs.60

$EOQ = \sqrt{2AO/C}$

$= \sqrt{(2 \times 2889 \times 2500)/60}$

=Rs.490.66

Number of orders for the year = A/EOQ

=2889/490.66

=5.89~6 orders

Total annual cost = carrying cost + ordering cost

= 116162+ 15000

= Rs.131162

order size = A/no of orders

=2889/6

$$= 481.5 \sim 482$$

$$\text{Average inventory} = \text{order size}/2$$

$$\text{Average inventory} = 482/2$$

$$= \text{Rs.}241$$

$$\text{Carrying cost} = \text{order size} \times \text{average inventory}$$

$$\text{Carrying cost} = 482 \times \text{Rs}241$$

$$= \text{Rs.}116162$$

$$\text{Ordering cost} = \text{cost per order} \times \text{no of orders}$$

$$= 2500 \times 6$$

$$= \text{Rs.}15000$$

EOQ During 2012-2013

The firm requires below given units of material for manufacturing of steel. The following are the details of their operation during 2012-2013.

Table 7 : EOQ

PARTICULARS	
Billets/Blooms	3,596Qty (Mt)
Ordering cost per order	2700
Carrying cost	12%
Purchase price per unit	520

Calculation of EOQ:-

$$\text{Total units required (A)} = 3596 \text{mt}$$

$$\text{The ordering cost per order (O)} = \text{Rs.}2700$$

$$\text{Carrying cost per unit (C)} = 12\%$$

$$\text{(i.e.) } 12\% \text{ of Rs.}520 = \text{Rs.}63.4$$

$$\text{EOQ} = \sqrt{2AO/C}$$

$$= \sqrt{(2 \times 3596 \times 2700) / 63.4}$$

$$= \text{Rs.}553.429$$

$$\text{Number of orders for the year} = A/\text{EOQ}$$

$$= 3596/553.429$$

$$= 6.479$$

$$\text{Total annual cost} = \text{carrying cost} + \text{ordering cost}$$

$$= 154012.5 + 17493.3$$

$$= \text{Rs.}171505.8$$

$$\text{Carrying cost} = \text{order size} \times \text{average inventory}$$

$$\text{order size} = A/\text{no of orders}$$

$$= 3596/6.479$$

$$= 555$$

$$\text{Average inventory} = \text{order size}/2$$

$$= 555/2$$

$$= \text{Rs.}277.5$$

Carrying cost = 555×277.5

= Rs.154012.5

Ordering cost = cost per order no of orders

= 2700×6.479

= Rs.17493.3

EOQ During 2013-2014

The firm requires below given units of material for manufacturing of steel. The following are the details of their operation during 2013-2014.

Tabel 8 : EOQ

PARTICULARS	
Billets/Blooms	2,066,Qty (Mt)
Ordering cost per order	Rs 2800
Carrying cost	14%
Purchase price per unit	540

Calculation of EOQ:-

Total units required (A) = 2066mt

The ordering cost per order (O) = Rs.2800

Carrying cost per unit (C) = 14%

(i.e.) 14% of Rs. 540 = Rs.75.6

$EOQ = \sqrt{2AO/C}$

= $\sqrt{2 \times 2066 \times 2800 / 75.6}$

= Rs.391.199~392

Number of orders for the year = A/EOQ

= $2066 / 391.1991$

= 5.28~6orders

Total annual cost = carrying cost + ordering cost

= $5.493154 + 76800$

= Rs.5569954

a. Carrying cost = order size \times average inventory

b. Order size = $A/\text{no of orders}$

= $2066/6$

= 344.33

c. Average inventory = order size/2

= $344.33/2$

= Rs.172.16

d. Carrying cost = 344.33×172.16

= Rs.59282.148

e. Ordering cost = cost per order \times no of orders

= 2800×6

= Rs.16800

VED Analysis

Vital Essential and Desirable analysis is done mainly for control of spare parts keeping in view of the criticality to production.

Vital spares are spare the stock – out of which even for a short time will stop production for quite some time.

Essential spares are spares the absence of which cannot be tolerated for more than a few hours a day. Desirable spare are those, which are needed, but their absence for even a week or so will lead to stoppage of production.

Tabel 9 : VED Analysis

MATERIAL	CLASS	VALUE	PRIORITY	MATERIAL
10%	“A”	70%	V 10% E 20% D 70%	70% 10% 10%
20%	“B”	20%	V 10% E 20% D 70%	70% 20% 10%
70%	“C”	10%	V 10% E 20% D 70%	70% 20% 10%

The Re-Order Level

The re-order level is the level of inventory at which the fresh order for that item must be placed to procure fresh supply. The re-order level depends upon.

1. Length of time between the placement of an order and receiving the supply.
2. The usage rate of the item. The inventory is constantly being used up. The rate at which the inventory is being used up. The rate at which the inventory is being used up is called the usage rate.

The Reorder Level can be Determined as Follows:

$$R = M + TU$$

R=Reorder level

M=Minimum level of inventory

T=time gap/delivery time

U=Usage Rate

The reorder level and inventory patterns have be shown as follows:

The figure shows that if the usage rate is constant, the order are made at even intervals for the same amounts each time and the inventory goes to zero just before an order is received.

Safety Stock:

The safety stock protects firm from tradeoffs due to unanticipated demand for the items level of inventory investments is however increased by the amount of safety stock. Safety level is ascertained in inventory as a part because there is always an uncertainly involved in time lag usage rate or other factors.

Usually smaller the safety level greater the risk of stock – outs. If stock levels are predictable then there is a chance of stock out occurring. However stock inflows and outflows are unpredictable or lesser predictable it becomes to carry additional safety to prevent unexpected stock outs so usage rate is estimated if cost is low then no safety stock is needed.

Just - In -Time Inventory:

The Basic concept is that every firm should keep a minimum level of inventory on hand, relying suppliers to furnish just in time as and when required. JIT helps in emphasizing sufficient level of stock to ensure that production will not be interrupted. Although the large inventories may be had idea due to heavy carrying JIT is a modern

approach to inventory management and the goal is essentially to minimize such inventories and there by maximizing turnover.

JIT system significantly reduces inventory carrying cost by requiring that the raw material be procured just in time to be placed into production. Additionally the work in process inventory is minimized by eliminating inventory buffers between different production departments. If JIT is to be implemented successfully there must be a high degree of coordination and cooperation between the supplier and manufacturer and among different production centers. JIT does not appear to have any relation with EOQ however it is in fact alters some of the assumptions of EOQ model. The average inventory level under the EOQ model is defined as $Average\ inventory = \frac{1}{2}EOQ + safety\ level$ JIT attacks this equation in two ways.

- By reducing the order cost.
- By reducing the safety stock

The basic philosophy in JIT is that benefits, associated with reducing inventory and delivery time to a bare minimum through adjustment EOQ model, will more than offset the costs associated with the increased possibility of stock – outs.

Inventory Turnover Ratio

What it is This ratio is often a firm’s inventory turns over during the course of the year. Because inventories are the least liquid form of assets, a high inventory turnover ratio is generally positive. On the other hand, and usually high ratio compared to the average for the industry could mean a business is losing sales because of inadequate stock on hand.

When to Use it

If a firm’s business has significant assets tied up in inventory, tracking its turnover is critical to successful planning. If inventory is turning too slowly, it could indicate that it may be hampering the firm’s cash flow. Because this ratio judge’s annual inventory turns, it is usually conducted once a year.

The formula: $Cost\ of\ Goods\ Sold / Average\ Value\ of\ Inventory$

Table 10 : Cost of Goods Sold

YEAR	COST OF GOODS SOLD	AVG VALUE OF INVENTORY	INVENTORY TURN OVER RATIO
2011	3340.56	454.24	7.35
2012	4350.35	673.37	6.46
2013	3233.81	607.65	5.32
2014	2347.86	396.53	5.92

Stock Levels

a. During 2011-2012

The company requires 2889 units of billets/blooms to manufacture of steel for the year 2011-12. EOQ is 490.66~490 units. The company makes safety stock equal to 30 day requirement and the normal lead time is 10-20 days. The company works for 300 days in a year.

$$Reorder\ level = lead\ time * Average\ usage + safety\ stock$$

$$= (10 * 9.63) + 288.9$$

$$= 385.2$$

Safety stock = usage * period of safety stock/ total working days in a year

$$= 2889 * 30 / 300$$

$$= 288.9$$

Average usage = usage/total working days in a year

$$= 2889 / 300$$

$$= 9.63$$

Minimum stock level = re-order level – (Average usage * Average lead time)

$$= 385.2 - (9.63 * 10 + 20/2)$$

$$= 240.8$$

Maximum stock level = re-order level + re-ordering quantity-

(Minimum usage * minimum lead time)

$$= 385.2 + 490 - (9.63 * 10)$$

$$= 875.2 - 96.3$$

$$= 778.9$$

Danger level = Average usage * Maximum re-order period for emergency purchases

$$= 9.63 * 20$$

$$= 192.6$$

Average stock level = $\frac{1}{2}$ (Minimum stock level + Maximum stock level)

$$= \frac{240.8 + 778.9}{2}$$

$$= 509.85$$

XIV. Stock Levels

During 2012-2013

The company requires 3596 units of billets/blooms to manufacture of steel for the year 2012-13. EOQ is 553.429~554 units. The company makes safety stock equal to 30 day requirement and the normal lead time is 10-20

days. The company works for 300 days in a year.

Reorder level = lead time * Average usage + safety stock

$$= (10 * 12) + 359.6$$

$$= 478.6 \sim 480$$

Safety stock = usage * period of safety stock/ total working days in a year

$$= 3596 * 30 / 300$$

$$= 359.6 \sim 360$$

Average usage = usage/total working days in a year

$$= 3596 / 300$$

$$= 11.9 \sim 12$$

Minimum stock level = re-order level – (Average usage * Average lead time)

$$= 480 - (12 * 10 + 20/2)$$

$$= 300$$

Maximum stock level = re-order level + re-ordering quantity-

(Minimum usage * minimum lead time)

$$= 480 + 554 - (12 * 10)$$

$$= 914$$

Danger level = Average usage * Maximum re-order period for emergency purchases

$$= 12*20$$

$$= 240$$

Average stock level = $\frac{1}{2}$ (Minimum stock level + Maximum stock level)

$$= 300+914/2$$

$$= 607$$

Stock Levels

a. During 2013-2014

The company requires 2066 units of billets/blooms to manufacture of steel for the year 2013-14. EOQ is 392 units. The company makes safety stock equal to 30 day requirement and the normal lead time is 10-20 days. The company works for 300 days in a year.

i. Reorder level = lead time * Average usage + safety stock

$$= (10*7) + 206.6$$

$$= 276.6$$

ii. Safety stock = usage * period of safety stock / total working days in a year

$$= 2066*30/300$$

$$= 206.6$$

iii. Average usage = usage / total working days in a year

$$= 2066/300$$

$$= 6.88 \sim 7$$

iv. Minimum stock level = reorder level - (Average usage * Average lead time)

$$= 276.6 - (7* 10+20/2)$$

$$= 171.6$$

v. Maximum stock level = reorder level + re-ordering quantity -

(Minimum usage * minimum lead time)

$$= 276.6+392-(7*10)$$

$$= 598.6$$

vi. Danger level = Average usage * Maximum re-order period for emergency purchases

$$= 7*20$$

$$= 140$$

vii. Average stock level = $\frac{1}{2}$ (Minimum stock level + Maximum stock level)

$$= 171.6+598.6/2$$

$$= 385.1 \sim 385$$

Findings & Suggestions

1. The company is having good sales for their products during all the early years of the study.
2. The inventory turnover ratio is on a declining trend year after year in the period of the study.
3. It indicates inefficiency of management in turning of their inventory into sales.
4. The company should adopt sophisticated techniques to manage its inventory in a better manner.
5. The EOQ calculated is suggesting that the company should obtain its inventory requirements by placing
6. orders frequently to its suppliers rather than one time replenishment.

7. Company should take measures for maintenance of proper stores and spares so as to avoid the frequent
8. breakdown of the machinery.
9. There is a need to develop good communication system between various departments like marketing,
10. planning, procurement, and production and distributions functions.
11. The company should follows Just-in-Time technique, their buy it can do away with waiting time for a receipt
12. of materials.

Conclusion

Inventory management has to do with keeping precise records of finished goods that are ready for shipment. This often means posting the production of newly completed goods to the inventory totals as well as subtracting the most recent shipments of finished goods to buyers. When the company has a return policy in place, there is usually a subcategory contained in the finished goods inventory to account for any returned goods that are reclassified or second grade quality.

Accurately maintaining figures on the finished goods inventory makes it possible to quickly convey information to sales personnel as to what is available and ready for shipment at any given time. The ROI of Inventory management will be seen in the forms of increased revenue and profits, positive employee atmosphere, and on overall increase of customer satisfaction. The next step of the present research will be the application of achieved results of demand forecasts, safety stock and reorder points into simulation software in order to achieve more accurate results.

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गाँधीजी के ट्रस्टीशिप सिद्धांत : एक अवलोकन

डॉ० संतोष कुमार

ग्रामीण अर्थशास्त्र एवं सहकारिता विभाग
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भूमिका

गाँधीजी के ट्रस्टीशिप चिंतन के आधार पर उत्पादन के साधनों का स्वामित्व की दृष्टि से यह आवश्यक है कि व्यक्तिगत उपयोग में आने-वाली चीजों के स्वामित्व-अधिकार का विचार इसमें नहीं किया जाता है। पूँजीवादी पद्धति में सारा मुनाफा मालिक स्वयं ही रख लेता है। सरकार को जो कुछ भी टैक्स उसे चुकाना पड़ता है, उसके सिवा मुनाफे में वह समाज को कोई हिस्सा नहीं देता। इसके सिवा, जिस चीज से उसे ज्यादा मुनाफा होता है, उसी चीज का उत्पादन वह अधिक करता है। इसमें समाज की सच्ची आवश्यकता का या समाज की भलाई का एवं जरूरत का ख्याल रखना वह अपना कर्तव्य नहीं मानता।

समाजवादी योजना के अनुसार उत्पादन के तमाम साधन राष्ट्र की सम्पत्ति बना दिये जायें, तो नफे का प्रश्न ही न रहे और उत्पादन भी समाज की आवश्यकता के अनुरूप ही किया जायेगा। परन्तु इसमें, सारा अधिकार राज्यसत्ता में ही रखा जाता है, और लोग राज्यसत्ता पर अंकुश नहीं रख सकते, इसलिए व्यवस्थापकों की एक नौकरशाही पैदा हो जाती है और पुराने पूँजीपति या मालिकों का स्थान यह नौकरशाही ले लेती है। गाँधीजी की पद्धति अहिंसक होने से वह जबरदस्ती का सहारा न लेकर लोगों की शिक्षा पर ज्यादा जोर देता है। गाँधीजी कारखानेदार या जमींदान का स्वामित्व-अधिकार मिटाकर उसे निकाल देने और उसके स्थान पर नया व्यवस्थापक नियुक्त करने के बजाय उन्हें अपपनी जगह रहने देने की बात करते हैं, परन्तु भूमिहीन मजदूरों और किसानों द्वारा उनसे कहलवाते हैं कि आप स्वामित्व के अधिकार की जो बातें करते हैं उसके बजाय आपको स्वामित्व के कर्तव्य पालन करने होंगे, अर्थात् निरंकुश स्वामी के रूप में नहीं, देश के कानून और लोकसत्ता द्वारा निश्चित अंकुशवाले संरक्षक के रूप में आपको समाज में सार्थक काम करना होगा।

संरक्षक के नाते मालिक के कर्तव्यों की नियमानुसार सूची बनाई जा सकती है और इन कर्तव्यों के पालन कराने का काम एक हद-तक कानून कर सकता है, परन्तु प्यादातर तो सुसंगठित मजदूरों और किसानों का प्रबल लोकमत ही यह काम कर सकता है। आजकल के पूँजीपतियों और जमींदारों को मजदूरों और किसानों का सहयोग मिलता है, इसीलिए वे अपने स्वामित्व के अधिकार का लाभ उठा सकते हैं। भूमिहीन मजदूरों और किसानों को इतना बलवान बनाना चाहिये कि वे अपनी शर्तों पर ही उन्हें सहयोग दें और जरूरत पड़ने पर अमुक समय के लिए उनके साथ असहयोग भी करें। इसके परिणामस्वरूप पूँजीपति या जमींदार को अपनी सम्पत्ति का संरक्षक बनना ही पड़ेगा। अपने आप जितना जल्दी वह संरक्षक बन जायेंगे उतना ही समाज के लिए भी बेहतर होगा।

जमींदान संरक्षक बनें तो पहले उन्हें अपनी "भूमि का सुधार" कर उसमें काफी खाद डालना चाहिये और अच्छी उन्नत बीज बोकर जमीन की पैदावार बढ़ाने की ओर ज्यादा ध्यान

देना चाहिए। इसमें जो कुछ पूँजी लगानी पड़े वह भी उन्हें लगानी चाहिए। जो फसल पैदा हो उसमें से उनके कुटुंब के खाने का जितना भाग उनके पास रहना चाहिए, उससे अधिक नहीं रखना चाहिए। इसके अलावे, जमींदार, किसानों के बच्चों की शिक्षा के ओर ध्यान दें, बीमार किसानों के लिए चिकित्सा की अच्छी व्यवस्था करें और उनके रहने के लिए मकानों का प्रबंध करें। जमीन की पैदावारों में से इन सब कर्तव्यों या जिम्मेदारियों के निर्वाह का खर्च निकाल कर जो कुछ बचे वह मालिक या ट्रस्टी के पास रहे। उसमें से वह अपने उपभोग के लिए अपना उचित मेहनताना ही ले सकते हैं। इसके बाद भी यदि कुछ बाँकी बचे तो वह सारे समाज की भलाई में लगाने के लिए उसके पास धरोहर के तौर पर रहे। जमींदार घर बैठे बगैर कुछ किये-धरे बिना लगान या बटाई का लाभ खाया करते हैं और भूमिहीन किसान कर्ज और कंगाली में डूबता चला जाता है। जमींदार के ट्रस्टी बन जाने पर यह स्थिति बदल जायेगी। जमींदार इन सब कर्तव्यों को पूरा न करें तो किसान उसके साथ शांतिपूर्वक असहयोग करें, उसका बहिष्कार भी करें, और सरकार यदि राष्ट्रीय स्तर पर किसानों के साथ हमदर्दी रखने वाली हो, तो वह किसानों की मदद भी करे। यही बात कारखाने और भूमिहीन मजदूरों के मामले में भी समझ लेनी चाहिए।

गाँधीजी के कार्य-पद्धति में पहले तो मालिकों को ट्रस्टी बनने के लिए और ट्रस्टी के नाते अपने फर्ज को अदा करने के लिए समझाया जायेगा, और अपना व्यवहार बदलकर उन्हें सुधरने का मौका दिया जायेगा। परन्तु यदि वे स्वेच्छा से ट्रस्टी बनने से इंकार करें, तो उन्हें ट्रस्टी बनने के लिए मजबूर करने का या बीच में से हट जाने के लिए बाध्य करने का आधार राजदण्ड या कानून की दृष्टि से तो अहिंसा की पद्धति में ही होनी चाहिए। लेकिन जब-तक सारा समाज पूरी तरह अहिंसक साधनों से काम लेना न सीखे तब-तक थोड़ी-बहुत राज्यसत्ता तो कायम रहेगी ही। बेशक, यह राज्यसत्ता निरंकुश न होकर लोकमत के सहारे से चलने वाली होगी। इसलिए यह मान लिया गया है कि मालिक को ट्रस्टी बनाने में कानून का थोड़ा बहुत हाथ तो रहेगा ही। लेकिन समाज जैसे-जैसे अहिंसा के क्षेत्र में आगे बढ़ता जायेगा और शक्तिशाली बनता जायेगा, वैसे-वैसे उसे अपनी योजनाओं पर अमल करने के लिए कानून की जरूरत कम पड़ती जायेगी।

गाँधीजी का यह सिद्धांत आज की पूँजीवादी पद्धति की जड़ पर प्रहार करनेवाला है। आज स्वामित्व के जो अधिकार माने जाते हैं, उन्हें वह स्वीकार नहीं करता, बल्कि स्वामित्व के कर्तव्यों पर जोर देता है और मालिक को समझाता है कि वह अपनी सम्पत्ति की व्यवस्था इस ढंग से करें कि, उससे समाज का भला हो और यदि मालिक न समझे तो, उसे वैसा करने के लिए अहिंसात्मक तरीके से मजबूर किया जाय। मालिक को धर्म-कर्म, जन्म-मरण तथा स्वर्ग-नरक की बातों का ज्ञान जागृत कर संरक्षता के अनुरूप कार्य करने की प्रेरणा दें।

यह सिद्धांत पूँजीवादी को खत्म करने के बजाय, उन्हें अपने अर्थ-व्यवहार में परिवर्तन करके शोषण का त्याग करने तथा समानता के आधार पर समाज का उपयोगी अंग बनने का मौका देता है। इस सिद्धांत में यह विश्वास किया गया है कि मनुष्य के स्वभाव को धीरे-धीरे सुधारा जा सकता है।

अपने पास की सम्पत्ति के मालिक न रहकर उसके ट्रस्टी बनने या बनाने का मुख्य साधन हैं शिक्षा, लोकमत के दबाव और अंत में शांतिमय असहयोग। स्वामित्व के अधिकार पर

नियंत्रण रखने की दृष्टि से तथा मालिक को अपनी सम्पत्ति की ऐसी व्यवस्था जो समाज के लिए हितकारी हों, मजबूर करने की दृष्टि से बनाये जानेवाले कानून का गाँधीजी निषेध नहीं करते।

लोकमत और सरकारी कानून से नियंत्रित संरक्षकता में कोई भी व्यक्ति अपने निजी स्वार्थ के लिए सम्पत्ति नहीं रख सकता और न वह उसका इस तरह उपभोग कर सकता है, जिससे समाज की भलाई में रूकावट आये। सम्पत्ति का उपयोग मालिक को समाज के हित के लिए ही करना चाहिए। मौजूदा कारखानों, यातायात, उत्पादन तथा आवागमन के साधनों का उपयोग कौन सी चीजें तैयार करने में किया जाय, इसका विचार समाज की जरूरतों को ध्यान में रखकर किया जायेगा, व्यक्ति के मन की तरंग के अनुसार या लोभ की दृष्टि से बिल्कुल नहीं।

ट्रस्टी अने अधिकार में रही सम्पत्ति की व्यवस्था समाज की सेवा के लिए करेगा। इसके बदले उसे निर्धारित किया हुआ मेहनताना मिलेगा। जैसे, यह निश्चित कर दिया जायेगा कि कम से कम अमुक निर्वाह-वेतन तो प्रत्येक को मिलना ही चाहिये, वैसे यह भी निश्चित कर दिया जायेगा कि अधिक से अधिक अमुक रकम से ज्यादा किसी को कुछ भी नहीं मिलनी चाहिए।

कम से कम और अधिक से अधिक मेहनताने के बीच का अन्तर उचित और न्यायपूर्ण होना चाहिये। इस अन्तर को दिन-प्रतिदिन घटाने और अन्त में दोनों के बीच का अन्तर मिटा देने का ध्येय रहना चाहिये, ताकि समाज में एकरूपता एवं समानता का वातावरण बन सके।

पूँजीवाद से उत्पन्न भेदभाव, सामाजिक, हिंसा और राजकीय पूँजीवादी व्यवस्था से उत्पन्न व्यक्तिगत एवं स्वतः प्रेरणा के आय का विकल्प गाँधीजी का “ट्रस्टीशिप सिद्धांत” है। गाँधीजी का मानना था कि जब-तक समाज से आर्थिक विषमता पूर्ण रूप से समाप्त नहीं हो जाती, तब-तक समाज तथा संसार में स्थायी शांति स्थापित नहीं हो सकती है। गाँधीजी सम्पत्ति अधिकार के उन्मूलन के पक्ष में नहीं थे, किंतु उनका दृष्टिकोण था कि सम्पत्ति के स्वामियों को अपनी सम्पत्ति को समाज का धरोहर समझना चाहिए। उनका विचार था कि भूमि और मकान समस्त समाज के उपयोग के लिए हैं और इस पर सम्पूर्ण समाज का अधिकार होना चाहिए। उनका कहना था कि सम्पत्ति के अधिकार के कारण ही असमान वर्गों का प्रादुर्भाव, जो अन्ततः शोषण को जन्म देने में काफी हद-तक सहायक होता है। धनिकी के पास यदि अधिक धन हो जाता है, तो इसे वे समाज की धरोहर मानें और अतिरिक्त धन का उपयोग वह ट्रस्टी की भाँति समाज के हित में करें। यही गाँधीजी का ट्रस्टीशिप संबंधी मुख्य अवधारणा है।

गाँधीजी जानते थे कि देश में धनी और निर्धन दोनों वर्ग के बीच की चौड़ी खाई समाज के विकास के लिए कदापि हितकर नहीं है। उनका मानना था कि धनी वर्ग के लोगों के हितों के लिए भी यह धाततक हो सकती है। साथ ही साथ वह धनी वर्ग की सम्पत्ति को ‘बलात’ हथियाने के कतई पक्षधर नहीं थे, इसलिए उन्होंने ट्रस्टीशिप की अवधारणा प्रस्तुत की थी। सम्भवतः भारतीय अर्थव्यवस्था के पुनर्गठन एवं विकास के संदर्भ में आर्थिक समानता लाने का गाँधीजी के ट्रस्टीशिपक । यही क मात्र अहिंसक तरीका सर्वश्रेष्ठ है।

वास्तव में, संरक्षकता इस तथ्य पर आधारित है कि व्यक्ति को मात्र उन्हीं आवश्यकताओं की पूर्ति करनी चाहिए, जो उसके लिए उचित तथा आवश्यक हों। व्यक्ति को अनन्त आवश्यकताओं के पीछे दौड़ना नहीं चाहिए। संरक्षकता का महत्वपूर्ण तत्व यह है कि व्यक्ति को अपने उपयोग के लिए उतना ही धन रखना चाहिए, जिससे उसकी आवश्यकताओं की पूर्ति की जा सके। व्यक्ति को आवश्यकताओं से अतिरिक्त धन को अपने उपयोग में खर्च नहीं करना चाहिए और इसका संरक्षक मात्र ही होना चाहिए। आवश्यकता से अधिक धन का स्रंह करना संरक्षकता के सिद्धान्त की अवहेलना होती है। इससे व्यक्तियों के जीवन-स्तर में भी समानता का विकास होगा और सर्वोदय समाज की स्थापना स्वतः हो जायेगी।

गाँधीजी का समस्त दर्शन धर्म और नैतिकता पर आधारित है। इसीलिए गाँधीजी ने अपने संरक्षकता के सिद्धान्त को भी नैतिकता पर आधारित किया है। तुलना में कर्तव्य का महत्व अधिक है इसलिए गाँधीजी ने इस बात पर ज्यादा बल दिया कि व्यक्ति को अपने कर्तव्यों के प्रति जागरूक होना चाहिए। कर्तव्यों के प्रति जागरूकता का परिणाम यह होगा कि व्यक्ति में अपने आप ही नैतिकता का विकास होगा। सम्पूर्ण गीता का सिद्धान्त व्यक्ति के कर्मों पर आधारित है और ऐसे कर्म परख जो फल प्राप्ति के त्याग की आशा से किया जाता है। संरक्षकता सिद्धान्त के अनुसार व्यक्तियों को यह स्वीकार करना चाहिए कि सम्पत्ति पर समाज का अधिकार होना अपने-अपने कर्तव्यों के प्रति जागरूक होंगे, तो समाज में अपने आप ही संरक्षकता के सिद्धान्तों का पालन एवं विकास हो जायेगा।

गाँधीजी का संरक्षकता का सिद्धान्त दो प्रमुख विचारों पर आधारित है – सत्याग्रह और असहयोग। यदि पूँजीपति अपनी अतिरिक्त पूँजी को सामाजिक हित के लिए उपयोग में न दें, तो ऐसा करने के लिए क्रान्ति-हिंसा को प्रोत्साहित और उनका सहारा नहीं लेना चाहिए। इससे न तो सर्वोदय समाज की स्थापना हो सकेगी और न ही संरक्षकता के सिद्धान्त की। गाँधीजी के अनुसार यह एक ऐसा कार्य है, जिसे आत्मबल के द्वारा ही किया जा सकता है। आत्मबल में ऐसी शक्ति निहित हों है, जिसके आगे पूँजीपति अने आप ही झुकेंगे और अतिरिक्त धन को सामाजिक उपयोग के लिए वे अवश्य दे देंगे। इस प्रकार संरक्षकता के सिद्धान्त का समाज में प्रतिपादन होगा। वास्तव में, समाज में संवर्द्धन एवं परिवर्तन के लिए संरक्षकता का सिद्धान्त समानता का सम्बाहक है।

गाँधीजी का विचार था कि समाज में किसी भी प्रकार का परिवर्तन करना आसान कार्य नहीं है। सामाजिक परिवर्तन को गति प्रदान करने के लिए आवश्यक है कि सामाजिक क्रान्ति को प्रोत्साहित किया जाय। किन्तु गाँधीजी की क्रान्ति हिंसात्मक न होकर अहिंसक होगी। इसमें किसी प्रकार की रक्तपात और खून-खराबा नहीं होगा। साथ ही समाज में एक-दूसरे के प्रति घृणा और द्वेष की भावना का भी अन्त हो जायेगा। गाँधीजी ने तो स्पष्ट शब्दों में लिखा है कि “स्वयं पूँजी बुराई है, इसका दुरुपयोग करना बुराई है।”

जिन व्यक्तियों की यह धारणा है कि गाँधीजी का संरक्षकता का सिद्धान्त केवल धनी वर्ग के लिए है, तो यह गलत है। गाँधीजी का यह सिद्धान्त तो सम्पूर्ण समाज के लिए है और सभी व्यक्तियों पर समान रूप से लागू होता है। गाँधीजी ने मात्र पूँजीपतियों के लिए ही इसकी पुष्टि नहीं की है, अपितु भूमिहीन मजदूरों के लिए भी इसकी पुष्टि की है। गाँधीजी का विचार था कि जिन कारखानों पर श्रमिक काम करेंगे, वह कारखानों में मालिक न होकर

उसके 'ट्रस्टी' मात्र होंगे। इसी प्रकार शिल्पी, कलाकार, वैज्ञानिक आदि भी समाज के हित में अपने बौद्धिक ज्ञान का उपयोग करेंगे। इन लोगों के पास जो ज्ञान है, इस पर इनका स्वयं का अधिकार नहीं होगा, अपितु इस पर सम्पूर्ण समाज का अधिकार होगा तब यह ज्ञान सम्पूर्ण समाज के उपयोग में लाया जायेगा।

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